

SUSTAINABLE GOVERNANCE

# SUSTAINABLE GOVERNANCE

Annual report 2018





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# THE GENERAL DIRECTOR 2018



*Dear shareholders, investors, customers, partners and all members in Imexpharm family,*

At the start of 2019, the Imexpharm team burst with pride when it obtained the EU-GMP Certificate from the Ministry of Health of Portugal for its Vinh Loc High-tech Antibiotics Factory. This was soon followed by another exciting news when the Ministry of Health of Spain re-approved five successful EU-GMP product lines, including 02 new lines, at our Binh Duong Betalactam High-tech Factory. In addition, at the beginning of March 2019, nearly 20 product registration numbers were granted to Imexpharm, seeing its total number of product registrations for EU-GMP factories to increase to more than 50 up to this present.

Each and every of these achievements is a result of pondering and worries, work values, tireless creativity and hard work of all members in the team, from local and international partners, the Board of Management with highest accountability, the staff members at our factories who are tasked with activity implementation to the support teams who always stand ready for anyone in need of assistance. I owe my deep gratitude to you all. I am also sincerely grateful for the absolute trust that all shareholders, investors, customers and partners have always placed on Imexpharm's challenging strategic goals.

*Ladies and gentlemen,*

In 2018, despite the fact that our revenue only reached 86% of the target and grew at 1.8%, the pre-tax profit was 101.5% of the plan and grew impressively at 18.6%. Personally, I believe this is a remarkable achievement in the context of sudden increases in raw material prices in 2018, increasingly stronger market competition and absence of a revised Circular on drug procurement after a long drafting process. In addition, Imexpharm was going through a rather difficult investment period with its Dong Thap factory to operate at highest possible capacity for many years to cover consulting costs for EU-GMP approval, human resources training and product research and investment of advanced technology in other factories which were under construction. The Imexpharm team, led by a Board of Senior Management, has been making its best efforts to deliver key tasks simultaneously, ensuring the timely construction of factories as committed to shareholders while fulfilling its business performance, financial and market targets for 2018.

**From 2019 onwards,** however, Imexpharm's development is much likely to move forward to a new stage, with positive prospects on procurement in high-end segments. Opportunities will be open for us to seal a new position where we can engage in fair competition with multinational pharmaceutical corporations to assert one of the leading Vietnamese drug trademarks that is aspiring to rise globally.



## MESSAGE FROM THE GENERAL DIRECTOR

*Ladies and gentlemen,*

Imexpharm has gone through a development journey of more than 40 years, in which we have spent more than 20 years daring to lead in our thoughts and actions grounded by a desire to deliver the world's highest standards into research and production of Imexpharm-branded products in order to fulfill its mission of providing quality health care to local communities through highly effective solutions. These efforts have been validated by the extended support and trust of professionals on the quality of our products. Despite market challenges, Imexpharm has never given up on its pursuit of quality and the mission we undertake while standing steadfast in a belief that Vietnamese drugs will gain the trust of domestic consumers and conquer international demanding markets.

*All these passions define who we are, i.e. an Imexpharm team with a shared "Aspiration to lead"; in which each individual strives to win the battles against himself, become more compliant and improve his performance day by day to best accomplish the tasks in his assigned position. We have also built an Imexpharm culture for all team members with that "Aspiration to lead" to keep themselves humble and cooperative while skipping any blame game based on the principle that "You are to blame first for any problems". While looking at myself quite often for self-evaluation. For an organization where each and every individual is both "physically fit" and "mentally strong", I hold a strong belief that it will move firmly forwards in the future.*

**"Aspiration to lead"** is also the strategic message for the 2018-2022 period that Imexpharm's Board of Management would like to share with all employees, shareholders, investors, customers and partners of Imexpharm. This aspiration is grounded by the modern technology platforms in line with Industry 4.0 that we have been improving to 2020, from EU-GMP standardized factories to application of technology in finance or product distribution management. This aspiration is fueled by a quality management system and investments for R&D. This aspiration is realistic with our leading customer service that we have been actively developing. This aspiration is also validated by the Imexpharm team, especially our scientific and technical staff members, along with an ambitious human resource development strategy to 2022.

”

*I also encourage the team to train themselves mentally and physically to better perform their tasks while still enjoying every*

**moment of life.**

*I have always depicted myself as a positive role model for employees in this mental and physical training process*

“

*Ladies and gentlemen,*

This aspiration is also aimed to meet policies and requirements on transparent governance, sustainable development and engagement with stakeholders.

“Aspiration to lead” will turn Imexpharm into one of the rare enterprises in the industry with highly impressive growth rate of 18% -20% by 2022. This growth would be made possible based on the advantages of a pioneering manufacturer which owns many EU-GMP standardized lines. Imexpharm will be positively looking ahead to 2019 with an expected revenue growth rate of 20.1% for VND 1,450 billion in return. This is a challenging target for 2019 when the global price of raw materials is unpredictable. However, we are all prepared for any possible scenarios. At the same time, we will also be completing construction of our Binh Duong High-Tech Plant (IMP4), to be followed by test runs, application for approval and registration of products before official launch in early 2020. Besides, we will make further investments in R&D, streamline our organizational and staffing structure and strengthen risk management in order to best meet the expected growth requirements in the coming years. Once again, I am truly grateful for your engagement, trust and companionship. I honestly hope that the shareholders, investors, customers, partners and every member of the team in the Imexpharm family will have a shared understanding on the “Aspiration to lead” strategy for all of us to develop Imexpharm into a leading pharmaceutical enterprise in Vietnam in terms of inclusive, modern and sustainable governance to 2022 and beyond.

Sincerely,

**General Director**

**Ms. Tran Thi Dao, People's Doctor and Pharmacist**





# IMEXPHARM

## A JOURNEY OF ASPIRATION

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# GENERAL INFORMATION

## IMEXPHARM CORPORATION



Abbreviated name: **IMEXPHARM**

Tên tiếng Anh: **IMEXPHARM CORPORATION**



Charter capital:

**429.781.510.000 VND**

*(four hundred and twenty nine billion, seven hundred and eighty one million, five hundred ten thousand Vietnam dong)*



PAID-IN CAPITAL:

**1.504.612.565.524 VND**

*(One thousand five hundred and four billion, six hundred and twelve million, five hundred and sixty five thousand, five hundred and twenty four Vietnamese dongs)*

**Business registration certificate:** No. 1400384433, registration for the first time on 01 August 2001, with the nearest subsequent registration of changes (23th time) on 15 January 2017 as issued by the Department of Planning and Investment of Dong Thap Province.



**Head office:**

No.04, 30/4 Street, Ward 1, Cao Lanh City, Dong Thap Province

**Tel:** 0277.3851 941

**Fax:** 0277.3853 106

**Email:** [imp@imexpharm.com](mailto:imp@imexpharm.com)

**Website:** [www.imexpharm.com](http://www.imexpharm.com)

**Ticker symbol:** **IMP**

**Stock Exchange:** **HOSE**, according to Resolution No. 76/UB-CK-GPNY dated 04 December 2006



# IMEXPHARM

## 40 - YEAR JOURNEY OF ASPIRATION

In 1977, Grade-2 Pharmaceutical Company, the forerunner of Imexpharm Pharmaceutical Joint Stock Company, was established in Dong Thap. All production activities were very difficult at the time as input materials and advanced technologies in the world were not available following the liberation the South in 1975.

However, Grade-2 Pharmaceutical Company performed effectively and could provide essential pharmaceutical products for Dong Thap and neighboring provinces of the Mekong Delta. In 1983, Dong Thap Pharmaceutical Union Enterprise was developed from the Grade-2 Pharmaceutical Company. Despite ups and downs, including those difficult times during the economic restructuring, the company maintained its efficient operation and stayed as the leading enterprises in the pharmaceutical industry.

By November 1999, Dong Thap Pharmaceutical Union Enterprise was officially affiliated to Central Pharmaceutical Company and renamed as Central Pharmaceutical Company No. 7. From here, the company started to take strong development steps and expand its coverage to the Southeast and Central Highlands provinces.

In response to the call for equitization of state-owned enterprises, in 2001, Imexpharm Pharmaceutical Joint Stock Company was established from Central Pharmaceutical Company No. 7. Since then, Imexpharm has undergone many changes in its Charter Capital, adopted the technological pioneering approach, and constantly improved its management and technical capacities. Imexpharm has achieved key milestones in the development of Vietnam's pharmaceutical industry and helped realize the Vietnamese dream for Vietnamese medicines.

After more than 40 years of development, Imexpharm has been sealing its position in the Vietnam pharmaceutical market and is a trademark of quality and reasonably priced medicine that has gained trust from experts. By 2018, Imexpharm has its revenue to stand over VND 1,200 billion, its capitalization to be nearly VND 2,500 billion, and is the home of more than 1,200 employees. Currently, Imexpharm is striving to further script its glorious past by "Aspiring to lead" in technology, R&D and sustainable management, in Vietnam's immature but potential pharmaceutical industry.







# 40 YEARS

**Founded in 1977** only two years after the reunification of the country and although everything at the time was difficult, Imexpharm, with its strong will and efforts, rose to achieve remarkable achievements in a journey of more than 40 years of development. Important milestones on its road to glory filled with thorns can be summarized as follows:

Dong Thap Pharmaceutical Union Enterprise was the first entity in the country to obtain ASEAN-GMP certification. At the time, ASEAN-GMP was a very new concept in Vietnam, while domestic pharmaceutical companies were still seeking access to Generics medicine technology, Imexpharm had shaped its core values, i.e. investment for quality and improvement of production technology. Besides, ASEAN-GMP certification also opened many development opportunities, creating a foundation for the company to strengthen its investment and implement the strategies.

the Board of Management of Imexpharm (then the Central Pharmaceutical Company No. 7), led by Ms. Tran Thi Dao, boldly "sailed big seas" by seeking cooperation opportunities in Europe and studying the most advanced technology in the world. This led to the first franchise manufacturing agreement between Imexpharm and Biochiemie Group, opening up the prospects for capacity building and enhanced competitiveness for a pharmaceutical business in the Mekong Delta.

Became the first company under Vietnam Pharmaceutical Company to perform equitization and became Imexpharm Corporation in July 2001 pursuant to Decision No. 907/QDTG dated 25 July 2001 with Share capital of 22 VND.

charter capital was increased to VND 64 billion to meet business expansion requirements via shares offered under private placement to strategic investors.

Imexpharm was the first pharmaceutical company to get approval from the State Securities Commission for listing stock on the Ho Chi Minh City Stock Exchange, with the stock code IMP. The company continued to invest and improve the plants in line with good practice standards of the World Health Organization. In particular, the company invested in and upgraded two Betalactam and Non-betalactam factories to WHO-GMP standards (Good Manufacturing Practices), the laboratory to GLP-WHO standards (Good Laboratory Practices) and the storage monitoring system to GSP standards (Good Storage Practices).

Imexpharm demonstrated successfully the bioequivalence" of the first product being Imeclor Antibiotics 125mg (containing Cefaclor). Up to now, Imexpharm have 7 products verified for bioequivalence. The Share capital was increased to VND 116,598,200,000 by paying dividends in shares and additional issuing.

Imexpharm signed a joint venture production contract with Pharma Science - Canada.

the Company officially commissioned the Cephalosporin plant in VSIP II Industrial Park, Binh Duong. The plant applies European standards and technologies to manufacture the new generation oral and injectable Cephalosporin drugs.

1997  
1999

2001  
2005

2006  
2007

2008  
2009





the company successfully issued additional shares to increase the charter capital to VND 152,145,000,000. The company diversified its product portfolios by building a new plant to manufacture injectable and oral Penicillin in VSIP II Industrial Park, Binh Duong with a total investment of VND50 billion from capital surplus. In the same year, the company commenced the construction of new headquarter in Cao Lanh City with a total investment of VND28 billion.

2010  
2011

Binh Tan sales branch was established to strengthen the distribution network in Ho Chi Minh City and surrounding areas, terminating dependence on distributors in Ho Chi Minh City.

the Company launched SAP-ERP project with 8 modules. Imexpharm is the first pharmaceutical company to apply ERP software to management system. The Company completed distributing bonus shares at a ratio of 10% of charter capital, with the budget from the capital surplus to increase Share capital to VND 167,058,000,000.

2012  
2013

Imexpharm completed construction and operationalized its Head Office with established SAP-ERP system. BSC (Balanced Score Card) project was also initiated for restructuring the company. The Penicillin plant in Binh Duong was included in the pipeline for GMP-WHO certification. Also in this year, Imexpharm started using materials produced by enzymatic fermentation technology and imported from Spain for its well-known antibiotic product lines. Products manufactured using this technology are safe for health and friendly to the environment.

the Company continued training, rotating and restructuring the company in line with BSC. Issued shares to increase Share capital to VND 263,114,860,000 from surplus capital and ESOP (employee stock ownership plan) shares. The Company upgraded 2 Cephalosporin (injective and oral) and Penicillin (injective) product lines of the High-tech Betalactam Plant in Binh Duong to EU-GMP standard, with the budget of VND 100 billion from Owners' equity.

2014  
2015

The Company issued shares under private placement to the strategic partner being Pha No Pharmaceutical Joint Stock Company to increase Share capital to VND 289,426,460,000.

Imexpharm commenced construction of the High-tech Pharmaceutical Plant in Binh Duong of EU-GMP standard to manufacture product lines to stay ahead of market demands, with the total projected investment capital of 470 billion VND from owners' equity. The Company completed upgrading 03 production lines of the High-tech Plant in Binh Duong and obtained the EU-GMP certification for the plant from Spanish Ministry of Health, Social Services and Equality in September 2016. This is made official on the website of the Ministry of Health in November 2016. Also in this year, the company inaugurated its Binh Dinh sales branch, aiming at promoting sales and marketing in the Central region. The company continued its investment in advanced technology to seize the opportunity of the pioneers, by starting construction of a high-tech antibiotic factory in Vinh Loc with a total investment of VND 180 billion. Imexpharm, for the first time, obtained a revenue of over VND 1,000 billion in 2016.

2016  
2017

Imexpharm continued the construction of the aforesaid plants. The company also completed raising its charter capital to VND429,781,510,000 and implemented the ESOP program for its employees. In the same year, the Company successfully registered European Visa for injectable Imetoxim 1g. Imexpharm has also deployed the Distribution Management System to 20 sales branches and completed training for 230 pharmaceutical sales representatives on new technology to improve sales and management efficiency. The company continued to apply BSC to restructure the system and prepare human resources for the operation of two European standard plants.



2018

Imexpharm completed the construction and obtained approval for Vinh Loc High-tech Antibiotic Plant. The plant obtained EU-GMP certification by the Portuguese Ministry of Health in January 2019, and prepared to start operation in the second quarter of 2019. 2018 also marked a time point when both investment in upgrading production line and re-application for EU-GMP certification were successful for Betalactam Binh Duong Factory (IMP 3), including 05 production lines (with 02 new production lines). The company has also increased its charter capital to VND 494,223,590 from dividend payment in shares, equivalent to 15% of charter capital.



## TITLE HONORS AND AWARDS



As for the year 2018, Imexpharm received the following notable awards:

### 1. TOP 100 VIETNAM GOLD STAR AWARDS 2018

After 15 years of development (2003-2018), Vietnam Gold Star Awards has become a noble award that recognizes and builds prestige and images of Vietnam brands in international market, and receives strong support and attention from the general public and businesses.

For this award, participating enterprises must present an outstanding performance and sustainable development while fully meeting strict criteria from the organizers such as: Strong achievements in business performance and social activities; high quality products and services at competitive prices compared with similar products on the international market; environmental technology in accordance with domestic and international requirements; active participation in social activities; ideal benefits to employees; full compliance with tax and social insurance obligations...

This was a great honor and motivation for Imexpharm when the company first won the Top 100 Vietnam Gold Star Awards 2018.

### 2. NATIONAL QUALITY AWARDS 2017

The National Quality Awards is the only quality award given by the Prime Minister and included in the International Asia Pacific Quality Awards.

With high ratings for its creativity and innovative thinking in production and business, plus an out-of-the-box think, Imexpharm was honored to receive the National Quality Awards 2017 (honored and awarded in April 2018), for its outstanding achievements as the first enterprise in Vietnam to own a large number of EU-GMP certified production lines. The award was a great motivation for the Company, proving its proper investment strategy of the Board of Directors and the Board of Management that shape Imexpharm's sustainable development and contribute new achievements in health care options for Vietnamese people.

### 3. TOP 100 VIETNAM SUSTAINABLE ENTERPRISES 2018

The award is an initiative put forward by VCCI in coordination with the Ministry of Natural Resources and Environment, Ministry of Labor, Invalids and Social Affairs ... to develop and publish a Corporate Sustainability Index (CSI) with 131 criteria for annual voting, and honor businesses with outstanding performance on sustainable development. The award is to send the message to the business community, that is, to change their business mindset for them to view sustainable development from a new perspective. First of all, it is not a distant scenario for large companies and corporations or world powers. That is ubiquitous and an inevitable requirement of development process.

Imexpharm continued to hold its position as a responsible business and moved towards the highest standards in business production; in 2018, Imexpharm kept its position in the Top 100 Vietnam Sustainable Enterprise for the third consecutive year. This encouraged the Company to further pursue sustainable management goals and create new values in its health care mission for the community with highly effective solutions at reasonable prices and full implementation of its corporate social responsibility.



### 4. TOP 10 BEST ANNUAL REPORTS AWARDS AND TOP 5 BEST CORPORATE GOVERNANCE AWARDS FOR MEDIUM-SIZED CAPITALIZATION CATEGORY

The Best Annual Reports Awards is a prestigious award given by Ho Chi Minh Stock Exchange, Hanoi Stock Exchange and Vietnam Investment Review, with the technical support of IFC and the largest international auditing company in Vietnam. In 2018, the award was expanded to become Vietnam Listed Company Awards to meet the stock market's development requirements.

Despite more and more rigorous rating criterion, Imexpharm still won two awards eventually, i.e. ranked third in Annual Reports Awards, and ranked first for the Best Corporate Governance Awards - for Medium-sized capitalization category.

The awards recognized the standards and reliability of our Annual Reports, as well as transparent data policies with our investors, shareholders and corporate customers. Imexpharm's reputation is not only confirmed by quality products but also by the management system recognized by the market.

In 2018 the company succeeded in delivering the national theme of "Sustainable Governance". On that basis, Imexpharm will further implement other development themes in order to gradually achieve its strategic goals centered around the idea of "Aspiring to lead" of the Board of Directors and the Board of Management to 2022.



## TITLE HONORS AND AWARDS

*In its proud journey, Imexpharm has received different awards that honor its contribution. Some of these achievements can be listed as follows:*



- Labor Hero, awarded by the President of the Socialist Republic of Vietnam in 2006.
- ISO Gold Cup, awarded by the Ministry of Science and Technology in 2006
- Certificate of High Quality Product of Vietnam, awarded by Saigon Marketing Newspaper in 2007.
- Third-Class Independence Medal, awarded by the President of the Socialist Republic of Vietnam in 2008.
- Certificate of Merit for significant contribution to the program “For Development of tomorrow” of Tuoi Tre News, awarded by the People’s Committee of Ho Chi Minh City from 1988 to 2008 consecutively
- Certificate of Excellence for implementation of GPP principle and standard for pharmacies for the hospital block in Ho Chi Minh City, awarded by the Director of the Department of Health of Ho Chi Minh City in 2009.
- Leader Flag of the Emulation Movement in 2008, awarded by the President of the Socialist Republic of Vietnam.
- AWARDS certificates and cups include “Vietnam Leading Joint Stock Company” in 2008, “50 Best Vietnamese Listed Companies” in 2009 and “Reputable Stock Brand Name” in 2008, 2009 and 2010”
- Cup of “Top 100 Reputable Brand Names of Vietnam” in 2014, 10th time, awarded by the Vietnam Union of Science and Technology.
- Certificate of Corporation Competitiveness Index, “Top Brands 2014”, awarded via

Global GTA Vietnam by Inter Conformity Certification Organization, Federal Republic of Germany

- Top 3 Best Annual Reports Awards in 2018, First Prize of Corporate Governance Awards for the medium-sized enterprise category in 2018; Top 30 Best Annual Reports Awards in 2016; Top 10 Best Annual Reports Awards in 2014, 2015, Presentation, Trustworthiness and Sufficiency of the Sustainability Report Awards; Top 30 Best Annual Reports Awards in 2012, 2013; Top 50 Best Annual Reports Awards in 2011;
- “Star of Vietnam’s Medicine”, awarded by the Ministry of Health in 2014, 2015.
- In 2016-2018, Imexpharm was honored to be in the top 100 sustainable enterprises of Vietnam. This award was given by Vietnam Chamber of Commerce and Industry -VCCI to honor businesses that promote sustainable development in economic, social and environmental terms.



LEADING ASPIRATION  
SUSTAINABLE GOVERNANCE

Imexpharm's main business is manufacturing and trading of western medicines. At Imexpharm, the key products are Betalactam antibiotics, including oral and injectable antibiotics. These products were studied intensively and produced with high-quality materials that meet stringent standards adopted by ICH-CEP member countries in its high-tech factories which are operated in line with the global advanced standards. Besides, the company also focuses on producing non-betalactam products such as: analgesic, antipyretic, cardiovascular, digestive drugs... In recent years, Imexpharm has further invested in functional food products and auxiliary medicinal products to diversify its product lines released to the OTC market. However, the company continued to maintain and promote production and distribution of key products.

- At the beginning of March 2019, Imexpharm had a total of **263** registration numbers for production and circulation of licensed products, up 32% over the same period last year (200 registration numbers), wherein EU-GMP factories in Vinh Loc (IMP 2) and Binh Duong (IMP 3) have 50 registration numbers.

Imexpharm products include the following categories: Antibiotics group (oral and injective), specialized treatment group (cardiovascular, diabetic, antihistaminic and antiallergic, peripheral vasodilator and cerebral activators drugs, etc.), pain relief group, gastrointestinal & hepatobiliary group, musculoskeletal group, functional foods group, vitamin group and other products.

Therein, the 3 product groups of: Antibiotics, specialized treatment and pain relief accounted over 80% of consumption value in recent years. Batalactam antibiotic category presents potential for higher contribution in total revenue.

Imexpharm's business areas are located throughout Vietnam. The company first operated only in Dong Thap province and neighboring provinces in the Mekong Delta region. Currently, its coverage has been expanded nationwide while sales in Ho Chi Minh City, the South East, the Central Highlands and the North represent a significant proportion in the Company's revenue. As of December 31, 2018, the company has 20 sales branches nationwide.





# MISSION

**“Offering effective solutions for social health care”**

*The mission of Imexpharm is to provide high quality products and health-care services for all people.*

The social prosperity is the goal for Imexpharm to develop and strive for. Operating in the pharmaceutical industry, Imexpharm determines profit is not the primary goal pursued by the company. Imexpharm understand our responsibility for the overall development of Vietnam, which is to provide affordable and effective medicines to the Vietnamese people, ensuring their access to all kinds of international medicines produced by domestic pharmaceutical company.

# VISION

**Top Quality - European Standard**

*Imexpharm aims at becoming the leading pharmaceutical company in the country in term of high quality products manufactured in plants up to European standards*

Imexpharm boldly made investments to improve technology and enhance its brand value. By 2022, the company targets to become one of the leading pharmaceutical companies in Vietnam, especially in terms of technology and sustainable management. Not limiting itself to become a leading pharmaceutical enterprise in Vietnam market, Imexpharm targets to reach further in the world market to promote the value of Vietnamese brands.



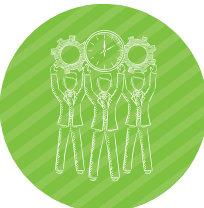
# CORE VALUES

In order to fulfill its mission, Imexpharm always targets quality and efficiency in all activities. The company is focusing on delivery of 6 core values, attached to 06 Rules of the Company Culture, specifically:



## Customer-oriented - Leading services

Imexpharm customers are placed at the center of all activities. Imexpharm understands that a business can only exist by winning customers' long-term confidence and trust for its products and services. Therefore, the company has been trying relentlessly to bring good and sustainable values to customers.



## Cooperation - You are the first cause of any problems

Hands up for a better community requires everyone's contribution and cooperation in unity. In order to provide best services to our customers, it is needed to promote effective internal cooperation, as well as long-term cooperation with our partners. Imexpharm staff members always work together to complete the work in an efficient fashion. Imexpharm engages with stakeholders at all times to generate prosperity to the community.



## Perseverance - Don't ever say no but give me a solution

Imexpharm always encourages employees to persistently pursue the goals. Significant goals cannot be realized overnight, perseverance will be a prerequisite for success. For Imexpharm, its mission and vision poses challenges and requires the company to persistently pursue its goals. Imexpharm has been spending more than 20 years on its investment journey on technology and product quality towards reach sustainable development.



## Enthusiasm - Return home until completion

Perseverance must be accompanied by enthusiasm and a sense of responsibility to fulfill your mission. Striving hard and contributing to the community with enthusiasm and sense of responsibility is the core value in Imexpharm culture.



## Learning and improving - Stop being arrogant if you do not want to go backward

The company consistently encourages its people to enhance knowledge and skills for continuous improvement at work and development of their career in particular and Imexpharm's house in general. The advancement of science and technology requires each person to keep up with the latest trend; thus, studying relentlessly is the window to move forward and rise to the same level as advanced countries in the world.



## 6. Effectiveness - Talk numbers

Improving work performance becomes the guiding principle for all Imexpharm employees. Effective performance, as measured and demonstrated by specific numbers, is the basis for personal improvement and capacity building, thereby increasing the productivity of the company.

Imexpharm's mission and vision are implemented together with 6 core values and 6 Rules of the Company Culture, expected to assist Imexpharm in its development, integration and maintenance of its position in the context of fierce competition in the Vietnam pharmaceutical industry and wider globalization.



CORPORATE CULTURE AND INTEGRATION

40 years of its development history

The culture of the company clearly demonstrates a

“Imexpharm - A Sustainable House”

Although Imexpharm has always pursued advanced standards, it has developed a humane working culture. This culture is rooted on the land of Rose Lotus - Dong Thap Province where Imexpharm started its business - and is also the constant direction for 40 years of its development history. The culture of the company clearly demonstrates a “Imexpharm - A Sustainable House” vision, in which each employee at Imexpharm is a family member and everyone actively support and help each other to accomplish the shared goal and drive the company development. The company regularly organizes multiple activities for members to meet, exchange and learn from each other so as to fire enthusiasm, solidarity and a sense of belonging among the company’s employees. Besides, training and refresher training programs have been organized to enhance knowledge and skills of all Imexpharm employees for them to complete the work most efficiently. Imexpharm values the efforts and positive changes through training and mentoring opportunities, rather than creating a competitive environment, to promote personal development. Therefore, Imexpharm’s working environment is friendly and open where mutual sharing is always promoted.

International integration in the era of globalization is a must. Therefore, the company finds it critical to tirelessly improve its processes and operations to keep pace with global development. That’s why it studied and applied advanced standards and modern management tools for its factories. Imexpharm’s motto in the new development period after a 40-year journey is “Global reach”. Therefore, the company will actively integrate deeply into the international market, through updating itself with latest technology but also introduction of Imexpharm’s products to foreign markets.

OPERATIONAL AND FINANCIAL PERFORMANCE 2014-2018

With positive business performance, Imexpharm’s total revenue, income, profit, assets and equity have all grown in the last 5 years.

Basic Operating Indicators in the period 2014 - 2018

No.	Contents	2018	2017	2016	2015	2014	CAGR
I Business results (VND billion)							
1	Total net revenue and other income	1,207.1	1,185.4	1,021.0	984.1	907.5	7.4%
2	Net revenue	1,184.8	1,165.5	1,010.3	964.3	897.1	7.2%
3	Profit from business operations	170.6	145.8	126.8	119.9	111.2	11.3%
4	Profit before tax and distribution for Fund for Science & Technology Development	192.8	162.6	140.5	131.7	122.5	12.0%
5	Profit before tax	173.8	146.6	126.5	118.7	110.3	12.0%
6	Profit after tax	138.7	117.4	101.2	92.9	85.8	12.8%
II Capital structure							
1	Charter capital (VND billion)	494.2	429.8	289.4	289.4	263.1	17.1%
2	Owners' equity (VND billion)	1,504.6	1,395.3	935.9	906.8		17.2%
3	Total capital (VND billion)	1,774.2	1,773.6	1,155.8	1,092.7	1,029.5	14.6%
4	Current assets/Total assets	47,0%	55,1%	62,4%	68,2%	69,9%	
5	Fixed assets/Total assets	17,8%	15,1%	23,4%	24,1%	23,9%	
6	Liabilities/Total assets	15,2%	21,3%	19,0%	17,0%	22,6%	
7	Liabilities/Owner's equity	17,9%	27,1%	23,5%	20,5%	29,2%	



## IMEXPHARM – A JOURNEY OF ASPIRATION

### III Net cash flows (VND billion)

1	Net cash generated by operating activities	132,094	97,213	84,650	44,799	15,604
2	Net cash used in investing activities	(48,101)	(443,247)	(14,340)	(168,499)	(36,361)
3	Net cash (used in)/generated by financing activities	-	352,372	(58,009)	32,991	7,053
4	Cash and cash equivalents at the end of the year	190,437	106,457	100,127	87,842	178,550

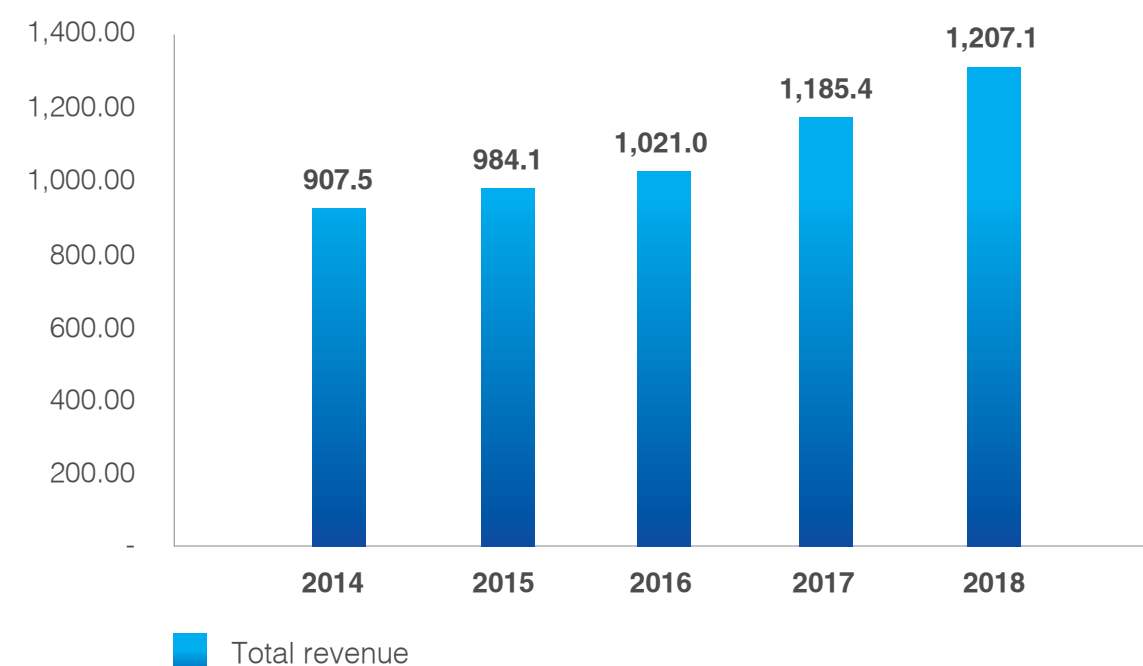
### IV Operational capability

1	Quick ratio (times)	2.2	2.0	2.5	3.2	2.1
2	Current ratio (times)	3.5	2.8	3.6	4.8	3.6
3	Average days of inventories (days)	153	128	143	167	186
4	Average days of trade receivables (days)	63	71	81	81	75
5	Turnover of fixed assets (rounds)	4.1	4.3	3.8	3.8	3.6
6	Turnover of total assets (rounds)	0.7	0.8	0.9	0.9	0.9

### V Profitability

1	Profit before tax and distribution for Fund for Science&Technology Development/Revenue	16,3%	13,9%	13,9%	13,7%	13,7%
2	Net profit after tax/Revenue (ROS)	11,7%	10,1%	10,0%	9,6%	9,6%
3	Net profit after tax/Average total assets (ROA)	7,8%	8,0%	9,0%	8,8%	9,0%
4	Net profit after tax/Average Owners' Equity (ROE)	9,6%	10,1%	11,0%	10,9%	11,3%
5	Earnings per share (EPS, VND/share)	2.524	2.160	2.680	2.729	2.909
6	Book value (BV, VND/share)	30.457	32.481	32.337	31.332	30.277

Total net revenue and other income 2014-2018 (billion dong)

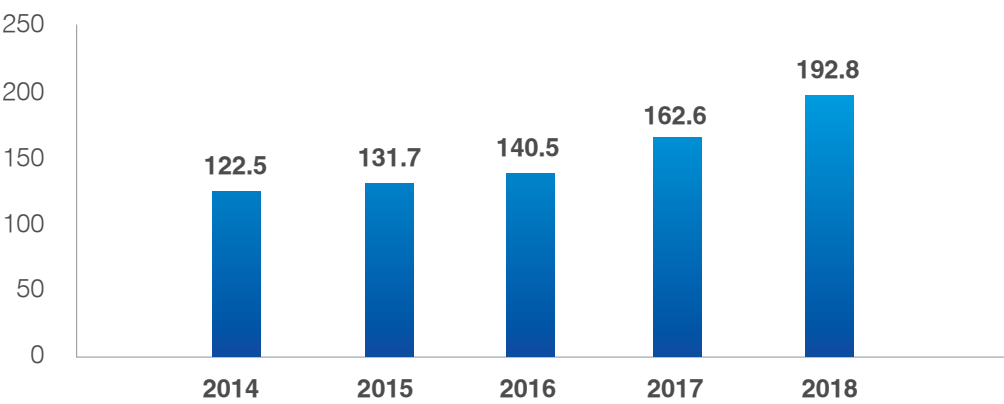


In 2016, Imexpharm started to obtain a revenue of over VND 1,000 billion. Imexpharm's total net revenue and other income grew steadily over the years, standing at VND 1,207.1 billion in 2018. The CAGR for the period of 2014-2018 was 7.4%/year. This growth recognized the outstanding efforts of the entire team in the difficult period that Imexpharm was facing. When drug procurement regulations at hospitals are revised in favor of reasonable drugs, the Company will shift to OTC market and continuously invest in new factories according to EU-GMP standards before return to the high-end segment in ETC market.



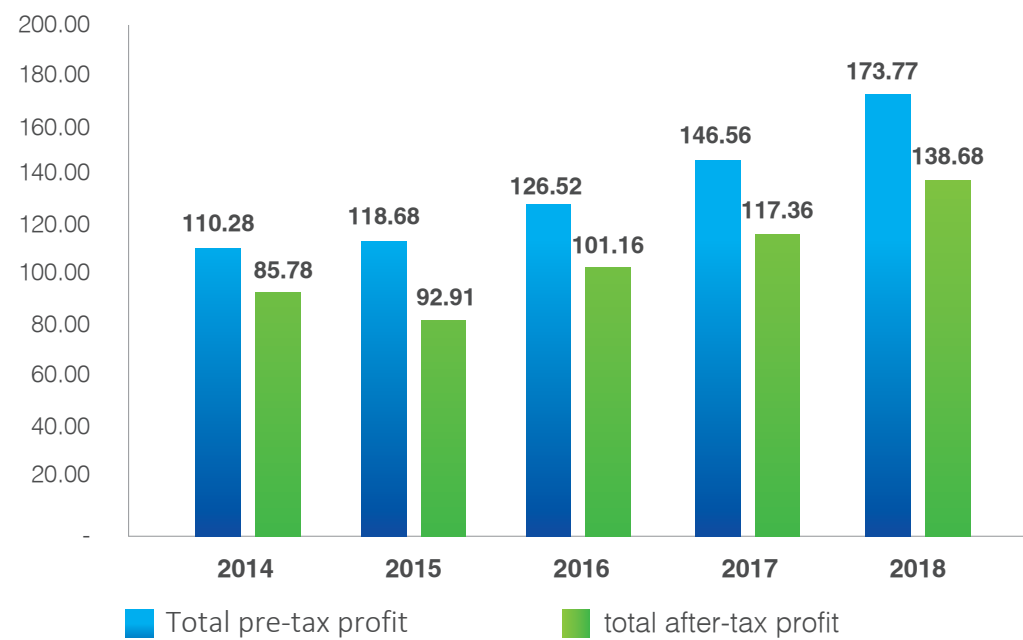
Profit before tax and distribution for Fund for Science & Technology Development

Profit before tax and distribution for Fund for Science & Technology Development 2014-2018 (VND billion)



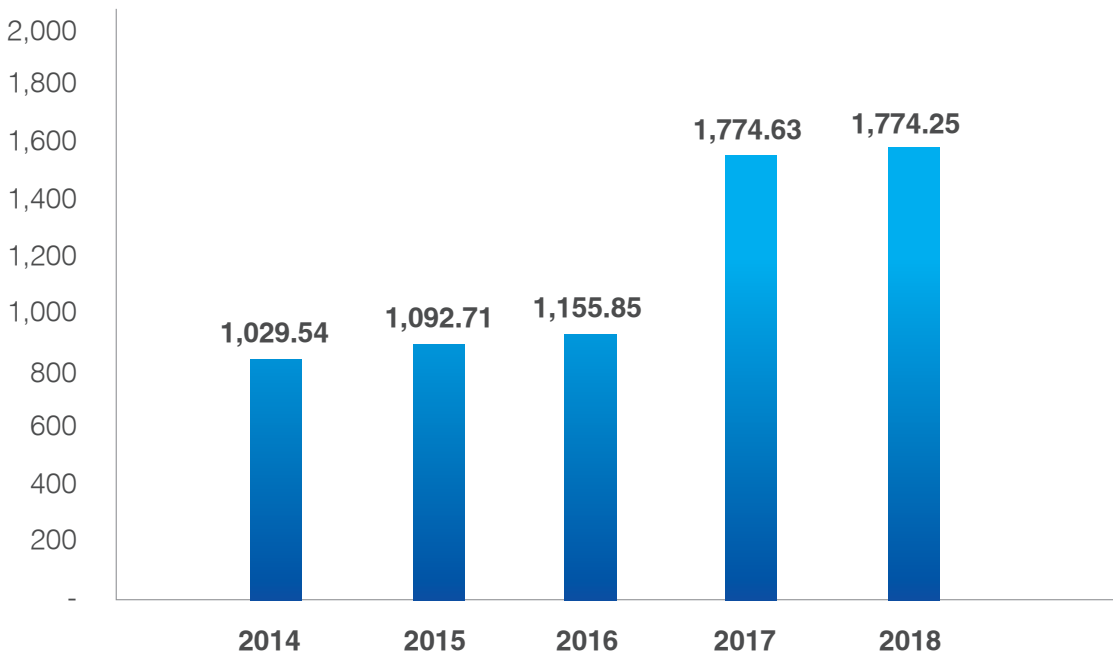
Pre-tax profit and contribution to Science & Technology Development Fund had higher growth rate than revenue, with 5-year CAGR of 12.0%. This resulted from the Company’s efforts to reduce costs as a response to unfavorable market conditions.

Total pre- and after-tax profit during 2014-2018



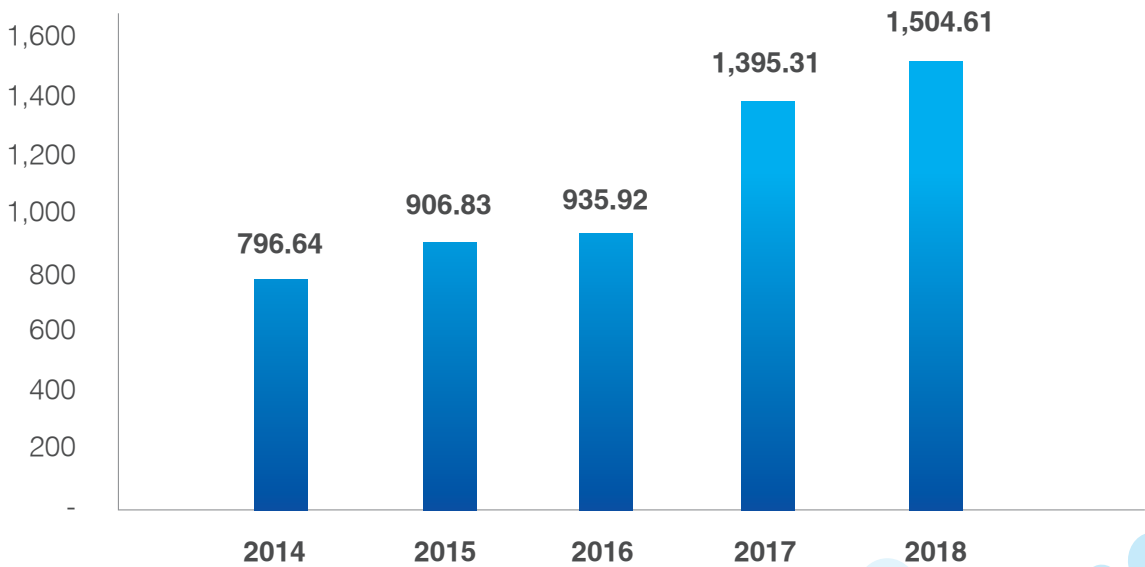
The 2014-2018 CAGR reached 12.0% for pre-tax profit and 12.8% for after-tax profit

Total assets 2014 -2018



Total assets also recorded a 5-year average growth of 14.6%.

Owners’ equity 2014 - 2018



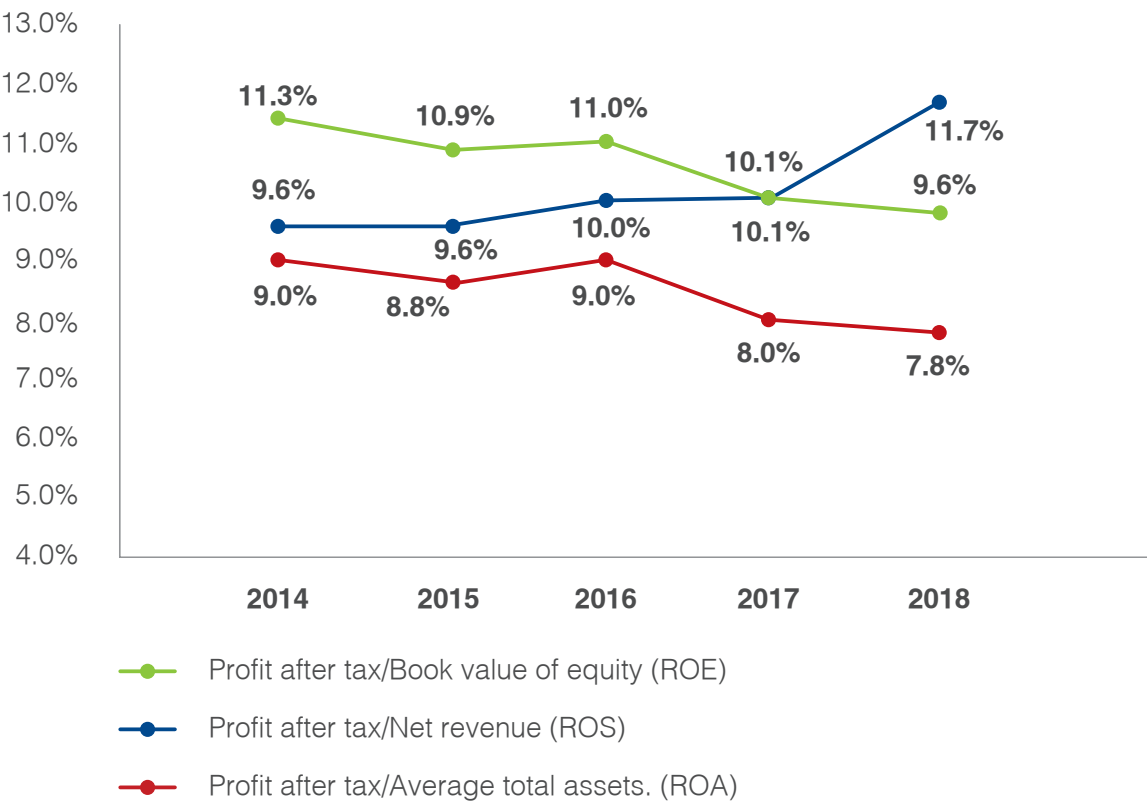
Imexpharm’s owner’s equity increased rapidly in the last 2 years due to its issuance of shares to increase the charter capital and profit accumulation. The 5-year CAGR stood at 17.1%.



IMEXPHARM – A JOURNEY OF ASPIRATION



Profitability indicators 2014-2018



Imexpharm's net profit margin improved gradually over the years; especially in 2018, in the context of global price fluctuations, ROS still reached 11.7%, up 1.6% compared to 2017.

However, due to the issuance of shares to increase charter capital and release of investment for construction of new factories under EU-GMP standards, average ROA and ROE over the years tended to decrease. Imexpharm will improve these indicators since 2019 when EU-GMP factories enter into operation effectively.



IMEXPHARM - Highlights of 2018

“ In 2018, despite many positive changes of Vietnam economy, the pharmaceutical industry faced many challenges. Imexpharm also faced many difficulties as market competition was getting fiercer. Not only dealing with fluctuations in raw material prices in a way that it can meet the production and business targets for 2018, it was still required to ensure the factory construction progress as committed with its shareholders and investors. With these efforts, there were key events in 2018 that marked Imexpharm's development as follows:





## 1.The Portuguese Ministry of Health approved and granted EU-GMP Certificate to Vinh Loc High-Tech Antibiotic Plant

Vinh Loc High-tech Antibiotic Factory of Imexpharm (IMP 2) obtained approval and EU-GMP Certificate as scheduled from Portuguese Ministry of Health in January 2019. Once again, it was the collective efforts by Imexpharm that promoted successful construction of the factory and compliance of strict European approval process to officially have 2 factories to be certified by EU-GMP standards while opening great bidding opportunities for products under Group 1 and 2 of Generics Package - a segment which used to be exclusively for multinational pharmaceutical corporations.

*Vinh Loc High-tech Antibiotic Factory of Imexpharm (IMP 2) obtained approval and EU-GMP Certificate as scheduled from Portuguese Ministry of Health*

**January 2019**

## 3. Announcement of EACRI Study for Bactamox 1g product

Last year, the R&D and Marketing Division worked closely with reputable hospitals across the country to conduct EACRI research for Bactamox 1g, which has proven its therapeutic effect to 97, 2% . The success of this study built Imexpharm's confidence on the treatment advantages of the Betalactam antibiotics, typically **Bactamox 1g (a combination of amoxicillin 875mg + Sulbactam 125mg)** , to provide a new treatment alternative to old antibiotic strains and reduce antibiotic resistance, i.e. a global problem that the international communities - led by WHO - have expressed warnings and concerns.

*EACRI research for*  
**Bactamox 1g**  
*which has proven its therapeutic effect to*  
**97,2%.**

## 2. Upgrading capacity of Cephalosporin production lines - EU-GMP re-approval for Betalactam High-tech Factory in Binh Duong (IMP 3)

*Currently, IMP 3 factory is able to supply*

**200 million tablets/pack và 20 million bottles/**  
*for Cephalosporin*  
**and 5 million bottles/year**  
*for Penicillin injection powder.*

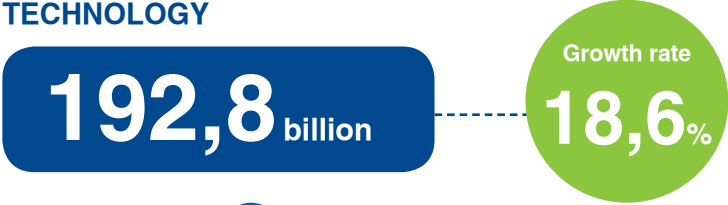
Also in 2018, the production capacity of Binh Duong injection factory improved to better meet the bidding demands for Cephalosporin product lines. In early 2019, the Company was reviewed and approved by the Spanish Ministry of Health for 5 production lines at the same time (including 2 new production lines). Currently, IMP 3 factory is able to supply 200 million tablets/pack and 20 million bottles/year for Cephalosporin lines and 5 million bottles/year for Penicillin injection powder.



HIGHLIGHTS OF 2018

The indicators related to Imexpharm’s operations were generally improved compared to 2017, although the market had adverse changes for the company.

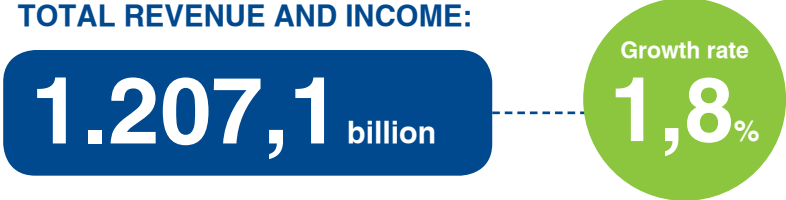
ACCOUNTING PROFIT BEFORE TAX AND DISTRIBUTION FOR FUND FOR SCIENCE & TECHNOLOGY



CHARTER CAPITAL:



TOTAL REVENUE AND INCOME:



OWNERS' EQUITY:





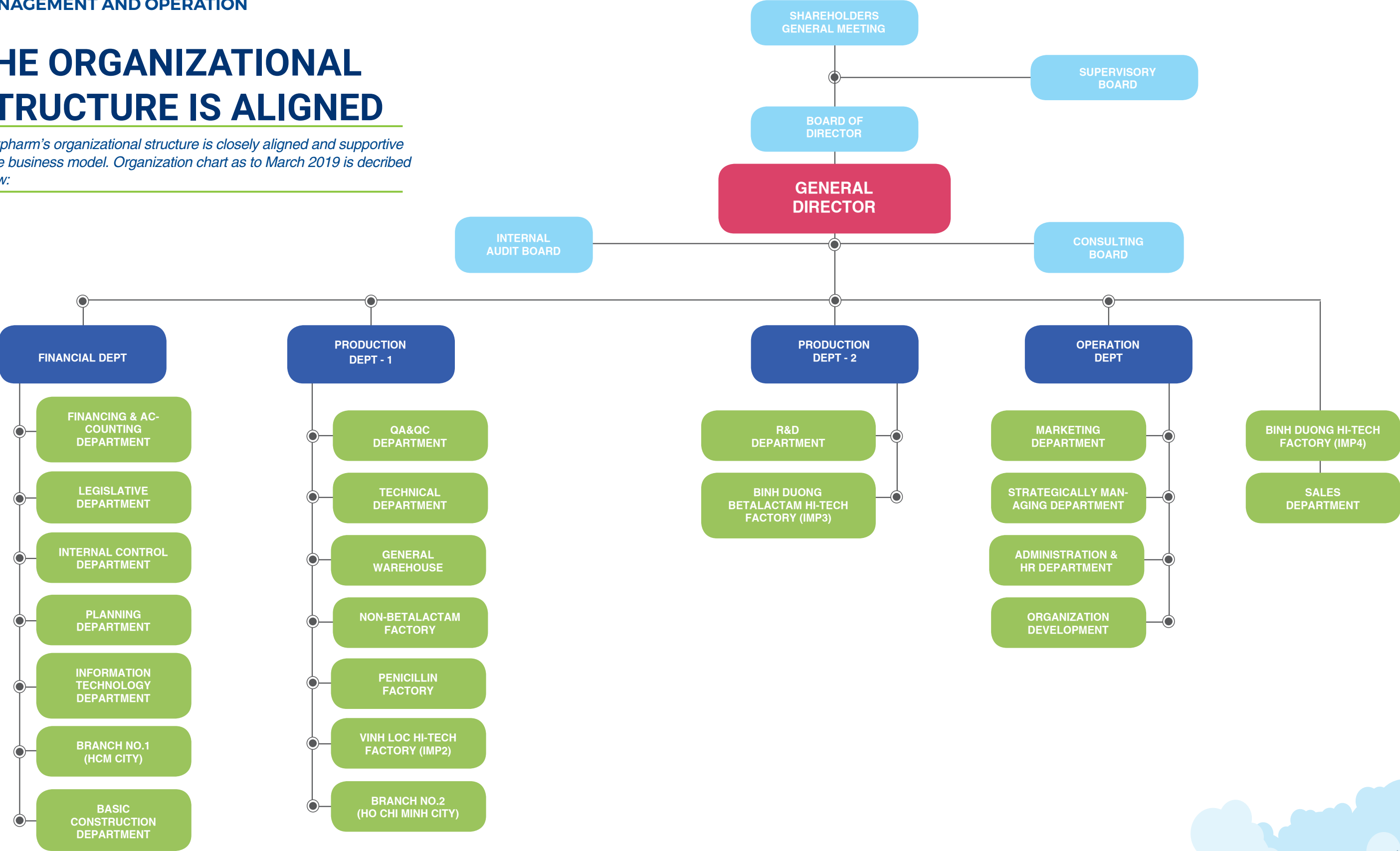
# MANAGEMENT & OPERATION

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# THE ORGANIZATIONAL STRUCTURE IS ALIGNED

Imexpharm’s organizational structure is closely aligned and supportive of the business model. Organization chart as to March 2019 is described below:





ORGANIZATION AND MANAGEMENT STRUCTURE

Imexpharm’s organization and management is structured according to the model stipulated at Point a, Clause 1, Article 134 of the Law on Enterprises, i.e. the model with the Supervisory Board.



“ The General Meeting of Shareholders is the highest body, to be assisted by the Supervisory Board. The Board of Directors is responsible for reporting to the General Meeting of Shareholders, and devising the strategies and production and business plans for the Board of Management to implement and periodically report to the Board of Directors. ”

General Director:

- The General Director is responsible for the development strategy and overall management of the Company
- Direct management: (1) Sales Division: comprised of a distribution system with 20 sales branches, (2) Binh Duong High-Tech Plant (IMP4) which is currently under construction and expected to be completed by the end of 2019.
- National Sales Director: Assists the General Manager in managing the Sales Division, regularly report and consult the General Manager in managing the Sales Division.

In addition, Imexpharm has four Deputy General Directors who assist the General Director in the following mandated areas:

**Deputy General Director of Finance**, responsible for managing: (1) Finance and Accounting Division, (2) Internal Control Division, (3) Information Technology Division, (4) Legal Division, (5) Planning Division (coordination between sales, production, procurement and inventory), (6) Office of Capital Investment, (7) Ho Chi Minh City Branch (in charge of supplying raw materials, excipients, chemicals for testing, packaging, import and export, franchising sales, prescribed drugs).

All 23 branches and plants are financially dependent and subject to reporting requirements to the Finance and Accounting Division.

**Deputy General Director of Production Division 1**, in charge of Dong Thap Plant and Vinh Loc Plant in Vinh Loc Industrial Park, Binh Tan District, Ho Chi Minh City, covering:

- Dong Thap: (1) Quality Management Division, (2) Technical Division, (3) General Warehouse, (4) Non-Betalactam Plant, (5) Penicillin Plant (oral drugs).
- Ho Chi Minh City: (1) Vinh Loc high-tech Antibiotics Plant (IMP 2): obtained EU-GMP, and prepared to start operation in the second quarter of 2019, (2) Ho Chi Minh City Branch 2: General warehouse in HCMC.

**Deputy General Director of Production Division 2**, responsible for managing: (1) R & D Division; (2) Betalactam Binh Duong High-Tech Plant (IMP 2), including Cephalosporin Plant (injectable and oral drugs), Penicillin Plant (injectable drugs).

**Deputy General Director of Administration**, responsible for managing: (1) Marketing Division, (2) Strategic Management Division, (3) Human Resources Division, (4) Human Resource Development Division.

In addition, Imexpharm also has an Internal Audit function (directly under the Internal Control Department) and Advisory Team to assist the Board of Directors in managing and overseeing the Company.



INTRODUCTION OF THE BOARD OF DIRECTORS, BOARD OF MANAGEMENT, SUPERVISORY BOARD AND THE CORPORATE SECRETARY



BOARD OF DIRECTOR MEMBERS AND DUTIES

At the Annual General Meeting 2018, members of the Board of Directors and Supervisor Board for the term of 2018-2022 have been elected. During the year, the new Board has re-assigned duties among the members. Since the Board subcommittees have not been set up to support the activities of the Board of Directors, activities related to internal audit, risk management, appointment and remuneration, environment are assigned to each member in charge.

Short bios and specific duties of the Board of Director members for the term 2018-2022 are as follows:



MANAGEMENT AND OPERATION



Mr. **NGUYEN QUOC DINH**  
Chairman of the BOD, Deputy General  
Director

Duties

- Devising operational plan and working agenda of the Board of Directors;
- Supervising implementation of Resolutions and Decisions of the BOD;
- Monitoring progress, quality and budget of the Company's investment projects;
- Supervising implementation of strategic objectives of the Finance division;
- Supervising production and business activities and participating in the governance of associated companies
- Taking charge of internal audit and risk management;
- Being in charge of public relations and information disclosure;
- Performing other rights and responsibilities as prescribed by laws, the Company Charter and decisions of the BOD.

Short bio:

Year of birth: 1962  
Place of birth: Dong Thap  
Nationality: Vietnam  
Education background: Bachelor's Degree in Finance & Accounting

Employment history:

- 1995-1999: Manager of Professional Department I - Bureau for State Property Management at Enterprises in Dong Thap province.
- 1999 - July 2001: Deputy Director of Dong Thap Pharmaceutical Company - Central Pharmaceutical Company No. 7.
- August 2001 - April 2013: Member of the Board of Directors, Deputy General Director of Imexpharm Corporation
- May 2013 to present: Chairman of the BOD, Deputy General Director of Imexpharm.



Ms. **TRAN THI DAO**  
Vice Chairwoman of the BOD - General  
Director

Duties

- Being in charge of development strategies of the Company;
- Supervising implementation of strategic objectives of the Sales division;
- Monitoring construction progress, production activities, product plans of EU-GMP qualified factories (Vinh Loc High-tech Antibiotic Factory - IMP2, Betalactam Binh Duong High-Tech Plant - IMP3, Binh Duong High-Tech Plant - IMP4); and factories in Dong Thap;
- Supervising production and business activities and participating in the governance of associated companies
- Performing other rights and responsibilities as prescribed by laws, the Company Charter and decisions of the BOD.

Short bio:

Year of birth: 1952  
Place of birth: Dong Thap  
Nationality: Vietnam  
Education background: Bachelor of Science in Pharmacy

Employment history:

- 1984 - July 2001: Director of Dong Thap Pharmaceutical Company - Central Pharmaceutical Company No. 7.
- August 2001 - April 2013: Chairman of the Board of Directors, General Director of Imexpharm Corporation
- May 2013 to present: Vice Chairwoman of the BOD - General Director of Imexpharm.
- May 2013 to present: Chairwoman of the BOD - General Director of Imexpharm.



Ms. **HAN THI KHANH VINH**  
BOD Member

Duties

- Provide management advisory for the Board of Directors;
- Update the ongoing industry trend in the pharmaceutical sector and advise on financial activities of the Company;
- Support in building rapport and partnership with industry partners and investors;
- Performing other rights and responsibilities as prescribed by laws, the Company Charter and decisions of the BOD.

Short bio:

Year of birth: 1975  
Place of birth: Hung Yen  
Nationality: Vietnamese  
Education background: Master of International Accounting - Swinburne University of Technology, Australia.

Employment history:

- 1999 – 2001: Accountant of Daewoo Hanel Electronics Co., Ltd.
  - 2001 – 2002: Accountant cum Assistant to Chief Financial Officer of Canon Vietnam
  - 2002 – 2008: Chief Accountant of Language Link Vietnam
  - 2008 – 2013: Chief Accountant of KinderWorld Vietnam International JSC.
  - 2013 – 2016: Chief Financial Officer of Pegasus Investment and Consulting JSC.
  - 2016 to present: Deputy General Director of Viet Phuong Investment Group JSC. (unlisted)
  - December 2016 to present: Member of Board of Directors of Vietnam Pharmaceutical Corporation (VINAPHARM) (unlisted)
  - February 2017 to present: BOD Member cum Deputy General Director of Vietnam Pharmaceutical Corporation
- Ms. Han Thi Khanh Vinh was elected as an Imexpharm Board Member from April 28, 2018.



Mr. **VO HUU TUAN**  
BOD Member

Duties

- Being in charge of fund raising and financial investments of the Company;
- Supervising information disclosure of the Company;
- Taking charge of handling communications crises of the Company;
- Consolidating reports of the BOD and AGM in assigned areas when required and prior to meetings, AGMs;
- Performing other rights and responsibilities as prescribed by laws, the Company Charter and decisions of the BOD.

Short bio:

Year of birth: 1974  
Place of birth: Quang Nam  
Nationality: Vietnamese  
Education background: Bachelor of Foreign Trade University, University of Technology Sydney UTS (Australia), Master of Finance & Banking (Switzerland).

Employment history:

- Mr. Vo Huu Tuan is currently Deputy Director of Bao Viet Securities Joint Stock Company cum Director of Ho Chi Minh Branch of Bao Viet Securities JSC. (listed).
- Mr. Tuan also serves as the Board of Director Member at the following companies: Hoa Sen Group (listed); Ben Tre Forestry And Aquaproduct Import - Export JSC. (listed); SMC Trading Development & Technical Service JSC. (listed); Nam Kim Steel JSC. (listed); Nosafood JSC. (unlisted).
- Mr. Vo Huu Tuan was appointed as a member of Imexpharm's BOD on 10 April 2009.



MANAGEMENT AND OPERATION



Mr. **LE VAN NHA PHUONG**  
Member of the BOD, Deputy General Director

Duties

- Supervising the implementation of strategic objectives of Production Division 2 and the Quality Control system at Betalactam High-tech Factory in Binh Duong (IMP 3);
- Supervising the delivery of the R&D and export market development strategies of the Company;
- Consolidating reports of the BOD and AGM in assigned areas when required and prior to meetings, AGMs;
- Performing other rights and responsibilities as prescribed by laws, the Company Charter and decisions of the BOD.

Short bio:

Year of birth: 1980  
Place of birth: Dong Thap  
Nationality: Vietnamese  
Education background: Doctor of Pharmacy in France

Employment history:

- October 2004 - April 2005: R&D employee at Domesco Medical Import Export Joint Stock Company
- April 2005 - August 2006: Deputy Director of R&D Department at Domesco
- August 2006 - August 2008: Director of Department of Export - International Supplies and Cooperation at Domesco.
- October 2010 - October 2011: Director of R&D Department at Domesco
- October 2011- March 2014: Deputy General Director of Domesco
- April 2014- December 2016: Director of the plant of AMPHARCO
- January 2017 to present: Deputy General Director of Imexpharm Corporation, in charge of the High-tech Betalactam Plant in Binh Duong and R&D Division across the Company.



Mr. **HUYNH VAN NHUNG**  
Member of the BOD, Deputy General Director

Duties

- Supervise the implementation of strategic objectives of Production Division 1 and Quality Control system including factories in Dong Thap, Vinh Loc High-tech Antibiotic Factory (IMP2), labor safety, fire and explosion safety throughout the Company;
- Monitoring the delivery of sustainable development goals: energy saving, environmental protection, etc.;
- Consolidating reports of the BOD and AGM in assigned areas when required and prior to meetings, AGMs.
- Performing other rights and responsibilities as prescribed by laws, the Company Charter and decisions of the BOD.

Short bio:

Year of birth: 1973  
Place of birth: Dong Thap  
Nationality: Vietnamese  
Education background: Postgraduate Education Junior (PGJ) in Pharmacy

Employment history:

- 1998-2007: Deputy Director of Quality Assurance (QA) of Imexpharm.
- 2007-2012: Director of Quality Assurance (QA) of Imexpharm.
- 2012- May 2013: Deputy General Director
- April 2014 to present: BOD Member, Deputy General Manager of Imexpharm.



Mr. **TRAN ANH TUAN**  
BOD Member

Duties

- Being in charge of supervising activities relating to Human Resource, Remuneration and Bonus
- Provide management advisory for the Board of Directors;
- Other activities relating to macroeconomic issues;
- Consolidating reports of the BOD and AGM in assigned areas when required and prior to meetings, AGMs;
- Performing other rights and responsibilities as prescribed by laws, the Company Charter and decisions of the BOD.

Short bio:

Year of birth: 1973  
Place of birth: HCMC  
Nationality: Vietnamese  
Education background: Bachelor of Banking, MBA

Employment history:

- 2001 – 2003: Manager of Investment Consultancy Department of Vision Associates
- 2003 to present: Business Development Director of Vietnam Investment Fund Management Joint Stock Company (VFM).
- Mr. Tran Anh Tuan was appointed as a member of Imexpharm's BOD on April 10, 2009.

CHANGES TO IMEXPHARM’S BOARD OF DIRECTORS IN 2018

At the Annual General Meeting 2018, members of the Board of Directors for the term of 2018-2022 have been re-elected. Specifically, two (02) members resigned, namely (1) Mr. Nguyen Quy Son - Member representing Vietnam Pharmaceutical Corporation and (2) Mr. Truong Viet Vu - Member representing Phano Retail and Distribution Solution JSC.

Two (02) newly elected Board members are: (1) Ms. Han Thi Khanh Vinh - Member representing the capital contribution of Vietnam Pharmaceutical Corporation and (2) Mr. Le Van Nha Phuong - Imexpharm Deputy General Director.



Mr. **NGO MINH TUAN**  
Member of the BOD, Deputy General Director

Duties

- Supervising implementation of the Company’s strategic objectives with BSC;
- Supervising the implementation of the Company’s strategic human resource development;
- Supervising the implementation and effective control of marketing and communication activities of the Company;
- Performing other rights and responsibilities as prescribed by laws, the Company Charter and decisions of the BOD.

Short bio:

Year of birth: 1979  
Place of birth: Dong Thap  
Nationality: Vietnamese  
Education background: Master of Business Administration (MBA)

Employment history:

- 2004-2014: Secretary to the BOD, Secretary to the General Director.
- 2014- March 2015: Head of the Board of Strategy and Development, Assistant to the General Director
- April 2015 to present: BOD Member, Deputy General Manager of Imexpharm.
- Mr. Ngo Minh Tuan was appointed to the position of BOD member at Imexpharm as from 30 March 2016, which was ratified by the General Meeting of Shareholders on 24 April 2015.





INTRODUCTION TO THE BOARD OF MANAGEMENT

**MS. TRAN THI DAO - GENERAL DIRECTOR**  
Ms. Tran Thi Dao, a Meritorious Doctor, is considered one of the “Golden Generation” not only at Imexpharm but also in the whole pharmaceutical industry of Viet-nam. Accompanying Imexpharm since the very early days, Ms. Dao has been contributing her part in trans-forming the company from a modest manufacturing pharmaceutical enterprise of Dong Thap province into a leading company of today’s pharmaceutical industry of Vietnam.

As recognition for her achievements, Ms. Tran Thi Dao has been awarded numerous notable titles including:

No.	Date	Awarded by	Title	Achievment
1	21/10/2005	President	Labor Medal Second Class	Excellence in protection and care of people’s health.
2	23/03/2006	Ministry of Education and Training	Order of Merit for Education	Contribution to national education.
3	22/02/2008	President	Honor of Meritorious Doctor	Contribution to protection and enhancement of people’s health
4	14/01/2009	President	Labor Hero	Excellent results in labor and innovation during the period 1998 - 2007, contribution to building up the Socialist Republic and National Defense.
5	09/03/2009	Standing Board of Ho Chi Minh Communist Youth Union’s Central Committee	Order of Merit	Order of Merit for Young Generation for contribution results for education and improvement of the Youth Union.



No.	Date	Awarded by	Title	Achievment
6	30/09/2011	People’s Committee of Dong Thap Province	Certificate of Merit	Excellent results during 10 years of contribution to encouraging talents of Dong Thap Province
7	2005, 2008, 2014	VCCI, Central Committee of Vietnam Women’s Union	Representative Businesswoman (Golden Rose Cup)	Excellence in corporate governance and contribution to national socio-economic development.
8	24/02/2014	President	Honor of Meritorious Doctor	Excellent contribution to protection and enhancement of people’s health.

- Ms. Tran Thi Dao is the soul of Imexpharm. With pioneering strategies, she has lead Imexpharm and generations of employees through various ups and downs along the path of development to today’s achievements. Among these, a series of EU-GMP-certified plants either completed or currently in construction, BSC projects and SAP-ERP application, etc. were results of her efforts. Being a dedicated businesswoman, she is strong, as-ertive and determined when it comes to change. In addition, she treats everyone with heart and always cares about improving living standards of Imexpharm’s employees while presenting herself as a humble life-long learner. Through her style of leading by example, Ms. Dao is a symbol of Imexpharm’s culture that it has been striving to build next generations into.
  - In addition to managing Imexpharm with ambitious development strategies, Ms. Dao has actively supported many affiliated units over many years in finance, technology and production techniques, development strate-gies, etc.
- (Kindly refer to Ms. Tran Thi Dao’s CV in the Introduction to the BOD)



MANAGEMENT AND OPERATION



**MR. NGUYEN QUOC DINH**  
DEPUTY GENERAL DIRECTOR

- For almost 20 years at Imexpharm in charge of the company’s finance, he has focused on building up systems for financial management, internal audit and risk management in order to optimize the use of capital sources and promptly finance business and production activities of the company. With General Director Tran Thi Dao, Mr. Dinh has engineered Imexpharm into a public company, listed on Ho Chi Minh City Stock Exchange and repeatedly directed successful share issuance to raise capital. He has also been in charge of information disclosure with a transparent strategy which keeps valued shareholders and investors up-to-date. In addition, with the determination to modernize the management information system in line with 4.0 technology, since 2013, Mr. Dinh has led the implementation of the first SAP-ERP system for pharmaceutical industry on all 8 complete modules, from finance, supply, production to sales, and intelligent reports to deliver accurate and timely management information requirements.
- As the Chairman of the Board, Mr. Dinh remains persistent in developing a transparent and advanced corporate governance system in line with the best local and international practices. From 2018, Mr. Dinh also

serves as the Head of Imexpharm’s Sustainable Development Committee.

- In addition to the main responsibilities at Imexpharm, Mr. Dinh also actively contributes to the management of associates. He is also dedicated to supporting start-up projects in the province.
- Mr. Nguyen Quoc Dinh was awarded the title “Representative Businessman of Mekong Delta in the Era of International Integration” by VCCI Can Tho in recognition of his proactive contribution to the economy of the Mekong Delta. That was the 7th year consecutively (2011-2017) he was awarded the title.

(Kindly refer to Mr. Nguyen Quoc Dinh’s CV in the Introduction to the BOD)



- MR. NGO MINH TUAN - DEPUTY GENERAL DIRECTOR**
- Starting his career at Imexpharm in 2004 as a Secretary to the Board of Directors and Assistant to the General Director, Mr. Tuan soon excelled with special insight and team uniting capability. He was appointed as the Deputy General Director of Imexpharm from March 30, 2015.
  - After 15 years of serving high managerial positions, Mr. Tuan has acquired deep understanding of the management and business system and strategies at Imexpharm. In his current position, Mr. Tuan is in charge of strategic management, BSC, staff benefits, recruitment and human resource development strategies, human resource training and development, and Imexpharm’s supplemental business.
- (Kindly refer to Mr. Ngo Minh Tuan’s CV in the Introduction to the BOD)

- MR. HUYNH VAN NHUNG - DEPUTY GENERAL DIRECTOR**
- Mr. Nhung joined Imexpharm in August 1998 as an employee of the Testing Laboratory. Thanks to his excellent professional and managerial capabilities, Mr. Nhung was highly trusted by the Board of Directors and appointed to the position of Deputy General Director in charge of Quality Assurance System (QA) and Production Division as from 05/15/2012.
- Currently, Mr. Nhung is responsible for QA of the operations and systems in the factories in Dong Thap and Vinh Loc High-tech Antibiotic Factory (IMP2). In addition, Mr. Nhung is also in charge of sustainable development goals for Production Division 1, especially in production environment and labor safety.
- (Kindly refer to Mr. Huynh Van Nhung’s CV in the Introduction to the BOD)



- MR. LE VAN NHA PHUONG - DEPUTY GENERAL DIRECTOR**
- Mr. Le Van Nha Phuong earned his Doctor of Pharmacy in France. Joining Imexpharm Family from the beginning of 2017 as a Deputy General Director in charge of Production Division 2, Mr. Phuong concurrently serves as the Director of Betalactam High-tech Factory in Binh Duong (IMP 3) (IMP3) and lead Imexpharm’s R&D department. Mr. Phuong is also in charge of the sustainable development goals for Production Division 2.
  - Only after 2 years, with professional expertise and innovation, Mr. Phuong has brought many achievements for the R&D department, and successfully operated the IMP3 Plant. Mr. Phuong was also assigned to be in charge of R&D strategy and export market of the Company until 2022.

(Kindly refer to Mr. Le Van Nha Phuong’s CV in the Introduction to the BOD)

- MR. TRAN HOAI HANH - CHIEF ACCOUNTANT**
- Year of birth: 1963  
Place of birth: Dong Thap  
Nationality: Vietnamese  
Education background: Bachelor’s Degree in Finance & Accounting in Ho Chi Minh City
- Employment history:**
- 1988: Employee at Department of Finance and Prices of Hong Ngu District.
  - 1990 - 1995: Employee at Department of Finance and Prices of Tan Hong District.
  - July 1997 - February 2005: Employee at Department of Finance and Accounting of Imexpharm Corporation
  - March 2005 - July 2014: Deputy Manager of the Department of Finance and Accounting of Imexpharm Corporation
  - 2014 to present: Chief Accountant of Imexpharm Corporation



*Changes to the Board of Management in 2018*  
*There was no change to the Board of Management in 2018.*





Mr. **NGUYEN DUC TUAN**  
Head of the Supervisory Board

**Short bio:**

Year of birth: 1982  
Place of birth: HCMC  
Nationality: Vietnamese  
Education background: Bachelor's Degree in Commerce of Van Lang University, Member of ACCA (UK) and CFA (USA)

## INTRODUCTION TO THE SUPERVISORY BOARD

**Employment history:**

- 2005: Independent Auditor at PricewaterhouseCoopers Co., Ltd.
- 2005- March 2012: Technical Director at Dragon Capital Vietnam.
- April 2012 - June 2013: Chief Financial Officer of Hoang Anh Gia Lai Rubber Corporation.
- July 2013 - July 2014: Head of Department of Budget and Investor Relations of Petro Vietnam Drilling and Well Services Corporation.
- July 2014 - December 2015: Head of Research Department of Ban Viet Securities Joint Stock Company
- January 2016 - 2018: Head of Department of Investment Portfolio Management at Phillip Securities (Thailand) Public Company Limited
- Mr. Tuan was elected as the Chairman of the Supervisory Board since 2009.



Ms. **LE THI KIM CHUNG**  
Member of the Supervisory Board

Year of birth: 1960  
Place of birth: An Giang  
Nationality: Vietnamese  
Education background: Bachelor's Degree in Economics, Bachelor's Degree in Law

**Employment history:**

- 1992-2006: Secretary, Trial judge cum Head of Review and Inspection Department of People's Court of Dong Thap Province.
- 2007-2016: Lawyer, Head of Legal Department of Imexpharm.
- 2016 to present: Lawyer, Head of Legal Department of Imexpharm.
- Ms. Le Thi Kim Chung has held the position of Head of Supervisory Board of Imexpharm since 2008.

## CORPORATE SECRETARY



Ms. **NGUYEN THI KIM LE**  
Secretary to the Board of Directors

**Employment history**

- 2005- May 2006: Sales executive and consultant, Misa Corporation
- June 2006 - September 2008: Staff of Management Accounting Department of Imexpharm Corporation
- October 2008 - June 2011: Staff of Management Accounting Department cum Head of Accounting Team in HCMC Branch 1 of Imexpharm Corporation
- July 2011- July 2015: Deputy Head of Management Accounting Department - Imexpharm Corporation
- July 2015 - August 2018: Secretary to the Board of Directors and Deputy Head of Internal Control Department - Imexpharm Corporation
- August 2018 to present: Corporate Secretary - Imexpharm Corporation



Ms. **DO THI THANH THUY**  
Member of Supervisory Board

Year of birth: 1965  
Place of birth: Dong Thap  
Nationality: Vietnamese  
Education background: Bachelor's Degree in Finance and Accounting

**Employment history:**

- 1991-2004: Manager of Corporate Finance Division under Department of Finance of Dong Thap.
- 2004-February 2015: Head of Administration Department of Imexpharm.
- March 2015 to present: Head of Internal Audit Department of Imexpharm.
- Ms. Do Thi Thanh Thuy has held the position of Head of Supervisory Board of Imexpharm since 2005.

**Short bio**

Year of birth: 1983  
Place of birth: Tay Ninh  
Nationality: Vietnamese  
Education background: Bachelor of Accounting - Auditing, University of Economics Ho Chi Minh City.

**Duties:**

- Advising the Board of Directors on organizing the Annual General Meetings in accordance with regulations and related activities between the company and shareholders;
- Prepare meetings of the Board of Directors, Supervisory Board and Annual General Meetings at the request of the Board of Directors or the Supervisory Board;
- Advising procedures of meetings and participation;
- Advising procedures for developing resolutions of the Board of Directors in accordance with law;
- Providing financial information, copies of BOD meeting minutes and other information to the members of the Board of Directors and Supervisory Board;
- Supervising and reporting to the Board of Directors on information disclosure activities of the company;
- Securing information privacy in accordance with the law and the company's Charter;
- Performing other rights and responsibilities as prescribed by laws and the Company's Charter.



INFRASTRUCTURE AND PRODUCTION FACILITIES

Infrastructure and production facilities of the Company include:

- Head Office in Cao Lanh City, Dong Thap Province, with an investment of about VND 28 billion, completed and put into operation in 2013;
- 20 sales branches in total nationwide
- 01 branch in Ho Chi Minh City in charge of supplying, import and export, franchising sales, prescribed drugs. This is also the workstation of Marketing, Customer consultancy, PR, etc.;

- Warehouse system and testing facilities at each factory;
  - R&D department is equipped with modern machinery and equipment;
- Imexpharm is Vietnam's market leader in generics pharmaceutical with the following plant system:

No.	Plant Name	Location	Information	Running Capacity
1.Dong Thap Factory (IMP1)	Non-Betalactam Plant	Cao Lanh City Dong Thap Province	- Manufacturing tablet or medicine packet - The first pharmaceutical plant in Vietnam to be granted ASEAN-GMP certification in 1997 - In 2006, was upgraded to become the first plant in Vietnam to meet WHO-GMP standards.	1.200 million units a year
	Penicillin Plant (oral drugs)		- Manufacturing tablet or medicine packet - Was ASEAN-GMP certified in 1998 - In 2006, it was upgraded along with the Non plant and became one of the earliest plants to receive WHO-GMP certification	300 million tablets a year.

STT	Tên nhà máy	Địa điểm	Thông tin	Công suất
2. Vinh Loc High-Tech Antibiotics Plant (IMP2)	Vinh Loc High-Tech Antibiotics Plant	Vinh Loc Industrials Park Ho Chi Minh City	-The plant obtained EU-GMP certification by the Portuguese Ministry of Health in January 2019, and prepared to start operation in the second quarter of 2019. -The total capital investment is 180 billion VND.	Capacity of 300 million units a year
3.Betalactam High-tech Factory in Binh Duong (IMP 3)	Cephalosporin Plant	In Vietnam-Singapore Industrial Park II, Binh Duong	- Producing injectable powder and tablet product - First was built applying European technologies and standards to produce a new generation of Cephalosporin with an estimated budget of 113 billion VND. - WHO-GMP certified in 2010 - Was upgraded to EU-GMP standards in 2014 - Was granted a EU-GMP certification by the Health Ministry of Spain in 9/2016. The Health Ministry of Vietnam announced that in 11/2016. - Production line capacity was upgraded in 2018 and EU-GMP was successfully renewed by the Spanish Ministry of Health in early 2019.	Current capacity reaches 200 million tablets/ pack and 20 million vials/year
	Penicillin plant	In Vietnam-Singapore Industrial Park II, Binh Duong	- Manufacturing powdered and injectable penicillin - Was built using European technologies, received WHO-GMP certification in 2013 with invested budget of 50 billion VND. - In 2014, continued to be upgraded to EU-GMP standards. - Was given a EU-GMP certification by the Spanish Ministry of Health, Social Services and Equality in 9/2016. The Health Ministry of Vietnam announced that in 11/2016.	5 million bottles/year



MANAGEMENT AND OPERATION

No.	Plant Name	Location	Information	Running Capacity
			- Early 2019: EU-GMP was renewed successful by the Spanish Ministry of Health	
4.Binh Duong High-tech Pharmaceutical Plant (IMP4)	Binh Duong high - tech Pharmaceutical plant		- Was built to EU-GMP standards, producing specialty drugs with some special dosage forms. - The total invested capital was 470 billion VND. - Scheduled to finish by the end of 2019 and will go into operation at the beginning of 2020.	This plant has the biggest scale of technology and capital investments of Imexpharm.

Imexpharm’s modern factories are equipped with on-line production monitoring system. In particular, IMP4 Factory is also equipped with online building management system. Currently, factories in Dong Thap are operating with high capacity, in which:

THE NON-BETALACTAM FACTORY

reaches approximately **90%** of capacity

PENICILLIN FACTORY (ORAL DRUGS)

reaches about **70%** of capacity

BATALACTAM HIGH-TECH FACTORY IN BINH DUONG (IMP 3)

has an overall capacity of about **30-40%**

In particular, Vinh Loc High-tech Antibiotic Factory (IMP 2) will soon be put into operation by late quarter 1, early quarter 2 of 2019.

In early 2019, Imexpharm’s Board of Directors approved the plan to build more supplemental factories and testing center at Cao Lanh Head Office, with a total estimated investment of VND 120 billion. The supplemental plant has total capital investment of about VND 89 billion, of which VND 24 billion is the value of fully depreciated equipment to be reused, VND 19 billion is expected working capital, and VND 46 billion is for purchasing new machinery and equipment. The company plans to invest VND 31 billion in the Testing Center with modern equipment and spacious sample rooms.



MANAGEMENT OF THE DISTRIBUTION SYSTEM IN LINE WITH TECHNOLOGY 4.0

Currently, the company's distribution system includes 20 Sales branches with a team of 412 salespeople who are in charge of introducing and distributing the products across the country. The Sales team plays the key role in Imexpharm’s development. Therefore, the company always seeks to regularly develop and improve the salary and remuneration policies, working environment, continuing learning and growth opportunities to match their significant contribution.

With a positive forecast and growth potential in the next five years, the contribution of the Distribution system is of paramount importance. Therefore, it is exceedingly necessary to develop more Industry 4.0 tools that can integrate with the BSC and SP-ERP software’s in supporting the Sales branches, responding to the modern distribution management trend. In 2017, the Board of Directors decided to implement the Distribution Management System (DMS) which helps to increase sales performance and distribution quality, better promotion launching and decision making process. All data on DMS will be synthesized with SAP in real time and DMS

will manage and report the application of key performance indicator (KPI) according to BSC. The company has provided DMS training to the whole sales department of 412 personnel and distributed over 230 computers to pharmaceutical sales representatives across the country to assist them in their job.

In 2018, DMS showed many positive impacts of modern management tools on distribution channels. Imexpharm has also improved and innovated many functions. Imexpharm’s next objectives in 2019 and beyond are to continue to leverage DMS performance, also consider to introduce DMS to customers, assisting them in making orders through DMS and self-monitoring the transaction information.



HIGH QUALITY SOURCES OF MATERIALS

All materials used in Imexpharm products are imported from the world's popular material suppliers in Europe and the Americas. The material inputs always come with highly stable quality.

Following is the list of the major materials and their manufacturers:

No.	Active Ingredient	Manufacturer	Country	Region
1	Cephalexin Monohydrate Compacted	DSM Sinochem Pharmaceuticals Spain	Spain	Europe
2	Amoxicillin Trihydrate Compacted NQ	Sandoz Industrial Products	Spain	Europe
3	Cephalexin Monohydrate Compacted NQ	ACS Dobfar S.p.a	Italy	Europe
4	Clavulanate Potassium - Avicel (1:1)	Lek Pharmaceuticals d.d.	Slovenia	Europe
5	Ampicillin Trihydrate Compacted NQ	Sandoz Industrial Products	Spain	Europe
6	Amoxicillin Trihydrate Compacted (Spain)	Deretil S.A. (Spain)	Spain	Europe
7	Cefotaxime Sodium Sterile	Fresenius Kabi Anti	Italy	Europe
8	Cefadroxil Monohydrate Compacted	DSM Sinochem Pharmaceuticals Spain	Spain	Europe
9	Lactobacillus Acidophilus	Danisco US	United States of America	The Americas
10	Clavulanate Potassium - Syloid (1:1)	Lek Pharmaceuticals d.d.	Slovenia	Europe
11	Codeine Phosphate (Sanofi/France)	Sanofi Chimie	France	Europe
12	Paracetamol USA	Mallinckrodt Inc.	United States of America	The Americas
13	Cefaclor Monohydrate Powder	ACS Dobfar S.p.a	Italy	Europe
14	Acetylcysteine	Moehs Catalana, S.L	Spain	Europe
15	Clavulanate Potassium - Avicel (1:1)	Sandoz Industrial Products SpA	Italy	Europe
16	Codeine Phosphate (MACF/UK)	Macfarlan Smith Ltd	England	Europe
17	Amoxicillin Trihydrate Compacted	Deretil S.A. (Spain)	Spain	Europe



DSM Spain’s antibiotic active ingredients are produced by fermentation technology (enzymatic), a clean technology safe for users’ health and safe for the environment as well as workers. Imexpharm has been using this technology for many years to produce its famous antibiotic product lines.

Imexpharm is comprehensively developing its product lines to European standards and thus material inputs are selected very carefully. The company also seeks to use raw materials that meet CEP (Certification of European Pharmacopoeia) standards in producing the product lines that registered for European visa and category 1 bidding. Our products are high quality and can be placed on par with that of many multinational pharmaceutical groups.





## PRODUCTION MANAGEMENT IN LINE WITH EUROPEAN STANDARDS

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*Obtaining EU-GMP certification is difficult, but what is even more challenging is to maintain and renew this standard. In addition to complying with hundreds of highly specialized processes from production to testing and quality assurance, large lot testing, EU-GMP factories also have to protect workers' health and users, protect the environment by modern international air handling system and using 100% fresh air rather than recirculating air.*

”

The production environment is tracked online to adjust and maintain desirable factory environment. Antibiotic-rooted waste shall be treated properly before being discharged to the industrial park's treatment system. Imexpharm restricts the use of DO oil to limit emissions to the environment. Hazardous solid wastes are well controlled and outsourced to a third party for processing in accordance with regulations.

In addition to the rigorous process, regular human resource training to ensure they fully understand and master the processes is extremely challenging for EU-GMP factories. Therefore, Imexpharm has developed a standardized and specialized training process in each location of factories, especially workers who work on sterile injectable drug production lines.

### Outstanding quality control

At Imexpharm, quality management systems are developed with stringent standards to best protect users' health. Imexpharm applies more than 100 quality management processes from input to output in order to ensure absolute safety and product quality.

Imexpharm develops a clear Supplier and Manufacturer Evaluation Process and has been applying them strictly. Materials are purchased through open biddings. Safe transportation of materials is also required to make sure there is no impact on product quality as committed in the contract.

Before manufacturing with great number, the quality management system of Imexpharm will take samples for quality evaluation one more time. Before leaving the warehouse, the finished products also go through strict examination. This entire closed process is supported by SAP-ERP management software, creating synchronization between different components. The results are updated quickly and accurately to ensure the entire quality system works smoothly with minimal errors.

Besides that, Imexpharm also establishes a call center to provide customer service as well as to receive customer feedback 24/7 in order to promptly react to crisis or consumers' comments. In 2018, Imexpharm did not receive any complaint relating low quality products.



# PROMOTE R&D INVESTMENT

“ With strategic investment focusing on top quality, promoting R&D is taken seriously by Imexpharm’s governance body and introduced in the development goals. The R&D department currently comprises of 42 people with relevant professional qualifications, increasing by 4 people compared to the previous year, including 1 doctor, 5 masters , and 1 Postgraduate Education Junior (PGJ) in Pharmacy. Most of the company’s researchers have a college degree, are full of enthusiasm and commitment to the company. Pharmaceutical R&D personnel are continuously trained with programs offered domestically and internationally by many research centers and universities in Ho Chi Minh city and the National University of Singapore (NUS).

”

Putting investment on renovating the formula development and production areas with equipment that can be used for product research from small sample to a pilot batch before the product is produced in an industrial scale. A modern equipment system of seven HPLC (High Performance Liquid Chromatography) with detectors that can analyze even the newest chemical compounds.



Currently, Imexpharm’s R&D Department engages in the following partnerships:

- Collaborating in development research with the Dong Thap Experiment Technique and Science Technology Application Center and universities in Ho Chi Minh City. .
- Working with the Vietnam Tuberculosis and Respiratory Association on scientific research project.
- Expanding research and development coordination with the Pharmaceutical Processing Research Laboratory, National University of Singapore (GEA - NUS).
- In 2018, the R&D department has been focusing on the following products:
- Non-bitter powder packets;
- Stabilizing products that have low stability in tropical environments;
- The dosage forms that are easy to use for children and the elderly...
- 2018 marked many successes with R&D as follows:
- The Department has researched and launched 17 new products, up by 04 products compared to the previous year;
- Together with Marketing Division, the R&D worked closely with reputable hospitals across the country to conduct EACRI research for Bactamox 1g, which has proven its therapeutic effect to 97, 2%;
- The Department also collaborated with local research institutes to conduct bioequivalence testing for two more products (Azimax 500mg and Imexime 200mg capsule), increasing the number of key products whose safety and efficacy is equivalent to original medicine to 09 products.

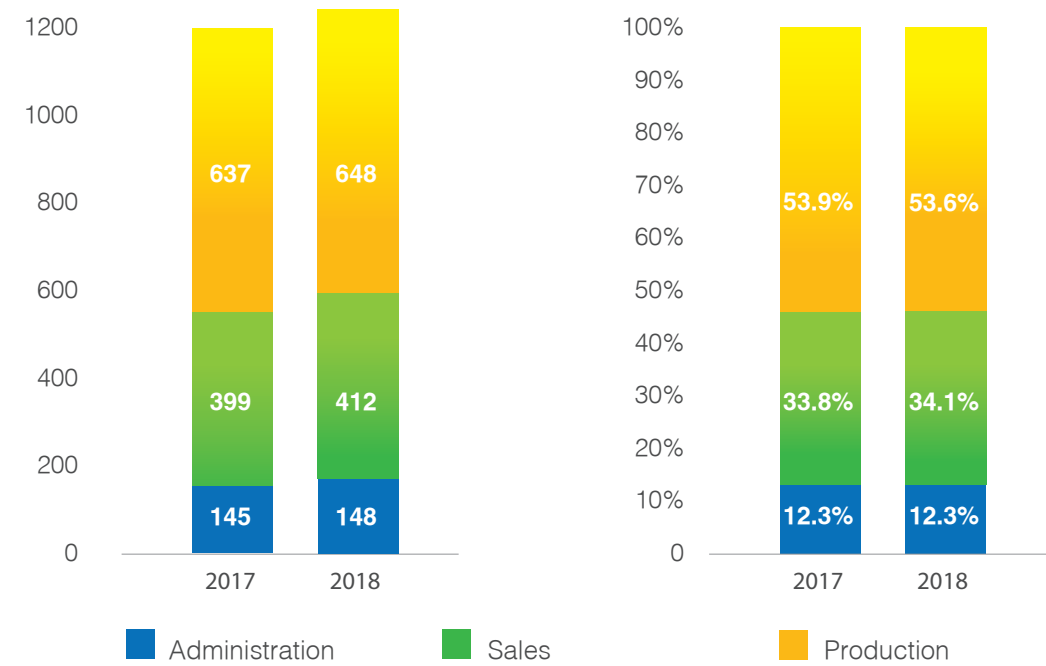
Every year, the company sets aside 10% of its pretax profit to put into the Science and Technology Development Fund to partly invest in R&D’s product innovation.





# DEVELOP HUMAN RESOURCES FOR THE FUTURE

The labor force by department by 12/31/2018 is as follows:

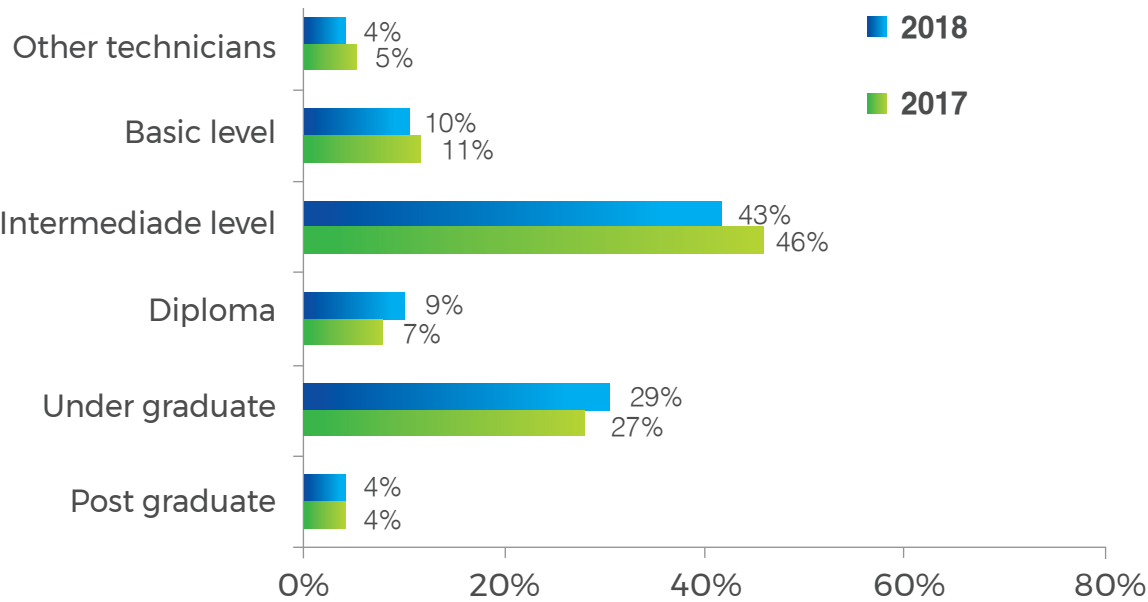


The total number of Imexpharm staff and employees by the end of 2018 reached 1,208 people. Compared to 2017, the total number of employees only increased by 27 people, equivalent to 2.3%, in which the number of production staff increased by 11 people, sales staff increased by 13 people, and the office staff increased by only 3 people. In the year, due to unfavorable business situation, the Company introduced a policy to restrict recruitment while improving the efficiency of the team. Newly recruited personnel in the year are 166 people. The number of employees resigning or retired in the year is quite high, 139 people, representing nearly 11.6%. Despite dedicated efforts of the Board of Management, work pressure and impacts of sales monitoring technology have significantly jeopardize team bonding among pharmaceutical sales representatives and personnel at high tech factories. However, if workers can overcome these temporary difficulties to engage with the company for a long time, they will be rewarded with many achievements in their careers.

Given the multi-factory system, production personnel account for 53.6% of the total employees of the Company. However, out of 648 production staff, only above 45% of workers directly involve in production, the remaining 55% work in R&D (Research and Development), QC (Testing), and QA (Quality Assurance), personnel working at the warehouse of the factories and Technical Department. During the year, the Company employed another 11 employees to work at 02 factories which are under construction.

The Sales team comprise of 412 people, or 34.1% of the total, including those working at 20 distribution branches, of which the number of pharmacist sales representatives is about 230 people. The office block employs 148 people, accounting for 12.3% of the total. This is the reasonable labor structure of Imexpharm that has been restructured many years ago.

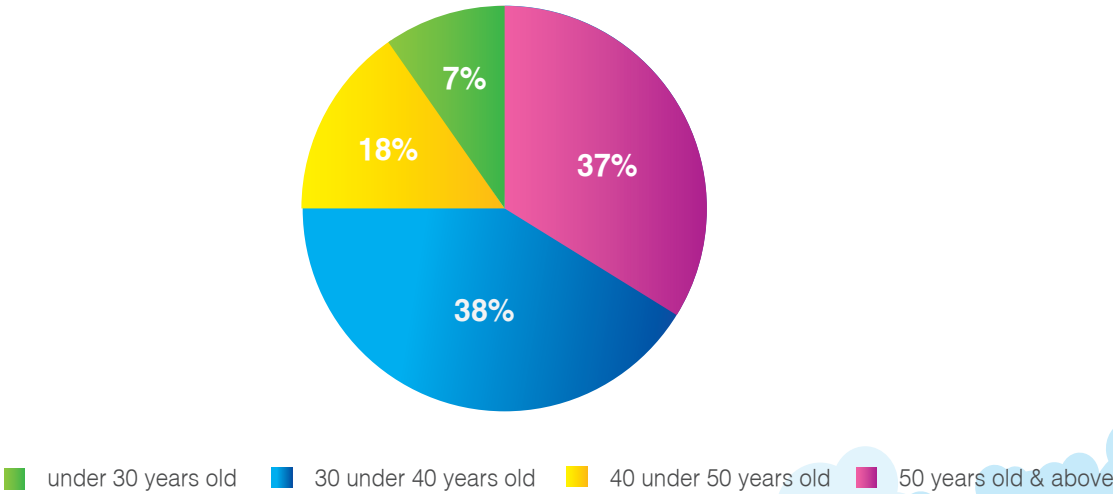
## The labor structure by education level



At Imexpharm, as a pharmaceutical production and distribution company, we have employees with different education backgrounds. The majority of our employees has a junior college degree, most of them are pharmaceutical sales representatives and workers working in plants, accounting for 43% in 2017. Next is the ones that have an undergraduate degree, accounting for 29%. The new trend at Imexpharm is to increase the number of employees with college degrees and higher in order to meet the high demand of a high quality human capital of the company.

Moreover, Imexpharm's workforce is in golden age for working as 75% of the employees are under 40 years old.

## The labor structure by education level





Workers’ Compensation and Benefit Policies

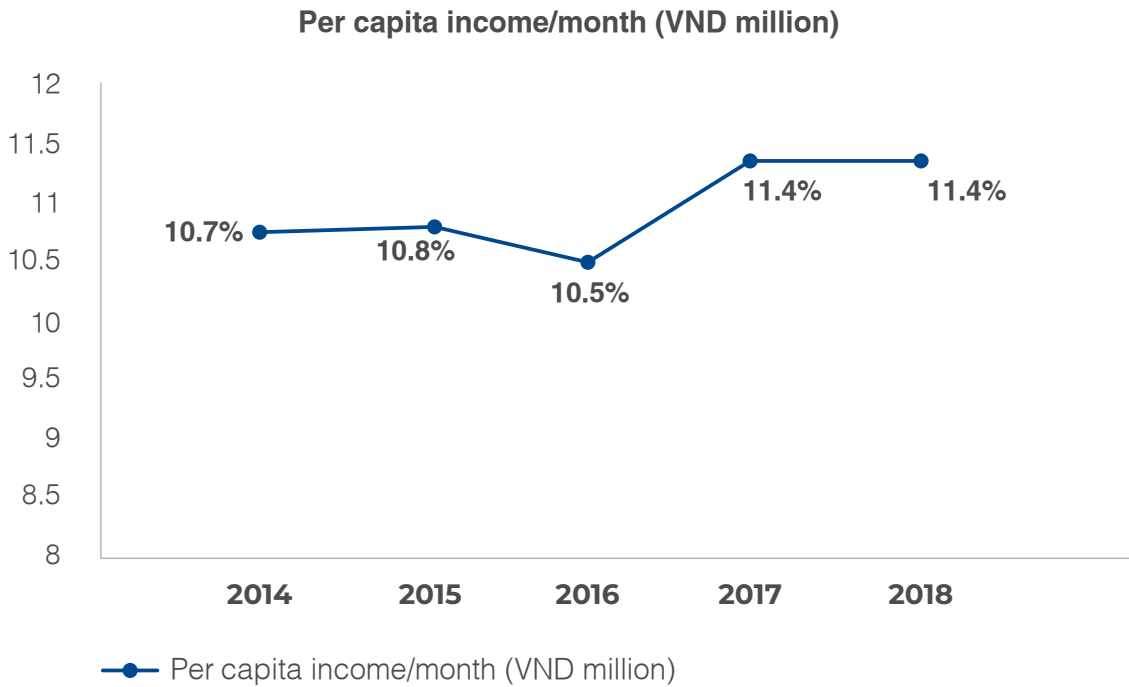
Human resources are considered the center in all activities, especially sales force and personnel in high-tech factories. Therefore, the company never stops improving workplace environment and stable policies on salary, reward and compensation. The guiding principle for Imexpharm has always been to honor humanity and to create favorable conditions that promote creativity, encourage its employees to overcome their own limits, moving forwards to productivity as well as unceasingly to cultivate and develop their professional competency. With these objectives in mind, Imexpharm developed a competitive compensation system that provides a lot of good benefits to its employees. This helps to preserve the current human resource as well as attract new talents that will inherit the company culture and develop it in the future.

Following are some typical terms in the employee compensation packet:

- 100% staff and employees receive their salary in time;
- 100% staff and employees enroll in health insurance, unemployment insurance and accident insurance;
- 100% of employees receive regular health check-ups at prestigious hospitals;
- 100% of employees are provided uniforms as required by the regulation;
- The company also has bonuses for workers during the year on National Holidays and Tet including: Vietnamese Doctor’s Day February 27, Reunification Day April 30, Independence Day September 2, New Year’s Day, and especially the Lunar New Year;
- Besides, at the end of the year, the company also has a remuneration and promotion system based on working ability and work performance evaluations.
- Workers are considered for a pay raise periodically according to the salary and compensation policies.
- During the year, the company encourages its staff and employees to participate in music or sport activities organized by Imexpharm and other organizations on big holidays like 30/4, 2/9 and Lunar New Year.
- To promote working spirit and Imexpharm culture to every staff and employees, the Committee of Culture Affairs quarterly organized cultural seminars which became helpful playground for Imexpharm’s staff and employees. At these events, everyone could cordially share thoughts with the leaders, learn from each other and make new friends in order to work better together.
- Every year, initiatives and programs are organized, attracting a lot of great ideas in enhancing work performance. In 2018, the company had received many initiatives which helped bring in billions of profit to the company. The company has rewarded these brilliant ideas in a timely manner.
- Imexpharm cares about our staff’s income and living quality to become a desirable employer in the industry, thereby attracting and retaining employees, especially R&D staff and professionals;
- ESOP for key officers in 2017 with restricted transfer until 2020 has boosted the commitment and dedication of the staff.



Tri ân CB CNV đã có nhiều năm cống hiến



The average income of employees in 2018 remains stable compared to 2017. This can be attributed to the Board of Directors' efforts to maintain benefit policies for employees despite under-performance of only 86% of sales targets while the salary is calculated based on the turnover.

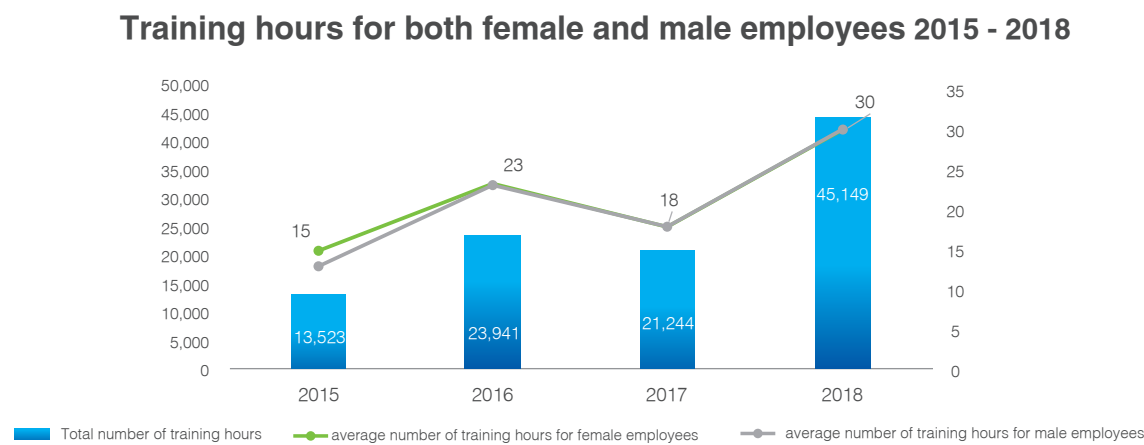
The goal is by 2022 the average income of Imexpharm’s employees will reach VND 19 million per person per month. In 2019 alone, since Imexpharm has attained its business objectives, the average income per person will improve considerably.

Imexpharm also cares about building a team that can continue upholding the company’s sustainable development strategy. Several programs that Imexpharm develops during the year to cultivate the human resources system:

- Assess employees’ performance by using the Balanced Score Card which helps: to detect any problem that needs to be addressed in order to improve work productivity; to develop suitable policies in advancing human resources.
- Every year, the company organizes training workshops that provide employees opportunities to update new knowledge and improve their professional skills. Especially, the governance body of Imexpharm also encourages the Research and Development department to work closely with domestic as well as oversea universities and research institutes so that they can enhance their knowledge and update new scientific achievements across the world.
- The company’s human resources policy also focuses on preparing the next generation for succeeding, offering training for the term of 2018-2022, as well as attracting talents to join Imexpharm family, especially those who formerly work in the high-tech plants.



CONTINUING LEARNING AND DEVELOPMENT



In 2018, Imexpharm organized numerous training programs for its staff, including 4 major internal training programs and 47 external training programs, with nearly 100 sessions.

Internal training programs include: DMS training for sales branches; SAP-ERP training for R&D teams and high-tech factories; product knowledge training for national pharmacist; GMP-WHO training for Dong Thap factory

The external training programs were diverse and comprehensive, mainly focusing on development of expertise and skills of the team, especially R&D, QA, QC, production units in Dong Thap, other high-tech factories, and middle managers.

Total training hours in 2018 was 45,149 hours, which doubles training hours in 2017. On average, each employee received 30 training hours per year. Female and male employees have equal access to continuing professional development opportunities at Imexpharm.

Internal training programs including:

No.	Name of the program	Participants	Number of training sessions
1	DMS training	Selling branches	10
2	SAP-ERP	IMP3, IMP4, R&D	3
3	Product training	Pharmaceutical sales representatives nationwide	8

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LEADING ASPIRATION  
SUSTAINABLE GOVERNANCE

In 2018, the Company organized 47 external training programs including:

No.	Topic	Date	Participants
1	Human resource management skills for middle managers	04-12-19-26/01/2018	Middle managers
2	Applying 5S & KAIZEN in governance to help reduce costs and increase labor productivity for Vietnamese enterprises	26-27/01/2018	IMP3 Plant
3	Presentation of salesman's morale	03/04/2018	Pharmaceutical sales representatives nationwide Board of Management
4	Testing of related impurities	15-16-17/03/2018	QC and R&D for all factories
5	Enabling leadership	03/23/2018	Human Resources - Administrative Human Resource Development
6	Improve office administrative skills, filing & writing skills	20-23/03/2018	Personnel and Administration
7	International internal audit standards IIA	27-28/01, 03-04/02/2018	Internal control
8	International supply chain management SCOR	31/03, 01-07-08/04/2018	Planning Division Production Division, IMP3 Plant
9	Training for mid-level managers	7-8-14-15/04/2018	QC-IMP2 Technical Division - IMP3 Production Division - IMP4 Production Division - Dong Thap Plant
10	Training on Circular 01/2018/TT-BYT	04/05/2018	QA Division - IMP2 QA-R&D Divisions - Dong Thap Plant QA Division - IMP4
11	Time management skills	04/08/2018	Human Resources Development Department
12	Online Marketing	14-15/04/2018	Strategic Management Department
13	Techniques to assess skills of micro-biological laboratory staff and quality control of test results	03-04/05/2018	QC Division - IMP4 Plant
14	Latest update of Circular 39/2018/TT-BTC amending Circular 38/2015/TT-BTC regulating customs procedures and import and export tax policies applied as of June 05, 2018; Decree 59/2018/ND-CP on customs procedures, customs inspection, supervision and control	29-30/05/2018	Ho Chi Minh City Branch

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## MANAGEMENT AND OPERATION

No.	Topic	Date	Participants
15	Train the trainer	30-31/05, 08/06/2018	
16	Training on OSH for groups I, III and V (Forklift safety)	21/05/2018	Persons in charge of IMP2 Plant and Vinh Loc 2 Branch
17	Develop standards, methods of testing sterile drugs and practicum of testing methods - Nguyen Duc Tuan	08-09/06/2018	R&D, QC, QA Divisions of all Plants
18	Recruitment interview Skills Training	30-06 & 01/07/2018	Human Resources Development Department
19	C & B Experts		Personnel and Administration Department
20	Workshop "Db2 Deep Dive Enablement - LUW Administration for the Oracle DBA."	20-21/06/2018	Information Technology Department
21	Basic knowledge of metrology, calibration and verification of measuring devices (KT11)	07-09/06/2018	Technical Department - Dong Thap Plant
22	Microbiology training at IMP3	07 days (May-June/2018)	QC Divisions of Dong Thap, IMP2, IMP3 QC, QA of IMP4 Plants
23	Develop and put into practice the general requirements for laboratory management to ISO/IEC 17025:2017 Standard	03-04/08/2018	QA-QC Divisions - Dong Thap Plant
24	Circular No. 11/2018/TT-BYT and documents on drug quality management	7/13/2018	QA, QC, R&D of Dong Thap Plant
25	Business Analysis Professional	02-05/08/2018	Information Technology Department
26	QA of IMP3 Plant	28-29/08/2018	QA, KT Đồng Tháp SX IMP3 QA IMP4
27	Procurement operations	21-22/08/2018	Sales Support Department
28	Improve office administrative skills, filing & writing skills	31/07, 01-03/08/2018	Admin - Production I Division
29	Meeting of the ASEAN Advisory Committee on Standards and Quality	06-10/08/2018	Deputy General Director - Production II Division
30	Corporate culture	25-26/08/2018	Human Resources Development Department

No.	Topic	Date	Participants
31	Check and calibrate the volume meter	25-27/07/2018	QC -IMP4
32	KPIs Experts	9/15/2018	Human Resources Development Department
33	Human resource	8/7/2018	Human Resources Development Department
34	Business planning skills - How to operate production in the most efficient manner for businesses in 2018	09-11/08/2018	Production Division - IMP3
35	Instructions for using, checking and calibrating internal laboratory instruments (KT09)	20-23/08/2018	Technical Department - Dong Thap Plant
36	Improve management competency for mid-level managers	August/2018	Sales Support
37	Helpdesk Support	8/25/2018	Information Technology Department
38	Calibration of IMP4 measuring instrument	17-20/09/2018	QC-Technical Divisions of IMP4
39	Deploy and administer VMware vSphere virtualization infrastructure 6.5	9/8/2018	Information Technology Department
40	GMP workshop - Drug Administration of Vietnam	18-20/10/2018	QA-QC of IMP3 Plant Factory director & QA Division of IMP2 Plant QA Division of Dong Thap Plant Factory director IMP4 Plant
41	Training on Marketing innovation and E-commerce business in the 4.0 era	02-03/10/2018	Human Resources Development Department
42	OSH training for groups 3 & 4	27-28/10/2018	Office, Production I Division
43	OSH training for 4 of IMP2 + Branch 2	10/26/2018	IMP2 Plant, Vinh Loc Branch 2
44	Updating new regulations on customs procedures, import and export	24-25/10/2018	IMP2 Plant, Vinh Loc Branch 2
45	OSH training for group 6	11/15/2018	Officer in charge of safety in Dong Thap
46	Chemical safety	08-09/12/2018	QC-R&D Divisions - Dong Thap Plant
47	OSH training for group 2 - IMP2 Plant	12/10/2018	IMP2 Plant



# PERFORMANCE & REPORT OF THE YEAR 2018 PLANS FOR 2019

- Overview of Vietnam's economy and pharmaceutical industry in 2018 - 2019 outlook
- Report and performance evaluation of the Board of Directors in 2018 - Plans for 2019
- Business performance and financial statements of the board of management in 2018 - Plans for 2019
- Performance report and assessment for 2018

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## OVERALL ASSESSMENT OF VIETNAM'S ECONOMY AND PHARMACEUTICAL INDUSTRY IN 2018

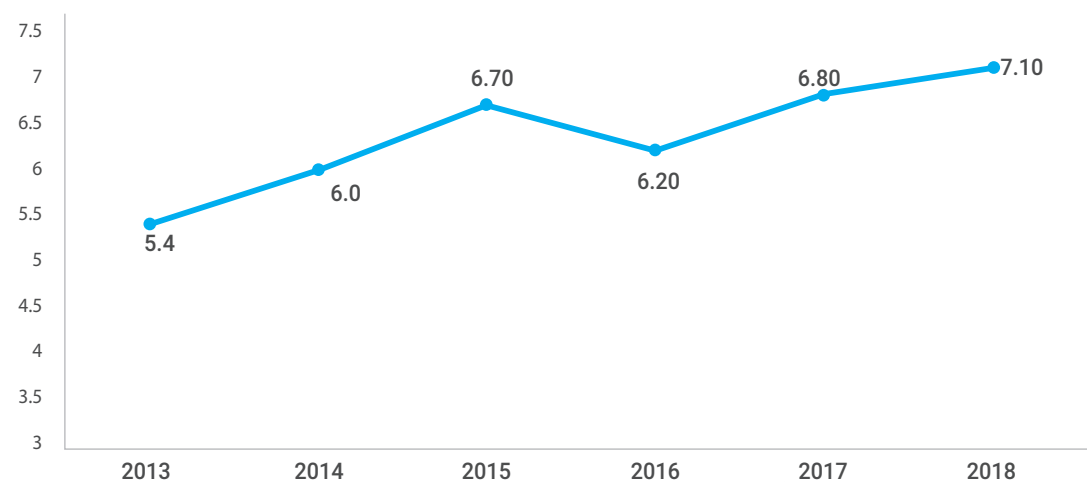
### 2019 OUTLOOK



*The Vietnam economic picture in 2018 presents many bright colors, indicating its positive growth. Its GDP continued to grow strongly thanks to a higher domestic consumption demand, in addition to stronger exports, production and foreign investment inflows into Vietnam.*



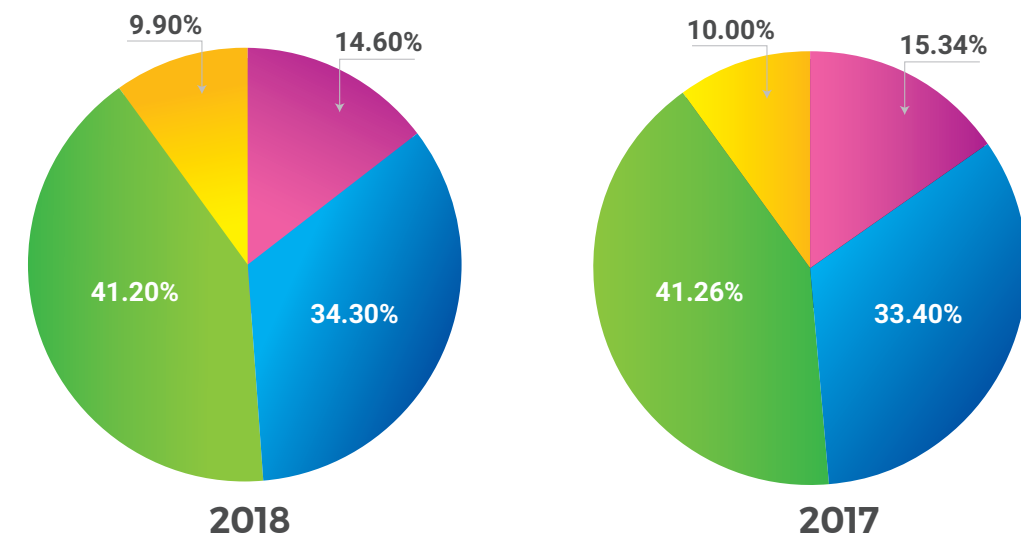
**GDP growth (%)**



((Source: General Statistics Office))

Vietnam's GDP grew at 6% back in 2014 and has always remained high since then although the growth rate dropped to 6.2% in 2016.

Vietnam's export turnover in 2018 reached USD 244 billion, up 13.8% over the same period in 2017. Vietnam continued to record its trade surplus in 2018 thanks to positive net exports of USD 7.21 billion, i.e. 5.1 billion higher than the trade surplus of USD - 2.11 billion in 2017. Phone spare parts, electronic equipment and textile products stayed as the main export products of Vietnam. However, it is worth noting that crude oil exports decreased significantly compared to 2017 when Vietnam's exported crude oil output decreased by 35.9% in volume and 21.2% in value. The weaker dependence on crude oil is a positive signal for Vietnam's economy.



- Service
- Industry and construction
- Products taxes less subsidies on production
- The agriculture, forestry and fishery

The service sector still accounted for the highest proportion in the Economic structure, followed by the construction sector. The proportion of agriculture, forestry and fishery sector decreased while that of industry sector increased compared to 2017, indicating positive signs that the economy was developing towards industrialization. However, the agriculture, forestry and fishery sector grew by 3.76% compared to the same period last year, indicating quick recovery of agricultural sector despite the impacts of natural disasters.





According to current assessments, the size of Vietnam's economy is about VND 5.54 quadrillion. In 2018, Vietnam's GDP per capita was estimated at VND 58.5 million, i.e. an increase of nearly VND 4.5 million compared to 2017.

Labor productivity was estimated at

**102** million/  
equivalent worker  
**4.512** USD/  
worker

increase of USD 346 compared to 2017

Consumer price index - CPI increased by 3.54%, which is lower than the target of 4% set by the National Assembly. The trade war between the US and China at the end of 2018 somewhat exerted some impacts on the Vietnam's economy. However, from an economic perspective, Vietnam has also successfully leveraged its advantages to boost exports and develop manufacturing industries, thereby improving its trade surplus. In 2018, regulations on business conditions and specialized inspection procedures were simplified, creating more enabling conditions for businesses. Also, for the first time, the government issued a separate resolution that removed some costs for businesses. In 2018, Vietnam witnessed positive developments of the private sector as many large enterprises entered into operation. Overall, in 2018, Vietnam succeeded in macroeconomic management, curbing inflation, maintaining economic growth and implementing many regulatory reforms, creating a healthy business environment to call for investment and promote the development of domestic enterprises.



Despite a strong growth of the economy, Vietnam needs to promote its economic growth toward sustainability. According to the 2018 global competitiveness report at the World Economic Forum, Vietnam was ranked 77 out of 140 economies worldwide. The issues that Vietnam needs to address should it wish to improve its ranking include: innovation capability; labor market; access to technology; labor skills; Business dynamism and product markets. Therefore, it will be challenging for Vietnam to maintain its growth rate of 2018. Currently, its export growth depends heavily on enterprises with foreign direct investment - FDI. Therefore, Vietnam needs to keep learning and master latest technology for its economy not to become much "vulnerable" when there are changes in FDI enterprises. Labor productivity, though improved year by year, is still low compared to developed countries in the region and the world; thus, Vietnam needs to make more efforts to improve labor productivity and quality as the low-cost labor has significantly lost its value. Although the manufacturing and processing industry grew, the majority of input materials had to be imported; any fluctuations in raw material prices will greatly affect the profitability of businesses. Besides, the innovative capacity and ability to adapt to market changes of Vietnamese enterprises remain limited. The government needs to provide support to businesses more positively through regulatory reforms, and the companies should also have clear strategies and forecast changes to survive and compete in the context of globalization. In 2019, although Vietnam's economy is expected to face many challenges, international organizations are somewhat optimistic about its economic growth prospects. The Asian Development Bank - ADB in late December 2018 forecast that Vietnam's economy would grow at 6.8% in 2019. According to the World Bank (WB), the world economy would slow down in 2019-2020

and Vietnam would follow this trend, with its economic growth to stand at 6.6% in 2019, and 6.5% in 2020. There are many different assumptions about the impact of US-China trade war on Vietnam's economy. In addition to negative ratings, ANZ Bank believes that Vietnam would benefit from this war and its economic growth rate in 2019 would be 7%. For its part, the Government set a target for economic growth in 2019 of 6.6-6.8%. In the unpredictable changes of the world economy, it is difficult to construct an accurate scenario for Vietnam. However, with the efforts of the Government and the business community, 2019 is expected to witness a positive growth rate of Vietnam's economy. In the next 5 years, there are many development scenarios for the Vietnamese economy; but it is difficult to define the growth trend as well as the potential risks when the world economy is embedded with many complicated changes, especially changes in the US foreign policy. However, there are signs that the world economy will grow slowly in 2019 onwards and Vietnam's economy will likely to follow this global trend. The Vietnamese government also understands these challenges and always strives to maintain a high growth rate as well as its macroeconomic stability. If persistent efforts are made in pursuing sustainable development, integration of economic growth and improved quality of life for local people, application of advanced technology, and building capacity for technological autonomy and independence from imported materials, Vietnam's economy will grow steadily in the future.





PLANS FOR 2019



Vietnam pharmaceutical industry in 2018

The growth rate of the pharmaceutical market slowed down in 2018 after a period of sudden economic growth, which caused significant impacts on pharmaceutical companies. However, for BMI, Vietnam's pharmaceutical market still has a lot of potential when the current health expenditure (% of GDP) keeps increasing. Specifically, in 2017, health spending was estimated at 6.4% of GDP, which increased to 7.1% in 2018. Higher per capita income coupled with rapid population aging result in an increasing demand for medicines and medical services in Vietnam.

According to statistics of Fitch Solutions (formerly BMI Research)

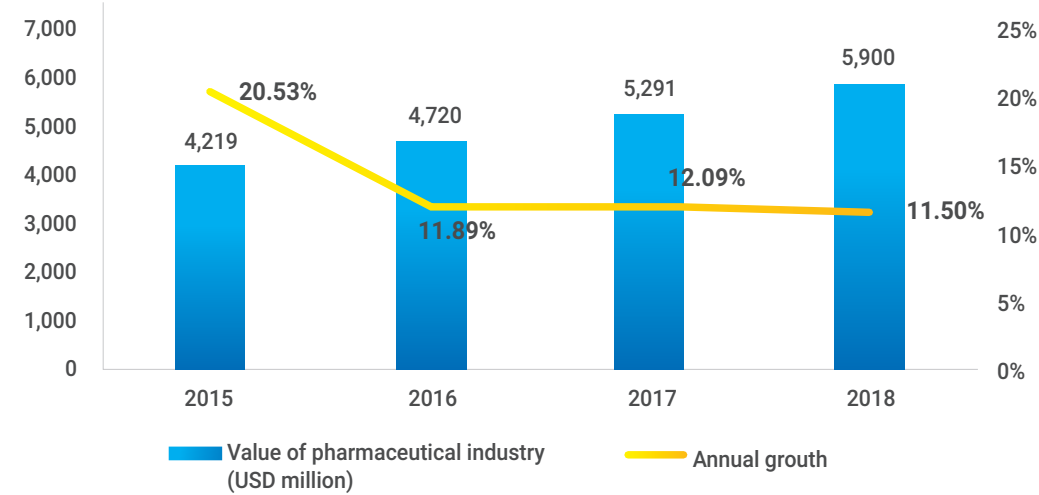
the total value of Vietnam's pharmaceutical market in 2018

136,29 trillion VNĐ

(equivalent to USD 5.9 billion )

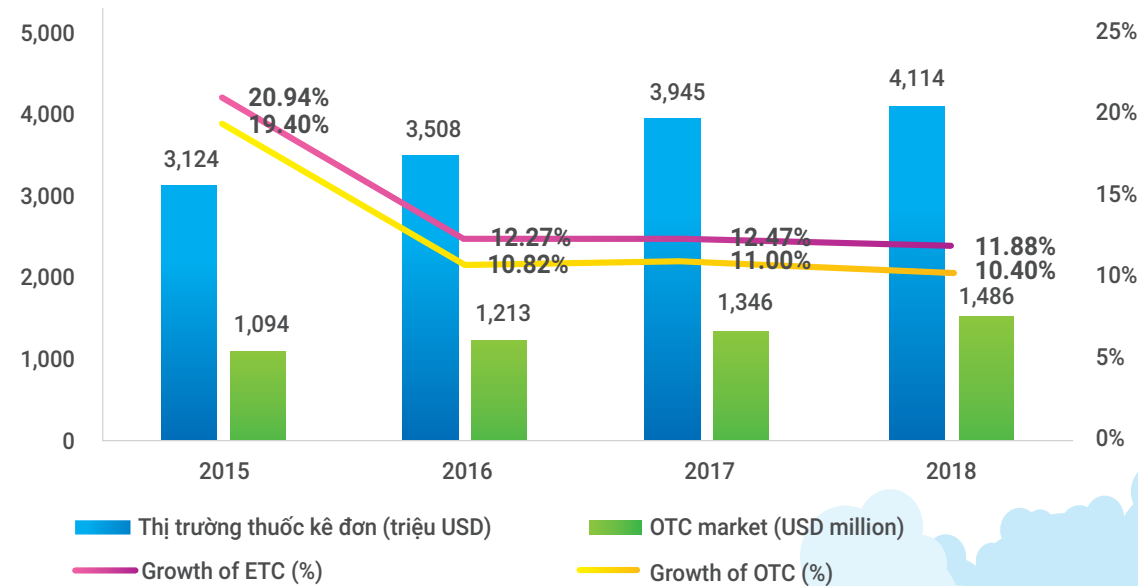
growing by 13,4% in 2018 (in VNĐ).

Value and growth of pharmaceutical industry 2015 - 2018



(Source: Fitch Solutions)

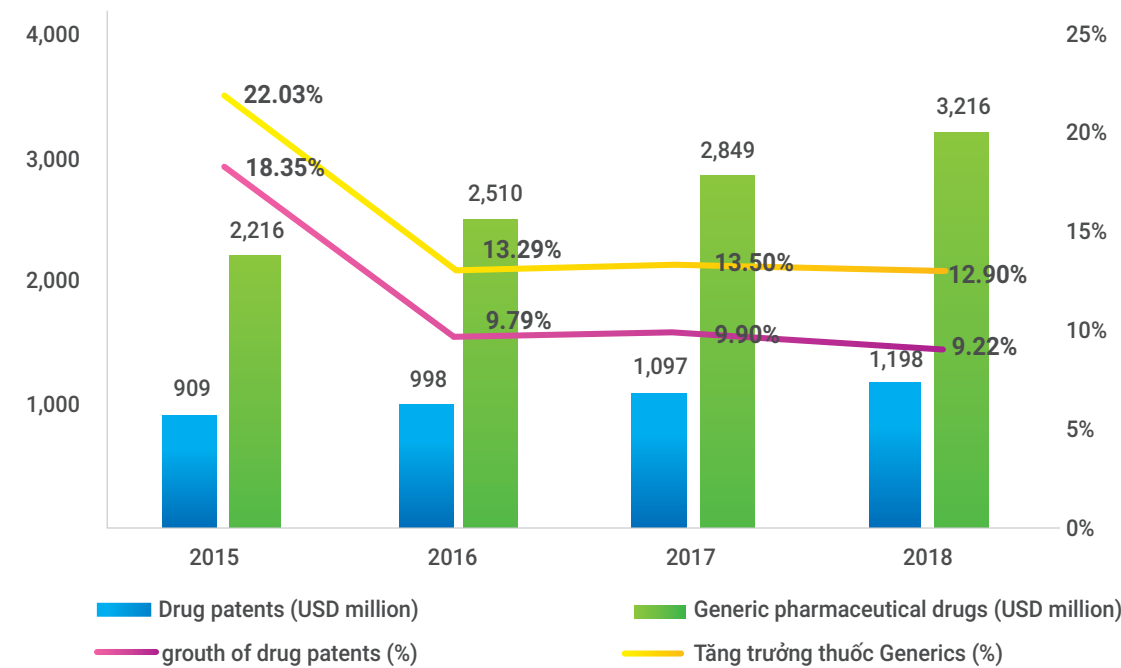
As assessed by BMI, Vietnam's pharmaceutical market still generates big profits for investors because Vietnam's population is increasing and diseases and conditions are on the rise. In addition, there are increasingly positive moves by the Government health care, development of the health sector, and improvement of people's lives. However, the investment in the pharmaceutical industry in Vietnam also comes with risks because the legal corridor for pharmaceutical industry has not been finalized. According to Fitch Solutions data, prescription drugs - ETC still played a key role in the pharmaceutical industry with nearly 75% in terms of the value in 2018. OTC drugs accounted for about 25%. In the future, prescription drugs are expected to further dominate the market due to the impacts of the universal health insurance program, regulations on management of prescription drugs, and policies to deliver the Government's commitment to investment in health care and improvement of public health. For one issue that Vietnam's pharmaceutical industry needs to recognize, local pharmaceutical products only account for nearly 50% of the value of the pharmaceutical industry. Drugs used and sold in hospitals are mostly imported.



(Source: Fitch Solutions)

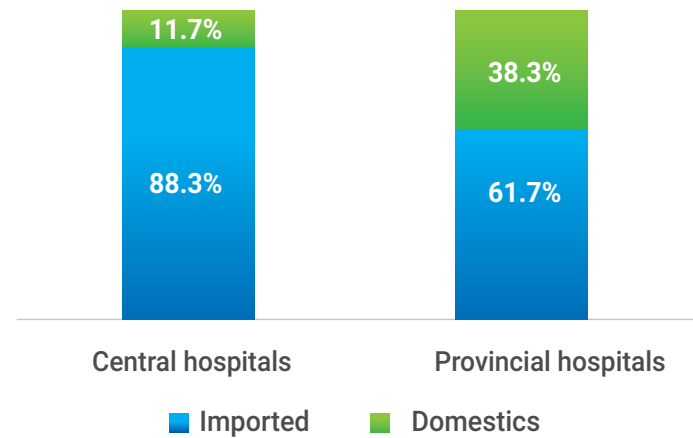


In addition, the value of generic drug consumption accounts for about 54% of the market and drug products associated with intellectual property rights account for more than 20% of the market.



(Source: Fitch Solutions)

Thus, domestic pharmaceutical enterprises compete with each other in the OTC market. As the domestic pharmaceutical enterprises are mainly known for their production of generic drugs with low technology content, the competition in OTC market is increasingly stronger when the growth tends to slow down under policy impacts. Especially in hospitals, imported drugs always outnumber the local products produced in Vietnam



(Source: Drug Administration of Vietnam, RongViet Securities Corporation)



In 2018, Vietnam's export value of pharmaceutical products was about USD 124.36 million, i.e. an increase of 7.54% compared to 2017; while the value of imported drugs was nearly USD 3.319 million. The trade balance of the pharmaceutical products was always negative. This deficit entails consequences for the domestic pharmaceutical industry. Major import markets of Vietnam include: France, USA, England, Italy, Belgium, India, South Korea, Bangladesh, Thailand ... The import of drugs from pharmaceutical markets with the same level of development as Vietnam will downgrade domestic enterprises. While there are now many businesses investing in high quality drugs which can meet highest global standards but are facing challenges in penetrating in the procurement channels at hospitals. The Vietnamese government has taken a look at the current situation and made initial changes to reduce medical costs while increasing the proportion of domestic medicine products. However, this shift is happening slowly, which will make it difficult for domestic pharmaceutical companies to solve the output problem, considering that the initial efforts and investment capital are significant. In addition to market difficulties, Vietnamese businesses also face many difficulties with input materials. Currently, most of Vietnam's pharmaceutical materials are imported from China and India. The surge in pharmaceutical material prices in 2018 led to a decline in profit margins of listed pharmaceutical companies.

The independence on input materials is essential to improve autonomy in production. As mentioned above, production technology is also one of the limitations of Vietnamese enterprises. Most domestic pharmaceutical enterprises produce simple drugs which have low technical content and are likely to overlap the products of other companies. Therefore, to control their markets, the companies must invest in technology development to meet highest standards on production. However, the investment process requires time, funding and skilled human resources while businesses are also put at risk, especially if markets for their products are not available. The CPTPP Agreement was adopted in March 2018, in the coming months and years, Vietnam's pharmaceutical enterprises will face stronger competition from foreign enterprises as the country is opening its market. In order to find a firm foothold and promoting their brand, domestic pharmaceutical enterprises need to develop relevant strategies on the products, avoiding duplication in product design to increase competitiveness in the market. In addition, investment in research and development should also focus on developing high-tech products that can compete with foreign companies. However, from perspectives of domestic pharmaceutical enterprises, support policies from the Government plus a complete legal corridor for procurement activities are of high importance.





In 2019, Vietnam's pharmaceutical industry is expected to further grow. However, according to BMI, the proportion of OTC drugs in the pharmaceutical industry will gradually decrease to stand at about 23% by 2027 due to increasingly stricter regulations on management of prescription drugs. Besides, OTC market is expected to grow slowly in the period of 2019-2023, the compound growth rate in 10 years (2017-2027) of the OTC market is expected to be 9.9%. Meanwhile, the ETC market will continue to dominate the pharmaceutical industry, with an increasingly higher proportion. This will much benefit those pharmaceutical enterprises which focus on the ETC market and wider presence of products in the hospitals.

Granting permission to listed pharmaceutical companies to increase the ownership percentage to 100% for foreign investors will entail stronger foreign capital inflows into the pharmaceutical industry which is considered to be full of potential. Currently, most of the major listed pharmaceutical companies have foreign partners. Merger and acquisition activities will

help domestic pharmaceutical enterprises in access to advanced production technologies in the world while placing them at risk of losing control to the foreign enterprises which own generous financial resources and well developed technologies. In addition, the consumer psychology also plays an important role in shaping the production activities of pharmaceutical companies. The assumption that imported medicines are always better than locally produced ones creates some obstacles for high quality Vietnamese drugs to take up market shares. Domestic pharmaceutical enterprises need to promote communication and branding activities to build up their position and competitiveness. In addition, attention shall be given to the product unit price. Some imported drug products have a similar unit price with domestic drugs, inviting customers to buy imported the former. According to the Nielsen survey, health is always one of the top concerns for Vietnamese consumers and they will accept higher health care costs for their peace of mind. Improvement of the production process, investment in technology 4.0 from production to distribution would save operating costs for Vietnamese businesses while enabling them to adjust their product prices in a competitive way and retaining their target profit margins.

**In 2019,**  
**Vietnam's pharmaceutical industry**  
**is expected to further grow.**

Besides, OTC market is expected to grow slowly in the period of 2019-2023, the compound growth rate in 10 years (2017-2027) of the OTC market is expected to be **9,9%**





BOARD OF  
**DIRECTOR MEMBERS**



**Mr. NGUYEN QUOC DINH**  
Chairman of the BOD



**Ms. TRAN THI DAO**  
Vice chairman of the BOD



**Ms. HAN THI KHANH VINH**  
Member of the BOD



**Mr. VO HUU TUAN**  
Member of the BOD



**Mr. TRAN ANH TUAN**  
Member of the BOD



**Mr. NGO MINH TUAN**  
Member of the BOD



**Mr. LE VAN NHA PHUONG**  
Member of the BOD



**Mr. HUYNH VAN NHUNG**  
Member of the BOD





## REPORT AND PERFORMANCE EVALUATION OF **THE BOARD OF DIRETORS** & PLANS FOR 2019

### I. BOARD OF DIRECTORS' ASSESSMENT ON BUSINESS PERFORMANCE 2018

#### “ 1. A stocktaking of 2018 and Prospects for 2019

*In 2018, Vietnam's economic picture has been the brightest in recent years. According to the General Statistics Office, GDP in 2018 grew at a rate of 7.08%, a 10-year record high, as compared to 6.81% of the previous year. Macroeconomic indicators are generally improved. In particular, investment efficiency has been enhanced with many new production capacities added to the economy. The efficiency of investment projects has been improved, evidenced by the continuous decrease in ICOR (Incremental Capital-Output Ratio) from 6.42 in 2016 to 6.11 in 2017 and 5.97 in 2018; on average, the average ICOR during the period 2016-2018 is 6.17, lower than the level of 6.25 during the period 2011-2015.*

”

On the other hand, Vietnam's pharmaceutical industry in 2018 started to slow down after a 2-digit heated growth period. Total drug spending is estimated to grow by more than 11.5% in 2018, reaching USD 5.9 billion - according to Fitch Solutions (BMI). This organization also forecasts the Vietnamese pharmaceutical market will reach 6.5 billion USD in 2019 and the average growth rate for the period of 2019-2022 is 10.6% p.a. In particular, the OTC market is expected to reach USD 1.6 billion in 2019, averaging a growth-rate of 9.5% p.a. in the period 2019-2022.

It must be acknowledged that the pharmaceutical industry in Vietnam has developed remarkably in recent years following the general trend of global development. Ranked by IQVIA in 17 emerging countries with the highest growth rate globally, Vietnam's leading pharmaceutical companies have embarked on many innovations. A few businesses have taken the trend of EU-GMP and PIC/S investment in Vietnam, investing in improved R&D capacity and effective application of current technology 4.0 in their production, financial management and distribution systems. Imexpharm is considered one of the industry champions in terms of investment for comprehensive and sustainable development. This success is attributed to the people, intellectuals and long-established manufacturing experience for multinational pharmaceutical corporations and over 20 years of focused investment in product quality and standards throughout the company's history of over 40 years.

Market research firm Euromonitor International revealed that the per capita drug spending in Vietnam only reached over USD 50 in 2017, equivalent to one third of the global average and about half of the average of emerging countries, demonstrating that there remain a lot of potential development in Vietnam pharmaceutical industry. In fact, this potential market has attracted many

foreign corporations such as Abbott, Taisho, Stada Service Holding BV, Adamed Group, etc. with big M&A deals over the years to join the production. Locally, the pharmaceutical industry has been attracting strategic investments of many big names such as Vingroup, FPT, Masan Group, Vinamilk, Mobile World, Digiworld, etc. to penetrate into the pharmaceutical retail market.

Entering 2019, pharmaceutical companies expect the Government to complete the legal framework and ensure transparency of the drug procurement process at hospitals. ETC channel is currently the main drug distribution channel, with more than 70% of the market; thus, enterprises are very much looking forward to an open and transparent drug procurement process for fairer competition and more effective use of drugs.

Besides, pharmaceutical enterprises highly appreciate the role of the Government in management of current drug prices (after issuance of Decree 54/2017/ND-CP). However, the price volatility of imported raw material in 2018 increased the unit price of finished products, while the selling price was kept under the ceiling price, causing businesses to suffer. Therefore, the Ministry of Health should have a roadmap to guide businesses in valuation and increasing prices at a reasonable rate.

In addition, the Ministry of Health's regulations on management of prescription drugs, especially Circular 02/2018/TT-BYT dated January 22, 2018 on good pharmacy practices, are spoken highly of by enterprises in development of the pharmaceutical industry in line with overall global trends. However, these regulations are expected to continue to drastically influence the sales strategies, identification of target customers as well as the revenue structure of pharmaceutical companies in 2019, as well as in medium and long term.





2. Business performance 2018

If Imexpharm experienced a spectacular recovery in 2017 after a difficult period of 2013-2016 due to legal changes in regulations on drug procurement at hospitals, with the highest growth rate of 16.1% in 7 years; its performance was less impressive in 2018 with revenue growth rate of only 1.8%.

At the start of 2018, it was positive with Imexpharm as it owned 03 EU-GMP certified lines at the same time, including 2 injection lines; as the revised Circular on drug procurement will soon be officially issued in the first half of 2018 after a long duration of drafting, it is expected to be a facilitating factor to support recovery of the ETC market in 2018. The Board of Directors agreed with the Board of Management to set annual growth rate of 18.1% for an expected revenue of VND 1,400 billion, based on careful consideration of market capabilities.

TOTAL NET REVENUE AND  
OTHER INCOME REACHED

86,2% OF THE  
2018  
TARGET

INCREASING INCREMENTALLY BY

1,8% YEAR-  
ON-YEAR

However, after a long wait, the new Circular was not issued in 2018 as expected. As a result, total net revenue and other income of Imexpharm only reached 86.2% of the committed target. The Board of Directors acknowledged its responsibility for not achieving the revenue target before the General Meeting of Shareholders.

Revenue growth from ETC channel in 2018 was only recorded at 8.8%, much lower than expected. While OTC market growth was more or less stable at 1.2%, and it still contributed 80.7% in total revenue of Imexpharm.

Business performance and fundamental financial ratios for 2018 are as follows:

Indicator	2018	2017	% of 2018 plan	% of growth
Business performance (million VND)				
Total net revenue and other income	1,207,125	1,185,399	86.2%	1.8%
Net revenue	1,184,818	1,165,456		1.7%
Pre-tax profit & Science & Technology Development Funds	192,769	162,559	101.5%	18.6%
Pre-tax profit	173,769	146,559		18.6%
Net profit after tax	138,683	117,360		18.2%
Assets - Capital (million VND)				
Total assets	1,774,247	1,773,631		0.0%
Charter capital	494,212	429,782		15.0%
Owner's equity	1,504,613	1,395,314		7.8%
Liquidity ratios (times)				
Quick ratio	2.2	2.0		0.1
Current ratio	3.5	2.8		0.7
Rate of returns				
ROS (Net profit margin)	11.7%	10.1%		1.6%
ROA ((Net profit/Assets)	7.8%	8.0%		-0.2%
ROE (Net profit/Owner's equity)	9.6%	10.1%		-0.5%
EPS (VND)	2,524	2,160 (*)		16.9%
BV (VND)	30,457	32,481		-6.2%

Note: (\*) In 2018, Imexpharm Board of Directors decided to terminate Financial Statements auditing service from Deloitte Vietnam Co., Ltd, and started using such services by PwC Vietnam Co., Ltd. EPS for 2017 has been adjusted by PwC Vietnam Co., Ltd. from VND 2,501/share down to VND 2,160/share.



## PLANS FOR 2019

### Profits reached 101.5% of planned targets

In the second half of 2017, due to material price fluctuations and its projection in revenue gap, the Board of Directors and the Board of Management had promptly reviewed to save and cut costs. As a result, pre-tax profit and science and technology development fund reached VND 192.8 billion, achieving 101.5% of target profit, recording a growth rate of 18.6%.

However, the profit from divesting from S.Pharm Pharmaceutical Joint Stock Company (Soc Trang) and Da Nang Pharmaceutical Medical Equipment Joint stock Company (Dapharco) was VND 8.2 billion in 2018. Should this amount be excluded from calculation, the Profit before tax and distribution for Science & Technology Development Fund still achieved a high growth rate of 13.5%, taking into account of unfavorable contextual conditions in 2018.

### Unchanged total assets and slight increase of owner's equity

Last year, the Company made dividend payout in shares at the rate of 15% on charter capital. The Board of Directors also closely supervised the issuance of shares to pay dividends to shareholders, the additional listing of which were completed in July 2018.

Thanks to dividend payout in shares and profit accumulation, owner's equity increased by 7.8% to VND 1,504.6 billion. Total assets at the end of the year were almost similar to the previous year; short-term financial investments were used to invest in long-term assets after completion of 02 high-tech factories in Vinh Loc and VSIP II Industrial Parks - Binh Duong.

### Slight increase of liquidity

The liquidity indicators has slightly increased, ensuring safety thresholds, with quick ratio of 2.2 and current ratio of 3.5 times.

### Stable profit margin

Net profit margin ROS was 11.7%, increasing by 1.6% compared to 2017. The ROA and ROE stood at 7.8% and 9.6% respectively, down slightly by 0.2% and 0.5% due to the impacts of dividend payout in shares during the year.

Earnings per share reached VND 2,524, decreasing by 16.9% from the previous year. Book value per share reached VND 30,457/share, down by 6.2% compared to 2017 though, due to the dividend payout in shares to increase its charter capital, which remained high.

The Board of Directors has closely monitored the use of investment capital and put projects into operation at committed schedule to bring maximum return to shareholders.



PRE-TAX PROFIT AND SCIENCE AND TECHNOLOGY DEVELOPMENT FUND REACHED VND

**192.8% BILLION**

ACHIEVING

**101.5% OF TARGET PROFIT**

RECORDING A GROWTH RATE OF

**18.6%**

## 3. Improvements in Corporate Governance in 2018

### Corporate governance application follows best practices

In 2018, Imexpharm continued to apply advanced practices to corporate governance. Standards applied included: OECD Principles of Corporate Governance, IFC Corporate Governance Manual, Corporate Governance Scorecard of Vietnam and ASEAN, HOSE Sustainability Index, GRI's Sustainability Reporting Standards, etc. Imexpharm has made a lot of improvements related to:

- **Shareholder's rights:** Accordingly, Imexpharm created all enabling conditions for shareholders to attend and vote at the General Meeting of Shareholders. The company also paid full dividends on time with clear dividend policy at a high and stable rate over the years.
- **Equal treatment to all shareholders:** Shareholders had the right to appoint their authorized representatives in the GMS and exercised their voting rights at the GMS. The election, removal, dismissal and supplementation of members of the Board of Directors and Supervisory Board must be approved at the General Meeting of Shareholders.
- **Related parties:** Imexpharm continued to strengthen engagement and consultation with stakeholders, including: shareholders, investors, customers, employees, local communities, etc.
- **Information disclosure:** The company's information disclosure policy was transparent, accurate, clear and timely; Information disclosure was made on periodical and irregular basis.
- **The Board of Directors:** BOD's members and structure ensured independence and professional diversity; BOD's chairman did not concurrently hold CEO position; Roles and responsibilities of non-executive members were enhanced; Performance of each BOD's member was assessed, etc.

Imexpharm also compared its corporate governance with Vietnamese and ASEAN Corporate Governance Scorecard for further improvements. In particular, the company regularly assessed Sustainability indicators. 2018 is the third year in a row Imexpharm was ranked in Top 100 Vietnam sustainable enterprises assessed and announced by Vietnam Business Council for Sustainable Development - VCCI.

### Promotion of stakeholder consultation and active participation in Corporate Governance programs

Imexpharm's Board of Directors also met and worked with shareholders and investors on 1/26/2018 at Pullman Hotel Ho Chi Minh City, to report company's business performance, report on issuance results, schedule of investment projects,

as well as consultation on strategic objectives in 2018. At the same time, the Chairman and Board of Directors also held direct dialogues for consultation and sharing with all Imexpharm shareholders and employees.

The Chairperson and members of the Board of Directors, the Secretary and the person in charge of Corporate Governance in 2018 also actively participated in seminars on a variety of topics related to the organization and operation of the Board of Directors, and international Good governance practices organized by VIOD - Vietnam Institute of Directors.

In addition, Ms. Han Thi Khanh Vinh - Imexpharm's new Board member also completed the Corporate Governance training course and was certified by the State Securities Commission.





## II. THE BOARD OF DIRECTORS' OVERSIGHT OVER THE GENERAL DIRECTOR AND THE BOARD OF MANAGEMENT

### 1. Supervision methods

In 2018, the BOD strove to fulfill its rights and obligations prudently as assigned, with details as follows:

- The BOD Chairman participated in meetings of quarterly shifting with the Board of Management, Directors, Deputy Directors of departments and functions to attend to reports on business and production situations and provide direct instructions during the meetings.
- The BOD cooperated closely with the SB to best understand situations in operations of the Company in order to give supportive advice and recommendations to the Board of Management.
- All business and production operations were controlled and supervised by Internal Audit as well as functional departments as a measure to best manage risks.
- The BOD cooperated closely with the Board of Management in promoting relations with shareholders, investors, partners, employees and other stakeholders.
- The BOD assessed the competence of the Board of Management through self-assessment results in terms of effectiveness of work, leadership competence assessment based on the Dictionary of Leadership Competence issued by the Company and embedded with implementation of 6 Rules of the Company Culture.

## 2. Results of supervision

In 2018, the BOD conducted supervision over activities of the General Director, Deputy General Directors and Chief Accountant in the following terms of:

- Supervising management of business and production operations in 2018 in accordance with the Resolution of the General Meeting of Shareholders: The total revenue and incomes achieved in 2018 amounted to VND 1,207.1 billion, equivalent to 86.2% of 2018 plan; Profit before tax and distribution for Science & Technology Development Fund amounted to VND 192.8 billion, accounting for 101.5% of 2017 plan.
- The Annual General Meeting of Shareholders in 2018, which included the re-election of members of Board of Directors and Supervisors for the term 2018-2022, was successfully organized;
- The procedures for second dividend payout in shares (15%) in 2017 were completed; with the report submitted to the State Securities Commission on June 12, 2018 while it also directed the depository and listing of newly issued additional shares, with the transaction approval by Ho Chi Minh Stock Exchange on July 12, 2018.
- Signing the contract of audit service No. HCM4626/PwC-HCMC/HD/2018 dated 02 July 2018 with PwC Vietnam Co. Ltd.
- **Monitoring the progress of investment projects:**
  - **The hi-tech Antibiotics Plant in Vinh Loc:** The approval was completed in December 2018 in accordance with the commitment plan, and the EU-GMP Certificate was granted in January 2019. The disbursement rate was 92% out of the total project value of VND 189.2 billion (of which the value of assets was VND 166.2 billion - excluding VAT and consultancy cost for EU-GMP approval). Currently, the factory is waiting for the announcement of Ministry of Health on EU-GMP certification and its approval of the product registration application before production and release the products to the market in the second quarter of 2019.
  - **The hi-tech Pharmaceutical Plant in Binh Duong:** The construction progress was nearly 100% while the disbursement rate was 84% out of the total project value of VND 497.2 billion (of which the value of assets was VND 447.9 billion - excluding VAT and consultancy cost for EU-GMP approval). The factory is expected to obtain EU-GMP certification by the end of 2019 and early 2020. Currently, the Company has registered more than 10 products to prepare for production in its factories.

## 3. Conclusion

Through the mechanism of supervision, assessment and periodical reports every quarter and irregular reports when required, the BOD assesses that the General Director and the Board of Management have fulfilled the assigned rights and tasks in accordance with applicable Laws, the Charter of the Company, Resolutions of the General Meeting of Shareholders and Resolutions of the BOD.

In 2018, due to the strong price fluctuation of input materials, the Company actively restricted production and trading of inefficient products. At the same time, the grounds for drug procurement at hospitals did not satisfy the expectations as the revised Circular on this was delayed last year. Despite failure in achieving revenue targets in 2018, the Board of Directors and Board of Management successfully anticipated and developed solutions to save cost, increase labor productivity and restructure the product portfolio. As a result, profit targets for 2018 approved by the General Meeting of Shareholders were finally met.





III. ACTIVITIES OF THE GENERAL MEETING  
OF SHAREHOLDERS IN 2018

1. Activities of the General Meeting of Shareholders

On 28 April 2018, Imexpharm General Meeting of Shareholders held the Annual General Meeting of the fiscal year 2018. All necessary procedures were fully performed in accordance with applicable regulations and guidelines in the best interests of shareholders.

Event calendar	Date
Notice on record date	3/28/2018
Ex-dividend date	4/11/2018
Record date	4/12/2018
The date on which the invitation letter and the GMS meeting handouts are all posted on www.imexpharm.com	4/13/2018
Date to send invitation letter to shareholders	4/17/2018

The Resolution of the Annual General Meeting was strongly supported by all shareholders attending the meeting. Resolutions and minutes of the General Meeting of Shareholders were published and reported within 24 hours as per regulation. Specific contents of the Resolution include:

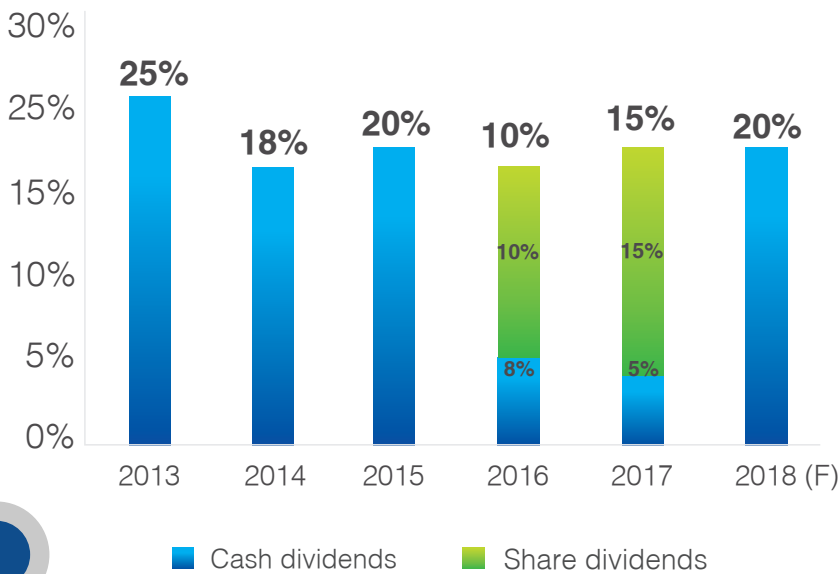
No.	Resolution No. Date of issue	Item
1	16/NQ-ĐHĐCĐ-IMEX April 28, 2018	<div>1. 100% of shareholders agreed (equivalent to 34,688,411 shares with voting rights at the meeting) with the business performance report and assessment of Board of Directors in 2017 and 2013-2017 tenure; objectives for 2018 and strategic directions for 2018-2022;</div> <div>2. 100% of shareholders agreed to approve business performance report and financial statements for 2017 and 2013-2017 tenure; Plan for 2018 and business strategy for 2018-2022;</div> <div>3. 100% of shareholders agreed with business performance report and assessment of Supervisory Board in 2017 and 2013-2017 tenure;</div> <div>4. 100% of shareholders approved the Proposal on operational expenses of the Board of Directors and Supervisory Board for 2018;</div> <div>5. 100% of shareholders approved the Profit Distribution Proposal for 2017 and plan for dividend payout for 2018;</div> <div>6. 100% of shareholders approved the plan to issue additional shares to pay dividends in 2017 with shares to increase charter capital and additional listing of shares on Ho Chi Minh Stock Exchange Ho Chi Minh City for 2018;</div> <div>7. 100% of shareholders voted to authorize the Board of Directors to select 01 (one) out of 05 (five) independent audit firms according to the Proposal for 2018 financial year;</div> <div>8. 100% of shareholders approved the Proposal on the contribution to and use of the S&amp;T Development Fund for 2018;</div> <div>9. 100% of shareholders approved the Proposal on amendments and supplementation to the Charter of Imexpharm Pharmaceutical Joint Stock Company;</div> <div>10. 100% of shareholders approved the Proposal on amendments and supplementation to the internal regulation on governance of Imexpharm Pharmaceutical Joint Stock Company;</div> <div>11. 100% of shareholders approved the Human Resource Structure and the List of nominated candidates for Members of the Board of Directors and Supervisors for the term 2018 - 2022;</div> <div>12. This resolution was adopted by 100% shareholders and took effect from the closing date of the General Meeting of Shareholders 2018.</div>



2. Dividend policy

Imexpharm always maintain a policy of high and stable dividend for shareholders of the Company. Dividends are always fully and duly paid as disclosed, at a rate equal to or higher than the level approved at the Annual General Meeting. Specifically, the dividend/charter capital ratio over the years was as follows:

Dividend ratio during 2013-2018



- Imexpharm’s dividends remained high over the years. Dividends of the Company for 2017 were divided into 2 payouts. The 1st dividend payout was paid in cash in advance to shareholders at the rate of 5% of charter capital (VND 500 for every stock), in compliance with Resolution No. 36/NQ-HĐQT-IMEX dated November 13, 2017. Dividend was paid by the company on 19 December 2017. The 2nd dividend payout in shares was paid at the rate of 15% of charter capital (15 additional shares awarded for every 100 shares), in compliance with the Resolution of the General Meeting of Shareholders No. 16/NQ/DHDCD-IMEX dated April 28, 2018. The company completed the registration procedures for depository and listing of additional shares for dividend payout on July 12, 2018.
- The Board of Directors expected to request the General Meeting of Shareholders to approve the 2018 dividend payout rate of 20% in cash, higher than planned rate of 15% -18% approved at the General Meeting of Shareholders 2018.

3. Information disclosure

Imexpharm’s disclosure policy complies with current regulations, and is consistent with corporate governance policy. Imexpharm adheres to information disclosure guidelines described below:



- The information must be transparent, accurate, complete, clear and published on time, either on a regular or ad-hoc basis.
- Information that may have material impacts on IMP stock price and investor sentiment, the rights of shareholders, or may cause an event that seriously affects the interests of the investors must be published on time and posted on the official website of Imexpharm, Ho Chi Minh Stock Exchange and the State Securities Commission.
- All stakeholders shall have convenient access to the information that Imexpharm publishes.

The Board Chairman is also authorized to disclose information at Imexpharm to help enhance transparency and standardization of information disclosure. Monthly news publication (Investor Relations News) in both Vietnamese and English also helps to communicate Imexpharm’s operating information in a timely manner to shareholders and investors, which is recognized by the investor community. Last year, Imexpharm Chairman and IR Division organized many meetings with shareholders and investors.





## 4. The Board of Directors

### 4.1. Members of the Board of Directors

In 2018, Imexpharm's Board of Directors operated according to the Operation Regulation of the Board of Directors, the Company Charter and Internal Regulation on Governance, amended under the 2014 Enterprise Law and Decree 71/2017/ND-CP guiding corporate governance of public companies and approved at the 2018 General Meeting of Shareholders. The BOD had 08 (eight) members, 3 of which were non-executive members. This helped to ensure objectiveness in decision making of the BOD.

The list of members of the Board of Directors for the 2018-2022 term was voted at the 2018 General Meeting of Shareholders as follows:

Number	Name	Position	Member of BOD	IMP shareholding ratio		Date of appointment/ Dismissal
				% represented	% ownership	
1	Mr. Nguyen Quoc Dinh	Chairman of BOD	Executive	11.436 <sup>(*)</sup>	1.01	- Appointed on 29 July 2001 - Starting date in the position of BOD Chairman: 5/17/2013
2	Ms. Tran Thi Dao	Deputy Chair of the BOD	Executive	-	0.97	- Appointed as BOD Chairman on 29 July 2001 - Starting date in the position of BOD Vice Chairman: 5/17/2013
3	Ms. Han Thi Khanh Vinh	Member of BOD	Non-executive	11.436 <sup>(*)</sup>	-	Starting date in the position of BOD Member: 4/28/2018
4	Mr. Ngo Minh Tuan	Member of BOD	Executive	-	0.28	Starting date in the position of BOD Member: 3/30/2015
5	Mr. Huynh Van Nhung	Member of BOD	Executive	-	0.38	Starting date in the position of BOD Member: 5/17/2013
6	Mr. Le Van Nha Phuong	Member of BOD	Executive	-	0.08	Starting date in the position of BOD Member: 4/28/2018
7	Mr. Vo Huu Tuan	Member of BOD	Non-executive <sup>(**)</sup>	-	0.11	Starting date in the position of BOD Member: April 10, 2009
8	Mr. Tran Anh Tuan	Member of BOD	Non-executive <sup>(**)</sup>	-	0.11	Starting date in the position of BOD Member: 4/10/2009



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Note:  
(\*) Ratio of the capital representative of Vietnam Pharmaceutical Corporation, the major shareholder holding 22.87% of Imexpharm’s charter capital as at 31 December 2018.  
(\*\*) According to Decree 71/2017/ND-CP on public company governance issued on 06 June 2017, these members are no longer considered independent given their tenure of over 5 years.

4.2. Changes of BOD members during the year

2018 marked the end of the 2013-2017 tenure of the Board of Directors, the voting at the General Meeting of Shareholders selected the Board of Directors for the new term of 2018-2022, with the following changes:

Number	Name	Position	Date of appointment/ Dismissal
1	Mr. Nguyen Quy Son	Member of BOD	Date of removal: 4/28/2018
2	Mr. Truong Viet Vu	Member of BOD	Date of removal: 4/28/2018
3	Ms. Han Thi Khanh Vinh	Member of BOD	Date of appointment: 4/28/2018
4	Mr. Le Van Nha Phuong	Member of BOD	Date of appointment: 4/28/2018



4.3. BOD Chairman is not concurrently serve as the General Director

The clear assignment of roles and responsibilities for the BOD Chairman and the General Director demonstrates the independence of the BOD, which should ensure the division of decision making powers, enhancement of responsibilities as well as the independent nature of BOD activities.

4.4. Activities of the BOD in 2018

Quarterly meeting of the BOD



The BOD of Imexpharm maintained quarterly meetings in order to summarize and assess business and production operations in each quarter, discussed the orientations and plan for the subsequent quarter and make timely decisions to manage the Company. Activities of the BOD were regularly held to ensure compliance with requirements of the number and quality of meetings, amount of attending members.

In 2018, the BOD held 05 (five) periodical meetings under the direct form. Organization of meetings of the BOD was carried out in accordance the Company Charter and Enterprise Law. Quality of the BOD meetings was enhanced to ensure practicality. Accordingly, the BOD improved meeting mode and agenda with the focus on discussions about strategic orientations and resolves questions of independent and non-executive BOD members and the Head of Supervisory Board addressed to the Board of Management.



Members of the BOD duly attended the meetings and performed voting, with details as follows:

No.	Member	Position	Number of BOD meetings attended	Attendance rate	Reason for absence
1	Mr. Nguyen Quoc Dinh	Chairman BOD	5	100%	
2	Ms. Tran Thi Dao	Vice Chairman BOD	5	100%	
3	Mr. Nguyen Quy Son	Member of BOD	1	20%	Completed tenure
4	Mr. Huynh Van Nhung	Member of BOD	5	100%	
5	Mr. Vo Huu Tuan	Member of BOD	5	100%	
6	Mr. Tran Anh Tuan	Member of BOD	5	100%	
7	Mr. Ngo Minh Tuan	Member of BOD	5	100%	
8	Mr. Truong Viet Vu	Member of BOD	1	20%	Completed tenure
9	Ms. Han Thi Khanh Vinh	Member of BOD	4	80%	New appointment
10	Mr. Le Van Nha Phuong	Member of BOD	3	60%	New appointment



BOD meetings always had the attendance of the Head of Supervisory Board. In each meeting, the Supervisory Board put forth questions to the General Director and Deputy Directors regarding significant matters involving business and production operations of Imexpharm, strategies of the Board of Management, investment projects, products and markets.

**BOD meetings in 2018 concentrated on solving and approving pivotal matters as follows:**

- Approval of the Proposed appropriation of pre-tax profit to Science and Technology Development Fund in 2017;
- Regular follow-up on the implementation of the business and production Plan in 2018 as per the Resolution of the General Meeting of Shareholders;
- Adoption of wage in 2018;
- Approval of the authorization to the General Director to accept credit line at commercial banks in the form of unsecured loans in 2018 ;
- Approval of the Regulation on nomination and self-nomination for membership of the Board of Directors and Supervisory Board for the tenure 2018-2022;
- Approval of the list of nominated and self-nominated members of the Board of Directors and Supervisory Board for the tenure 2018-2022
- Approval of the membership appointment of the Board of Management of Imexpharm Pharmaceutical Joint Stock Company;
- Approval of the assignment of tasks to members of the Board of Directors for the term of 2018-2022;
- Approval of the appointment of the person in charge of Administration cum Company Secretary;
- Approval of the Plan on the use of the Science and Technology Development Fund in 2018;
- Approval of the establishment of a branch of Imexpharm Pharmaceutical Joint Stock Company - Binh Duong High-Tech Factory (IMP4) under Imexpharm Pharmaceutical Joint Stock Company, which would operate under authorization;
- Approval of the investment directions for expansion of the dormitory for employees in Binh Duong;
- Contract signing with PwC Vietnam Co., Ltd. to review the 6-month Financial Statements and undertake auditing of the 2018 Financial Statements;
- Approval of the issuance of additional shares to pay for 2nd dividend payout in 2017 to increase charter capital by 15%, and to list additional shares on Ho Chi Minh City Stock Exchange;
- Close monitoring of large projects underway to ensure progress: (1) Project of the hi-tech Pharmaceutical Plant in Binh Duong; (2) Project of the hi-tech Antibiotics Plant in Vinh Loc;
- Approval of handling measures of bad debts as per regulations;
- Approval of exercising the right to purchase additional shares for existing shareholders of Agimexpharm Pharmaceutical Joint Stock Company;
- Approval of the divestment from Da Nang Pharmaceutical Medical Equipment Joint Stock Company and S.Pharm Pharmaceutical Joint Stock Company;

The resolutions adopted by the Board of Directors are important orienting guidelines for the Board of Directors to effectively operationalize the business plan.

**Providing directions and making important decisions within the BOD’s competence based on proposal of the General Director.**





*In addition to the four scheduled meetings mentioned above, in 2018, Imexpharm Pharmaceutical JSC's Board of Directors also had 06 ad-hoc meetings via email, specifically:*

- 1.1 On January 18, 2018, consultation with the Board of Directors was undertaken over email on the contribution to the Science and Technology Development Fund in 2017, with the participation and voting of 100% (8/8) members of the Board of Directors.
- 1.2 On April 25, 2018, consultation with the Board of Directors was undertaken over email on the approval of the number and list of candidates for the Board of Directors and Supervisors of Imexpharm Pharmaceutical Joint Stock Company for the term of 2018-2022; with the participation and voting of 100% (8/8) members of the Board of Directors.
- 1.3 On May 18, 2018, consultation with the Board of Directors was undertaken over email on finalizing the list of shareholders for dividend payout in 2017; with the participation and voting of 100% (8/8) members of the Board of Directors.
- 1.4 On August 16, 2018, consultation with the Board of Directors was undertaken over email on the appointment of Imexpharm's representative at S.Pharm Pharmaceutical Joint Stock Company to replace Mr. Nguyen Quoc Dinh; with the participation and voting of 100% (8/8) members of the Board of Directors.
- 1.5 On September 25, 2018, consultation with the Board of Directors was undertaken over email on the appointment of Imexpharm's representative at S.Pharm Pharmaceutical Joint Stock Company to replace Mr. Nguyen Quoc Dinh. The decision of this meeting replaced the Resolution of the meeting on August 16, 2018; with the participation and voting of 100% (8/8) members of the Board of Directors.
- 1.6 On 11/13/2018, consultation with the Board of Directors was undertaken over email on the divestment and transfer of all of its shares in Da Nang Pharmaceutical Medical Equipment Joint Stock Company (Dapharco); with the participation and voting of 100% (8/8) members of the Board of Directors.

*Invited members include*

**Mr. Nguyen Duc Tuan - Head of the Supervisory Board:** In 2018, Mr. Nguyen Duc Tuan fully attended and voiced opinions all of 11 BOD meetings (05 regular and 06 ad-hoc meetings).

**Resolutions and Decisions issued by the BOD in 2018**

*In 2018, the BOD issued in total 12 significant Resolutions for the Board of Executive Officers to implement. Details of these are as follows:*

Number	No.:	Date	Item
1	01/NQ-HDQT-IMEX	1/18/2018	<ul style="list-style-type: none"><li>Approval of the Proposed appropriation to Science and Technology Development Fund in 2017.</li></ul>
2	03/NQ-HDQT-IMEX	1/31/2018	<ul style="list-style-type: none"><li>Approval of the Report on production and business performance in 2017;</li><li>Approval of the targets for production and business plan in 2018;</li><li>Approval of the authorization of the General Director to accept credit line at commercial banks in the form of unsecured loans;</li><li>Approval of wages in 2018.</li></ul>
3	05/NQ-HDQT-IMEX	3/22/2018	<ul style="list-style-type: none"><li>Approval of the targets for production and business plan in 2018; - Approval of the tentative date for 2018 Annual General Meeting of Shareholders, which is April 28, 2018;</li><li>Approval of the agenda and working rules at 2018 Annual General Meeting of Shareholders;</li><li>Approval of the Regulation on nomination and self-nomination for membership of the Board of Directors and Supervisory Board for the tenure 2018-2022;</li><li>Approval of the Reports and Proposals to be presented at 2018 Annual General Meeting of Shareholders.</li></ul>
4	14/NQ-HDQT-IMEX	4/25/2018	<ul style="list-style-type: none"><li>Approval of the list of nominated and self-nominated members of the Board of Directors and Supervisory Board for the tenure 2018-2022.</li></ul>
5	17/NQ-HDQT-IMEX	4/28/2018	<ul style="list-style-type: none"><li>The first Board meeting of tenure 2018-2022 to elect the Chairman and Vice Chairman of the Board of Directors and appoint the CEO of Imexpharm Corporation.</li></ul>



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Number	No.:	Date	Item
6	18/NQ-HDQT-IMEX	4/28/2018	<ul style="list-style-type: none"> <li>Approval of the business performance report for Q1/2018;</li> <li>Approval of the membership appointment of the Board of Management of Imexpharm Pharmaceutical Joint Stock Company;</li> <li>Approval of the appointment of the Secretary of the Board of Directors;</li> <li>Approval of the branch establishment of Imexpharm Pharmaceutical Joint Stock Company - Binh Duong High-Tech Factory (IMP4) under Imexpharm Pharmaceutical Joint Stock Company, which would operate under authorization;</li> <li>Approval of the issuance of additional shares for dividend payout in 2017 to increase charter capital and to list additional shares on Ho Chi Minh City Stock Exchange.</li> </ul>
7	21/NQ-HDQT-IMEX	5/18/2018	<ul style="list-style-type: none"> <li>Approval of the deadline for finalizing the list of shareholders for dividend payout in 2017</li> </ul>
8	26/NQ-HDQT-IMEX	8/3/2018	<ul style="list-style-type: none"> <li>Approval of the business performance report and financial statements for the first 6 months of 2018;</li> <li>Approval of the progress of 02 investment projects;</li> <li>Approval of the assignment of tasks to members of the Board of Directors for the term of 2018-2022;</li> <li>Approval of the appointment of Ms. Nguyen Thi Kim Le as the person in charge of Administration and Company Secretary;</li> <li>Approval of the Plan on the use of the Science and Technology Development Fund in 2018;</li> <li>Approval of the handling of bad debts with a total value: VND 1,360,597,732, according to the Debt Settlement Report dated June 29, 2018 of the Debt Write-Off Committee- Imexpharm Pharmaceutical Joint Stock Company;</li> <li>Approval of the purchase of additional 100,000 shares in Mephydica with a total additional investment of VND 2 billion;</li> <li>Approval of the allocation of 10,000 treasury shares to a key newcomer who is Mr. Nguyen Vinh Luan (MA)- Head of Human Resource Development Division;</li> <li>Approval of the investment directions for expansion of the dormitory for employees in Binh Duong.</li> </ul>

Number	No.:	Date	Item
9	28/NQ-HDQT-IMEX	8/16/2018	<ul style="list-style-type: none"> <li>Approval of the appointment of Ms. Truong Ngo Sen as Imexpharm's representative at S.Pharm to replace Mr. Nguyen Quoc Dinh.</li> </ul>
10	30/NQ-HDQT-IMEX	9/25/2018	<ul style="list-style-type: none"> <li>Approval of the appointment of Mr. Nguyen Dac Hai as Imexpharm's representative at S.Pharm to replace Mr. Nguyen Quoc Dinh.</li> <li>Replacement of Resolution No. 28/NQ-HDQT-IMEX</li> </ul>
11	31/NQ-HDQT-IMEX	11/8/2018	<ul style="list-style-type: none"> <li>Approval of the business performance report and financial statements for the first 9 months of 2018;</li> <li>Approval of the progress of 02 investment projects;</li> <li>Approval of the handling of bad debts with a total value: VND 406,568,600, according to the Debt Settlement Report dated June 29, 2018 of the Debt Write-Off Committee;</li> <li>Approval of the appointment of Ms. Tran Thi Dao and Mr. Nguyen Quoc Dinh as its representatives to sit on the Board of Directors of Agimexpharm Pharmaceutical Joint Stock Company;</li> <li>Approval of exercising the right to purchase additional shares for existing shareholders of Agimexpharm Pharmaceutical Joint Stock Company;</li> <li>Approval of the divestment and transfer of all of its shares at S.Pharm Pharmaceutical Joint Stock Company to Mr. Nguyen Dac Hai.</li> </ul>
12	32/NQ-HDQT-IMEX	11/13/2018	<ul style="list-style-type: none"> <li>Approval of the divestment and transfer of all of its shares at Da Nang Pharmaceutical Medical Equipment Joint Stock Company (Dapharco).</li> </ul>

The Minutes, Resolutions and Decisions of the BOD are highly agreed among the Board members and in the best interests of shareholders and other relevant stakeholders.

Apart from the above activities, the Board of Directors also reports and holds accountable before the General Meeting of Shareholders for the outcomes of resolutions of the Annual General Meetings.



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4.5. Activities of sub-committees under the Board of Directors

The current scale of business is not large enough for Imexpharm to establish sub-committees under the BOD. Policies related to personnel, salary and bonus, investor relations, development policies, internal audit, risk management, etc. are being assigned to appropriate BOD members. Issues involving personnel, salary and bonus are managed by non-executive BOD members.

In 2018, the Board of Directors also discussed the plan to set up subcommittees under the Board of Directors, especially the Audit Sub-Committee, in order to meet the current regulations on corporate governance. The establishment of subcommittees will be undertaken according to a roadmap to fit the development scope and needs of the Company.

4.6. Activities of non-executive members

The Board of Imexpharm had members who possessed diversified experiences in various professions and industries. As a result, decision making of the members, despite being unanimous, was of independent nature. Non-executive members often had separate meetings and discussions about the governance of Imexpharm. In the past year, members actively contributed to the activities of the BOD.

Members of the BOD not only stood accountable for periodical analysis of macroeconomic and financial climate but also provided up-to-date news of the pharmaceutical industry and precious advice on development strategy, markets, partners and M&A strategies for the Board of Management. Moreover, members also proactively supported in relations with shareholders, investors and the share issuance for increasing the share capital. Last but not least, they also advised on matters involving high-ranking personnel, salary and bonus and the ESOP program of the Company.

4.7. Remuneration and operating expenses of the Board of Directors, Supervisory Board in 2018

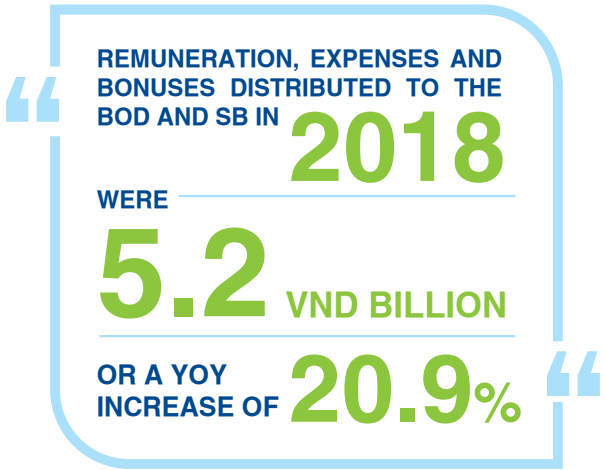
Remuneration, operational expenses and bonus of the BOD and SB in 2018

At the Annual General Meeting 2018, Proposal 08/TTr-HĐQT-IMEX on remuneration and bonus for the BOD and SB for achieving business goals of 2016 was approved on 24 March 2018, specifically:

- Remuneration and expenses for the BOD and SB: ratio of 2% of Profit before tax and distribution for Science & Technology Development Fund and before actual paid expenses for the BOD and SB.
- Bonus for the BOD and SB when the Company completes the profit plan: 1% of the net profit after tax; the bonus for achieving higher than the planned profit target is 5% of the excess profit compared to the planned target.

TABLE OF REMUNERATION AND BONUS IN 2018 FOR THE BOD AND SB IS AS FOLLOWS (UNIT: VND)

Indicator	Remuneration, expenses and bonuses for the BOD and SB:		% Change
	Outturn in 2018	2017	
Opening balance	1,081,316,360	1,207,200,857	-10.4%
Deduction approved at the General Meeting of Shareholders	5,235,599,608	4,329,115,503	20.9%
Actual expenses (before personal income tax)	5,193,333,332	4,455,000,000	16.6%
Closing balance	1,123,582,636	1,081,316,360	3.9%



THE ACTUAL EXPENDITURES IN THE YEAR WERE VND 5.2 BILLION, UP BY 16.6% COMPARED TO THE PREVIOUS YEAR.

(For details of pay, benefits and remuneration of each member of the Board of Directors, the Board of Management, and the Supervisory Board, refer to the 2018 Annual Report/ Sustainable Governance/ Transactions, income, remuneration and other benefits of the Board of Directors, Board of Management, Supervisory Board).

OTHER BENEFITS FOR BOD AND SB MEMBERS

Apart from the aforementioned operating expenses and bonus fund to be approved annually by the General Meeting of Shareholders, members of the BOD and SB had no other benefits. Except the BOD Chairman cum Deputy Financial Director, and Deputy Chair cum General Director, other members were entitled to no provision of private cars. Independent and non-executive BOD members, Head of Supervisory Board were not granted sponsored business travel, allowances of mobile phone nor other allowances.

4.8. Transactions between the Company and related persons of the Company, or transactions between the Company and major shareholders, internal persons and related persons thereof

The Company enforced a policy of restricting insider trading and no such transaction incurred in the year.

In 2018, Imexpharm had transactions with its associated company, i.e. Agimexpharm Pharmaceutical Joint Stock Company (Imexpharm currently holds 32.99% of charter capital), details are as follows (Unit: million dong):

Indicator	Agimexpharm		
	2018	2017	% change
Sales	23,211	28,751	-19.3%
Purchase	19,434	27,098	-28.3%
Trade receivables as at Dec 31	13,609	13,138	3.6%
Trade payables as at Dec 31	-	4,614	-

Transactions with Agimexpharm in 2018 fell sharply compared to the previous year. In recent years, Imexpharm has outsourced the production of some products and sold raw materials to Agimexpharm. The company also regularly monitors and supervises the production and quality assurance of outsourced products in the associated companies.

(From November 2, 2018, S.Pharm Pharmaceutical Joint Stock Company is no longer an associated company or a relevant stakeholder of Imexpharm. Transaction with S.Pharm in 2018 was not significant. Refer to the Notes to the Financial Statements/ 34. Notes to relevant stakeholders).





#### IV. ACHIEVEMENTS AND LIMITATIONS IN GOVERNANCE IN 2018

*The Board of Directors' achievements in 2018 can be summarized as follows:*

##### 1. Imexpharm: Best Corporate Governance in the mid-cap category - Vietnam Listed Company Awards 2018

The Vietnam Listed Company Awards is an extension of the Annual Reports Awards - that has accompanied with Vietnam stock market and the listed businesses in the past 10 years. The Company was honored as the leading company on Corporate Governance in the mid-cap category, which was to recognize an achievement on corporate governance: transparency, application of technology in Industry 4.0 from production systems, sales to management, focusing on investment towards sustainable development.

This is a great encouragement from the stock market and investor community, for Imexpharm to review and further strengthen its corporate governance system in a more sustainable manner according to advanced practices and in line with Vietnamese regulations on good corporate governance.

##### 2. Assignment of environmental tasks to members of the Board of Directors

The Board of Directors for the new tenure of 2018-2022 has carried out assignment of tasks to the Board members, in which there is notably an additional role in the Board members to be in charge of environment.

Besides, at the end of the year 2018, the Board of Directors agreed with the Board of Management to establish a Sustainable Development Board led by the Chairman of the Board of Directors - in charge of economic issues, and joined by 03 Board members to be in charge of environmental, employee and community issues.

The Sustainable Development Board is expected to assist the Board of Management to monitor the Company's sustainable development goals for reporting to the Board.

##### 3. Appointment of the person in charge of corporate governance

In 2018, the Imexpharm's Board of Management officially appointed the person in charge of Administration and Company Secretary to advise the Board of Directors on the procedures of and preparation for the BOD and GMS meetings, advise on improvement of its governance system and undertake other duties as stipulated in Decree 71/ND-CP guiding corporate governance of public companies.

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*Above are 03 achievements in its corporate governance in 2018. However, the Board of Directors believe that, despite these achievements, there are a number of limitations in corporate governance at Imexpharm which require its governance structure to be streamlined in the term to keep up with Company's development to 2022: (1) Establishing sub-committees to support the activities of the Board of Directors, especially the Audit Sub-Committee to comply with Decree 05/2019/ND-CP, for its Internal Auditing to follow international practices; (2) Further strengthening of the operational role and independence of non-executive members of the Board of Directors; (3) Strengthening human resources for the Corporate Governance division; (4) Directing the update and amendment of the Regulation on operation of the Board of Directors, the Regulation on information disclosure on the stock market; (5) Optimization of the role of BOD in the Sustainable Development Board.*

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**V. OBJECTIVES OF THE BOD IN 2019**

The Board of Directors believe that legal framework risks will persist in 2019, with the expected introduction of the Circular revising the guidance on hospital’s medicine procurement process. Besides, the fluctuation of input material prices remain a challenge in controlling production costs. On the other hand, seeking a creditable partner for export market requires long assessment time; therefore, the Board of Directors expects that export revenues would not contribute significantly to 2019 growth.

However, given the strong support from EU-GMP-certified production lines to local procurement in high-end segment, and the operation of the high-tech plant expected in the second quarter of 2019, the Board of Directors has agreed on the revenue and profit targets proposed by the Board of Management for 2019 as follows:

Target (billion dong)	2019	2018	Growth
Total net revenue and income	1,450.0	1,207.1	20.1%
Profit before tax and distribution for Fund for Science & Technology Development	220.0	192.8	14.1%

Total revenue and income in 2019 is expected to reach VND 1,450 billion, up 20.1%; pre-tax profit and contribution to the Science & Technology Development Fund will reach VND 220 billion at a growth rate of 14.1% compared to 2018. Specifically, EU-GMP standard lines will contribute about 30% -40% of revenue in 2019.



This is a real challenge, given that the expected average growth until 2021 is only 9% per annum. However, with the potential of EU-GMP factories that are being constructed, Imexpharm is expected to maintain its high growth rate which would be nearly double the average growth rate as expected in the industry to 2022.

Given the growth prospect, the Board of Directors will revise business administration activities in accordance with advanced practices, reassess against ASEAN and Vietnam business administration score card in compliance with Decree No. 71/2017/ND-CP on business administration. Accordingly, the BOD will maintain the number of non-executive members to ensure performance of the BOD. Performance review of BOD and Supervisory Board members will also be tightened to improve their roles and responsibilities.

For sustainable development goals, the Board of Directors will also further endorse the Board of Management in its management of production, business, product and distribution in a way that promotes efficient application of eco-friendly technology in Industry 4.0. At the same time, Imexpharm is committed to maintain and promote investment for communities, study support funds, and support to local communities, improved access to health care for disadvantaged people. Most importantly, the Company will continue to ensure long-term employment for its employees while harmonizing the interests of stakeholders.

Above is the business performance report for 2018 and the operation plan for 2019 of the Board of Directors of Imexpharm Pharmaceutical Joint Stock Company. On behalf of the Board of Directors, I would like to express sincere thanks to our shareholders, investors, customers, partners, and all staff members who have always extended your confidence and dedication to Imexpharm.

Sincerely,

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





**Ms. TRAN THI DAO**  
General Director



**Mr. NGUYEN QUOC DINH**  
Deputy Director



**Mr. NGO MINH TUAN**  
Deputy Director



**Mr. HUYNH VAN NHUNG**  
Deputy Director



**Mr. LE VAN NHA PHUONG**  
Deputy Director



**Mr. TRAN HOAI HANH**  
Chief accountant



## **BUSINESS PERFORMANCE AND FINANCIAL STATEMENTS OF THE BOARD OF MANAGEMENT IN 2018 & PLANS FOR 2019**

### **I. SOCIOECONOMIC CONTEXT OF VIETNAM IN 2018, 2019 FORECAST AND 2022 OUTLOOK**

*The government identified that bright “stroke” in the 2018 economic picture was achievement of 12/12 socioeconomic indicators set out by the National Assembly. This was also the second consecutive year of optimistic economic growth and achievement of targets. According to the General Department of Statistics, Gross Domestic Product (GDP) growth rate was 7.08%, a high degree for the past 10 years.*

”

In addition to good economic growth, Vietnam also scored many accomplishments in macroeconomic management with flexible monetary policies against complicated global developments. The State Bank of Vietnam introduced some currency stabilization measures against USD. Interest rate was also stabilized, credit growth rate was kept at 17% to accommodate business activities.

Late 2018, the National Assembly ratified Vietnam’s ascension to Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) of 11 member states. Further integration helps to realize Vietnam’s dreams of prosperity and sustainable development. Vietnam also successfully held the World Economic Forum on ASEAN. This established the country with its efforts in improving business environment and encouraging growth.



However, Vietnam still faces 4 main challenges in terms of economic growth: “low labor cost trap”, “low value trap”, “average income trap” and “low tech trap”. Despite the highest growth rate for the past 10 years, there were signs of unsustainability. Main growth drive was export by FDI companies, which bears low domestic contents among the spearheaded exports. In addition, cheap labor advantage is diminishing, while adoption of artificial intelligence poses new challenges. Domestic companies are proven by the impact of globalization to be poorly competitive and susceptible to close-down or acquisition by foreign companies. In particular, over 90,000 companies went out of business in 2018, an increase of nearly 50% from 2017.

The Asian Development Bank (ADB) forecast that growth rate will be 6.8% in 2019, which coincides with growth target set out by the Government. Vietnam can follow many economic scenarios for the next five years. Associate professor Nguyen Van Thanh, PhD, of the National Center for Socioeconomic Information and Forecast, proposed two growth scenarios. For the first scenario, growth model is transformed slowly and intermittently, international integration opportunities are not taken, and state governance is poor: Growth rate will be 6.5%, and inflation rate will be 6.7%. For the second scenario, growth model is transformed in industrialized and modernized approach, comparative advantages and benefits from bilateral and multilateral FTAs are well taken, and state governance is improved: Growth rate will be 7.1%, and inflation rate will be 7.21%.

Given the many scenarios set for the next five years, Vietnam will persistently pursue a stable growth target, curb inflation, improve foreign investment attraction and drive growth through bilateral and multilateral trade agreements.



II. PHARMACEUTICAL INDUSTRY OF VIETNAM IN 2018  
AND 2022 OUTLOOK

“2018 was an eventful year for Vietnam’s pharmaceutical industry - harsh competition in light of saturated market after heated growth. YoY revenue increased slowly, profit margin of listed pharmaceutical companies dropped sharply due to a rise in input price. The reason originates from China – the world’s manufacturer of pharmaceutical inputs – who strengthened environmental control and closed down thousands of material plants.”



Vietnam’s pharmaceutical market faced many challenges in 2018, but was considered to have potentials given the fact that the population is shifting towards older ages. In 2017, 6.5% of Vietnamese population was above the age of 65, which will rise to 21% by 2050. A survey conducted by Nielsen indicates that health was one of the two leading concerns among the Vietnamese. Improvement in average income results in higher expenditure for health care. Therefore analysts are still optimistic about outlook of the pharmaceutical industry.

Statistics provided by Drug Administration of Vietnam indicates that the industry will continue to grow at two-digit rate in the next five years, and will reach USD 7.7 billion by 2021. Virac reports that there are approx. 153 western medicine and 80 traditional medicine pharmaceutical producers in Vietnam. However, the majority of products made are in simple dosage forms and generics while product groups are often overlapping, lack of diversity and produced using simple technology. Therefore, when the market slows down, companies struggle to find their position, strengthen their competitiveness and take market share. This means poor growth in revenue is predictable.

The biggest challenges pharmaceutical firms are facing are material dependency and legal framework for bidding for contract with hospital. In addition, preference towards imported products among the Vietnamese is also detrimental to domestic players’ striving for market share. Currently, pharmaceutical firms have invested in technology to comply with world standards, e.g. EU-GMP or PIC/S, and are prepared to compete with foreign players.

On the other hand, Vietnam’s pharmaceutical industry is even more open after CPTPP ratification. Domestic players will have to defend more fiercely against foreign inflows. M&A is vibrant among major listed pharmaceutical firms. Globalization is imminent, and to sustain, firms have to address material dependency, improve investment in R&D, an increase science and technology contents. Domestic players should adopt robust strategy, diversify products and strengthen brand to stand out in the competitive market. In addition, they also need a full-fledged legal framework, especially in terms of bidding for contract with hospitals to accommodate access to high-quality and low-cost medicine.



### III. OPERATIONAL AND FINANCIAL PERFORMANCE 2018

#### OPERATIONAL PERFORMANCE BRIEFING 2018

Indicator (VND billion)	2018	2017	% Change	2018 target	% of 2018 target
<b>Total net revenue and other income</b>	<b>1,207,125</b>	<b>1,185,399</b>	<b>1.8%</b>	<b>1,400,000</b>	<b>86.2%</b>
<b>Net revenue</b>	<b>1,184,818</b>	<b>1,165,456</b>	<b>1.7%</b>		
Export turnover	12,482	5,132	143.2%		
Revenues from produced goods					
(Imexpharm products)	1,064,214	1,004,924	5.9%		
Revenues from franchises	67,329	105,068	-35.9%		
<b>Revenues from other goods</b>	<b>40,793</b>	<b>50,332</b>	<b>-19.0%</b>		
<b>Financial income and other income</b>	<b>22,307</b>	<b>19,944</b>	<b>11.8%</b>		
<b>Cost of goods sold</b>	<b>715,187</b>	<b>728,635 (*)</b>	<b>-1.8%</b>		
<b>Gross profit</b>	<b>469,631</b>	<b>436,821</b>	<b>7.5%</b>		
Operation expenses	<b>318,169</b>	<b>310,206</b>	<b>2.6%</b>		
Expenses of financial activities	17,599	13,985	25.8%		
Sales expenses	212,134	210,067 (*)	1.0%		
Management expenses	88,184	85,505	3.1%		
<b>Other expenses</b>	<b>252</b>	<b>649</b>	<b>-61.2%</b>		
<b>Profit Before Tax and Allocation for Science &amp; Technology Development Fund</b>	<b>192,769</b>	<b>162,559</b>	<b>18.6%</b>	<b>190,000</b>	<b>101.5%</b>
<b>Pre-tax profit</b>	<b>173,769</b>	<b>146,559</b>	<b>18.6%</b>		
Profit after tax	<b>138,683</b>	<b>117,360</b>	<b>18.2%</b>		
Total assets	1,774,247	1,773,631	0.0%		
Owner's equity	1,504,613	1,395,314	7.8%		
<b>Charter capital</b>	<b>494,212</b>	<b>429,782</b>	<b>15.0%</b>		
<b>% COGS/Net Revenue</b>	<b>60.4%</b>	<b>62.5%</b>	<b>-2.2%</b>		
<b>% Operating Expense/Net Revenue</b>	<b>26.9%</b>	<b>26.6%</b>	<b>0.2%</b>		



Note: (\*) In 2018, Imexpharm Board of Directors decided to terminate Financial Statements auditing service from Deloitte Vietnam Co., Ltd, and started using such services by PwC Vietnam Co., Ltd. The following 2017 indicators were adjusted by PwC Vietnam Co., Ltd. in the audited financial statements:

2017 indicators (VND million)	2017 Audited Financial Statements	Adjusted by PwC	Difference
Cost of goods sold	707,481	728,635	(21,154)
Sales expenses	231,220	210,066	21,154
<b>Total</b>			<b>0</b>

## 1. Performance of 2018 Revenue Targets

In 2018, Imexpharm's total revenue and earnings increased YoY by 1.8% to VND 1,207 billion. This means Imexpharm completed 86.2% targets set for 2018. Revenue for Imexpharm trademark products had an optimistic growth rate of 5.9%.

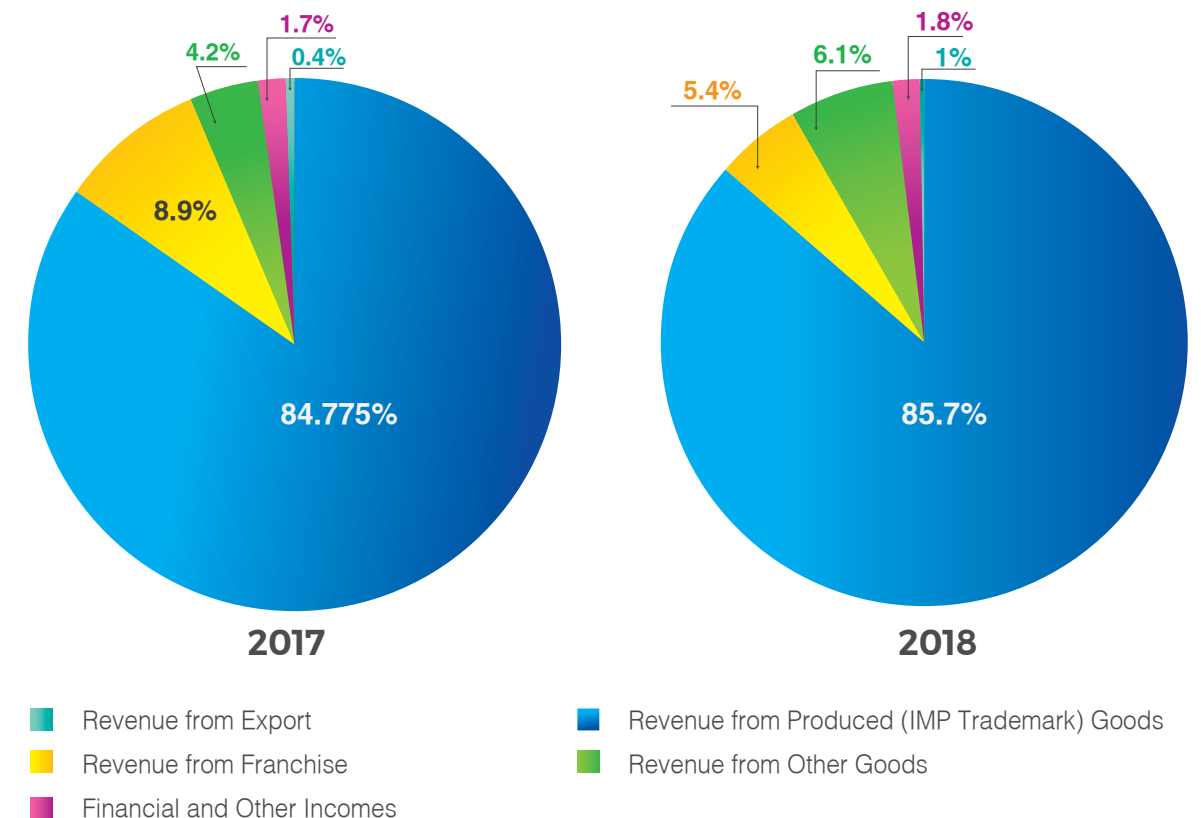
Even though 2018 was a challenging year for pharmaceutical industry when heated growth phase was over, the Board of Management still set demanding targets, determined to accelerate after major investment in new plants to meet the expectations of shareholders and investors. Against all of their efforts, 2018 revenue could not make target, given inhibitions by legal framework on the ETC market. However, this performance was considered upbeat. Statistics indicate that 2018 was a difficult year for the whole industry - total revenue of 17 listed firms decreased by 3.5%, and profit by 2.2%. Imexpharm is considered a rare case with strong strategy and growth potential in mid and long terms, and focus on sustainable development.

In 2018, the Firm's OTC channel was dim. Competitions and saturated market drove OTC revenue to lowest in the past three years, growing at over 1% against the target of approx. 10%.

Bidding on ETC channel was also not optimistic. This line of business depends heavily on legal framework, however, revision of the Circular instructing this activity was not complete in 2018. In 2018, ETC contributed 19% to revenue, against meager growth rate of 9%. Apparently ETC business is growing steadily and contributing better to revenue. However, it fails to leverage the new plants and existing potentials. The Board of Management understands this responsibility and will review the potential market in 2019 to aim for the 2022 target of 40% for ETC business.

## Revenue Structure by Product Category

Imexpharm trademark products still take the highest share of 85.7% in revenue, slightly increasing from 84.8%. The Firm focuses on key products to build our brand and improve profit margin.



Revenue from Franchise dropped sharply because the distributor decided to cut down on order. Same situation for Revenue from Other Goods because the Firm refrains from selling materials to other partners, given the fluctuating price. However, Revenue from Export increased and offset for other categories.

Imexpharm believes that in 2019, with the presence of EU-GMP plants, Imexpharm trademark products will continue to have major share. The Firm will seek more markets for export to avoid domestic competitive pressure, and invest further in R&D to improve technology contents in existing products.



Production and Consumption



Production and Consumption decreased slightly from 2017, mainly because the Firm focused more on key, high-value products, especially injection antibiotics Cephalosporin and Penicillin lines. Therefore, output was lower in terms of volume, but higher in terms of value compared to previous year. 2018 output was 1,203 million units, decreasing 5.9%, but the total stock-in value was VND 572.3 billion, increasing by 3.8% (regardless of price appreciation, 2018 COGS increased by 3.2%).

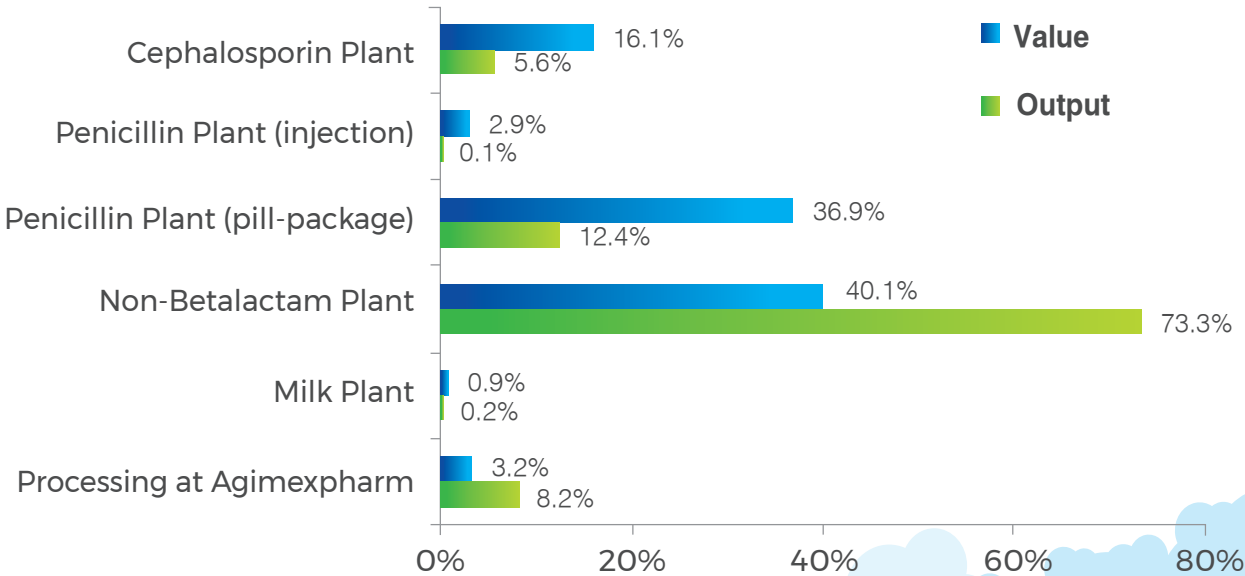
In the future, Imexpharm will leverage our core value to produce high-value goods, i.e. injection and other types of special medicine, to generate good revenue and profit margin, and improve competitiveness against the popular simple products with low technology contents on the market.



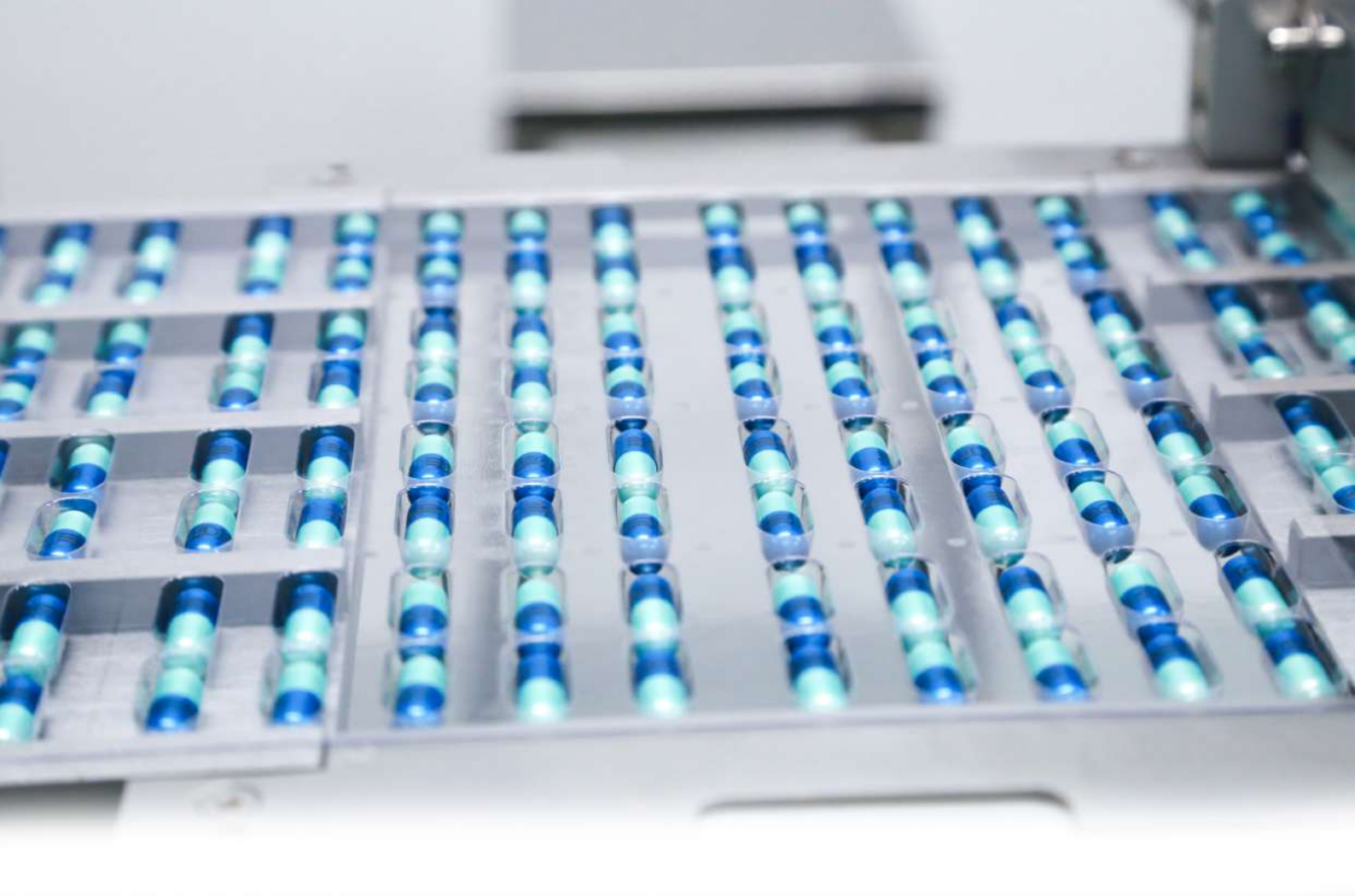
Plants Output and Value Creation

Two plants in Cao Lanh still play an important role and are operating at capacity to sustain growth. They also cover the cost for new, nonoperational plants, given that Imexpharm has invested enormously for new EU-GMP plants recently. Non-Batalactam plant continues to rank first in term of output volume and value in 2018 revenue, followed by swallowing Penicillin.

Cephalosporin Plant in made certain share in revenue with high-value products, despite underutilized capacity. The Board of Management will adopt sound strategy to improve the performance of cephalosporin and injection Penicillin plants in the future.







## 2. Cost of Goods Sold and Operating Expenses

In 2018, the global development has many changes, with the exchange rate showing an upward trend, affecting the price of input materials. In addition, the major exporters of pharmaceutical chemical material, i.e. China and India, have tightened their control over environmental protection, leading to termination of thousands of factories which in turn resulted in strong growth in raw material prices in the world. Supply of raw materials becomes scarcer. Prices of other inputs also increased following this trend. The Board of Management expects 2018 to be full of challenges in controlling input costs. Thanks to the timely forecast of the situation and introduction of appropriate counter measures, the company succeeded in controlling production and operation costs.

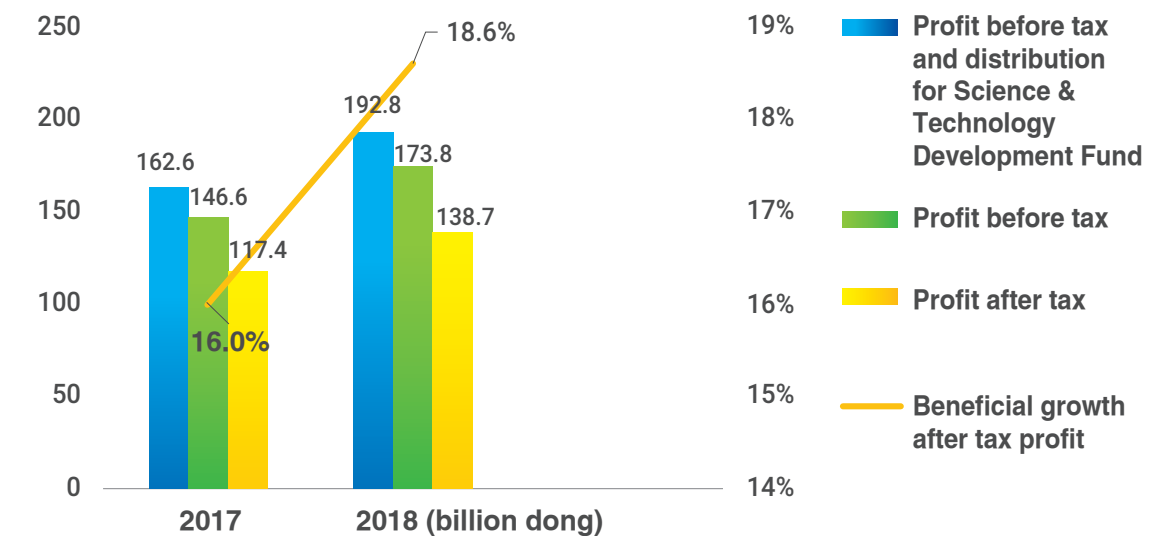
Imexpharm has well controlled the cost of goods sold to keep it competitive in the context of difficulties in the industry. Specifically, the total cost of goods sold in 2018 decreased by 1.8%.

For Imexpharm brand-name products only, the proportion of cost of goods produced/ revenue in 2018 was 50.4%, up 3.2% compared to 2017. It can be said that this is the best price increase under control by Imexpharm in the context of strong fluctuations in the price of pharmaceutical input materials in 2018; while the selling price was not adjusted because the Company adopted the drug price stabilization policy.

Total operation costs increased by 2.6% over the same period in 2017, mainly due to increased financial costs and management expenses. Notably, Sales expenses only increased by 1.0 %. These are impressive figures when the consumer price index of 2018 increased by 3.54%. The Board of Management spoke highly of the efforts of the entire team in strengthening its market while staying in balanced control of all of the costs, contributing to a higher profit margin for the Company in the context of extremely disadvantages in 2018.

## 3. Performance of profit targets

Thanks to the effective operation of the entire system, the Profit before tax and distribution for Science & Technology Development Fund of Imexpharm in 2018 exceeded by 1.5% of the target set by the General Meeting of Shareholders for an amount of VND 192.8 billion. The Board of Management acknowledged and spoke highly of the efforts of its people in fulfilling the profit target under the condition that its revenue only reached 86.2% of the 2018 plan and input material prices sharply increased.



*Profit growth rate in 2018 reached 18.6%, higher than 2017 (16.0%). However, the profit from divesting from S.Pharm Pharmaceutical Joint Stock Company (Soc Trang) and Da Nang Pharmaceutical Medical Equipment Joint stock Company (Dapharco) was VND 8.2 billion in 2018. Should this amount be excluded from calculation, the Profit before tax and distribution for Science & Technology Development Fund still achieved a high growth rate of 13.5%, taking into account of unfavorable contextual conditions in 2018.*

**THE PROFIT BEFORE TAX AND DISTRIBUTION FOR SCIENCE & TECHNOLOGY DEVELOPMENT FUND STILL ACHIEVED A HIGH GROWTH RATE OF**

**13.5% IN 2018**

The company also determined that it will be very challenging for the years to come to achieve a profit growth rate of over 18% as competition is getting fiercer with the presence of too many competitors in the same market. Besides, the price of raw materials is expected to grow strongly in 2019, shrinking the profit margin of the pharmaceutical industry. However, in recent years, Imexpharm has always completed the profit targets set by the General Meeting of Shareholders thanks to relevant and timely strategies. Therefore, the company will build on its past achievements to successfully deliver the profit growth targets in the coming years.



4. Total assets and capital

Total assets in 2018 reached VND 1,774.2 billion, which is almost equivalent to 2017. Short-term deposits were drawn for disbursement at 02 new factory projects. Fixed assets in the year were recorded to increase by VND 47.8 billion due to its purchase of additional machinery and equipment. The value of long-term assets in progress increased by VND 120.5 billion due to the completion of Binh Duong High-Tech Plant. The Board of Management also acknowledged the collective effort in completing the factories as scheduled.

During the year, the Company divested from its affiliated company of S.Pharm Pharmaceutical Joint Stock Company and divested its long-term investment from Da Nang Pharmaceutical Medical Equipment Joint stock Company (Dapharco), with VND 33.7 billion collected for stronger resources on key business and production activities. In 2018, the charter capital increased by 15% due to its issuance of shares to pay dividends in 2017, increasing owner's equity to 7.8% compared to 2017.



5. Science and Technology Development Fund

Imexpharm contribution to and use of Science and Technology Fund for 7 years as follows:

(Unit: million dong)

Year	Appropriated amount	Used	Closing balance
2012	11,500	-	11,500
2013	10,500	2,793	19,207
2014	12,200	3,909	27,498
2015	13,000	11,180	29,318
2016	14,000	21,597	21,721
2017	16,000	3,310	34,411
2018	19,000	20,805	32,606
Total	96,200	63,594	32,606

Science and Technology Development Fund has been used by Imexpharm for its investment in product development, application for Europe Visa for products, technology development in the context of the Industry 4.0, including: SAP-ERP, DMS (Distribution Management System), automated systems for building management and monitoring of online production environment for EU-GMP factories; and consultancy costs for EU-GMP approval.

Imexpharm is expected to terminate contribution to this fund after receiving EU-GMP approval for Binh Duong High-tech factory and successful application for a product visa for the factory.

**PLANS FOR 2019****6. Cash flows**

CASH FLOW	2018	2017	% of change
Net cash flows from operating activities	132,094	97,213	35,9%
Net cash flows from investing activities	(48,101)	(443,247)	-89,1%
Net cash flows from financing activities	-	352,372	-100,0%
<i>Net cash flows in the period</i>	83,993	6,338	1,225,2%
<i>Closing cash and cash equivalents</i>	190,437	106,457	78,9%

The after-tax profit growth is positive, plus good debt management; thus, the operating cash flow increased significantly to VND 132 billion, up nearly 36%.

Net cash flows from investment activities fell sharply compared to 2017, mainly due to the reduction of term deposits. In 2018, the expenses for acquisition of fixed assets was VND 272.4 billion, financed by the recovery of term deposits at banks of VND 221.7 billion and recovery of investment in another agencies of VND 33.7 billion as mentioned above. Last year, the Company also received a deposit interest and dividends of VND 12 billion.

Net cash flows from financing activities were 0. Imexpharm mainly used owners' equity to implement its business and investment activities. Currently, the company only uses short-term unsecured loans from banks to guarantee bids and apply for import LC. These amounts valued at VND 160 billion were used and repaid fully last year.

Cash and cash equivalents as of the end of 2018 reached more than VND 190 billion, i.e. an increase of nearly VND 84 billion or 79% compared to the same period of 2017.

**7. Explanation of the opinion of the Independent Auditors in the audited Financial Statements for 2018**

Independent auditors provided their comments on the Notes to the financial statements No. 2.17, saying that, as of December 31, 2018, the Company did not record any provision for payment of severance allowance to employees due to the application of Circular No. 180/2012/TT-BTC by the Ministry of Finance dated October 24, 2012. The application of this Circular led to a difference from Vietnamese Accounting Standard No. 18 - *Provisions, contingent assets and liabilities*.

**The Board of Management hereby explains on this as follows:**

According to Vietnamese Labor Code, the employees of the Company who have worked regularly for full 12 months or longer are entitled to severance allowance. The working period for the calculation of severance allowance is the total working period minus the period during which the employee benefits from unemployment insurance as regulated.

As of December 31, 2018, the provisions for payment of severance allowance were estimated at VND 13.0 billion. However, according to the guidance at Circular 180/2012/TT-BTC, the Company was not required to set up a provision fund for payment of severance allowances for its employees. When the employees leave the Company, it will make and record this payment as the severance allowance during the year. On the other hand, the Company has paid full unemployment insurance for employees since 2009. For that reason, the Company did not contribute any provisions for payment of severance allowances for its employees.

**IV. ANALYSIS OF FINANCIAL INDICATORS**

Key indicators	2018	2017	Change
<b>Profit margin</b>			
Operating income/Revenue	14.4%	12.5%	1.9%
ROS (Net profit/Revenue)	11.7%	10.1%	1.6%
ROA (Net profit/Assets)	7.8%	8.0%	-0.2%
ROE (Net profit/Owner's equity)	9.6%	10.1%	-0.5%
<b>Liquidity ratio (times)</b>			
Quick ratio	2.2	2.0	0.2
Current ratio	3.5	2.8	0.7
<b>Days Working Capital (days)</b>			
Average days of inventories	153	128	25
Average days of trade receivables	63	71	-8
Average days of trade payables	84	77	7
Days Working Capital	132	121	11
<b>Debt ratios</b>			
Liabilities/Owner's equity	15.20%	21.30%	-6.1%
Liabilities/Total assets	17.90%	27.10%	-9.2%
<b>Stock market performance indicators</b>			
EPS (VND)	2,470	2,160 (*)	14.4%
Market price on December 31 (VND/share)	60,900	66,000	-7.7%
P/E ratio (times)	25	31	-6
Book value of a share (BV, VND)	30,457	32,481	-6.2%
P/B ratio (times)	2	2	0

Note: (\*\*) EPS for 2017 has been adjusted by PwC Vietnam Co., Ltd. From VND 2,501 /share down to VND 2,160 /share in 2018 Audited Financial Statements)



## PLANS FOR 2019

### 1. Profit margin



Thanks to the significant growth of the company's profit compared to 2017, operating profit margin and net profit margin both increased compared to the previous year, by 1.9% and 1.6% respectively. However, return on assets and return on equity were slightly reduced. The reason is that the total assets and owners' equity increased sharply from the end of 2016 to the end of 2017 thanks to the issuance of shares; thus, the average total asset and equity for 2017 was lower than that for 2018, and ROA and ROE measures were somewhat lower than 2017. Imexpharm expected to invest in new projects with future growth potential; thus, in the period of 2016-2018, ROA and ROE indicators may not be high. In 2019, when factories are put into operation, the company expects to significantly improve its profitability indicators.

### 2. Liquidity ratio

Imexpharm's payment ratio is always kept at a safe level. Short-term payment ratios in 2018 increased slightly compared to 2017. In 2018, the basic construction of factories was nearly completed, so the short-term payables to suppliers also dropped significantly and the short-term payment indicators improved compared with the previous year. Specifically, short-term liabilities at the end of 2018 were VND 107 billion lower than those at the end of 2017. Imexpharm has always controlled its working capital, especially inventories and debts, to ensure smooth and effective business operations.



### 3. Performance Indicators

In 2018, the company's average days of inventories were 153, a 25-day increase compared to 2017. Average days of inventories increased significantly due to the planned stockpiling of raw materials in the face of price fluctuations. Specifically, the net value of raw materials inventory at the end of 2018 was VND 188.4 billion, 44% higher than the previous year, and accounting for nearly 60% of the inventory value. The company has set up contribution of provision for devaluation inventories.

The company continued to further tighten its debts, so the average days of trade receivables decreased by 8 days, standing at 63 days in 2018. Last year, Imexpharm issued a credit policy for OTC customers, whereby it continued to reduce the number of credit days from 75 to 45 days.



*Overdue debt (overdue for more than 6 months) at the end of 2018 was VND 10.6 billion, accounting for only 5.7% of total collectible debts, 4.4 billion or 29.4% lower than the end of 2017. The provision for all bad debts has been fully extracted in accordance with regulations. Provision for short-term receivables which were difficult to collect reduced by VND 0.5 billion compared to the previous year, standing at VND 12.5 billion. The amount of bad debts cleared in 2018 was VND 19.5 billion, an increase of VND 1.72 billion compared to 2017.*

**THE AMOUNT OF BAD DEBTS  
CLEARED IN 2018 WAS**

**19.5 BILLION**

The negotiation skills with suppliers improved, so the average days of trade payables increased by 7 days, from 77 to 84 days. The days working capital increased by 11 days compared to 2017.

The credit tightening and negotiation with suppliers continued to be a focus of the company in 2018, resulting in improved performance indicators. Despite fierce competition, the company will still control a safe amount of debts to avoid bad debts. The Board of Management spoke highly of its team's efforts to improve performance indicators. These indicators need to be closely monitored and further improved in 2019 and years to come to reduce capital expenditures for the Company.



4. Debt ratios

The debt-to-asset and debt-to-equity ratios of the company all decreased compared to 2017 due to lower liabilities compared to the same period in previous year. Imexpharm has always managed its financial situation based on low risk tolerance, controlled its debt ratios at a safe level, and minimized risks that potentially affect production and business activities.

5. Stock market performance indicators

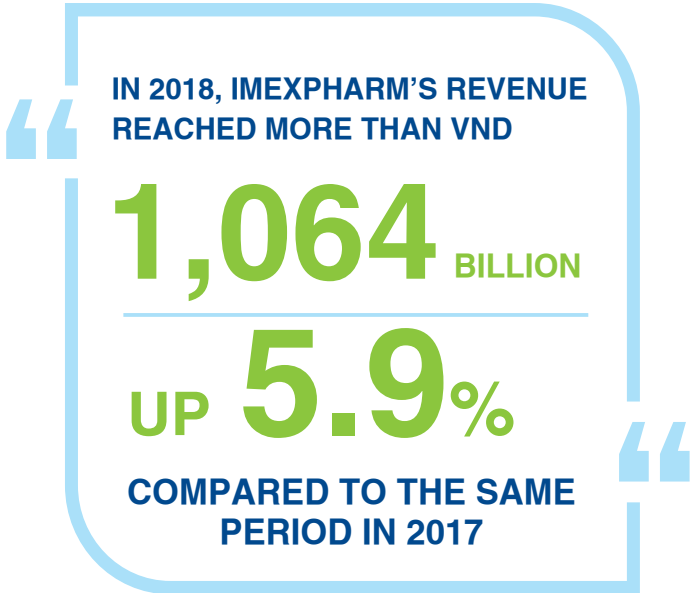
At the end of 2018, Imexpharm’s stock price stood at VND 60,900/share, down 7.7% compared to the closing price in 2017. Last year, due to strong fluctuation of input material prices, the business performance of listed pharmaceutical companies was far below expectations, leading to investors’ concerns about pharmaceutical stocks.

Increased profits improved EPS by 14.4%. Due to falling stock prices, the P/E ratio also decreased by 6 times to 25 times. In 2018, the company issued additional shares to pay dividends to shareholders (15%), the book value accordingly decreased by 6.2% compared to 2017.



V. PERFORMANCE REPORT OF THE BOARD OF MANAGEMENT IN 2018

1. Sales - Distribution - Marketing



revenue from key products of Imexpharm. In 2018, Imexpharm’s revenue reached more than VND 1,064 billion, up 5.9% compared to the same period in 2017. This figure is remarkable in the development context in 2018, despite being lower than expected target set by the Board of Management as well as the General Meeting of Shareholders. The Sales Division should coordinate with the Marketing Division to expand its customer network, increase the nationwide coverage of Imexpharm products, especially in private health care.

In 2018, the total net revenue increased by 1.8% compared to 2018 and the revenue stood at 86.2% of the plan; thus, the Sales Division did not fulfill the planned targets. However, the Board of Management spoke highly of the efforts of the sales team, considering the fact that there were too many competitors, the OTC market was moving forward to a saturation point under the impacts of the Universal Health Coverage, while the legal corridor for drug procurement activities in hospitals remained unclear.

In 2018, Imexpharm maintained operations of 20 out of 23 sales branches throughout Vietnam. Sales activities were much supported by DMS software (Distribution Management System). However, the Sales Division has not exploited full utilities of this system. The revenue forecasting has not been standardized, leading to a shortage of supply to the market. The Board of Management has recognized this limitation and will focus on remedial measures in 2019.

The company will still focus on boosting its

Imexpharm expected that ETC revenue in 2018 would reach more than VND 350 billion, but the actual revenue was only about 50% of the plan. Understanding that the procurement process would require some more time for any positive changes due to availability of a legal corridor, the Board of Management determines that higher ETC revenue is an important indicator for the Sales Division and would manage to achieve this by the end of 2019 .

Customer care services were also among the priorities of Marketing Division in 2018 and undertaken through product fairs and customer conferences. Product branding activities for: Claminat , Cidetuss, Bactamox, Probio, etc. have been promoted to increase sales for key product lines, which has achieved initial positive results. In addition, the Board of Management also spoke highly of the efforts of the Marketing Division in ETC procurement activities through programs for hospitals and doctors.

The Board of Management expected that sales, distribution and marketing activities in 2018 would experience many positive improvements in response to market fluctuations. However, the Sales Division needs to draft reasonable strategies to boost sales of ETC products, and coordinate closely with the Planning Division to avoid short supply of goods and lower inventories.



## 2. Human resources management

BY THE END OF 2018, THE  
COMPANY HAD A TOTAL OF

**1,208** EMPLOYEES

UP **2%**  
COMPARED TO 2017

Imexpharm is currently putting into operation two new factories, so it is of importance to train and finalize personnel structure. By the end of 2018, the Company had a total of 1,208 employees, up 2% compared to 2017. Imexpharm focuses on human resources development centered around specialization and training of high-quality personnel for smooth operation of European-standardized factories. It focuses on solutions to enhance labor productivity, redevelop norms, improve production and work processes, reduce working hours and machine hours per unit of products. Human resource management is supported by Balanced Score Card tool to strictly control the implementation of the company's strategic goals at the departmental level.

In 2018, the company completed and standardized terms of references for all positions in the company, and redeveloped the recruitment process and policies, prepared standardized training materials to be in line with the development goals and scale of Imexpharm. Besides, KPIs (work performance measurement index) were initially developed for a number of departments and then across the company to evaluate the capacity of all employees and draft relevant HR policies.

For Imexpharm, the succession team is very important in the development process of the company, and it has strengthened the HR training for departments, especially the Sales Division, i.e. the key part of the company's business activities. Besides, the company also focuses on activities that aim to develop Imexpharm Culture to enhance the team cohesion in the Company. Imexpharm's policies always aim to stabilize the pay and benefits system for employees. The guiding principle for Imexpharm has always been to develop a professional, friendly, humane working environment, and to turn itself into a "Sustainable House" to make full use of the working capacity and dedication of its employees.

The Board of Management recognized the achievements of Human Resource Development activities in 2018. However, there remain some shortcomings, that is, attracting and recruiting talents for EU-GMP factories which are about to go into operation. The performance assessment system has not yet been finalized in a sense that it has not been able to integrate the performance indicators with the overall development strategy of the company. Therefore, the task of Human Resource Development in the coming months and years is to streamline the recruitment process and performance assessment system, which is the basis to build strong succession teams in the future to direct Imexpharm development towards its missions and goals.



## 3. R&D activities - Supply chain of input materials

R&D is one of the weak and uncompetitive areas of domestic pharmaceutical companies compared to foreign-financed counterparts. Therefore, the Board of Management, with its strong interest on this issue, has introduced timely policies and solutions to improve research capacity and technology content of Imexpharm products.

In 2018, the R&D Division was strongly restructured in terms of its people and operation to build a specialist team for individual production technology. Training and updating technical knowledge are conducted internally on a regular basis to build capacity on work management. The achievement of the R&D Division last year was its collaboration with industry experts and reputable national hospitals to announce EACRI research for Bactamox 1g product. Besides, the R&D Division also worked closely with the Supplies Division to diversify suppliers, promote the advantages for Imexpharm in price negotiation with our partners. In addition, the registration of new products and re-registration of expired products was also conducted promptly by R&D department to meet the needs of production and business activities.

The Input supplies Division made great efforts last year in timely meeting the demand for materials and equipment of new factories, while keeping searching for new sources of materials and coordinating with the Planning Division to respond to the price soaring of raw materials. However, the Board of Management believes that the R&D Division needs to improve the capacity of its staff to grow stronger, in addition to close coordination with other divisions such as: Supplies and Planning divisions to focus on products research according to market requirements, and sources of raw materials at competitive prices. Although the Input supplies Division has completed its task of supporting operation of new factories, the shortage of raw materials still occurs. The Board of Management believes that the divisions need to coordinate more closely with one another to ensure the production progress and adequate supply of goods to the market.



## PLANS FOR 2019

### 4. Production activities - Quality assurance

The Board of Management acknowledged the contribution of the Production Division in satisfaction of goods demand for the Sales Division. In 2018 only, Vinh Loc High-tech Plant obtained EU-GMP approval, its leaders, workers and support teams have successfully completed their assigned tasks. Quality Control Division at factories are developed in line with advanced technology standards and equipped with advanced processes to minimize disqualified products to be distributed to market. Last year, the production division cooperated closely with other divisions to further support business activities, reducing the shortage of goods.

In particular, the production division also upgraded the Binh Duong Cephalosporin production line, enabling it to double the production capacity to 20 million vials/year. The quality improvement and energy saving programs implemented by the production division in 2018 achieved positive results despite some limitations to remain. In spite of stable operation of factories, the Quality Assurance Division also needs to monitor the product stability more closely to avoid any incidents to potentially occur with product quality at the output stage.



### 5. Sustainable development programs

In November 2018, Imexpharm's Sustainable Development Board was re-established to replace the old Sustainable Development Board formed in August 2014, with the participation of and accountability taken directly by the members of Board of Directors and Board of Management, which is led by Chairperson of Board of Directors. With this high commitment, the Sustainable Development Board is expected to provide efficient support to the Board of Management in monitoring and implementation of sustainable development issues across the company, development of sustainable development strategies and messages associated with internal culture for clear understanding and easy implementation of managers and employees.

Promoting efficient use of energy is one of Imexpharm's sustainable development goals. In 2018, the company achieved its energy use target for Cao Lanh factory with a total power

consumption of 3,183kw of electricity/1 million units of product, 11.6% lower than the planned target of 3.600kw of electricity/1 million units. Besides, Imexpharm also undertook the feasibility study of the solar power project at its Cao Lanh Head Office. If the project is rated feasible, the company will soon start the implementation. This is considered the first green energy project of Imexpharm. The company also achieved its goal of reduction of hazardous solid waste discharged into the environment. Specifically, in 2018, the volume of hazardous solid waste at Cao Lanh only was 13.4 kg/1 million units, 10.7% lower than the target threshold of 15kg/1 million units.

Occupational safety is the top indicator in production and the Company always strictly adheres to the regulations on occupational safety. New factories of the company adopt the leading global standards, which place human health as a top priority in production lines. In 2018, Imexpharm did not record any occupational accidents or occupational diseases within the

Company. The Board of Management recognized and spoke highly of the achievements its team made in occupational safety as the company has 5 factories, in which 2 factories are in the process of completion.

In addition, the company is also keeping its pay and benefits policies to encourage dedication among employees. In 2018, the revenue only reached 86% of the plan but the pay and benefits policy was kept unchanged as 2017. However, the average income of employees has not improved as much as expected by the Company. The Board of Management is determined to complete its 2019 plan, thereby increasing income of employees.

The community development policy is also given much attention and has been delivered by the company over the past 10 years. The company has still been implementing its study scholarship programs in Dong Thap province and Da Nang City. Besides, Imexpharm continued to offer medical checkups and distribution of drugs to thousands of local people in difficult areas in 2018.



### 6. Legislation and Compliance

The Legal Division has been closely coordinating with the Finance and Accounting Division, Internal Control Division and Sales Division to manage the debt risks and capital tie-up to avoid losses for the company. The company's debt clearing situation in 2018 was relatively better than in 2017.

In addition, the Legal Division has also developed the Data Protection Regulation for dissemination to all employees. For the Board of Management, this is an important issue in the current development situation as the company's new factories are about to be put into operation and many technical know-how should be protected.

The Board of Management spoke highly of the legal work carried out last year. The Legal Division should continue to coordinate with Internal Control Division to streamline risk management measures to minimize risks in the company's operations.



VI. ACHIEVEMENTS AND  
LIMITATIONS IN 2018  
PERFORMANCE



- Imexpharm exceeded the profit target set by the General Meeting of Shareholders. While raw materials were becoming more expensive and all businesses wished to increase their market share, keeping its stable rate of profit growth was considered a success of Imexpharm last year.
- New factories in Vinh Loc and Binh Duong were constructed on schedule. Particularly, Vinh Loc High-tech plant obtained EU-GMP certificate issued by Portugal Ministry of Health in January 2019, marking the completion of Imexpharm's third plant certified with EU-GMP standard, with 02 Penicillin production lines. Besides, Imexpharm also upgraded the production capacity for Cephalosporin injections in Binh Duong to better serve the needs of the market.
- The R&D Division has been working closely with other divisions to successfully undertake product research for new plants, and coordinating with hospitals nationwide to conduct EACRI research for Bactamox 1g products which already demonstrate its therapeutic effect of up to 97.2%. At the same time, Marketing and Sales teams also developed market penetration plans and output strategies for products of new factories.
- In the context of tougher competition, the Human Resources and Human Resource Development Division last year managed to keep its pay and benefits policies, organize training and capacity building of Imexpharm's employees and develop it really into a Sustainable House, connecting people for the shared goal of the organization.



- Revenue was only nearly 86.2% of the plan. The Board of Management identified the issue and developed a strategy to improve ETC market while developing a better plan and targets for 2019.
- Sales branch management remained weak, despite improvements. Sales support tools such as DMS, BSC have not been fully utilized for its highest efficiency.
- The risk management system has not been completed, particularly when there remained some issues such as capital tie-up by pharmacists and bad debts of customers.
- Factories have not been effectively exploited to their highest capacity to meet market requirements. The lack of materials has not been handled while there remain limitations in production planning. The coordination between the Supplies, Production, Planning and Sales divisions was not strong.



VII. KEY OBJECTIVES IN 2019

“Currently, despite slower growth pace of pharmaceutical industry, the Board of Management believes that there are still many market space for Imexpharm to tap into, especially in the high-end segment. Specifically, core capabilities will be quality standards for the company to focus on boosting sales for key high-tech products to meet the demand for high-quality pharmaceuticals.”

Besides, Imexpharm also faces many challenges, especially after adoption of the CPTPP agreement and it anticipates that the foreign pharmaceutical enterprises with high technical capacity and rich capital will invest in the Vietnamese market, in which case the competition will become tougher and M&A trend will present potential risks of takeover in the industry. In addition, to survive and develop on the market, the Company also

believes that building managerial capacity and technical skills of its people is critical to keep pace with the global development.

Besides, the biggest potential risks in 2019 can include 2 of the following: (1) Delayed issuance of a revised Circular guiding drug procurement in hospitals; (2) Higher prices of raw materials, in addition to other elements such as wages and insurance for employees, gasoline prices, electricity prices, which surged in early 2019 and might reduce profit margins.

1. Business performance targets for 2019

Based on the current situation as well as analysis as mentioned above, Imexpharm expects that its total revenue and income in 2019 would be VND 1,450 billion, up 20.1 % compared to 2018; Pre-tax profit and appropriation to the Science and Technology Development Fund would be VND 220 billion, up VND 27.2 billion or 14.1% compared to 2018. In this scenario, EU-GMP factories, i.e. IMP2 and IMP3, are expected to contribute 30% - 40% of total revenue in 2019.

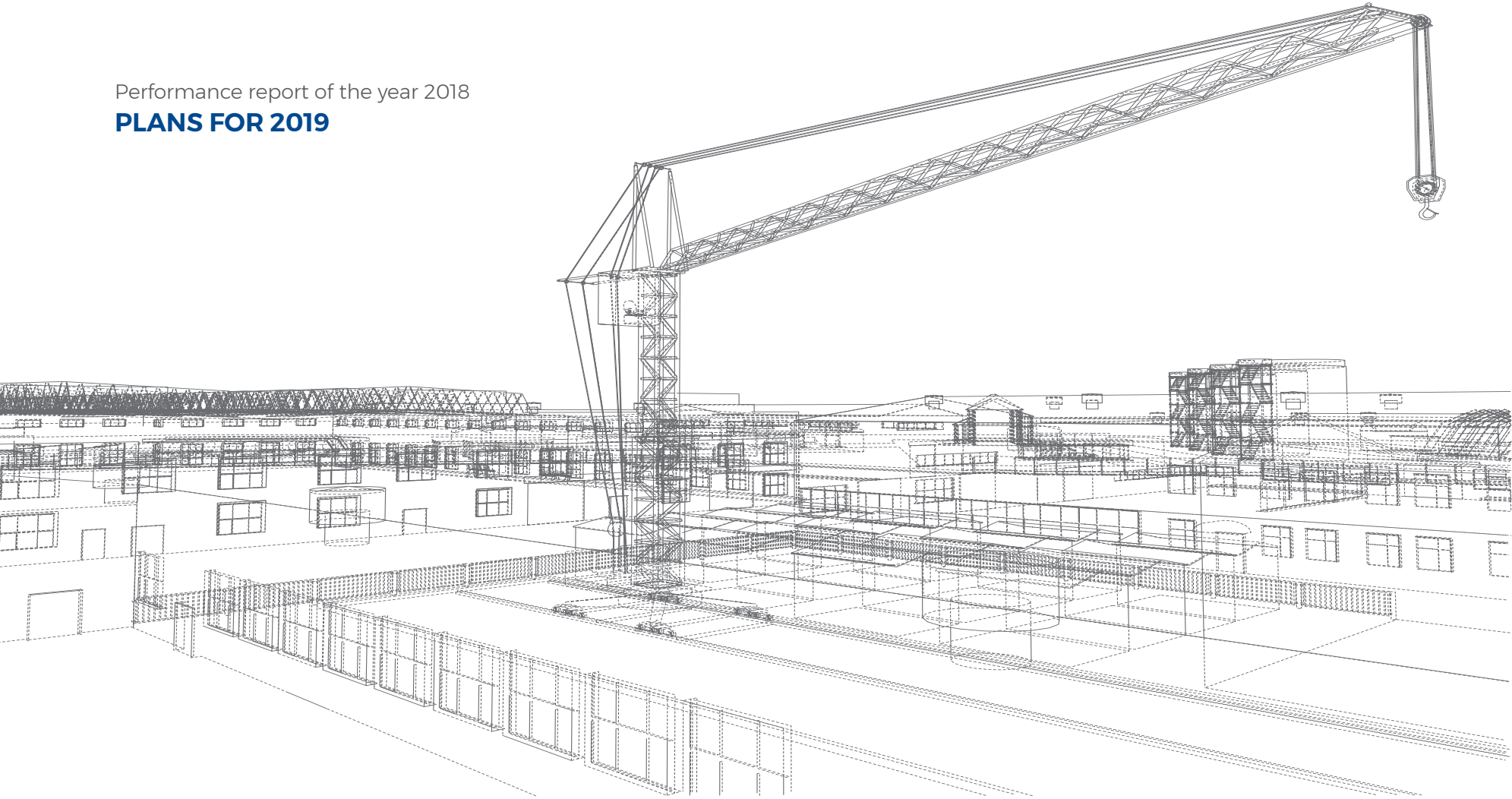
Specifically, the expected revenue and profit targets for 2019 have been set by the Board of Directors as follows:

Target (billion dong)	2019	2018	Growth
Total net revenue and income	1.450,0	1.207,1	20,1%
Profit before tax and distribution for Fund for Science & Technology Development	220,0	192,8	14,1%

Despite holding an optimistic views about the growth potential of the pharmaceutical market and the ability to fully and effectively utilize EU-GMP factories, the Board of Management believes that the planning process should be carried out in a careful manner to manage external risks such as prices and legal corridors which can have significant impacts on business operations. As new factories will start to operate in 2019, the input costs are expected to increase while profit growth is forecast to slow down. A double-digit revenue growth in 2019 is envisioned, which is considered quite challenging for Imexpharm, but the Board of Management believes the company can manage to fulfill this target. In 2019, the Board of Management will closely direct and monitor the construction of Binh Duong High-Tech Plant (IMP 4)







to make sure it will be completed on schedule. Besides, it is also important to have stable operation of IMP 1 (Dong Thap), IMP 2 (Vinh Loc), and IMP 3 (Binh Duong) factories to ensure that production output would be adequate to facilitate business activities of the company.

Although being one of the leading enterprises in pharmaceutical technology in this industry in Vietnam, Imexpharm determines that an output strategy and market research for products of EU-GMP factories is the key. Therefore, in 2019, the Board of Management will direct the Sales Division to coordinate with Marketing and Finance divisions to develop appropriate sales strategies and programs to widen its market coverage of new products that Imexpharm has successfully studied. In addition, customer care and support, maintaining market shares and market expansion to potential customers will be implemented and directed by the Board of Management in 2019 based on new policies to

keep abreast of market changes and consumer appetite.

Promoting the sales in ETC segment will also be one of the top priorities in 2019 as the OTC market will see the presence of more and more competitors while Imexpharm's new products are mainly for ETC market. The Board of Management will direct the Marketing and Sales divisions to closely coordinate in the implementation of programs related to hospitals and private health care, so that Imexpharm's products can penetrate deeply into the ETC segment. Sales Division needs to fully utilize the Distribution Management System - DMS to ensure that sales activities are smoothly carried out in line with the company's goals while sales management is strictly controlled. Effective sales branch management is also targeted by the Board of Management for all branches in the country.

## 2. Investment project for a functional food factory and testing center

In order to meet the regulations on manufacturing of functional food which require that functional food shall not be manufactured in the same factory with pharmaceuticals; besides, at Dong Thap Quality Control Division, the equipment and machinery are old and the area is inadequate to store samples. Therefore, at the meeting of the Board of Directors for the first quarter of 2019 on March 7, 2019, the Board of Directors agreed with the Board of Management and approved the construction project for a functional food factory and testing center at Imexpharm Head Office in Cao Lanh City, Dong Thap.

Details on the project's investment budget are as follows:

No.	Items	Amount
I	Functional Foods Plant	89,000,000,000
1	Fixed assets	70,000,000,000
	Where:	
	New investment and procurement	46,000,000,000
	Reuse of available equipment	24,000,000,000
2	Working capital	19,000,000,000
II	Testing center	31,000,000,000
	New investment and purchase of fixed assets	31,000,000,000
	Total (I+II)	120,000,000,000

(Total: One hundred and twenty billion Vietnamese dong\$)

The total capital investment of the project is VND 120 billion. Investment capital for function food factory is expected to be VND 89 billion, of which VND 24 billion the value of existing equipment to be reused. Estimated investment capital for the new testing center with modern equipment and sample storage space is VND 31 billion.

The functional food factory will produce Imexpharm product lines that are being accepted by the market and for which the sales growth is quite positive such as: Centrivit Ginseng, Centrivit soft caps, effervescence and Gelatin capsules, boxed and bottled SuperMaxgo, Ginkgo Biloba 40mg, Rolivit F, FlexoMAX, Probio, etc. Imexpharm has also studied and registered over 6 new products to start production in the functional food plant which is expected to be released to market in early 2020.

Currently, the Company has established a Project Management Board, and developed a Gantt chart to closely monitor project progress. The factory is expected to be completed and launched by the end of 2019.

## PLANS FOR 2019

### 3. Solutions for 2019

In order to achieve the strategic objectives for 2019, the Board of Management will direct the delivery of solution to its divisions as follows:

#### Marketing Division:

Continue to build on success of current programs in branding for key products such as: Claminat, Bactamox, Probio, etc. In addition, the branding and Imexfamily program activities must be further promoted, focusing on key customers and diversification of programs over the years. Customer appreciation activities should be linked with the company's direction and an effective measurement system, so Marketing Division needs to coordinate with Strategic Management Division to develop an assessment system and improve the effectiveness of these activities.



#### Human resources development:

Effective human resource management is also considered one of the key tasks for 2019. Human resource is a key contributor to maintenance and promotion of the company's activities; thus, the human resources management and development are essential. The Board of Management assigns Human Resources and Human Resource Development Division to coordinate with other divisions to focus on development of performance measurement indicators. At the same time, there should be measures to improve managerial capacity of middle-level employees, in addition to pay and benefits policies to attract and retain talents, targeting to develop Imexpharm to become one of the most best places to work in Vietnam.



#### Strategic management:

The Strategic Management Division needs to reevaluate the strategies at the departmental level as well as across the company, introduce programs to improve work performance, and review the employee capacity assessment system centered around work performance. In addition, Strategic Management Division should coordinate with the Sustainable Development Board to implement sustainable development strategies at the company and provide advice to the Board of Management.



#### Production Division:

Specialization in production management must be further promoted in 2019. Production Division should actively coordinate with other divisions to meet the product demand in 2019, avoiding shortage of goods. In addition, the production team should conduct a review and make timely adjustments to meet specific requirements, in addition to full utilization of factories.



#### Finance, Planning and Input Supplies divisions:

The price volatility of input material is expected to continue in 2019; thus, the Finance, Planning and Input Supplies divisions need to closely monitor and take timely measures to respond to changes. Debt and inventory management activities must be further improved in 2019. In addition, diversification of suppliers and identification of new sources of raw materials must be promoted and are one of the key targets for the Input Supplies Division.



#### R&D Department:

It is necessary to follow up EU-GMP approval schedule, coordinate closely with the Sales Division to register new products for partners, and review registered products to ensure that there is no stagnation in production.



#### Legal Division:

Continue to promote the timely dissemination of new legal documents that regulate the operation of Imexpharm for relevant divisions to understand and comply with such regulations in pharmaceutical production and businesses.



## 4. 2019 Sustainable Development Goals

For 2019, the Board of Management approved the action plan for the Sustainable Development Board as follows:



### For employees:

- The average income of employees in 2019 will increase by at least 7%, in addition to same benefits for employees;
- Employee retention rate will increase by at least 3% in 2019;
- Clear provisions on non-use of child labor in the recruitment regulations and respect to the diversity irrespective of gender, race, religion ... of employees;
- Developing a professional, friendly, humane working environment at Imexpharm, improving work performance and acknowledging contributions;
- Maintaining effective dialogue channels with employees.

### For the environment:

- Implement at least 01 of the following projects, whichever is feasible shall be delivered first: (1) solar power project at Cao Lanh Head Office; (2) electronic invoicing project.
- Further organization of online meetings to save travel costs by at least 10% in 2019;
- Strengthening of projects for higher productivity, energy saving, reduction of hazardous solid waste in factories;
- Addition of environmental criteria for the manufacturer/supplier surveys.



### For society:

- Strengthening effective communication channels with stakeholders and local communities;
- Participating in and providing support to effective start-ups in the locality;
- Further investment in basic health care access and study encouragement funds for young generations across the country;
- Allocation of at least VND 3 billion for corporate social responsibility (CSR) activities in 2019.
- Addition of social criteria for the manufacturer/supplier surveys.



## VIII. CONCLUSION

In 2018, which is the starting year for the term 2018-2022, the Board of Directors and the Board of Management adopted “Aspire to lead” as a strategic message for the entire term. Imexpharm was also proud to be the leading enterprise among the listed companies with market capitalization which were awarded the Corporate Governance Award in 2018 given jointly by Ho Chi Minh Stock Exchange in coordination with the Hanoi Stock Exchange. With proper and effective strategies as currently in place, we believe in the positive growth potential in the medium and long term of the Company. Imexpharm will continue to improve its products and production systems, streamline its distribution channels, develop strong sales teams, and strengthen management and technical solutions to realize Imexpharm’s aspiration to become the leading enterprise in Vietnamese pharmaceutical industry in the future with comprehensive governance in the following areas: Technology, R&D, Market and Customer Service, moving towards Sustainable Development.

The Board of Management would like to express our gratitude to all Imexpharm’s leaders and employees for their work values and tireless creativity. We would also like to send our sincere thanks to our shareholders, investors and partners who have extended your trust and support to Imexpharm’s strategies. We share the same aspiration that Imexpharm will step further forwards and lead Vietnam’s pharmaceutical industry in terms of product quality, technology and governance in the future.

Sincerely,

ON BEHALF OF THE BOARD OF MANAGEMENT CHIEF EXECUTIVE OFFICER



# PERFORMANCE REPORT AND ASSESSMENT FOR 2018

## THE SUPERVISORY BOARD OF IMEXPHARM CORPORATION



**Ms. LE THI KIM CHUNG**  
Member



**Mr. NGUYEN DUC TUAN**  
Head of the supervisory



**Ms. DO THI THANH THUY**  
Member



REPORT AT THE GENERAL  
MEETING OF SHAREHOLDERS

Period: The fiscal year ended 12/31/2018  
Cao Lanh City, March 8, 2019

Valued Shareholders,

In accordance with

- Articles on rights and obligations of the Supervisory Board provided in the Enterprise Law No. 68/2014/ QH13 dated 11/26/2014;
- Articles on rights and obligations of the Supervisory Board provided in the Charter of Imexpharm Corporation ("Company") dated 26/04/2016; and
- The Charter of the Supervisory Board of Imexpharm Corporation dated October 26, 2018;

We, the Supervisory Board of Imexpharm Corporation, supervised operations of the Company in the fiscal year ended 12/31/2018. Specific contents of the Report include:

KEY ACTIVITIES OF THE SUPERVISORY BOARD IN 2018

Activity	Date
Supervising the implementation of the Resolution the General Meeting of Shareholders 2017	
Supervising financial statements of the year ended December 31, 2018	
Meeting with the Board of Directors - 1st Quarter 2018	3/22/2018
Meeting with the Board of Directors - 2nd Quarter 2018	4/28/2018
Meeting with the Board of Directors - 3rd Quarter 2018	8/3/2018
Meeting with the Board of Directors - 4th Quarter 2018	11/8/2019
Meeting with the Board of Directors for preparation of the Annual General Meeting 2018	3/22/2018
Participation in internal control sessions of the Company	2018
Discussing with Internal Audit of the Company	3/22/2018

Through strategic supervision activities, operations control and auditing financial statements, the Supervisory Board hereby submits this report to the General Meeting of Shareholders with detailed contents as follows:

RESULTS OF IMPLEMENTATION  
OF THE RESOLUTION OF  
THE GENERAL MEETING OF  
SHAREHOLDERS 2017

As for business results in 2018,  
the Company achieved

86.2%

OF THE PLANNED TOTAL REVENUE

101.5%

OF THE PLANNED  
PROFIT BEFORE TAX

The Board of Directors and Board of Management of the Company fully implemented the Resolution of the General Meeting of Shareholders 2017 and complied with legal regulations and the Company Charter in the management activities.

In term of distributing profits of the fiscal year 2017, cash dividends at 5% of share par value and stock dividends at a ratio of 100:15 were paid to shareholders on November 28, 2017 and June 4, 2018, respectively; full distributions to the investment and development fund and bonus and welfare fund were duly made.

As for business results in 2018, the Company achieved 86.2% of the planned total revenue and 101.5% of the planned profit before tax (profit before tax and distribution for Science & Technology Development Fund).

	Planned	Achieved	Completed
Total revenue (VND billion)	1,400.0	1,207	86,2%
Profit before tax and distribution for Science & Technology Development Fund (VND billion)	190.0	192.8	101,5%

In regard to the selection of auditor, the Board of Directors and Supervisory Board selected PwC Vietnam Ltd. Co. to audit Interim financial statements and financial statements for 2018.

BALANCE SHEET

We supervised financial situations of the Company and reviewed the auditor’s report. We agree with the independent auditor’s notes on figures of assets as of December 31, 2018. We took into consideration the in-term changes of assets, liabilities and capital with the following remarkable points:

Unit: VND million	Audited value 12/31/2018	Ratio %	Change %	Comments
CURRENT ASSETS	834.742	47,0%	-14,6%	
Cash and cash equivalents	190.437	10,7%	78,9%	<ul style="list-style-type: none"><li>If term deposits at banks were recorded in the value of investment held to maturity date, the cash and cash equivalents of the Company at the end of 2018 were VND 190.7 billion, lower than 2017 (VND 286.1 billion). This change is in line with the investment progress of the company in high-tech pharmaceutical factory projects.</li></ul>
Short-term financial investments	4.281	0,2%	-97,7%	<ul style="list-style-type: none"><li>The balance of provision for devaluation of financial investments at the end of 2018 was VND 2.4 billion, lower than to the provision of VND 2.9 billion ended 2017, due to provisions for short term investments were reverted. In our opinion, such distribution of provision for devaluation was sufficient and in accordance with existing regulations.</li></ul>
Short-term receivables	289.884	16,3%	-26,7%	
+ Trade receivables	185.495	10,5%	-19,7%	<ul style="list-style-type: none"><li>The proportion of trade receivables for therapeutic product lines and the market product lines was 24.3% -75.7% respectively (2017: 31.5% -68.5%).</li><li>Proportion of outstanding collectible debts (overdue from 1 month to over 3 years) continued to drop to 20.2% of total trade receivables, compared to 29.6% and 24.7% in 2016 and 2017 respectively.</li><li>In outstanding collectible debts, the proportion of debt for therapeutic product lines was 26.1%, equivalent to VND 9.8 billion (2017: VND 19.0 billion) and the rest was outstanding collectible debts for the market product lines, accounting for 73.9%, equivalent to VND 27.7 billion (2017: 34.3 billion dong)</li><li>Normally revenues from the therapeutic product line have the payment term of over 3 months with low risk of bad debt. Currently, the ratio of outstanding receivables over 6 months of the therapeutic product line is 26.5% (2017: 23.5%). By contrast, for the market product line, the ratio of overdue debts over 6 months accounted for 29.0% of the total (in 2017: 31.0%). The Company needs to monitor closely such ratios and ask to settle these debts to minimize the risk of bad debts.</li></ul>

Unit: VND million	Audited value 12/31/2018	Ratio %	Change %	Comments
+ Advanced payments to suppliers	80.227	4,5%	-43,0%	<ul style="list-style-type: none"><li>Including: advance payment for the company’s uniforms of VND1.6 billion, purchase cost of raw materials of VND 8 billion, with the rest for purchase of promotional products, machinery and equipment.</li></ul>
+ Provision for short-term receivables which are difficult to collect	(12.500)	-0,7%	-3,9%	<ul style="list-style-type: none"><li>Within the year, the Company extracted the provision of VND 1.2 billion for outstanding collectible debts. At the same time, for receivables which are difficult to collect and for which provisions were set up at the end of 2017 (VND 13 billion), the Company has collected VND 1.7 billion. As for arising bad debts in 2018, the Company applied its financial management regulations to settle such bad debts, while took legal actions in some cases to recover the debts.</li></ul>
Inventories	323.809	18,3%	14,8%	<ul style="list-style-type: none"><li>Inventory increased by 14.8% yoy as the Company store materials for production of other product groups (up by 38.5% compared to 2017) based on predictions that material prices could fluctuate, produced reserved goods before expiry of registration and produced goods by order. Therefore, the average days of inventories increased from 131 days in 2017 to 153 days 2018.</li><li>We would like to recommend that the company should stringently manage inventory at branches, sales departments should take measures to boost revenue of products in stock to mitigate the risk of slow inventory flow, which could adversely affect product quality and force opening provision for devaluation of stocks.</li></ul>
Other short-term assets	26.331	1,5%	158,7%	
NON-CURRENT ASSETS	939.505	53,0%	18,0%	
Fixed assets	863.010	48,6%	24,8%	
Tangible fixed assets	242.577	13,7%	24,3%	<ul style="list-style-type: none"><li>Within the year, the Company invested in several key tangible fixed assets including: (1) Purchase of new tangible fixed assets of VND 10.2 billion including VND 4.8 billion for machinery and equipment and the rest for transportation vehicles; (2) Posting of completed construction value of VND 66.8 billion including VND 5 billion to Khanh Hoa branch, 37.4 billion to the IMP3 plant for injection line, VND 5.6 billion to IMP3 for compressors, and for some transport vehicles such as refrigerated trucks, 11 7-seat or 8-seat cars, trucks for company offices and branches.</li></ul>



**PLANS FOR 2019**

Unit: VND million	Audited value 12/31/2018	Ratio %	Change %	Comments
Intangible fixed assets	72.728	4,1%	0,5%	<ul style="list-style-type: none"> <li>The company has undertaken posting of investment value of VND 1.7 billion for the SaleUp distribution management system into the value of intangible fixed assets.</li> <li>Value of other intangible fixed assets includes: Advertisement videos, introduction video on IMP2 factory, with the rest being the production formula and process.</li> </ul>
Long-term construction in progress	547.705	30,9%	29,2%	<ul style="list-style-type: none"> <li>Long-term construction in progress includes machinery for high-tech factories - VND 465.6 billion, Binh Duong high-tech pharmaceutical factory - VND 79.5 billion, with the rest being items such as V4-V5 Building in Can Tho Hung Phu new urban area, PIAB's vacuum conveyors, granule feeder for capsule filling machine, Danfoss air conditioners, Drymax dehumidifier, etc.</li> </ul>
Long-term financial investments	41.094	2,3%	-37,5%	<ul style="list-style-type: none"> <li>Last year, the Company invested an additional amount of VND 1 billion in Dong Thap Muoi Research on Conservation and Development of Pharmaceutical Materials Joint Stock Company, equivalent to 23.56% ownership rate; and divested all investment of VND 15.3 billion from S.Pharm Pharmaceutical Joint Stock Company to collect VND 12.5 billion.</li> </ul>
Other long-term assets	31.851	1,8%	-18,0%	
<b>TOTAL ASSETS</b>	<b>1,774,247</b>	<b>100,0%</b>	<b>0,0%</b>	
<b>LIABILITIES</b>	<b>269.634</b>	<b>15,2%</b>	<b>-28,7%</b>	
<b>Current liabilities</b>	<b>236.478</b>	<b>13,3%</b>	<b>-31,2%</b>	
Short-term borrowings and liabilities	-			
Short-term trade payable	109.020	6,1%	-51,5%	<ul style="list-style-type: none"> <li>Trade payables decreased to VND 109.0 billion, including VND 24.9 billion as asset value of Vinh Loc high-tech antibiotic factory and Binh Duong high-tech factory, and VND 84.1 billion as value of input materials.</li> </ul>
Deferred short-term revenue	8.882	0,5%	264,4%	<ul style="list-style-type: none"> <li>Including advance payment of drugs to partners such as Orgalife (VND 6.6 billion), Hien Mai Company, 3M Company, IMD Company, etc.</li> </ul>
Short-term payables	61.849	3,5%	-25,0%	<ul style="list-style-type: none"> <li>Short-term payables decreased mainly because the Company reduced the proportion of joint-venture products, leading to reduction of the license fee accordingly. Balance at the end of 2018 of marketing and selling expenses and Research &amp; Development costs.</li> </ul>

Unit: VND million	Audited value 12/31/2018	Ratio %	Change %	Comments
<b>Non-current liabilities</b>	<b>33.156</b>	<b>1,9%</b>	<b>-3,8%</b>	
Long-term borrowings and liabilities	-			
Science & Technology Development Fund	32.606	1,8%	-5,2%	<ul style="list-style-type: none"> <li>In 2018, the Company made an additional contribution of VND 19 billion from pre-tax profit for the Science and Technology Development Fund and used VND 20.8 billion for items such as: Expenses for new initiatives, innovations, research and bioequivalence testing, training costs, EU-GMP consulting, transfer and MA registration of products from IMP2, IMP3, IMP4, etc. The Company plans to continue using Science &amp; Technology Development Fund for investments in new plants.</li> </ul>
<b>OWNERS' EQUITY</b>	<b>1,504,613</b>	<b>84,8%</b>	<b>7,8%</b>	
<b>Owner's equity</b>	<b>1,504,613</b>	<b>84,8%</b>	<b>7,8%</b>	
Paid-in capital	494.212	27,9%	15,0%	<ul style="list-style-type: none"> <li>Owner's equity in the year increased after the dividend payment in 2017 in shares at the ratio of 100: 15.</li> </ul>
Share premium	601.241	33,9%	0,0%	
Investment and development fund	281.867	15,9%	6,0%	
Retained earnings	125.091	7,1%	29,9%	
<b>TOTAL LIABILITIES AND OWNERS' EQUITY</b>	<b>1,774,247</b>	<b>100,0%</b>	<b>0,0%</b>	<ul style="list-style-type: none"> <li>The debt to equity ratio was 15.2% - 84.8% in the capital structure (2017: This proportion was 21.3% -78.7% respectively).</li> </ul>
<b>KEY INDICATORS</b>				<ul style="list-style-type: none"> <li>The current liquidity indicators and quick ratio improved positively compared to 2017 due to the Company's effective debt recovery (reflected by the reduced average days of trade receivables) and reduced trade payables.</li> </ul>
Quick ratio (x)	2.3			2017: 2.0
Current ratio (x)	3.5			2017: 2.8
Average days of trade receivables	63			2017: 71 days
Average days of inventories	153			2017: 131 days
Financial investments/ Total assets (%)	0,4%			2017: 1,0%
Provision for devaluation/Total value of investments	32,3%			2017: 17.1%. <ul style="list-style-type: none"> <li>Provision for devaluation in 2018 was VND 2.4 billion, down from VND 2.9 billion in 2017</li> </ul>

BUSINESS REPORT

We agree upon audited figures of business results in 2018 and hereby make several notes as follows:

	Audited value	Change	Comments
Unit: VND million	2018	%	
Net revenue	1,184,818	+1.7%	<ul style="list-style-type: none"><li>Net revenue in 2018 increased slightly compared to 2017, mainly because the revenue of Imexpharm's joint venture and brand products increased by 2.5%, accounting for 86.9% of total revenue (2017: 86.2%, offsetting the decline of revenues from franchise, down 35.9% in 2017. However, the growth of the key products was still much lower than the 12.5% increase in 2017.</li><li>Based on the recovery momentum in 2016-17, the revenue from therapeutic product lines of Imexpharm's joint venture and brand products increased by 8.8% in 2018 (2017: + 15.8%), higher than the growth rate of the market product lines which only increased by 1.2% (2017: +11.8%). As a result, the contribution to turnover between therapeutic product lines and the market product lines was 80.7% -19.3%, respectively compared to 81.8% -18.2% in 2017. The revenue from the intensive therapeutic product lines was positive thanks to the contribution of specialty medical products with bioequivalence testing advantage and the development of private health care. At the same time, the existing injection factories have also started to grow, although the revenue contribution is not significant in total revenue.</li><li>According to the Board of Management, in the year, the Company continued to focus on quality management of revenue and debt from the market product lines, including shortened terms of payment from 105 days in 2016 to 75 days (applicable from January 01, 2017) and further down to 45 days from July 1, 2018, and legal proceedings for intentionally defaulted customers.</li><li>Revenues from franchise declined because some products' registration licenses expired.</li></ul>
Cost of goods sold	715.187	+1,1%	
Gross profit	469.630	+2,5%	<ul style="list-style-type: none"><li>The gross profit margin of the Company increased slightly from 39.3% in 2017 to 39.6% in 2018, because Imexpharm's joint venture and brand products took up a higher proportion in revenue and the gross profit ratio of this group of products increased from 53.2% in 2017 to 53.8% in 2018.</li></ul>

	Audited value	Change	Comments
Unit: VND million	2018	%	
Income from financial activities	18.888	+2,1%	<ul style="list-style-type: none"><li>Thanks to the profit from its divestment from Da Nang Pharmaceutical Medical Equipment Joint stock Company (Dapharco), the Company collected VND 21.2 billion in return and recorded VND 11.0 billion of profit.</li><li>Savings deposit interest was VND 5.5 billion, lower than the interest of VND 14.2 billion in 2017, because the Company disbursed cash payment for capital construction projects.</li></ul>
Expenses of financial activities	17.599	+25,8%	<ul style="list-style-type: none"><li>Due to divestment of investments from S.Pharm Pharmaceutical JSC, it received VND 12.5 billion in return and recorded a loss of VND 2.8 billion.</li><li>The fluctuation of USD/EUR exchange rate also increased the exchange loss from the import of raw materials to VND 3.0 billion in 2018 (2017: 1.3 billion dong) At the same time, short-term loan interest increased from VND 619 million (2017) to VND 1.2 billion in 2018.</li></ul>
Interest expenses	1.276	+106,2%	
Sales expenses	212.134	+1,0%	<ul style="list-style-type: none"><li>Sales expenses increased corresponding to the growth rate of revenue of the Imexpharm's joint venture and brand products.</li><li>The company has focused its sales and brand promotion programs such as Claminat Fair, Bactamox Club, Imexfamily program, etc.</li></ul>
General and administration expenses	88.184	+3,1%	<ul style="list-style-type: none"><li>The contribution to Science and Technology Development Fund (10% on pre-tax profit) increased from VND 16billion to VND 19 billion, mainly due to higher corporate management costs, while other management costs such as management staff, outsourcing services, etc. did not have major fluctuations compared to 2017.</li></ul>
Profit from business operations	170.603	+17,0%	
Other incomes/ expenses	3.167	+294,9%	<ul style="list-style-type: none"><li>Other income of VND 3.4 billion including: Liquidation of 7-seat cars, trucks, surplus goods in shipments, etc.</li></ul>
Profit before tax and distribution for Science & Technology Development Fund	192.769	+18,6%	<ul style="list-style-type: none"><li>The company has completed its profit target before tax and before contribution to Science &amp; Technology Development Fund in 2018 of VND 190 billion.</li></ul>
Profit before tax and after distribution for Science & Technology Development Fund	173.769	+18,6%	<ul style="list-style-type: none"><li>Thanks to divestment of financial investments and other profits, the Company's pre-tax and post-tax profit margins improved positively compared to 2017.</li></ul>





	Audited value	Change	Comments
<b>Unit: VND million</b>	<b>2018</b>	<b>%</b>	
Current Corporate income tax	35.086	+20,2%	
<b>Profit after tax</b>	<b>138.683</b>	<b>+18,2%</b>	
<b>KEY INDICATORS</b>			
Gross profit/Revenue	39,6%	2017: 39,3%	
Profit from operations/Revenue	14,4%	2017: 12,5%	
Profit before tax/Revenue	14,7%	2017: 12,6%	
Profit after tax/Revenue	11,7%	2017: 10,1%	
Profit after tax/Total assets (ROA)	7,8%		<ul style="list-style-type: none"> <li>Although the net after-tax profit margin improved in 2018, the 2018 ROE and ROA measures still decreased slightly compared to 2017 (2017: ROA of 8.0% and ROE of 10.1%) because the Company continued to invest its capital in two high-tech factory projects and did not obtain returns directly from these two projects in 2018 yet.</li> </ul>
Profit after tax/Total capital (ROE)	9,6%		
Sales expenses/Revenue	17,9%	2017: 19,8%	
Costs of management/Revenue	7,4%	2017: 7,3%	

## CASH FLOW STATEMENT

We agree upon audited figures of the Cash flow statement in 2018 and hereby make some notes as follows:

	Audited value	Audited value	Comments
<b>Unit: VND million</b>	<b>2018</b>	<b>2017</b>	
<b>Cash flow from operating activities</b>			
(Increase)/Decrease in receivables	81,375	(1,438)	
(Increase)/Decrease in inventories	(43,798)	(47,523)	
Increase/(Decrease) in payables	(50,978)	23,576	
<b>Net cash flows generated by operating activities</b>	<b>132,459</b>	<b>97,213</b>	<ul style="list-style-type: none"> <li>Stockpiling of raw materials and inventory negatively affected inventory turnover; however, the Company's more stringent debt management helped to increase the net cash flows from operating activities to VND 132.5 billion compared to VND 97.2 billion in 2017.</li> </ul>
<b>Cash flows from investing activities</b>			
Acquisition and construction of fixed assets and other non-current assets	(272,440)	(274,457)	
<b>Net cash flows from investing activities</b>	<b>(48,466)</b>	<b>(443,247)</b>	<ul style="list-style-type: none"> <li>The company continued to disburse investments in new factory projects with optimized cash sources from previous savings deposits.</li> </ul>
<b>Cash flows from financing activities</b>			
Proceeds from share issue and owners' contributed capital	-	405,196	
Dividends and profit paid to owners	-	(52,729)	
<b>Net cash flows from financing activities</b>	<b>-</b>	<b>352,372</b>	
<b>Net cash flows in the period</b>	<b>83,993</b>	<b>6,338</b>	
<b>Cash and cash equivalents at the beginning of the year</b>	<b>106,457</b>	<b>100,127</b>	
<b>Cash and cash equivalents at the end of the year</b>	<b>190,437</b>	<b>106,457</b>	<ul style="list-style-type: none"> <li>If term deposits are also included, the company's cash balance at the end of 2018 is VND 190.7 billion, lower than 2017 (VND286.1 billion).</li> <li>However, with this cash balance (accounting for 10.7% of total assets), the Company is well prepared in its funding for business activities as well as construction investment.</li> </ul>



#### **Environment control:**

In 2018, the company submitted an environmental monitoring report to the competent authority. Paid environmental protection fees for industrial wastewater and other environmental protection fees. The company signed a hazardous waste treatment contract with Siam City Cement Vietnam Co., Ltd. Report on hazardous waste management in 2018 was sent to Department of Natural Resources and Environment. For the waste collection and transport, the company signed a contract with Dong Thap Urban Water Supply and Urban Environment Joint Stock Company. On April 2, 2018, the Environmental Inspection Center conducted a field inspection of waste water, after which the results on all indexes met the requirements.

On December 28, 2018, Department of Environmental Police (Ministry of Public Security) inspected the legal compliance with the Law on Environmental Protection in the field of drug production and business at its factory in Dong Thap; the results showed that the Company basically followed the environmental regulations and that it would only need to use absorbent materials (sand containers) in the storage of hazardous wastes to respond to spills. At the moment, this requirement has been addressed.

The company signed a hazardous waste treatment contract with Thanh Lap Environmental Treatment Company for At IMP 2 factory and with Sen Vang Company, Ltd. for IMP3 Plant.



#### **The project of hi-tech antibiotics plant in Vinh Loc (IMP 2):**

By December 31, 2018, the Company disbursed VND 173.9 billion of the total expected investment value of VND 189.2 billion. The remaining value of the contract payable is VND 15.3 billion, mainly for the rest of the construction contract, auxiliary system and M&E.

On January 2, 2019, the factory was certified with the EU-GMP certificate by the Portuguese Ministry of Health.

As planned, the plant would go into commercial operation by the end of the first quarter in 2019.

#### **The hi-tech plant in Binh Duong (IMP 4):**

The Company has disbursed VND 417.5 billion by the year-end 2018 of the total investment value of VND 497.2 billion. The remaining contractual value of VND219.5 billion is expected to be disbursed in 2019.

Tentatively, the factory will receive WHO-GMP approval in May 2019 and EU-GMP approval in the second half of 2019..

#### **Investment project for a dietary supplement factory and testing center in Dong Thap:**

Total estimated investment capital is VND 120 billion, of which the value of fixed assets is VND 101.8 billion, and the rest is working capital. The value of fixed assets includes VND 70.7 billion of dietary supplement factory (in which the value of recycled available assets is VND 24.3 billion) and VND 31.1 billion of the testing center. It is expected that the value of fixed assets will be invested by using equity while the working capital will be financed by loans.

Currently, the Company has established a Project Management Board, and developed a Gantt chart to monitor project progress. The factory is expected to be completed and launched by the end of 2019.



OVERALL ASSESSMENT OF THE  
SUPERVISORY BOARD FOR 2018  
FINANCIAL YEAR

During the term of 2018, the Supervisory Board has monitored the activities of the Board of Directors and the General Director in managing and operating the company through the following specific tasks:

- Attending quarterly and annual meetings of the Board of Directors with updated financial, accounting, production - quality control, procurement - import/export, sales - marketing, and legal reports. The Supervisory Board discussed with members of the Board of Directors and the Board of Management to identify problems in the operation process and suggested specific recommendations.
- Evaluate quarterly, semi-annual and annual financial statements of the Company to ensure transparency and integrity of the data provided to shareholders and investors.
- Discussing with the Board of Management about the use of capital mobilized from shareholders to finance capital construction projects and working capital requirements, and periodically visited the project sites to track progress against commitments to shareholders and ensure the feasibility of the project.
- Inspecting the implementation of the Annual General Meeting's Resolution on business plan, investments, distribution of profits, dividends, appropriation and use of funds in the Company.
- Working with the Internal Audit Committee on periodic audit and control results recorded at the business units and monitoring the implementation of remedial measures.



The Board of Directors and General Director created good conditions for the Supervisory Board to fulfill its rights and powers as set forth in the Charter of the Supervisory Board. The Supervisory Board could access significant information and documents as well as worked with relevant members of the Board of Directors, General Director and high-ranking officers in order to complete quarterly and yearly supervisory reports. The recommendations of the control reports are published at BOD meetings and are followed up in practice.

REPORT ON REMUNERATION OF THE SUPERVISORY BOARD  
(BEFORE TAX) IN 2018:

Full Name	Position	Remuneration
Nguyen Duc Tuan	Head of SB	306,000,000
Le Thi Kim Chung	Member	194,000,000
Do Thi Thanh Thuy	Member	194,000,000

RECOMMENDATIONS

- Closely and synchronously implement product and market strategies with domestic and foreign partners, promote the Company's brand name and key products for efficient operation of EU-GMP plants, especially the ETC market segment, leveraging the brand for OTC market as well.
- Stringently manage the investment progress in the hi-tech Plant in Binh Duong and Dietary Supplement Plant in Vinh Loc in order to commission the two plants as scheduled and meet the expectations.
- Continue to use the Science and Technology Development Fund to improve R & D capacity and expand the product portfolio for EU-GMP certified plants.
- Intensify measures for risks management of collectible debts from sales system in order to ensure quality of revenue, increase the receivables turnover and reduce risk of setting the provision for bad debts
- Continuously monitor sales programs at branches and report marketing budgets at the end of promotion campaigns.
- Manage closely inventories in order to minimize exceeded inventories with adverse effects on working capital as well as the risk of slow inventories turnover and expiry of use.
- Instruct branches/sales units to comply strictly with recommendations of the Internal Audit Committee and to feedback on due remedies, and give warnings to branches/sales units violating repeatedly compliance regulations to find out effective solutions for their issues. Moreover, the Board of Management needs to instruct the Internal Audit Committee to continue focusing supervision over major functions with crucial effects to the business and production operations of the Company.
- Review human resources, organizational structure, salary structure, especially personnel in manufacturing, R & D, sales, etc., to meet business expansion requirements after the two new plants are completed and plan the development of successive human resource.
- The Board of Directors and the Board of Management should continue to restructure the stock portfolio at an appropriate time with a specific strategy for production linkages to maximize the effectiveness of joint ventures

These are some observations of the Supervisory Board that we would like to report to valued shareholders and investors. We strongly expect to receive sincere feedbacks from you to perform better.

I wish the Meeting all success. Sincerely,



Nguyen Duc Tuan



Le Thi Kim Chung



Do Thi Thanh Thuy



# KHÁT VỌNG BỨT PHÁ

Để có thể hiện thực hóa “***Khát vọng dẫn đầu***” của mình, ngay trong nhiệm kỳ 2018-2022 ***Ban lãnh đạo Imexpharm*** đã vạch rõ chiến lược phát triển cho Công ty rất cụ thể:

- ***Năm 2019 hoàn thiện đầu tư cơ sở vật chất và công nghệ***
- ***Từ năm 2020 trở đi sẽ có những bước phát triển mới ghi dấu ấn trong ngành***

Chiến lược này chính là những nền tảng vững chắc để ***Imexpharm*** tự tin biến “***Khát vọng dẫn đầu***” của mình trong tương lai thành hiện thực.





# DEVELOPMENT STRATEGY TO WARDS

# 2022

2022

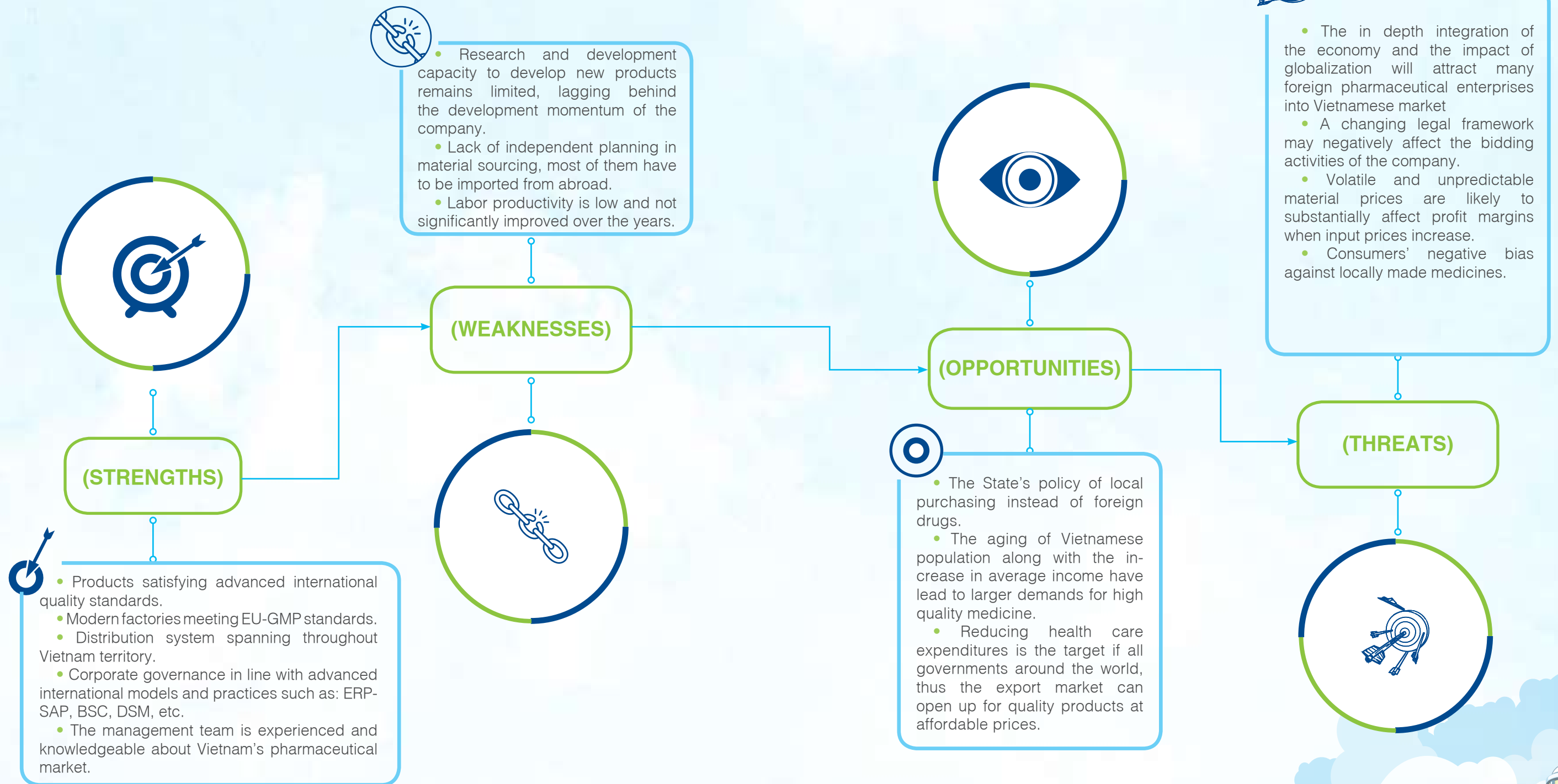
- *SWOT Analysis* 178 - 179
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## DEVELOPMENT STRATEGY TOWARDS 2022

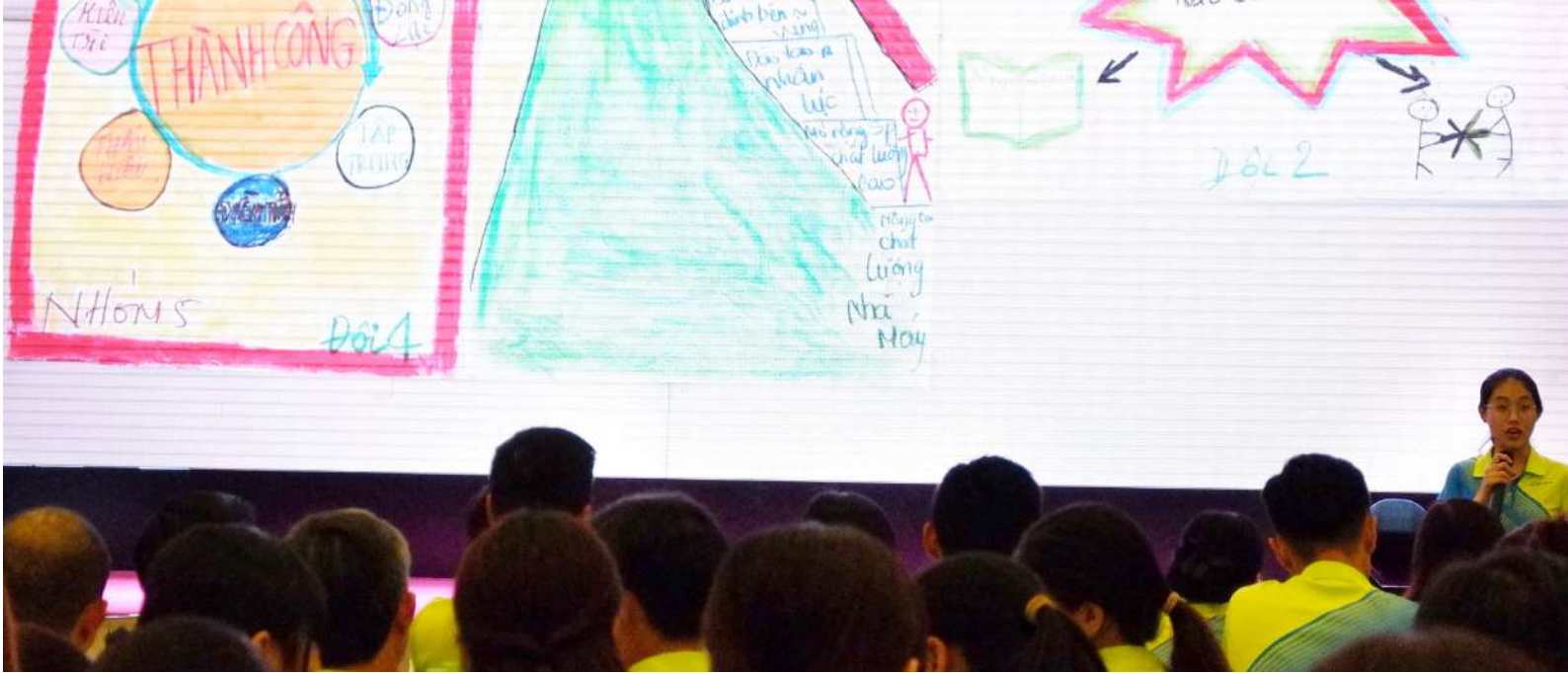
### SWOT ANALYSIS





**DEVELOPMENT AND RESOURCES ALLOCATION STRATEGIES FOR 2019**

No.	Development strategy	Resource allocation
1	<p>The EU-GMP factories are optimally operated, boosting the market share of ETC, increasing the penetration into the 1st and 2nd bidding channels through partners or direct participation. It is targeted that by 2022, ETC sales account for 40% of Imexpharm's revenue structure.</p> 	<p>A specialized sales team will be developed for ETC channel, working in collaboration with the Strategic Management department and Marketing department to figure out rational market access policies.</p> <p>Promote communication activities, organize many seminars and events targeting leading doctors and officials to promote Imexpharm's products.</p> <p>Invest in training activities, stay updated with new circulars and decrees from the government and the Ministry of Health to adapt with appropriate policies.</p>
2	<p>Ensure products of all new factories have their markets.</p> 	<p>Promote market research activities and product innovation. Coordinate R&amp;D, Marketing team, Strategic management</p> <p>concertedly to finalize a list of products responsive to market demands.</p>
3	<p>Increase export sales up to 10% of the revenue structure until 2022</p> 	<p>Promote international cooperation, joint research and development while searching for foreign markets.</p>
4	<p>Redefine core products/categories for each factory</p> 	<p>Sales, Production, R&amp;D, Marketing departments need to agree on the product categories based on sales, product development ability and production capacity of each factory.</p>
5	<p>Review the customer list every year, set up a list of potential customers.</p> 	<p>Sales and Marketing Departments synthesize the list of customer base by sales, and coordinates with customer care department to maintain long-term relationship with customers</p>



6	<p>Build flagship sales branches</p> 	<p>The Sales and Finance Departments evaluate the performance of each sales branch and has a strategy for each branch to promote Imexpharm's key products.</p> <p>Promote training of sales force.</p>
7	<p>Redesign the price list of products in the context of market fluctuations</p> 	<p>The Pricing department coordinates with the Production and Raw Material Procurement departments to recalculate the costs in accordance with the company's strategy.</p>
8	<p>Continue to improve cost management to maintain profit margin</p> 	<p>The Finance Department should coordinate with the relevant departments to conduct a thorough review to cut irrational costs.</p>
9	<p>Diversify suppliers, re-negotiate raw material prices, thereby reducing costs and increasing price competitiveness.</p> 	<p>Material Supply and R&amp;D Department need to coordinate to find new and stable materials and competitive prices</p>



DEVELOPMENT AND RESOURCES ALLOCATION STRATEGIES FOR 2019

No.	Development strategy	Resource allocation
10	<p>Research products for new factories, register new products in a timely manner to launch to the market as planned. Closely monitor the registration number of the old products and re-register to ensure there is no supply discontinuation due to expiration of the registration number.</p> 	<p>R&amp;D department should focus on improving professional competency, restructuring the department in response to changes in production and business. In addition, closely coordinate with other departments such as planning, supply and production to ensure optimal inventory for business activities.</p>
11	<p>Redesign sales and promotions programs towards with more focus on target customers, reduce credit risk for the company and reduce selling expenses.</p> 	<p>The Sales, Marketing and Strategic Management Departments to review and execute these programs based on the data provided by the Finance department.</p>
12	<p>Improve the efficiency of sales forecasting to better respond to market demand.</p> 	<p>The Planning, Sales, Production and Material Supply Departments need to coordinate more closely to improve the efficiency of forecasting and production output to meet customers' demands, thereby increasing sales</p>
13	<p>Improve the competency of middle-managers, thereby facilitating team development.</p> 	<p>Human resources department needs to redesign recruitment criteria, capacity assessment criteria based on work performance and have appropriate training programs for employees to improve productivity.</p>



14	Maintain and improve the welfare for employees	Maintain stable business operations and meet the targets of sales and profits set by the General Meeting of Shareholders as a pathway to increase salary, bonus and welfare policies for employees
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15	Continue to apply stringent debt management.	The Internal Control Department should coordinate with the Finance and Legal Department to control debts and further improve the preventive control system to prevent capital tie-up.
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16	Build a dynamic and sustainable working environment.	Human Resources Department needs to build team building activities to better engage employees and create a bonding team.
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17	Keep abreast of the sustainable development goals of the United Nations and Vietnam, focusing on 5 basic elements: prosperity, people, planets, partners and peace.	Sustainable Development Department should coordinate with relevant departments to establish sustainable development policies that align with corporate development strategies and communicate sustainability issues to all employees.
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## IMEXPHARM 2018-2022 LEADING ASPIRATION

According to Vietnam Report's evaluation, in 2018 Imexpharm was again ranked among the Top 10 most reputable pharmaceutical enterprises in the market with the 4th position, in terms of financial capacity, market share, operational efficiency and reputation. Compared with listed pharmaceutical companies, Imexpharm is only ranked 6th in terms of revenue and profit, but following first mover's investment in a series of EU-GMP factories, Imexpharm is currently a growing enterprise capitalizing on differentiation advantages.

With the strategic message of the 2018-2022 tenure called "Aspiring to lead", Imexpharm will continue to invest in facilities and technology in 2019 so that in 2020 onwards, the Company can achieve new milestone in the industry, thereby facilitating comprehensive investment in all aspects of operation, specifically as follows:

*We did not push for short-term overheating growth, but instead focus on medium-and-long-term growth to create sustainable values up to our shareholders' expectation, investors, partners and consumers.*

in 2018 Imexpharm was again ranked

**4th** the **TOP 10**

in terms of financial capacity, market share, operational efficiency and reputation.

- **2018: Sustainable governance-**  
Complete approval procedures for the project of hi-tech antibiotics plant in Vinh Loc (IMP2);
    - » Focus on developing strategic plans and objectives for Sustainable Governance of Imexpharm: (1) Introduce corporate governance and sustainable development improvements at Imexpharm until 2022; (2) Aim towards improving the ecosystem of sustainable pharmaceutical business and production from supplier selection, production process to distribution and retail system (pharmacy).
  - **2019: Technology leader**
    - » Complete the approval procedures of Binh Duong High-Tech Plant (IMP4) to officially become the manufacturer with the largest number of EU-GMP production lines in Vietnam with differentiated specialized treatment active ingredients to stay ahead of the market;
    - » Commence and complete construction of supplemental factory and testing center in Cao Lanh in 2019;
  - **2020: Affirmed position in the market -**  
Achieve a higher position on ETC;
    - » Continue to consolidate the market and invest in expanding the distribution system;
    - » Promote export.
  - **2021: Investment in human resources**
    - » Lead the market in terms of well-trained and innovative human resources - especially management, R&D, production and sales teams;
    - » Human resources as the heart of growth
  - **2022: Sustainable growth**
    - » Lead Vietnam's pharmaceutical industry in terms of growth rate;
    - » Achieve comprehensive development on all aspects from production capacity, finance, human resources to the market;
    - » Continued sustainable development and further investment in CSR activities.
- With such strategic plans and prospects of EU-GMP factories that will lead the growth, the Board of Directors and the Board of Management have agreed on development objectives for the period 2018-2022. In 2019, these objectives were reviewed to suit actual production and business situation. Particularly:
- By early 2020, with Imexpharm will be the domestic player with highest number of EU-GMP-certified plants with 03 plants IMP2 - IMP3 - IMP4), including multiple production lines and diversified products.
  - By 2022:
    - » Total net revenue and income at VND 2,700 – 2,880 billion, with CAGR 2018 – 2022 at 18% - 20%;
    - » Imexpharm will account for 2%-2.5% of total pharmacy consumption of Vietnam;
    - » Well-structured revenue to minimize risks with 50% OTC: 40% ETC: 10% export
    - » Profit before tax and contribution to Science & Technology Development Fund at VND 325 – 370 billion, with CAGR at 15% - 18%;
    - » By 2022, the EU-GMP-certified plants will contribute approximately 50% - 60% to total revenue, and 43% - 52% to profit before tax. The reason for this unbalanced contribution is in early years, costs for depreciation and operation are higher than operating capacity. On the other hand, the Company also factor fluctuations in exchange rates and input prices, especially the price of active ingredients.
    - » R&D budget will be 3% - 5% revenue to accommodate recruitment and training, development of new product, bioequivalence testing, investment in equipment and technological advancement.
    - » By 2022, the staff size will be 1,350, at average income per capita of VND 19 million per month, with 13.6% in CAGR.

By 2022, at average income per capita of

**19** million per /  
month



# IMEXPHARM'S IMPACTS ON SUSTAINABLE DEVELOPMENT

*Imexpharm will have the following impacts on sustainable development across our business and distribution activities:*

## 1. Economic development

- Imexpharm is a leading pharmaceutical company of Vietnam, ranked among the Top 6 companies listed on stock market. Imexpharm boasts 2018 revenue of over VND 1,207 billion, good business performance and administration, and transparency information disclosure, high and stable dividend payout policies which have good impacts on hundreds of shareholders and investors.
- As a major enterprise in Cao Lanh, Dong Thap province, Imexpharm contributed a significant part to the local budget through tax and other CSR activities for local development.



IMEXPHARM CREATED SUSTAINABLE JOBS FOR OVER

**1.200** workers



## 2. Social aspect

- Operating in the pharmaceutical industry, Imexpharm makes an important contribution to the community health care.
- A pioneer in investment for quality, Imexpharm owns a series of EU-GMP-certified plants with injectable medicine production line, and represents an industrial manufacturer for Vietnam's pharmaceutical industry.
- Imexpharm created sustainable jobs for over 1,200 workers, mainly in Dong Thap, the rest in other locations of Imexpharm's plants, warehouse and 20 branches in HCMC, Binh Duong province and others.

## 3. Environmental aspect

- Imexpharm currently owns 04 major plants in Dong Thap, Ho Chi Minh City and Binh Duong. Imexpharm's activities comply strictly with international standards. The high-tech plants have good treatment solution, and use high-end ingredients imported mainly from Europe. Therefore environmental impacts are minimal, and workers' health is protected. We also comply with annual environmental monitoring and reporting, and maintain our environmental indicators within required limits.
- Imexpharm consumes power, diesel oil, and water in our manufacturing and daily activities in 1 Head Office and 23 branches. We have records of power, diesel oil and water consumption, and have plans to economize and cut down.
- Transportation:
  - » Transportation of ingredients and active ingredients requires specialized, refrigerating vehicles. Ingredients, testing chemicals, and packing are received at harbor, or from suppliers at warehouse in HCMC, then are transported to plants in Dong Thap and Binh Duong;
  - » In addition, with our nationwide distribution network, transportation from the two plants to 20 branches is by the Company's trucks. Imexpharm also has a delivery team in 20 branches, using motorbikes or trucks to deliver goods to customers, chemists and hospitals.

Obviously, transportation activities of Imexpharm are abundant. However, we have not managed to measure the impacts that transportation of ingredients, packages and goods have on the environment.





Our world is faced with many issues that seriously affect sustainable development, including: Global climate change, environmental pollution to the detriment of health, Water scarcity, Critical energy shortage, etc.

In the United Nations Sustainable Development Summit taking place in New York (USA) from September 25 to September 27, 2015, 193 UN member nations ratified the 2030 Agenda for Sustainable Development 17 sustainable development goals (SDGs) as an agenda to end poverty, combat inequality and combat climate change in the next 15 years. Accordingly, Vietnam has also developed 17 specific objectives in line with the current sustainable development agenda of the country.

*Having understood that we cannot stand out of the sustainable development efforts of Vietnam and the world, Imexpharm has been dynamic in contributing 04 out of the 17 key general goals to ensure a sustainable world:*

### 1. Good health and happy life: Ensure healthy lives and promote well-being for all at all ages.

- Health is the premise of life. As one of the top five pharmaceutical companies in Vietnam, Imexpharm is contributing significantly to Vietnam's health care efforts by manufacturing outstanding products to meet the demand of both hospitals and chemists in treatment
- In addition to supplying drugs, we have cooperated with doctors from renowned hospitals, e.g. University Medical Center HCMC, and HCMC Cho Ray Hospital, etc. to examine and give out free medicine to people with difficulty in remote areas, accommodate their access to basic health care and medicine. Until 2018, Imexpharm has been a reliable company with **70,000 patients with difficulty across Vietnam for over 11 years**. This activity has been of special care by Imexpharm, a long-term effort with increasing investment year after year to give more and more people with difficult conditions, especially the elderly, children, and women, access to basic health care.

UNTIL 2018, IMEXPHARM HAS BEEN A RELIABLE COMPANY WITH

70.000

PATIENTS WITH DIFFICULTY

### 3. Economic growth and sustainable job: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.

- With good business performance and responsibilities, Imexpharm has made major contributions to sustainable economic development, as well as development of Vietnam's pharmaceutical industry. We also are creating job and sustainable career for over 1,200 workers and contributing significantly to the local economy.

### 2. Quality education: Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all.

- With our scholarships and fellowship awarding tradition for the past 10 years, Imexpharm has contributed to encouraging and promoting study to thousands of students, and incubating talents for Vietnam. Obviously, study encouragement is a major successful effort of Imexpharm that is recognized by the community.

### 4. Responsible consumption and production: Ensure sustainable consumption and production patterns.

- With high, EU-GMP-certified manufacturing standard and prioritized investment to working environment, our business activities are minimal to the environment. Selected suppliers must also have good sense of responsibility. Imexpharm has an inspection team who assesses foreign ingredient producers.



## SUSTAINABLE DEVELOPMENT STRATEGY TOWARDS 2022

*“Imexpharm – Establish Sustainable Values for Stakeholders” continues to be Imexpharm’s sustainable development strategy for the period of 2018-2022. To excel in this, we have set out concrete goals for effective execution.*

Imexpharm understands that we can only develop sustainably if and when economic development goals are associated with social and environmental ones.

### 1. Economic development

To establish sustainable economics, Imexpharm focuses on the following 3 aspects:

- Develop EU-GMP standard products inclusively for bidding and export purposes. This enables patients to access high-quality, European-standard pharmacy at reasonable price, in the while maintaining good treatment effectiveness and low cost.
- Achieve good business performance, improve business performance indicators to above industry’s average while maintaining safe and transparent financial structure to create more added values to shareholders, investors, customers, partners, and stakeholders;
- Maintain high and stable dividend payout ratio of 15%-20% to shareholders
- Aggressively contribute to local economic development by complying with tax obligations and investing in other community activities.

GOOD EMPLOYEE LOYALTY OF OVER

90%

### 2. Social aspect

For social development efforts, Imexpharm focuses on the following 2 aspects:

- **For employees:** (1) Imexpharm creates sustainable jobs with good remuneration policy, benefits, ESOP and other relevant and competitive perks; (2) Good employee loyalty of over 90%; (3) Good training and career development with clear career path; (4) Motivating environment improves performance; (5) Promote keep fit programs for employees by organizing tennis, football, badminton, aerobics, cycling clubs. Holding annual tournaments for employees
- **Social responsibility:** (1) Maintain traditional scholarships and fellowships to create more studying opportunities for students; (2) Improve the free examination and medicine program in terms of scale and efficiency by diversifying and expanding to the people with difficulty; (3) Promote sport activities in health care sector, e.g. holding annual tennis tournaments, and local social welfare activities

### 3. Environmental aspect

In terms of environment, Imexpharm promotes the following 4 activities:

- Comply with high international standards to minimize environmental impact, protect health of workers and patients.
- Maintain independent third party for environmental monitoring.
- Promote economization of power, diesel oil and water.
- Conduct feasibility study on solar energy project at Cao Lanh Head Office;
- Promote investment in high technology and use of high-standard ingredients to protect the environment and consumer health.
- Promote environmental awareness and actions among Imexpharm employees.



# SUSTAINABLE GOVERNANCE

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## SUSTAINABLE GOVERNANCE

# COMPARING CORPORATE GOVERNANCE AT IMEXPHARM BASED ON BALANCED SCORE CARD AMONG VIETNAMESE LISTED ENTERPRISES IN 2018

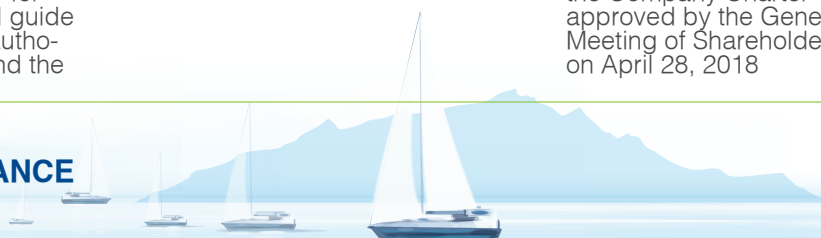
Stock ticker: **IMP**

Company name: **Imexpharm Corporation**

Industry: **Pharmaceuticals**

Financial year: **07/10/1905**

Question code	Corporate Governance Principles	Question	Reference	Unfulfilled	Partially fulfilled	Fully fulfilled	Justification
<b>Level 1 Question</b>							
1	A: Shareholder's rights:	Does the company pay full dividends within 06 months from the end of the Annual General Meeting?	Clause 3, Article 132 of the Law on Enterprises			x	<ul style="list-style-type: none"> <li>- June 05, 2018 is the date of finalizing the payment list of 2017 share dividend.</li> <li>- AGM date is April 28, 2018"</li> </ul>
2	A	"The company adopted the following policies in the AGM: a) Dividend payout rate for the past year b) Plan for next year's business performance"	Clause 2, Article 136 of the Law on Enterprises			x	The company announced dividends and next year operating plans as reflected in the AGM Resolution No. 16/NQ-DHDCD- IMEX dated April 28, 2018
3	A	Does the company disclose information on making a list of shareholders entitled to attend the AGM at least 20 days before the final registration date?	Article 8, Decree 71		x		<ul style="list-style-type: none"> <li>- Date of announcing the last registration date for the AGM: March 28, 2018</li> <li>- Last registration date: April 12, 2018, 15 days before"</li> </ul>
4	A	Does the company send an invitation to all shareholders entitled to attend the AGM no later than 10 days prior to the AGM date?	Clause 1, Article 139 of the Law on Enterprises			x	<ul style="list-style-type: none"> <li>- Date of posting the invitation letter and the AGM documents on the website: April 13, 2018</li> <li>- Date of sending the invitation letter: April 17, 2018</li> <li>- AGM date: April 28, 2018"</li> </ul>
5	A	Is the Company's AGM held within 4 months from the end of the financial year, or no more than 6 months in the event of an extension?	Article 8, Decree 71, Article 136 of the Law on Enterprises			x	AGM date: April 28, 2018, which satisfies the time limit of 04 months from the end of the financial year
6	A	Does the company include provisions in the internal regulations on authorization procedures and form of proxy for shareholders and guide shareholders to authorize proxy to attend the AGM?	Article 8, Decree 71			x	The company includes detailed guideline on authorizing proxies to attend the AGM in Article 16 of the Company Charter approved by the General Meeting of Shareholders on April 28, 2018





Question code	Corporate Governance Principles	Question	Reference	Unfulfilled	Partially fulfilled	Fully fulfilled	Justification
7	A	Are all the documents of the AGM published on the company's website (the standard set of documents) including: (1) An invitation letter containing the meeting agenda, (2) A form of proxy to authorize representatives to attend the meeting, (3) A draft resolution for each issue in the meeting agenda, (4) Report of the Board of Directors, Report of the Supervisory Board/Audit Sub-committee (the files must be in good condition)	Clause 4, Article 139 of the Law on Enterprises			x	"All documents are published at: <a href="http://www.imexpharm.com/doi-tac-nha-dau-tu/tai-lieu-dai-hoi-dong-co-dong-thuong-nien-nam-2018/">http://www.imexpharm.com/doi-tac-nha-dau-tu/tai-lieu-dai-hoi-dong-co-dong-thuong-nien-nam-2018/</a> as of April 13, 2018"
8	A	Are shareholders guided to provide comments on the AGM agenda?	G20/OECD Principles (2015) II (C)			x	The company issues guidelines for shareholders to provide comments in the ground rules at the AGM, published with the AGM Invitations and Materials
9	A	Are materials including key information on the candidates of the Board of Directors and the Supervisory Board (if any) (at least age, qualification, expertise, experience, initial appointment date, BOD membership in another listed company, independence) provided at least 10 days before the AGM date?	Article 11, Decree 71	x			This requirement has not been fulfilled.
10	A	Is there evidence showing that the AGM has adopted remuneration, expenses, and fringe benefits paid by the company to the Board of Directors and the Supervisory BoD members (if any)?	Clause 2 Article 158 of the Law on Enterprises, Article 167 of the Law on Enterprises			x	The company presents in its annual report to shareholders at the AGM, and in the AGM materials.
11	A	Does the company apply modern information technology so that shareholders can best engage and voice their opinions at the AGM, including guidelines for shareholders to vote via teleconference AGM, electronic voting or other electronic forms?	Article 140, Clause 2 of the Law on Enterprises	x			This has not been applied yet
12	A	Does the company announce the appointment of an independent party (inspector, supervisor) to represent in the vote counting committee at the AGM?	G20/OECD Principles (2015) II (C)			x	The company appointed a vote counting supervisor and specified this in the AGM Minutes No. 01/BB-DHDCD- 2018, announced on April 29, 2018
13	A	Does the company announce the voting results for all resolutions on the next working day of the latest AGM?	Circular 155			x	The company announced AGM Resolution No. 16/NQ-DHDCD- IMEX dated April 28, 2018 on April 29, 2018 as per regulations.
14	A	Does the company announce the voting results including the number of consensus votes, protest votes and blank votes for each consultation issue in the nearest AGM?	Article 142 of the Law on Enterprises			x	The company fully announced this in the AGM Minutes No. 01/BB- DHDCD- 2018 dated April 28, 2018, which was published on April 29, 2018

## SUSTAINABLE GOVERNANCE

Question code	Corporate Governance Principles	Question	Reference	Un-fulfilled	Partially fulfilled	Fully fulfilled	Justification
15	A	Does the latest AGM minutes note that shareholders have the opportunity to ask questions and are questions and answers recorded?	G20/OECD Principles (2015) II (C)			x	The AGM minutes fully demonstrates the questions and answers of shareholders
16	A	Does the company develop and publish policies related to shareholders' complaints?	G20/OECD Principles (2015) II (C)		x		The Company adopts and discloses this policy in its Charter, Section XIX Article 55 on internal dispute resolution.
17	B- Equal treatment to all shareholders	Does the company publish in English AGM invitation letter and materials?	G20/OECD Principles (2015) II (C)		x		The Company presents AGM invitation and materials in English and publishes them on the company's website but not in an adequate manner
18	B	Does the company have internal regulations which require the insiders/related persons to disclose information on trading of the company's shares at least 3 days before the date of transaction?	Circular 155		x		<ul style="list-style-type: none"> <li>"- Insiders/Related persons fully disclose information to HOSE on trading of the company's shares.</li> <li>- The company will incorporate this provision into the Company's Information Disclosure Regulation in 2019"</li> </ul>
19	C- Role of stakeholders	Does the company publish an Assessment Report related to environmental and social responsibilities?	Circular 155			x	The company prepares and publishes the annual Sustainability Report
20	C	Does the company publish policies and practices describing the company's efforts to integrate environmental factors in its business processes to ensure sustainable development?	G20/OECD Principles (2015) II (C)			x	The company disclose fully in the annual Sustainability Report; the company has obtained ISO 14001 environmental certification
21	C	Does the company publish policies and practices to protect customer rights?	G20/OECD Principles (2015) IV (A)			x	The company has a Customer Advisory Department, puts in place a complaint process for customers and maintains customer information privacy.
22	C	Does the company clearly disclose policies and practices on health, safety, and employee benefits?	G20/OECD Principles (2015) IV (C)			x	The company organizes regular training on occupational health and safety for employees as shown in the Sustainability Report; the company also builds collective labor agreement
23	C	Does the company clearly disclose policies and practices on employee training and personal development?	G20/OECD Principles (2015) IV (C)			x	<ul style="list-style-type: none"> <li>"- The company has the Department of Human Resource Development in charge of professional training for employees</li> <li>- The annual training programs are published in the Annual Report"</li> </ul>

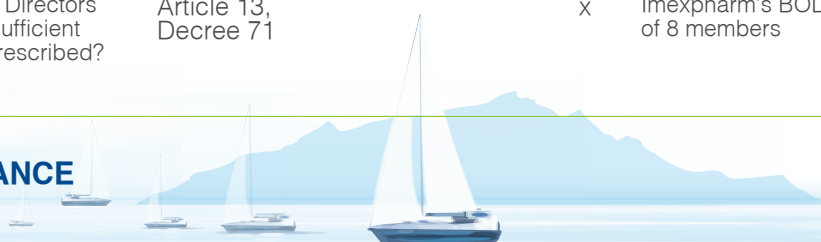




Question code	Corporate Governance Principles	Question	Reference	Un-ful-filled	Partially ful-filled	Fully ful-filled	Justification
24	C	Does the company have a performance-based reward policy aiming at long term rather than short term?	G20/OECD Principles (2015) IV (C)			x	<ul style="list-style-type: none"> <li>- The Company's reward policy is associated with the annual performance in each year</li> <li>- ESOP policy for employees for past and future contributions (3 years from now)</li> <li>- In addition, the Company also has policies to reward innovation initiatives and outstanding achievements which bring long- term benefits to the Company"</li> </ul>
25	C	Does the company provide contact information on the company's website or the Annual Report so that the related parties (e.g. customers, suppliers, the public, etc.) can voice their concerns and/or complaints about possible violations of their rights?	G20/OECD Principles (2015) IV (B)			x	The company fully discloses contact information on the company's website, Annual Report/Sustainable Report
26	D- Information disclosure and transparency	Does the company provide information about direct share ownership of each member of the Board of Directors, Supervisory Board and Board of Management/General Director?	Circular 155			x	The company fully discloses information about direct ownership of IMP shares in the Corporate Governance Report and Annual Report
27	D	Does the company fully disclose information about direct ownership ratio of major shareholders?	G20/OECD Principles (2015) IV (B)			x	The company fully discloses information about ownership ratio of major shareholders in the Annual Report
28	D	Does Annual Report provide information about the company's shareholder structure?	Circular 155			x	The Annual Report fully discloses information about the company's shareholder structure
29	D	Does the annual report publish the independence of the BoD members?	Circular 155			x	The annual report fully discloses the independence of the BoD members
30	D	Does the annual report contain statements affirming the company's full compliance with corporate governance rules and in the event of non- compliance, is there justification for such issues?	Circular 155			x	The company fully discloses this in its Annual Report/Corporate Governance section
31	D	Does the annual report disclose remuneration, other benefits and expenses paid by the company to each member of the Board of Directors and/or the Supervisory Board (if any)?	Circular 155			x	The annual report fully discloses remuneration, bonuses and other benefits paid to each member of the Board of Director, Board of Management and Supervisory Board
32	D	Is the salary of the Director (General Director) and other managers (Chief Accountant or higher) presented as a separate item in the annual financial statements of the company and reported to the General Meeting of Shareholders at the AGM?	Article 31, Decree 71		x		<ul style="list-style-type: none"> <li>- The annual financial statements have not detailed this item</li> <li>- The company fully reports this content in the AGM materials and in the Annual Report distributed to shareholders at the AGM"</li> </ul>
33	D	Does the company publish the Annual Report on time as prescribed?	Circular 155			x	The company always publishes the Annual Report within the prescribed time limit

## SUSTAINABLE GOVERNANCE

Question code	Corporate Governance Principles	Question	Reference	Un-fulfilled	Partially fulfilled	Fully fulfilled	Justification
34	D	Does the company disclose information on the audited annual financial statements and reviewed interim financial statements in a timely manner	Circular 155			x	The company discloses information on the audited annual financial statements and reviewed interim financial statements in a timely manner
35	D	Does the company publish information on the corporate governance situation on a semi-annual and annual basis within the prescribed time limit?	Article 30 of Decree 71			x	The company publishes information on the corporate governance situation on a semi-annual and annual basis within the prescribed time limit
36	D	Updated information published on the company's website (can be downloaded): Annual reports	Circular 155			x	The annual reports in Vietnamese and English can be downloaded from the company's website
37	D	Updated information published on the company's website (can be downloaded): Quarterly, interim and annual financial statements of the latest year	Circular 155			x	Quarterly, interim and annual financial statements of the latest year are fully posted on the company's website and can be downloaded easily
38	D	Updated information published on the company's website (can be downloaded): The company's Charter & Corporate Governance Regulations	Circular 155			x	The company's Charter and Corporate Governance Regulations approved by the 2018 General Meeting of Shareholders on April 28, 2018, can be fully downloaded from the company's website.
39	D	Does the company adopt policies on reviewing and approving critical/material related-party transactions?	G20/OECD Principles (2015) V			x	The company publishes policies on reviewing and approving critical/material related-party transactions, as shown in the amended Charter of the Company in 2018 (Clause 12 Article 30. Board of Directors Meetings, Article 40. Responsibility of Honesty and Avoidance of Conflict of Interest)
40	D	Does the company disclose the related party's name, relationship, nature and value of each critical/material related-party transaction?	Article 24, Decree 71			x	The Annual Reports, Financial Statements of the Company fully disclose information on related parties and related-party transactions
41	D	Does the company announce trading of the company's shares by the insiders?	Circular 155			x	The company fully discloses information on trading of the company's shares by the insiders
42	D	Biographical details (at least age, qualification, expertise, experience, initial appointment date, BOD membership in another listed company) of BoD members	G20/OECD Principles (2015) II (C), Circular 155			x	The company fully discloses the biographical information of the BoD members in the Annual Report/Introduction of the Board of Directors, Board of Management, Supervisory Board, Secretary to the Board of Directors.
43	D	Details of the participation of each BoD member in the BoD meetings conducted during the year	NĐ71			x	The company fully discloses the participation of each BoD member in the BoD meetings conducted during the year in the Annual Report/Corporate Governance section; and Corporate Governance Report
44	E. Responsibilities of the Board of Directors	Is the Board of Directors composed of sufficient members as prescribed?	Article 13, Decree 71			x	Imexpharm's BOD is composed of 8 members





Question code	Corporate Governance Principles	Question	Reference	Un-fulfilled	Partially fulfilled	Fully fulfilled	Justification
45	E	Are at least 1/3 of the BoD independent members?	Article 13, Decree 71		x		This requirement has not been fulfilled. The company has two non- executive BoD members who do not represent the major shareholders, however, all of them have held positions for more than 5 years.
46	E	Does the company have a BoD member who concurrently sits on the Board of Directors of more than 05 other companies?	Article 12, Decree 71			x	No BoD member of the company concurrently sits on the Board of Directors of more than 05 other companies
47	E	The structure of the Board of Directors should ensure the diversity among members with expertise and experience in law, finance and business.	Article 13, Decree 71			x	Imexpharm's BoD members are diverse in terms of expertise and experience in law, financial management and business administration, etc.
48	E	Does the BoD structure ensure gender balance?	Article 13, Decree 71		x		Imexpharm's BoD has 2/8 female members
49	E	Does the company publish the selection criteria in appointing new BoD members based on the statutory baseline level?	G20/OECD Principles (2015) II (C)			x	<ul style="list-style-type: none"> <li>"- The company publishes in its Charter and Regulation for Nomination and Self-nomination for BoD and Supervisory Board members, announced before the AGM 2018</li> <li>- Selection criteria are based on the statutory baseline level"</li> </ul>
50	E	Does the BoD appoint/designate at least 1 person to be in charge of corporate administration?	Article 32, Circular 95			x	The company has issued resolution and decision to appoint Ms. Nguyen Thi Kim Le as the Secretary to the BoD and in charge of corporate administration
51	E	Does the BoD meet at least once a quarter?	Article 30, Circular 95			x	The BoD had five formal meetings in 2018, as disclosed in the Corporate Governance Report and Annual Report
52	E	Is the annual performance evaluation report of the Board of Directors prepared by the Independent Member?	Article 16, Decree 71	x			The annual performance evaluation report of the Board of Directors is prepared by the Board Chairman
53	E	Does the BoD's performance report include Board meetings' minutes and decisions?	Article 9, Decree 71			x	The BoD's performance report include all of these contents
54	E	Does the BOD's performance report include future plans?	Article 9, Decree 71			x	The BoD's performance report include future plans
55	E	Does the BoD Chairman concurrently serve as the General Director	G20/OECD Principles (2015) VI			x	As of 2013 the BoD Chairman does not concurrently serve as the General Director
56	E	Is the BoD Chairman an independent member?	G20/OECD Principles (2015) VI	x			The BoD Chairman is not an independent member

## SUSTAINABLE GOVERNANCE

Question code	Corporate Governance Principles	Question	Reference	Un-ful-filled	Partially ful-filled	Fully ful-filled	Justification
57	E	Does the company establish the following BoD subcommittees: Policy Development Subcommittee, Personnel Subcommittee, Remuneration Subcommittee?	G20/OECD Principles (2015) VI (E)	x			The company does not establish BoD subcommittees
58	E	Are BoD subcommittees (Policy Development Subcommittee, Personnel Subcommittee, Remuneration Subcommittee) chaired by independent BoD members?	G20/OECD Principles (2015) VI (E)	x			The company does not establish BoD subcommittees
59	E	Are the Chairman of the Supervisory Board/Chairman of the Audit Subcommittee independent? (The regulation on the independence of the Supervisory Board is similar to that of the Board of Directors).	G20/OECD Principles (2015) VI (E)		x		This requirement has not been fulfilled. The Chairman of the Supervisory Board has concurrently held the position for more than 5 years
60	E	Does the Chairman of the Supervisory Board/Chairman of the Audit Subcommittee have expertise/experience in accounting, auditing or finance?	Article 20, Decree 71			x	The Chairman of the Supervisory Board has extensive experience working in auditing firms, investment funds, and is a CFA, ACCA holder
61	E	Is there evidence showing that the Board of Directors evaluates the General Director/Director and the Board of Management annually?	Circular 155			x	The company has fulfilled this requirement, as reflected in the annual BoD report and performance evaluation report of the Board of Directors submitted to the General Meeting of Shareholders, and in the Annual Report (BoD Supervision over the Board of Management in the year).
62	E	Does the company issue and publish the Code of Conduct/Ethics?	G20/OECD Principles (2015) VI	x			This requirement has not been fully achieved at the company. The company has only issued the Culture Handbook
63	E	Did the BoD members participate in Corporate Governance training courses in the past year?	Circular 155		x		In 2018, 01 BoD member participated in Corporate Governance training courses
64	E	Is there evidence showing that the Supervisory Board or the Audit Subcommittee assesses the coordination between the Supervisory Board or the Audit Subcommittee and the Board of Directors and the Board of Management?	Article 10, Decree 71		x		This requirement has not been fully achieved at the company, as shown in the Report of Supervisory Board submitted to the General Meeting of Shareholders
65	E	Is there any evidence showing that the Supervisory Board or the Audit Subcommittee conducts an assessment of the independent Auditing Firm and the Financial Statements?	Article 10, Decree 71		x		The Supervisory Board Report includes an evaluation on the Financial Statements, but not on the independent auditing firm
66	E	Is the participation of each member in the Supervisory Board/Audit Subcommittee's meetings made publicly available?	G20/OECD Principles (2015) VI			x	The Company discloses the participation of the Supervisory BoD members in the Supervisory Board meetings in the Corporate Governance Report.





Question code	Corporate Governance Principles	Question	Reference	Un-fulfilled	Partially fulfilled	Fully fulfilled	Justification
67	E	Did the Supervisory Board/Audit Subcommittee meet at least twice last year?	Article 23 of Decree 71			x	In 2018, the Supervisory Board had 03 meetings
68	E	Does the company publish how to manage critical risks (such as finance, operations including information technology, environment, society and economy)?	G20/OECD Principles (2015) II (C)			x	The company has published how to manage important risks in the Annual Report
69	E	Does the BoD Report cover the BoD's leadership role in the process of developing and monitoring/supervising the company's strategy?	G20/OECD Principles (2015) II (C)			x	The BoD report fully covers the role of the Board in monitoring/supervising the company's strategy
<b>Level 2 Question</b>							
70	C	Does the company prepare and publish internationally recognized Sustainable Development reports (in line with GRI standards, Integration Reports, SASB)?	G20/OECD Principles (2015) IV (A)			x	The Company prepares a Sustainable Report referring to GRI, submit it to HOSE, SSC, and post it on the company's website.
71	D	Does the enterprise disclose audit fees and non-audit fees (fees collected from other services provided by the auditing firm)?	G20/OECD Principles (2015) V (A)	x			This has not been disclosed yet
72	B	Has the company been accused of any insider trading violation in relation to the BoD members, the Board of Management; and employees so far since the beginning of this financial year?	G20/OECD Principles (2015) II (C)			x	No violation has been found
73	B	Are there any legal violations related to significant or material related-party transactions so far since the beginning of the financial year?	G20/OECD Principles (2015) II (C)			x	The company has fully complied with regulations
74	D	Has the company received any warnings or sanctions by the Stock Exchange/State Securities Commission (SSC) for violations related to information disclosure or other obligations of listed companies?	Article 28, Decree 71		x		The company has received warning one time due to delayed information disclosure on tax administrative penalties related to Hanoi branch.
75	D	Has the company received any "qualified opinion" in the independent audit report with no accompanying explanation?	G20/OECD Principles (2015) II (C)		x		The company has not received any "qualified opinion" but has a "noteworthy opinion" and the Company has explained to the SSC and HOSE.
76	D	Has the company reissued the audited Financial Statements in the past year for reasons other than changes in accounting policies?				x	The company has not reissued audited financial statements in 2018
77	E	Do members of the Supervisory Board/Audit Subcommittee work in the finance and accounting department of the company?	Article 20, Decree 71			x	No member of the Supervisory Board/Audit Subcommittee is working in the finance and accounting department of the company

# THE BOARD OF DIRECTORS

## Board of Directors and their shares as of 31/12/2018:

No.	Full Name	Position	Non-executive member	Total number of shares owned	Ownership percentage	Shares subject to free transfer
1	Mr. Nguyen Quoc Dinh	Chairman of BOD		497,380	1.01%	70,000
2	Ms. Tran Thi Dao	Vice chairwoman of BOD		477,537	0.97%	70,000
3	Ms. Han Thi Khanh Vinh	Member of BOD	x	0	0	0
4	Mr. Ngo Minh Tuan	Member of BOD		138,000	0.28%	35,000
5	Mr. Huynh Van Nhung	Member of BOD		189,802	0.38%	35,000
6	Mr. Le Van Nha Phuong	Member of BOD		37,950	0.08%	14,000
7	Mr. Vo Huu Tuan	Member of BOD	x	52,687	0.11%	14,000
8	Mr. Tran Anh Tuan	Member of BOD	x	52,687	0.11%	14,000
<b>Total</b>				<b>1,446,033</b>	<b>2.93%</b>	<b>252,000</b>

(According to Decree 71/2017/NĐ-CP dated 06 June 2017 on corporate governance applicable to public companies, two members of the Board namely Mr. Vo Huu Tuan and Mr. Tran Anh Tuan are no longer considered independent because they have been in the position for over 5 years))

Changes to the members of the BOD in 2018 can be seen at [Introduction of the Board of Directors](#).

### Subcommittees of the Board of Directors

The current scale of business is not large enough for Imexpharm to establish sub-committees under the BOD. The issues related to human resources, compensation, internal control, risk management, etc. are being assigned to appropriate staff to solve by the BOD. Potential application of good practices in governance is always considered by the BOD, in addition to further improvement of its operation.







## Activities of the Board of Directors

*In 2018, the Board of Directors (BOD) of Imexpharm Corporation operated according to the Operating Rules of the BOD, Company Charter and Rules of Corporate Governance issued on April 28, 2018 in compliance with Decree 71 and Circular 95 guiding governance of public companies.*

*The BOD of Imexpharm maintained quarterly meetings in order to summarize and assess business and production operations in each quarter, discussed the orientations and plan for the subsequent quarter and make timely decisions for Imexpharm's operations. In addition to 05 regular meetings, in 2018, the BOD also organized 06 ad-hoc meetings under the form of email discussions and written ballots to timely address important issues as proposed by the General Director. Likewise, the BOD engaged in monitoring the activities of General Director and other managing officers.*

*(For more details on activities of the BOD, its evaluation on the result of production, business and investment as well as the monitoring results on the performance of the General Director and other executive members in 2018, please refer to the Report and performance evaluation of the Board of Directors in 2018 - Plans for 2019*



## SUSTAINABLE GOVERNANCE

### Activities of non-executive members of the Board of Directors who do not represent the capital contribution at Imexpharm

*The structure of the Imexpharm BOD ensures a balance between executive and non-executive members, in which 3 over 8 members of the Board are non-executive members, thus ensuring objectivity and independence of the decisions of the BOD.*

*The two non-executive members who do not represent the capital contribution at Imexpharm have undertaken many independent activities that generate positive results as follows:*



**Mr. Vo Huu Tuan**

Non-executive member of the Board of Directors



**Mr. Tran Anh Tuan**

Non-executive member of the Board of Directors

Mr. Vo Huu Tuan was elected to the Board of Directors of Imexpharm Pharmaceutical Joint Stock Company at the General Meeting of Shareholders of the fiscal year 2008 held on 10 April 2009. As an active member of the BOD, Mr. Vo Huu Tuan is responsible for many important issues as follows:

- Monitoring the implementation of the strategic objectives of the BOD.
- Updating relevant macroeconomic information related to exchange rate, financial and stock market, banking to the BOD;
- Responsible for the capital mobilization, financial investment and investors' relations activities (IR) of the Company;
- Responsible for managing risks in disclosing information of the Company.
- Responsible for reporting to the BOD and the General Meeting of Shareholders about assigned fields upon request and before the meetings and the General Meeting;
- Performing other rights and responsibilities as prescribed by laws, the Company Charter and decisions of the BOD.

Mr. Tran Anh Tuan was elected to the Board of Directors of Imexpharm Pharmaceutical Joint Stock Company at the General Meeting of Shareholders of the fiscal year 2008 held on 10 April 2009. He is now an active member of the BOD, assuming the following responsibilities:

- Responsible for activities related to HR or remuneration and bonus policies;
- Monitoring the implementation of the strategic objectives of the BOD.
- Consulting the BOD on management issues, supporting investor relation activities;
- Updating relevant macroeconomic information and stock market of Vietnam and the world;
- Responsible for reporting to the BOD and the General Meeting of Shareholders about assigned fields upon request and before the meetings and the General Meeting;
- Performing other rights and responsibilities as prescribed by laws, the Company Charter and decisions of the BOD.





## BOD Chairman must not concurrently be a General Director

Since 2013, Imexpharm has been separating and clearly dividing the responsibilities of the Chairman and the General Director in order to enhance the independence of the BOD and the Board of Management. This separation also ensures the independence of the decisions of the BOD.

## Appointment of new members to the BOD

The selection and appointment procedures of new members to the BOD are in compliance with the clear and transparent provisions of the Company Charter and the Corporate Governance Regulations. In 2018, two new members were nominated by the Board of Directors and elected at the General Meeting of Shareholders as members of Imexpharm Board of Directors for the term of 2018-2022.

## Member of the Board of Directors, the Board of Management, the Supervisory Board and key staff undertaking training in Corporate governance

No.	Full Name	Position
1	Mr. Nguyen Quoc Dinh	Chairman of the BOD, Deputy General Director
2	Ms. Tran Thi Dao	Vice Chairwoman of the BOD, General Director
3	Ms. Han Thi Khanh Vinh	BOD Member
4	Mr. Ngo Minh Tuan	Member of the BOD, Deputy General Director
5	Mr. Huynh Van Nhung	Member of the BOD, Deputy General Director
6	Ms. Le Thi Kim Chung	Member of the SB, Legal Manager
7	Ms. Do Thi Thanh Thuy	Member of the SB, Internal Control Manager
8	Mr. Phan Hoang Minh Tri	Assistant to the BOD Chairman
9	Ms. Nguyen Thi Kim Le	Secretary to the Board of Directors

In 2018, Ms. Han Thi Khanh Vinh, the newly appointed member of the BOD, also actively participated in the training course on corporate governance and was certified by the State Securities Commission. During the year, the Chairman and members of the Board of Directors and Secretary of the Company also actively participated in the training on corporate governance organized by VIOD and Ho Chi Minh Stock Exchange to improve corporate governance practices at Imexpharm.

Also, the BOD, the Board of Management and several key officers regularly update best practices of corporate governance issued by IFC, balanced scorecard of ASEAN,... to gradually standardize Imexpharm corporate governance activities.

## SUSTAINABLE GOVERNANCE

### Overall evaluation on activities of the BOD

In 2018, the BOD attempted to further improve the corporate governance quality at Imexpharm to be in alignment with Vietnam and regional best practices. Members of the Board dutifully fulfilled their responsibilities and demonstrated the role of non-executive members to safeguard shareholders' interests. In addition, the Board of Directors also endeavored to create favorable conditions for shareholders to exercise their legitimate rights and equitable opportunities.

The structure of the BoD also reflects the efficiency and diversity of its members, including subject matter experts specialized in pharmaceuticals, finance, business administration, etc. All members are well-versed and dedicated in their area of mandate. In addition to overseeing the Board of Management and the implementation of resolutions, decisions of BOD and the General Meeting of Shareholders, BOD members also advise the Board of Management on a number of important issues in production, business and strategic joint ventures, R&D promotion, etc.

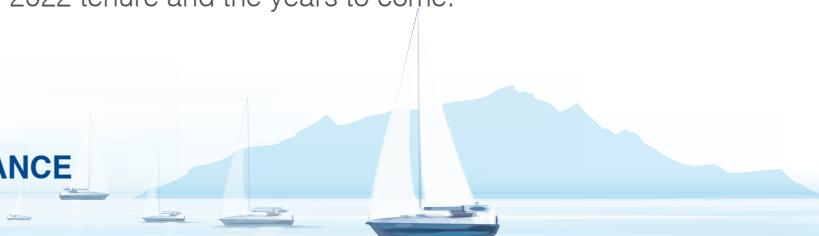
Overall, in 2018, the BOD has been operating in an effective, diligent and independent manner. Imexpharm's long-term and medium-term development strategies have clearly defined the orientations and demonstrated sustainability and good management of major risks. The Board of Directors has supervised the Board of Management over the use of capital to invest in projects and production and business activities as committed to shareholders and investors. Transparency and safeguard policies also helped to ensure a healthy financial situation for Imexpharm in 2018 and throughout the past tenure.

With the issuance of additional shares to raise charter capital under Resolution 20/NQ-IMEX dated April 26, 2016 by the Annual General Meeting of Shareholders in 2015, the Company has successfully raised VND 405,195,685,000 and used for the authorized purposes as committed to the shareholders. By the end of 2018, the Company had used up this contributed capital; specifically, the uses of capital up to December 31, 2018 are listed below (audited by PwC Vietnam):

Purpose	Capital used VND
<b>A. Disbursement for investment in the Binh Duong Hi-tech Factory (IMP4)</b>	
1. Construction of the Factory and and its Office	150.195.685.000
2. Procurement of equipment	205.000.000.000
<b>B. Additional working capital</b>	50.000.000.000
	<b>405.195.685.000</b>

The Board of Directors demonstrated utmost responsibilities while working with the Board of Management to get a massive workload done. Besides, Vinh Loc High-tech Antibiotic Plant obtained EU-GMP certification, and prepared to start operation in the second quarter of 2019.

All devised strategies have been drastically enforced, helping Imexpharm navigate boldly through challenges. The Company has strongly positioned Imexpharm brand and remained resilient to all legal and market risks. With sustainable strategies, good corporate governance and internal strengths, the Board of Directors and the Board of Management will lead Imexpharm to more robust developments, with "Aspiration to lead" in the 2018-2022 tenure and the years to come.





# THE SUPERVISORY BOARD

## Members of the Supervisory Board and Shares Ownership as at 31/12/2018:

No.	Full Name	Position	Total number of shares owned	Ownership percentage	Shares subject to free transfer
1	Mr. Nguyen Duc Tuan	Chief of Supervisory Board	40,662	0.08%	14,300
2	Le Thi Kim Chung	Member	16,113	0.03%	9,800
3	Do Thi Thanh Thuy	Member	8,406	0.02%	8,400
<b>Total</b>			<b>65,181</b>	<b>0.13%</b>	<b>32,500</b>

Mr. Nguyen Duc Tuan is not a specialized officer at Imexpharm.

## Activities of the Supervisory Board

By controlling strategies, operations and financial statements, the main activities of the Supervisory Board in 2018 included:

	Activity	Date
	Supervising the implementation of the Resolution the General Meeting of Shareholders 2018	
	Supervising financial statements of the year ended 31 Dec 2018	
	Meeting with the Board of Directors - 1st Quarter 2018	3/22/2018
	Meeting with the Board of Directors - 2nd Quarter 2018	4/28/2018
	Meeting with the Board of Directors - 3rd Quarter 2018	8/3/2018
	Meeting with the Board of Directors - 4th Quarter 2018	11/8/2019
	Meeting with the Board of Directors for preparation of the Annual General Meeting 2018	3/22/2018
	Participation in internal control sessions of the Company	2018
	Discussing with Internal Audit of the Company	3/22/2018

*(For more details on the activities as well as the evaluations and proposals of the Supervisory Board in 2018, please refer to the Report of the Supervisory Board)*



### Overall evaluation on activities of the SB



*All members of Imexpharm Supervisory Board are professionally qualified and appropriated for these positions. During the year, the Supervisory Board with their due care and diligence has been successful in controlling Company strategies, operations and financial statements while preserving their independence.*



The Supervisory Board is provided with the most convenient access to necessary information for their activities in the best interest of shareholders. The Supervisory Board usually asked questions and received responses from the Board of Management about business performance, operating expenses, working capital, rate of returns, progress of investment projects, etc. Moreover, the Supervisory Board also gave valued recommendations for the Board of Management. The Supervisory Board also maintained regular communication with the Company's internal audit to detect any potential risks in the company's operations. In 2018, the Chairman of the Supervisory Board worked with internal auditors to review operation of branches and departments. The Supervisory Board also made periodic site visits construction projects underway, gaining better insight for discussion with the Board of Directors and Board of Management and reporting to shareholders and investors.

#### **CONTENTS NOT COMPARABLE WITH THE RULES ON GOVERNANCE OF PUBLIC COMPANIES**

In consideration the corporate governance at Imexpharm with the provisions of Decree 71/2017/ND-CP dated 06 June 2017, Imexpharm had not yet fulfilled some requirements as follows:







- **Clause 3 of Article 8 stipulates the Annual General Meeting:**

*“Public companies shall define in the internal regulation on the application of modern information technology so that shareholders can best attend and voice their opinions at annual general meetings, including guidelines for shareholders to vote via teleconference AGM, electronic voting or other electronic forms as stipulated in Article 140 of the Law on Enterprises and the Company’s Charter.” However, to date, Imexpharm has not yet conducted teleconferences or online voting for shareholders. The Board of Directors will consider applying this channel in upcoming AGMs to best facilitate the shareholders’ attendance and voting.*

- **Article 13: Structure of the Board of Directors**

*Clause 1: Structure of the Board of Directors with gender considerations: Currently only two out of eight members of Imexpharm’s Board of Directors are female.*

*Clause 5: The structure of the Board of Directors of a listed company must ensure that at least 1/3 are independent members: According to new regulations in Decree 71 on the criteria of independent Board members, who are defined in Clause 2, Article 151 of the Law on Enterprises, currently none of Imexpharm’s Board members is qualified to be independent members since they have held the position for over 5 years.*

- **Article 17: Provisions on the establishment of the Board’s Subcommittees.**

*Imexpharm does not set up these subcommittees since the size of the company is not large enough. Non-executive members are assigned by the Board of Directors to be in charge of remuneration and bonuses (these members are no longer considered independent).*



# CONTRACTS OR TRANSACTIONS, COMPENSATION AND BENEFITS OF BOD, BOM, SUPERVISORY BOARD

## Contracts or transactions with internal shareholders

Imexpharm policy does not encourage transactions between the Company and internal shareholders. Up to 2018, no contract or transaction has been made between the Company and the internal shareholders.

## Equity share transaction traded by internal shareholders and related persons in 2018

No.	Trader	Related to internal shareholders	Number of shares at the beginning of term		Number of shares at the end of term		Reason for increase/decrease
			Number of share	Rate %	Number of share	Rate %	
1	Vietnam Pharmaceutical Corporation	Major shareholders represented by Mr. Nguyen Quoc Dinh and Ms. Han Thi Khanh Vinh	9,830,459	22.87%	11,305,027	22.87%	Receipt of share dividends for 2017 (100:15)
2	Phano Retail and Distribution Solution Joint Stock Company	Mr. Truong Viet Vu (no longer Imexpharm's BOD member as of 28 April, 2018) is the General Director and legal representative.	2,894,658	6.74%	1,650,362	3.34%	Receipt of share dividends for 2017 (100:15), sold and reduced holdings
3	Ms. Tran Thi Hong	Older sister of Ms. Tran Thi Dao, Vice Chairwoman of BOD - General Director	23,504	0.05%	25,009	0.05%	Receipt of share dividends for 2017 (100:15), sold holdings
4	Ms. Tran Thi Dao	Vice Chairwoman of the BOD - General Director	415,250	0.97%	477,537	0.97%	Receipt of share dividends for 2017 (100:15)





No.	Trader	Related to internal shareholders	Number of shares at the beginning of term		Number of shares at the end of term		Reason for increase/decrease
			Number of share	Rate %	Number of share	Rate %	
5	Mr. Nguyen Quoc Dinh	Chairman of the BOD - Deputy General Director	432,505	1.01%	497,380	1.01%	Receipt of share dividends for 2017 (100:15)
6	Mr. Ngo Minh Tuan	Member of BOD - Deputy General Director	120,000	0.28%	138,000	0.28%	Receipt of share dividends for 2017 (100:15)
7	Mr. Huynh Van Nhung	Member of BOD - Deputy General Director	175,516	0.41%	189,802	0.38%	Sale and receipt of share dividends for 2017 (100:15)
8	Mr. Le Van Nha Phuong	Member of the BOD - Deputy General Director	33,000	0.08%	37,950	0.08%	Receipt of share dividends for 2017 (100:15)
9	Mr. Nguyen Quy Son	No longer BOD member as of: 4/28/2018	72,490	0.17%	83,362	0.17%	Receipt of share dividends for 2017 (100:15)
10	Mr. Vo Huu Tuan	Member of BOD	45,815	0.11%	52,687	0.11%	Receipt of share dividends for 2017 (100:15)
11	Mr. Tran Anh Tuan	Member of BOD	45,815	0.11%	52,687	0.11%	Receipt of share dividends for 2017 (100:15)
12	Mr. Truong Viet Vu	No longer BOD member as of: 4/28/2018	44,000	0.10%	50,600	0.10%	Receipt of share dividends for 2017 (100:15)
13	Ms. Tran Hoai Hanh	Chief accountant	46,150	0.11%	21,007	0.05%	Sale and receipt of share dividends for 2017 (100:15)
14	Mr. Nguyen Duc Tuan	Chief of the Supervisory Board	35,359	0.08%	40,662	0.08%	Receipt of share dividends for 2017 (100:15)
15	Le Thi Kim Chung	Member	28,655	0.07%	16,113	0.032%	Sale and receipt of share dividends for 2017 (100:15), sold holdings
16	Do Thi Thanh Thuy	Member	17,506	0.04%	8,406	0.019%	Receipt of share dividends for 2017 (100:15), sold holdings

## SUSTAINABLE GOVERNANCE

VINAWEALTH FUND MANAGEMENT JSC., WHICH REPRESENTS VOF INVESTMENT LTD AND VIETNAM VENTURES LTD, BOUGHT

**266.519**  
SHARES

THEIR CLOSING NUMBER OF SHARES IS

**2.588.719**  
SHARES

### Transactions between the Company and related persons of insiders and major shareholders

During the year, Imexpharm had a deal with Agimexpharm Pharmaceutical JSC. Mr. Nguyen Quoc Dinh - Chairman of the Board of Directors, Deputy General Director, and Ms. Tran Thi Dao - Vice Chairman of the Board of Directors, General Director were appointed to join the Board of Directors of Agimexpharm as the representative of Imexpharm's contributed capital.

For details on the deal with Agimexpharm, please see below in the section: **Information of associates - Agimexpharm:**

As of May 29, 2018, Phano Retail and Distribution Solution JSC. is no longer a major shareholder of Imexpharm.

### Trading of major shareholders

In 2018, Imexpharm's major shareholders conducted the following transactions:



No.	Shareholder name	Number of shares at the beginning of year	Ownership percentage	Number of shares at the end of year	Ownership percentage	Reason for increase/decrease
1	Vietnam Pharmaceutical Corporation	9,830,459	22.87%	11,305,027		Receipt of share dividends (100:15)
2	Phano Retail and Distribution Solution Joint Stock Company	2,894,658	6.74%	1,650,362	3.34%	-Sale of shares to reduce the percentage of ownership

In addition, in 2018, representatives of associated Funds also announced the following transactions:

- Foreign Investment Funds entrusted to Ms. Truong Ngoc Phuong, include 08 Funds: (1) Amersham Industries Limited, (2) Balestrand Limited, (3) DC Developing Markets Strategies Public Limited Company, (4) Grinling International Limited, (5) Norges Bank, (6) Vietnam Enterprise Investments Limited, (7) Wareham Group Limited, (8) Samsung Vietnam Securities Master Investment Trust (Equity).
- These funds bought additional shares in the market to increase the percentage of ownership from 20.960 % to 22.014 %. Their closing number of shares is 10,877,759 shares. The date of change and disclosure is October 2, 2018.
- VinaWealth Fund Management JSC., which represents VOF Investment Ltd and Vietnam Ventures Ltd, bought 266,519 shares to increase its holdings from 5.40% to 6.02%. Their closing number of shares is 2,588,719 shares. The last reporting date is 03/04/2018.

### Salary, bonuses and remuneration of the Board of Directors, Board of Management, and Supervisory Board

*Total compensation and bonus including remuneration of the BOD, BOM, Chief Accountant in 2018:*

No.	Full Name	Position	Income after tax 2018 (VND)
1	Ms. Tran Thi Dao	Vice Chairwoman of the BOD - General Director	3,172,118,403
2	Mr. Nguyen Quoc Dinh	Chairman of the BOD, Deputy General Director	2,656,200,532
3	Mr. Ngo Minh Tuan	Member of the BOD, Deputy General Director	1,440,581,076
4	Mr. Huynh Van Nhung	Member of the BOD, Deputy General Director	1,472,334,437
5	Mr. Le Van Nha Phuong	Deputy General Director	1,551,840,031
6	Ms. Tran Hoai Hanh	Chief accountant	693,489,634
<b>Total</b>			<b>10,986,564,113</b>

## SUSTAINABLE GOVERNANCE

Remuneration and bonuses of the BOM and Chief Accountant were paid in compliance with the salary and bonus policy of the Imexpharm Pharmaceutical Joint Stock Company. Operating expenses, remuneration and bonuses of the BOD and the Supervisory Board were paid at the rate stipulated in the Proposal operating expenses, remuneration and bonuses of the BOD and the Supervisory Board as approved at the Annual General Meeting of Shareholders. Remuneration and bonus of non-executive members of the BOD in 2018 are shown as below:

No.	Full Name	Position	Income and bonuses after tax 2018	Note:
1	Ms. Han Thi Khanh Vinh	BOD Member	117,000,000	Appointed on 28 April 2018
2	Mr. Vo Huu Tuan	BOD Member	225,000,000	
3	Mr. Tran Anh Tuan	BOD Member	225,000,000	
4	Mr. Nguyen Quy Son	BOD Member	244,400,000	Resigned on April 28, 2018
5	Mr. Truong Viet Vu	BOD Member	111,399,999	Resigned on April 28, 2018
<b>Total</b>			<b>922,799,999</b>	

Remuneration and bonuses of the Supervisory Board in 2018 is as follows:

No.	Full Name	Position	Income and bonuses after tax 2018
1	Mr. Nguyen Duc Tuan	Chief of the Supervisory Board	275,400,000
2	Ms. Le Thi Kim Chung	Supervisory Board Member	174,600,000
3	Do Thi Thanh Thuy	Supervisory Board Member	174,600,000
<b>Total</b>			<b>624,600,000</b>

### Others benefits for BOD and Supervisory Board

#### Remuneration for members of BOD and Supervisory Board

Apart from monthly remuneration and accrued bonus thanks to fulfillment of the planned profit to be awarded on yearly public holidays, in the year, as well as the right to buy shares under the ESOP program, the members of BOD and Supervisory Board had no other benefits. Except the BOD Chairman cum Deputy Financial Director, and Deputy Chair cum General Director, other members were entitled to no provision of private cars. Independent and non-executive BOD members, Head of Supervisory Board were not granted sponsored business travel, allowances of mobile phone nor other allowances.





# SUSTAINABLE GOVERNANCE

## INFORMATION OF ASSOCIATES: AGIMEXPHARM

Capital investment and percentage of ownership at Agimexpharm is as below:

Criteria	Agimexpharm		% of change
	2018	2017	
Investment capital up to 31 December (Million VND)	36.044	36.044	0,0%
Ownership percentage	32,99%	32,99%	0,0%

As of 31 December 2018, Imexpharm has invested VND36 billion in Agimexpharm in exchange for 32.99% of charter capital, which is the same as in 2017. The fair value of the investment in Agimexpharm Pharmaceutical Joint Stock Company determined by PwC Vietnam Co., Ltd. As of December 31, 2018 was VND 65,522,300,000 (VND 77,814,817,500 as of December 31, 2017).



## SUSTAINABLE GOVERNANCE

Transactions with Agimexpharm in 2018 are as below:

Criteria	Agimexpharm		
	2018	2017	% change
Sales	23,211	28,751	-19.3%
Purchase	19.434	27.098	-28,3%
Trade receivables as of Dec 31	13.609	13.138	3,6%
Trade payables as at Dec 31	-	4.614	-

Transactions with Agimexpharm in 2018 dropped sharply compared with previous year. In recent years, Imexpharm has outsourced the production of some products and sold raw materials to Agimexpharm. The company also regularly monitors and supervises the production and quality assurance of outsourced products at Agimexpharm.

Information of associates:

### **Agimexpharm Pharmaceutical Joint Stock Company**

Head office: 27 Nguyen Thai Hoc Street, My Binh Ward, Long Xuyen City, An Giang Province

Telephone: 0296.3856 961

Fax: 0296.3857 301

Website: [www.agimexpharm.com](http://www.agimexpharm.com)

Tax code: 1600699279

Charter capital: VND 96,263,830,000

Owner's equity: VND 174,086,610,390

Major fields of business:

- Manufacturing drugs, pharmaceutical chemicals and medicinal;
- Trading optical equipment, medical equipment, dental instruments, hospital equipment;
- Trading drugs and pharmaceuticals;
- Trading nutritional foods;
- Manufacturing and trading cosmetics;
- Trading medicinal materials and chemicals for production of pharmaceuticals;
- Trading vaccines and medical biologics;
- Manufacturing bottled clean water;
- Manufacturing functional foods;
- Manufacturing, processing and trading animal feed;
- Manufacturing and trading herbal oils;
- Manufacturing and trading food, nutritious food, functional food;
- Printing packages;
- Real estate business;
- General education, professional secondary training, kindergarten and preschool education;
- Cooperative activities in securities trading agency services in accordance with the laws on securities.

**Some operating and financial results of the fiscal year 2016 - 2018 of Agimexpharm are as follows:**  
(Đvt: (VND million))





Criteria	2018	2017	% of change	2016	2015
<b>Net revenue</b>	419,496	337,394	24.3%	331,077	409,255
Gross profit	137,565	147,781	-6.9%	154,113	123,629
Profit from business operations	40,285	36,217	11.2%	27,208	16,383
Profit before tax	40,221	36,553	10.0%	27,501	17,206
<b>Profit after tax</b>	32,387	29,161	11.1%	21,987	13,417
EPS (VND/share)	2,563	3,339	-23.2%	5,048	2,573
Total assets	465,059	342,623	35.7%	286,493	208,411
Charter capital	96,264	74,050	30.0%	43,559	43,559
Owner's equity	174,087	152,100	14.5%	100,456	92,615
<b>Cash and cash equivalents at the end of the year</b>	16,437	12,273	33.9%	33,805	7,946

Source: Audited financial reports of Agimexpharm)

Net revenue in 2018 of Agimexpharm amounted to VND 419.5 billion, a remarkable increase by 24.3% compared to 2017; therein, revenue of manufactured products accounted for 96% and grew 19% compared to the previous year thanks to good consumption on both OTC and ETC markets. In recent years, the company has focused its resources on highly efficient manufactured products.

Despite strong revenue growth, the fluctuations in raw material prices in 2018 resulted in reduction of gross profit by nearly 7% compared to the previous year. As Agimexpharm increased sales to its distribution partners (direct deduction from the revenue according to latest regulations), sales expenses decreased by nearly 20% compared to the previous year (VND 65 billion compared to VND 81 billion in 2017). Therefore, the after-tax profit grew at over 11%.

The charter capital at the end of the year reached VND 96 billion, an increase of 30% compared to the previous year thanks to the issuance of shares to pay dividends to existing shareholders. The closing balance of Owners' equity amounted to VND 174 billion, increased by 14.5% compared to the previous year. Total assets amounted to VND 465 billion, increased by 35.7% compared to 2017. During the year, Agimexpharm transferred VND 38.6 billion of construction value and VND 26.6 billion of equipment value of Binh Hoa factory to the fixed assets account.

Its EPS in 2018 was VND 2,563, representing a yoy decline of 23% as a result of share dividends issued in the year.

## Performance Indicators

Chỉ tiêu	2018	2017	2016	2015
Quick ratio (times)	0.7	0.8	0.7	0.8
Current ratio (times)	1.2	1.3	1.2	1.3
Turnover of total assets (rounds)	1.0	1.1	1.3	2.0
Net profit after tax/Revenue (ROS)	7.7%	8.6%	6.6%	3.3%
Net profit after tax/Average total assets (ROA)	8.0%	9.3%	8.9%	6.7%
Net profit after tax/Average Owners' Equity (ROE)	19.9%	23.1%	22.8%	14.7%

Liquidity of Imexpharm was average low level, and decreased slightly compared to the previous year. Turnover of total assets decreased sharply to 1.0 due to issuance of shares for dividend payment and the fact that Agimexpharm is investing into the Binh Hoa Factory. Thus, the profitability indicators of ROS, ROA and ROE significantly decreased compared to 2017..

# INTERNAL CONTROL

*At Imexpharm, the Board of Directors is responsible for the accuracy and effectiveness of internal control system. The Board of Management is in charge of building and maintaining the efficiency of internal control system.*

Middle managers and staff are requested to apply internal control

process, find and prevent risks in operations. Furthermore, Imexpharm also has professional committees to support the Board of Management in dealing with problems related to assets, receivables, award bidding in purchasing activities of the Company.

Internal control methods are set and processed for all activities of Imexpharm. Besides, there are also procedures to do in daily business, controlled and cross-checked via SAP-ERP system.

Additionally, the Company also developed the hierarchy, clear authority, transparency to avoid frauds in Imexpharm.

Imexpharm has Internal Control and Internal Audit functions to assist the Board of Directors in ensuring that the internal control system is properly and effectively operated and that risks are within control.

Internal auditors fully perform the following functions:

Operation control, prevention control, and compliance control.

On an annual basis, internal auditors coordinate with financial/ accounting and legal functions to plan the reviews of branches and departments, including: production, procurement (of materials, supplies and assets), 20 sales and marketing branches. Internal auditors ensure that all affiliated departments/units are audited once a year and report the results to the Board of Directors. Internal auditors also perform the audit of the interim and annual financial statements.

In addition, the Supervisory Board also maintained regular communication with the Company's internal audit to oversee performance and timely report to the Board of Directors.







# LEGISLATION AND COMPLIANCE

“

*Imexpharm has a Legal Department to advise the Board of Directors on all aspects of business operations, transactions, and contractings, to ensure that Imexpharm operates in compliance with laws and minimizes legal risks for the Company.*

”

In 2018, the Legal Department has effectively performed the following tasks:

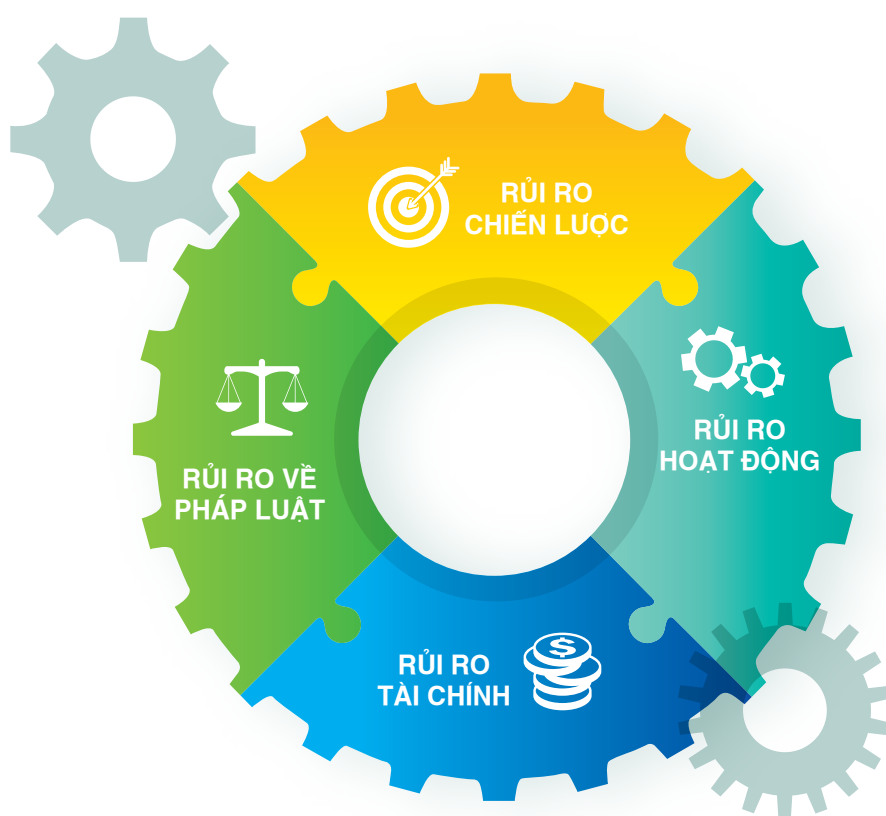
- Reviewing and controlling hundreds of contracts signed by the Company in the year, including contracts with customers, production partners, distribution partners, raw material suppliers, consultancy contracts, property procurement contracts, equipment procurement contracts, service contracts, etc.
- Coordinating with internal auditors to scrutinize compliance, credit risks, risk of sales promotion programs at sales branches;
- Assisting the Chairman of the Board of Directors to verify the legality of information disclosure, resolutions of the Board of Directors, etc.
- Assisting the Chairman of the Board of Directors on the procedures to organize the 2018 Annual General Meeting of Shareholders, election of members of BOD and the Supervisory Board for the term of 2018-2022 as regulated;
- Assisting the BoD in drafting the supplementation and amendment of the Company's Charter and Internal Regulation according to Decree No. 71/2017/ND-CP and Circular 95 guiding the corporate governance of public companies, which was adopted in AGM 2018;
- Coordinating regular activities of the Legal Club to communicate new and relevant regulations across the whole company for further study and shared understanding among its employees and staff;
- Assisting the company leaders in providing comments and inputs to the Circulars on drug procurement in hospitals and other relevant regulations concerning Imexpharm's business activities;
- Completing procedures for changing business registration certificate, procedures for establishment and operation of branches, etc.

The activities of the Legal Department are very important and will be further strengthened in order to help Imexpharm minimize legal risks in its operations and enhance compliance across the Company.

# RISK MANAGEMENT



*Imexpharm has been establishing and running the internal control system effectively. Besides, the Company also strictly applied all procedures, methods and processes to control and prevent risks in production as well as business operations*



However, in comparing to advanced international standards and tools Imexpharm are implementing such as: SAP-ERP, BSC, EU-GMP..., the internal control system has not been built sufficiently to meet the high demand for long term development of the Company. Therefore, in the coming time, Imexpharm Board of Directors will develop a professional management system in according to modern standard after considering all benefits and costs. This plan will help to keep company's value and create prerequisites for Imexpharm to develop in a sustainable and sound manner.

The leaders of Imexpharm identified that the Company risk level is low. Below is general information about major risks in strategy, operations, compliance and finance that Imexpharm may encounter in 2018-2019 and the ways to manage such risks. On the other hand, Imexpharm may suffer other risks from internal or external factors.





## BUSINESS STRATEGY RISK

### Strategic upgrade of plants to EU-GMP standards



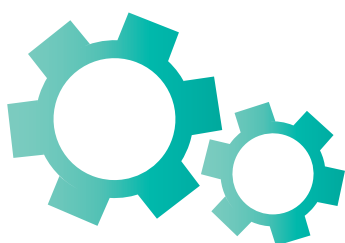
*With the strategic investment into many EU-GMP factories at the same time, the total estimated investment capital was over VND 800 billion to help the company lead the trend transferring to high quality market segment; however, we could not avoid other rivals to build the same factories to compete with us.*



However, with the favorable policies for domestically produced drugs, especially Circular No. 10/2016/TT-BYT dated May 5, 2016 listing drugs produced domestically that meet the need of treatment, drug prices and supply capacity, the drugs under bidding packages which are granted with at least 03 registration numbers by 03 domestic manufacturers according to technical criteria, offer cheaper prices than equivalent imported drugs and have stable supply capacity, will be eligible under the list and bidding shall not be offered for imported drugs. Therefore, the high-end segment market is still quite open for domestic enterprises. Additionally, Imexpharm is one of the first domestic enterprises to tap into this segment to provide drugs for domestic bidding. Besides, the company also expanded the export market of Imexpharm drugs globally.

## RISK OF OPERATION

### Risk of customer health and safety



*Customer health and safety is Imexpharm's top priority. Therefore, procedures of drug quality assurance are strictly followed, from production to consumer behavior guidelines, guaranteed by Imexpharm's Quality Management System.*



However, risk may occur from the drugs being out on the market, since the drug storage conditions of distributors, dealers, drugstores etc. is beyond the complete control of Imexpharm. Imexpharm acknowledges this risk as having a low likelihood, but very severe consequences, as it can affect the health of consumers, the reliability of the brand as well as the continuous operation capacity of Imexpharm.

In addition to the stringent Quality Management System, the Company also worked closely with health care centers and testing units to update information and make decision on a timely manner in the principle that puts customers' health first. So far Imexpharm has not had any incidents related to product quality.

Furthermore, we are in the process of fine tuning the "crisis management procedure" for staff, especially the relevant departments to acknowledge clearly, have good manner to solve the problems effectively and on a timely manner. These behaviors shall contribute to meet the expectation and earn trust of involved parties and maintain the good image of Imexpharm brands.



## SUSTAINABLE GOVERNANCE

### Risks involved in new product development

Facing product development needs competitive pressures, meeting diverse customers' demands and treatment requirements are challenging. Annually, Imexpharm launches at least 10-20 new products into the market. The introduction of new products needs serious investment from research through distribution of products to consumers, and, unfortunately, not all of them are successful. In 2018, Imexpharm focused on developing the market for new antibiotic products. At the same time, the Company improved and released a new method of making up existing pharmaceutical products as well as furthering the development of products for recently certified EU-GMP production lines. The total number of new products launched to the market in 2018 is 17 products.

To determine what products to be introduced, Imexpharm looks seriously to each stage: market research, product research, material sourcing, prices, marketing and sales strategies, market preparation. New product market analysis is conducted by reliable and prestigious market research groups such as IQVIA (IMS Health).

Imexpharm has focused its investment in building capacity of the R&D department and improving the processes of researching new products. In addition, a huge increase in the Science and Technology Development Fund in recent years has also made the superior conditions helping Imexpharm develop new products.

### Risks in senior personnel and intellectual employee in the pharmaceutical industry

Personnel is Imexpharm's most important business risk. The risk is that the senior personnel may stop working for the Company and it is hard to find the qualified replacements. Additionally, Imexpharm may also face a shortage of well qualified personnel to meet the Company's developmental needs, especially talents specialized in pharmaceuticals to work at 03 high-tech EU-GMP plants.

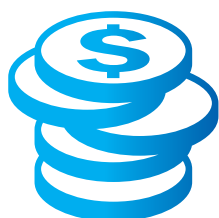
Imexpharm has been fully aware of this risk. It has developed a training strategy and roadmap to develop a succession team, especially for senior management. Imexpharm uses various incentives to encourage employee engagement, such as good wages and bonus policies, professional working environment and the ESOP program. In addition, the Company also sponsors scholarships for students of the University of Medicine and other universities to attract young talents.







## FINANCIAL RISK



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*Imexpharm has developed a risk management system in order to detect and assess risks, established policies and procedures to keep the risks at an acceptable level. The risk management system is reviewed regularly to reflect the changes of market conditions and operations of the Company.*

”

Financial risks include market risks (consisting of exchange rate risk, interest rate risk and price risk), credit risks and liquidity risks.

### Market risk

Business operations of the Company will be mainly exposed to exchange rate and price risks. The Company did not take these hedging measures because the Board of Directors has done the cost benefit analysis and reckons that hedging costs may outweigh potential losses caused by fluctuations in exchange rate and prices.

- **Exchange rate risk management**

The Company has performed several transactions using foreign currency to import raw materials that accordingly it shall bear risk of fluctuations in exchange rates.

### Sensitivity analysis on foreign currencies

The Company is mainly affected by changes in USD exchange rates.

The following analysis shows that sensitivity for foreign currencies of the Company in the case of Vietnam Dong exchange rate increases or decreases by 3% (2017: 3%) against the USD. The Board of Management applies the exchange rate of 3% (2017: 3%) for its exchange rate risk analysis and its exchange rate change assessment. The sensitivity analysis on foreign currencies only applies to the balance of monetary items in foreign currency at the end of the period - at an exchange rate of 3% (2017: 3%), which shall be re-evaluated If the exchange rate of USD against VND increases/decreases by 3%.

## SUSTAINABLE GOVERNANCE

“ IN 2017 IMEXPHARM'S AVERAGE PRICE OF ANTIBIOTIC ACTIVE INGREDIENTS ONLY INCREASED BY

1,24%

IN 2018 IT INCREASED BY 8,27%

COST OF RAW MATERIALS ACCOUNTS FOR

72%-75% OF PRODUCT COST “

the annual profits before tax of the Company will respectively decrease/increase from VND 2,001,085,978 (2017: VND 3,265,032,867).

- **Commodity price risk management**

More than 90 % of production materials at the Company are imported. As a result, the Company will be exposed to material and packaging price risks. As described, since the end of 2017, because China as the world's manufacturer of pharmaceutical inputs has closed thousands of pharmaceutical factories under stronger environmental control, the unit price of antibiotic active ingredients rocketed worldwide.

While Imexpharm's average price of antibiotic active ingredients only increased by 1.24% in 2017, it increased by 8.27% in 2018. This shows a consistent upward trend at an exponential rate in the prices of raw materials. Cost of raw materials accounts for 72% -75% of product cost. This means 1% change in raw material prices may lead to 0.72% -0.75% increase or decrease in COGS, leading in corresponding increase or decrease of gross profit margin.

The strong fluctuation of input material prices in 2019 is high expected. Imexpharm has a stable

supply of raw materials with reputable suppliers. The company also tries to stay abreast of the material price trends. For scarce input materials, Imexpharm will negotiate and sign early contracts with its suppliers to obtain stable supply and most reasonable pricing policy. It also plans to stockpile antibiotic active ingredients whose prices strongly fluctuated last year.

- **Stock price risk management**

The Company's shares are affected by market risks arising from the uncertainty of the future value of securities held. The company manages stock price risks by setting investment limits. The Board of Directors also thoroughly reviews and approves investment decisions in stocks, e.g. Sole industry focus on pharmaceutical production and businesses. The company's stock price risks are evaluated as negligible.

### Credit risk

Imexpharm sees no significant credit risk as the accounts receivables are not among key customers. However, in 2017-2018, the liability risk management in the OTC market remained the top priority of the Company. In 2018, the credit policy was tightened in a way that loan term was cut to 45 days from 75 days. Obviously, the low risk tolerance, putting safety and operational efficiency first, the liability policy has more or less secured Imexpharm against credit risk







## LEGAL RISKS



*Some pharmaceutical industry regulations and policies are unclear and impractical, leading to litigation risk in business operation. The regulations on drug registration, drug prices, health insurance, etc., cause many difficulties for pharmaceutical companies. It is said that legal risks are quite high for pharmaceutical companies.*



Imexpharm currently invests in a chain of internationally standardized factories to target drug procurement in high-end segments. However, Circular 11/2016/TT-BYT guiding drug procurement in hospitals has not been issued as expected after a long process of revision. Thus, Imexpharm sees high legal risk in the regulations and policies of the industry.

It has developed its markets to aim at an OTC share target of 50% by 2022: 40% ETC: 10% export. This is the safest ratio to help the company minimize market and regulatory hurdles. Currently, the regulation on drug bidding in hospitals according to Circular No. 11/2016/TT-BYT is expected to be issued in the second half of 2019.

Also, planning a longterm drug registration is required to ensure production and business operations not being in “suspension” and lack of products to supply to the market resulting in losing customers. In addition, Imexpharm also established its Legal Department with specialized personnel who regularly update legal and policy changes in pharmaceutical industry, policies related to corporate governance, financial accounting , taxation...



# INFORMATION ABOUT SHARES AND SHAREHOLDERS

## INFORMATION ABOUT IMP SHARES

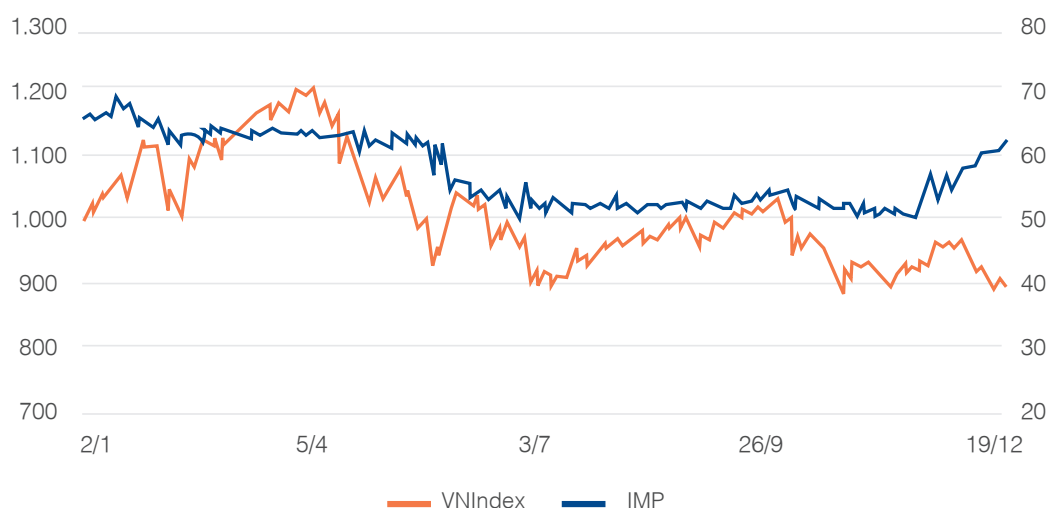
Number of shares listed (31/12/2018)	49,421,159 shares
Number of outstanding shares	49,401,359 shares
Number of treasury shares	19,800 shares
Market capitalization (31/12/2018)	VND 3,008.54 billion
Charter capital increased due to additional issuance	VND 64.43 billion
<i>dividend payment at the rate of 15 %</i>	
Earnings per share (EPS) in 2018	VND 2,524/share
Dividend for 2017	20% of the charter capital (5% in cash and 15% in shares)
Book value per share (BV) 2018	VND 30,457
Market price as at 31/12/2018	VND 60,900/share
The highest price in 2018	VND 68,900/share
The lowest price in 2018	VND 49,500/share
Total transaction in 2018	6,401,664 shares
Total transacted amount in 2018	VND 371.32 billion
<i>(calculated by closing prices)</i>	
Average transaction volume in 2018	25,813 shares/day
P/E (December 31, 2018)	24
P/B (December 31, 2018)	2

**Imexpharm did not have any treasury stock transactions in 2018.**





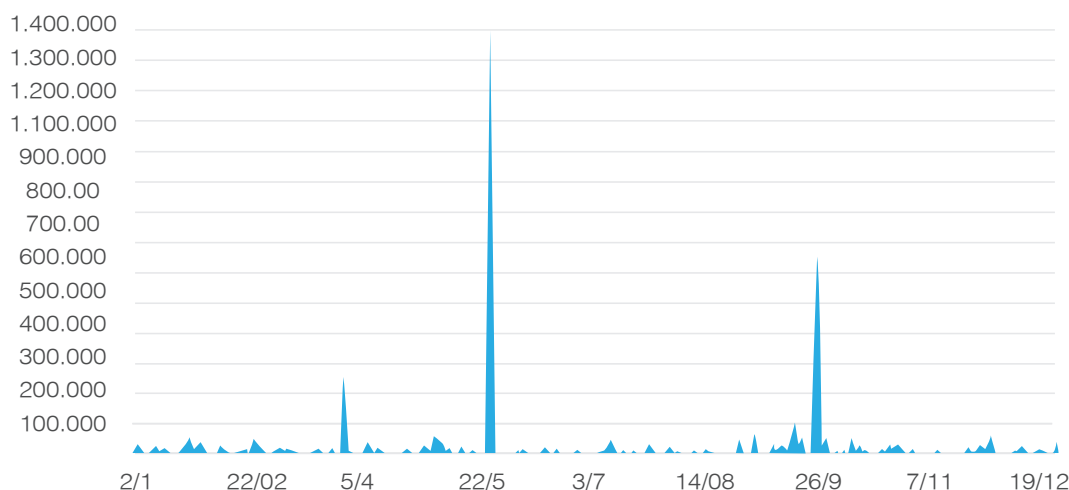
## CLOSED PRICE CHART: IMP SHARES IN COMPARISON WITH VNINDEX FROM 1/1/2018 TO 12/31/2018



- The volatile stock market in 2018 followed a downward trend. The VN-Index closed the last trading day of 2018 at 892.54 points, down almost 10 percent from the year's outset. On April 11, the VNIndex reached its peak at 1,167.11 points before dropping and breaking last year's lowest level of 888.69 points on October 30. Thus, the VNIndex lost 31.3% in less than 7 months.

- IMP stock price also fell in the same direction as VNIndex. It was VND 60.9 thousand on the last trading day, equal to a decrease of 7.0 % compared with the year's outset. This fall was partly due to the overall market impacts and partly because of Imexpharm issuance of shares to increase its charter capital by 15% for dividend payment to shareholders, with the list of shareholders finalized as of June 05, 2018.

## IMP SHARES TRADING VOLUME FROM 1/1/2018 TO 31/12/2018

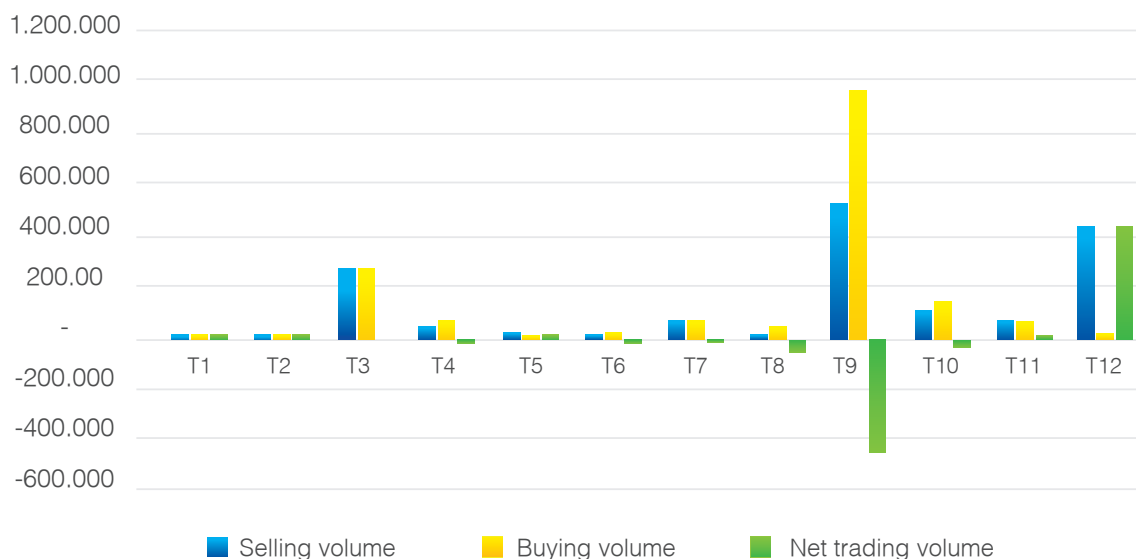


Total trading volume of IMP shares in both order-matching and put-through transactions in 2018 reached 6.4 million shares, equal to only half of the trading volume in 2017 (12.49 million shares). The average trading volume per session only reached over 25,800 stocks. The largest trading volume were due to the put-through transactions of shareholders and big investors. It can be said that the liquidity of IMP stocks decreased significantly compared to 2017, that marks a year of poor trading performance.

## SUSTAINABLE GOVERNANCE

### TRANSACTIONS OF FOREIGN INVESTORS IN 2018

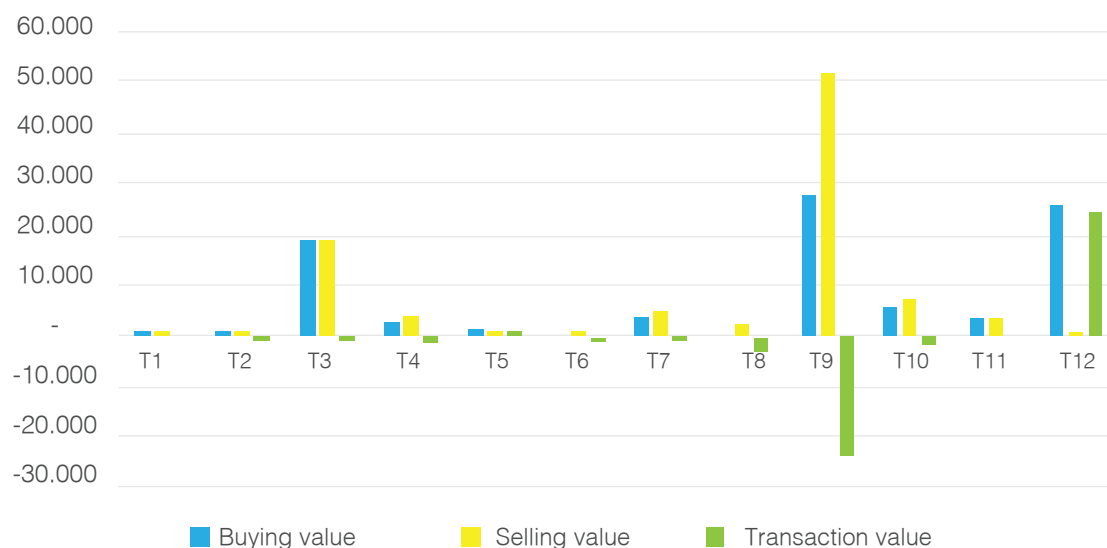
*Transaction volume by month (Unit: shares)*



In 2018, foreign investors bought 1,622 thousands shares and also sold out 1,750 million shares. The net selling volume in 2018 was 128 thousand shares (net buying volume of 951 thousand shares in 2017).

### TRANSACTION VALUE BY MONTH

*(Unit: VND million)*



Foreign investors have a net selling of VND 3.39 billion of IMP shares in 2018 (in 2017: net buying of VND 61.9 billion) - with a total buying value of VND 93.67 billion and total selling value of VND 97.06 billion.



## SHAREHOLDER STRUCTURE

Shareholder Structure according to the list finalized by Securities Depository Center on 6/5/2018 shown as below

### Shareholder structure classified by types of shareholders

No.	Participants	Number of share	Ownership percentage (%)	Number-Shareholder	Structure of shareholders	
					Organization	Individual
1	State shareholder					
2	Founding shareholders/FDI shareholders	12,319,081	24.93%	7	1	6
	- Domestics	12,319,081	24.93%	7	1	6
	- Foreign					
3	Major shareholders	19,222,675	38.90%	3	3	
	- Domestics	11,305,027	22.87%	1	1	
	- Foreign	7,917,648	16.02%	2	2	
4	Company Trade Union	30,603	0.06%	1	1	
	- Domestics	30,603	0.06%	1	1	
	- Foreign					
5	Treasury shares	19,800	0.04%	1	1	
6	Shareholders owning preferred shares					
7	Other shareholders	29,134,027	58.95%	1,770	94	1,676
	- Domestics	12,840,853	25.98%	1,514	44	1,470
	- Foreign	16,293,174	32.97%	257	51	206
	<b>TOTAL</b>	49,421,159	100.00%	1,782	100	1,682
	<b>In which : - Domestics</b>	25,210,337	51.01%	1,523	47	1,476
	- Foreign	24,210,822	48.99%	259	53	206

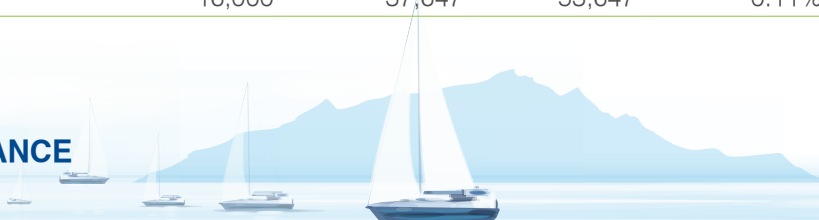
## SUSTAINABLE GOVERNANCE

### Shareholder structure classified by major shareholders and professional securities investors

No.	Participants	Number of share	Ownership percentage (%)	Number Shareholder	Structure of shareholders	
					Organization	Individual
1	Major shareholders own 5% of equity or more - but not professional securities investors					
	- Domestics	11,305,027	22.87%	1	1	
	- Foreign					
2	Professional securities investors are leading shareholders own 5% of equity or more					
	- Domestics					
	- Foreign	7,917,648	16.02%	2	2	
3	Professional securities investors are leading shareholders own 1% to 5% of equity					
	- Domestics	3,300,784	6.68%	2	2	
	- Foreign	13,596,364	27.51%	11	11	
<b>TOTAL</b>		<b>32,819,039</b>	<b>66.41%</b>	<b>16</b>	<b>16</b>	

### Shareholder structure classified by type of shares

Participants	Shares subject to transferred restriction	Shares freely transferred	Total	Ownership percentage (%)
I.Internal shareholders				
1. The Board of Directors	0	1,194,043	1,446,043	2.93%
2. Board of Management	224,000	1,116,669	1,340,669	2.71%
3. The Supervisory Board	32,500	59,406	91,906	0.19%
5. Chief accountant	16,000	37,647	53,647	0.11%





6. Person authorized to disclose information	70,000	427,380	497,380	1.01%
<b>II. Treasury shares</b>	<b>6,650</b>	<b>13,150</b>	<b>19,800</b>	<b>0.04%</b>
<b>III. Company Trade Union</b>		<b>-</b>	<b>30,603</b>	<b>0.06%</b>
<b>IV. Shareholders owning preferred shares No</b>				
<b>V. Other shareholders</b>				
<b>1. Domestics</b>	<b>957,750</b>	<b>22,610,588</b>	<b>23,568,338</b>	<b>47.69%</b>
1.1 Individual	957,750	6,465,558	7,423,308	15.02%
1.1 Organization		16,145,030	16,145,030	32.67%
<b>2. Foreign</b>		<b>24,210,822</b>	<b>24,210,822</b>	<b>48.99%</b>
2.1 Individual		536,518	536,518	1.09%
2.1 Organization		23,674,304	23,674,304	47.90%
<b>TOTAL</b>	<b>1,012,900</b>	<b>48,408,259</b>	<b>49,421,159</b>	<b>100.00%</b>

### Listed of special shareholders

No.	Name of entity/individual	Address:	Number of share	Ownership percentage (%)	Shares subject to share transfer restriction
<b>A. State shareholder: No</b>					
<b>B. Major shareholders</b>					
1	Vietnam Pharmaceutical Corporation	No. 12, Ngo Tat To Street, Van Mieu Ward, Dong Da District, Hanoi	11,305,027	22.87%	
3	Balestrand Limited	1901 Me Linh Point High Building, 2 Ngo Duc Ke Ward, District 1, HCMC, Vietnam	2,900,944	5.87%	
4	KWE Beteiligungen AG	1901 Me Linh Point High Building, 2 Ngo Duc Ke Ward, District 1, HCMC, Vietnam	5,016,704	10.15%	

## SUSTAINABLE GOVERNANCE

### C. Strategic shareholder: No

### D. Founding shareholders

1	Vietnam Pharmaceutical Corporation	No. 138B Giang Vo Street, Kim Ma Ward, Ba Dinh Dist., Ha Noi	11,305,027	22.87%	
2	Ms. Tran Thi Dao	No.4, 30/4 Street, Cao Lanh City, Dong Thap Province.	477,537	0.97%	70,000
3	Mr. Tran Thai Hoang	Suite 12.04B, 58/4 Luy Ban Bich Street, Tan Thoi Hoa Ward, Tan Phu Dist., HCMC	9,203	0.02%	
4	Mr. Nguyen Quoc Dinh	No.4, 30/4 Street, Cao Lanh City, Dong Thap Province.	497,380	1.01%	70,000
5	Ms. Nguyen Thi Thu Hong	191 Lac Long Quan, Ward 3, District 11, HCMC	5	0.00%	
6	Ms. Luu Thi Hanh	No.4, 30/4 Street, Cao Lanh City, Dong Thap Province.	-	0.00%	
7	Mr. Nguyen Kiem Phuong	No.4, 30/4 Street, Cao Lanh City, Dong Thap Province.	29,900	0.06%	
8	Mr. Hoang Tho Phon	36 Chu Van An, My Long Ward, Long Xuyen City, An Giang Province	29	0.00%	
<b>Total D</b>			<b>12,319,081</b>	<b>24.93%</b>	

### Detailed List of Internal Shareholders (as of December 31, 2018)

No.	Full Name	Position	Shares subject to transferred restriction	Shares freely transferred	Total	Ownership percentage (%)
<b>I The Board of Directors</b>						
1	Mr. Nguyen Quoc Dinh	Chairwoman of the BOD	70,000	427,380	497,380	1.01%





2	Ms. Tran Thi Dao	Vice Chairwoman of the BOD	70,000	407,537	477,537	0.97%
3	Mr. Huynh Van Nhung	Member of BOD	35,000	154,802	189,802	0.38%
4	Mr. Le Van Nha Phuong	Member of BOD	14,000	23,950	37,950	0.08%
5	Mr. Ngo Minh Tuan	Member of BOD	35,000	103,000	138,000	0.28%
6	Mr. Vo Huu Tuan	Member of BOD	14,000	38,687	52,687	0.11%
7	Mr. Tran Anh Tuan	Member of BOD	14,000	38,687	52,687	0.11%
8	Ms. Han Thi Khanh Vinh	Member of BOD	-	-	-	0.00%

## II Board of Management

1	Ms. Tran Thi Dao	General Director	70,000	407,537	477,537	0.97%
2	Mr. Nguyen Quoc Dinh	Deputy General Director	70,000	427,380	497,380	1.01%
3	Mr. Huynh Van Nhung	Deputy General Director	35,000	154,802	189,802	0.38%
4	Mr. Le Van Nha Phuong	Deputy General Director	14,000	23,950	37,950	0.08%
5	Mr. Ngo Minh Tuan	Deputy General Director	35,000	103,000	138,000	0.28%

## III The Supervisory Board

1	Mr. Nguyen Duc Tuan	Chief of the Supervi- sory Board	14,300	26,362	40,662	0.08%
2	Le Thi Kim Chung	Supervisor	9,800	6,313	16,113	0.03%
3	Do Thi Thanh Thuy	Supervisor	8,400	6	8,406	0.02%
4	Ms. Tran Hoai Hanh	Chief accountant	16,000	5,007	21,007	0.05%

## IV Person authorized to disclose information

1	Mr. Nguyen Quoc Dinh		70,000	427,380	497,380	1.01%
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## INFORMATION DISCLOSURE

Imexpharm has always pursued prosperity and sustainability of local communities in general and our investors in particular, thus adopting transparency as a core value in its corporate governance. Imexpharm has always paid special attention and strictly controlled the information disclosure process, seeing this as a criteria for sustainable development. Information disclosure is under responsibility by Mr. Nguyen Quoc Dinh - Chairman of the Board of Directors and Deputy General Director in charge of finance. Besides, Mr. Dinh also receives the support of two non-executive members of the Board of Directors in the process of information disclosure

With integrity and openness, Mr. Dinh has developed Imexpharm's information disclosure activities in line with the standards and practices applicable to public companies according to three criteria:

- Quality and transparency of disclosed information,
- Timely actions and integration with the investors and stock market
- Respect the benefits and rights of shareholders. These measurements contributed to build a transparent, accurate and appropriate information disclosing system.
- From this, Imexpharm's investors, customers and partners can obtain fast access to clear and accurate information about its business performance as well as its reports.

In 2018, Imexpharm was honored to receive the Best Corporate Governance Award in the category of small and medium-sized enterprises. In its sustainable development strategy, the promotion of the role of Imexpharm shareholders always goes hands in hands with balanced interests of related parties. Therefore, transparency and compliance are top priorities at the company. Although the information disclosure activities of the company are always undertaken in a timely manner in accordance with the regulations of Ho Chi Minh Stock Exchange and Vietnamese laws.

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*Imexpharm has always managed to further improve these activities by refining its Information Disclosure Regulations in line with international practices before being able to disclose information bilingually.*

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# SHAREHOLDER AND INVESTOR RELATIONS

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*At Imexpharm, in addition to information disclosure activities, investor relations activities are also one of our priorities. The Board of Directors directs much of its attention to face-to-face meetings, discussion and providing answers to questions from investors on Imexpharm's activities.*

”

By these activities, its value among the investors have been increasingly affirmed by high quality drugs for public health as well as honesty and sustainability in the governance and administration of the Company. Imexpharm has not currently established a separate department for investor relations; yet, all activities to maintain communication channels with the investors are always undertaken in a smooth and effective manner.



### The key investor relations activities in 2018 include the following

- Investor Relations (IR) Newsletters have been prepared on a monthly basis for many years. By these newsletters, Imexpharm has regularly updated its business performance, stock prices and background information on listed companies in the same industry to keep our investors abreast of market situation and changes in Imexpharm's activities. The IR newsletters are always well designed and checked before being published on the







company's website at [www.imexpharm.com](http://www.imexpharm.com). These newsletters work as communication tools between Imexpharm and its investors about the business performance of the company, with an expectation that external feedback on Imexpharm's operation would be obtained for proper adjustment.

- Preparation of annual reports is a mandatory task for listed companies. For Imexpharm, it has always paid special attention to preparation of its Annual Reports for highest quality, considering these as a true year-end reflection of its business activities, achievements and limitations for better planning of targets in the following years. Therefore, Imexpharm's Annual Reports are always highly rated in terms of quality and have received high prizes in the "Vietnam Listed Company Awards" organized by the Ho Chi Minh and Hanoi Stock Exchanges in collaboration with Vietnam Investment Review. In 2018, Among the medium-sized enterprises, Imexpharm was honored to receive the third prize in the category of Annual Reports. In addition, the Company also prepared Sustainability Reports to make public its sustainable development strategy as well as the impacts and values that Imexpharm has created for its stakeholders. From 2018, the Sustainability Reports will be prepared separately from the Annual Reports, with some adjustments to make them more friendly to Imexpharm's investors and partners.

- Organizing shareholders, investors regular

meetings once or twice a year. At the end of 2018, Vinh Loc high-tech antibiotic factory obtained EU-GMP approval. This is its second factory certified by EU-GMP standards. Imexpharm held an investor meeting at the factory on February 22, 2019 to demonstrate its efforts in fulfilling its commitments to shareholders. The tour of the factory and informal talks with Imexpharm's Board of Management and Board of Directors have been successfully organized. The image of a dynamic, open, modern and reliable Imexpharm has been presented in this activity.

- Every month, Imexpharm receives a lot of questions and feedback from its shareholders on Imexpharm's activities. The information disclosure team has provided responses accordingly in a timely and effective manner as authorized by the Chairman of the Board of Directors.

- Meeting and addressing many direct concerns of investors such as: Dragon Capital Fund, Manulife, KWE, Bao Viet Securities, FPT, SSI, VnDirect, HSC, Viet Dragon and a lot of domestic and foreign clients of these companies.

- Actively participating in "Investment days" organized by Funds or Securities Companies to introduce Imexpharm with domestics and overseas Investors Community.

- In addition to directly integrated activities, Imexpharm also focus on solely interactions that enhance contact with investors via special media such as: Investment Securities Magazines, [tinnhanhchungkhoan.vn](http://tinnhanhchungkhoan.vn), [VIR](http://VIR), [vir.com.vn](http://vir.com.vn), [cafe.vn](http://cafe.vn), etc.



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FINANCIAL STATEMENTS 2018

CORPORATE INFORMATION

Enterprise registration certificate	No. 1400384433 which was initially issued by the Department of Planning and Investment of Dong Thap Province on 1 August 2001 and the latest amendment dated 21 June 2018.	
Board of Management	Mr. Nguyen Quoc Dinh	Chairman
	Mrs. Tran Thi Dao	Vice chairman
	Mr. Le Van Nha Phuong	Member
	Mr. Huynh Van Nhung	Member
	Mr. Ngo Minh Tuan	Member
	Mr. Tran Anh Tuan	Member
	Mrs. Han Thi Khanh Vinh	Member
	Mr. Vo Huu Tuan	Member
Board of Supervision	Mr. Nguyen Duc Tuan	Head
	Mrs. Le Thi Kim Chung	Member
	Mrs. Do Thi Thanh Thuy	Member
Board of Directors	Mrs. Tran Thi Dao	General Director
	Mr. Nguyen Quoc Dinh	Deputy General Director
	Mr. Huynh Van Nhung	Deputy General Director
	Mr. Ngo Minh Tuan	Deputy General Director
	Mr. Le Van Nha Phuong	Deputy General Director
	Mr. Tran Hoai Hanh	Chief Accountant
Legal representative	Mrs. Tran Thi Dao	General Director
Registered office	No 4, 30/4 Street, Ward 1, Cao Lanh City, Dong Thap Province, Vietnam	
Auditor	PwC (Vietnam) Limited	

STATEMENT OF THE RESPONSIBILITY OF THE BOARD OF DIRECTORS OF THE COMPANY IN RESPECT OF THE FINANCIAL STATEMENTS

The Board of Directors of Imexpharm Corporation (“the Company”) is responsible for preparing financial statements which give a true and fair view of the financial position of the Company as at 31 December 2018, and the results of its operations and its cash flows for the year then ended. In preparing these financial statements, the Board of Directors is required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent; and
- Prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Board of Directors is responsible for ensuring that proper accounting records are kept which disclose, with reasonable accuracy at any time, the financial position of the Company and which enable financial statements to be prepared which comply with the basis of accounting set out in Note 2 to the financial statements. The Board of Directors is also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

APPROVAL OF THE FINANCIAL STATEMENTS

We hereby approve the accompanying financial statements as set out on pages 5 to 42 which give a true and fair view of the financial position of the Company as at 31 December 2018 and of the results of its operations and its cash flows for the year then ended in accordance with Vietnamese Accounting Standards, the Vietnamese Corporate Accounting System and applicable regulations on preparation and presentation of financial statements.

On behalf of the Board of Directors



Nguyen Quoc Dinh  
Deputy General Director  
Authorised by Legal Representative

Dong Thap Province, SR Vietnam  
4 March 2019

## FINANCIAL STATEMENTS

For the year ended 31 december 2018

### INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF IMEXPHARM CORPORATION

We have audited the accompanying financial statements of Imexpharm Corporation ("the Company") which were prepared on 31 December 2018 and approved by the Board of Directors on 4 March 2019. The financial statements comprise the balance sheet as at 31 December 2018, the income statement and the cash flow statement for the year then ended, and explanatory notes to the financial statements including significant accounting policies, as set out on pages 5 to 42.

#### The Board of Directors' Responsibility

The Board of Directors of the Company is responsible for the preparation and the true and fair presentation of these financial statements in accordance with Vietnamese Accounting Standards, the Vietnamese Corporate Accounting System and applicable regulations on preparation and presentation of financial statements and for such internal control which the Board of Directors determines is necessary to enable the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### Auditor's Responsibility

Our responsibility is to express an opinion on the 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 standards and requirements and plan and perform the audit in order to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including an assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and true and fair presentation of the 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 financial statements.

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

#### Auditor's Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2018, its financial performance and cash flows for the year then ended in accordance with Vietnamese Accounting Standards, the Vietnamese Corporate Accounting System and applicable regulations on the preparation and presentation of financial statements.

#### Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 2.17 of the financial statements which indicate that as at 31 December 2018, the Company did not make provision for severance allowance for employees because of the adoption of Circular No. 180/2012/TT-BTC issued by the Ministry of Finance on 24 October 2012. The adoption of this Circular causes a difference with Vietnamese Accounting Standard No. 18 - "Provisions, contingent assets and liabilities".

#### Other Matters

The financial statements of the Company for the year ended 31 December 2017 were audited by another auditor whose auditor's report dated 24 March 2018, expressed an unmodified opinion on those statements.

The independent auditor's report is prepared in Vietnamese and English. Should there be any conflict between the Vietnamese and English copies, the Vietnamese copy shall take precedence.

#### For and on behalf of PwC (Vietnam) Limited



Mai Viet Hung Tran  
Audit Practising Licence No.  
0048-2018-006-1  
Authorised signatory

Trieu Nguyen Duy  
Audit Practising Licence No.  
3022-2019-006-1

Report reference number: HCM7628  
Ho Chi Minh City, 4 March 2019



## FINANCIAL STATEMENTS

For the year ended 31 december 2018

Form B 01a – DN

Form B 01a – DN

### BALANCE SHEET

Code	ASSETS	Note	As at 31 December	
			2018 VND	2017 VND
<b>100</b>	<b>Current assets</b>		<b>834,742,066,160</b>	<b>977,543,036,885</b>
<b>110</b>	<b>Cash and cash equivalents</b>	3	<b>190,436,654,283</b>	<b>106,457,131,642</b>
111	Cash		60,436,654,283	86,457,131,642
112	Cash equivalents		130,000,000,000	20,000,000,000
<b>120</b>	<b>Short-term investments</b>		<b>4,280,825,260</b>	<b>183,046,215,260</b>
121	Trading securities	4(a)	6,235,578,160	6,235,578,160
122	Provision for decline in value of trading securities	4(a)	(2,172,002,900)	(2,644,062,900)
123	Investments held to maturity	4(b)	217,250,000	179,454,700,000
<b>130</b>	<b>Short-term receivables</b>		<b>289,884,339,434</b>	<b>395,682,653,561</b>
131	Short-term trade accounts receivable	5	185,494,599,108	231,063,094,550
132	Short-term prepayments to suppliers	6	80,227,308,348	140,671,284,012
135	Short-term lending	7	4,950,000,000	7,000,000,000
136	Other short-term receivables	8	31,712,651,019	29,949,420,880
137	Provision for doubtful debts – short term	9	(12,500,219,041)	(13,001,145,881)
<b>140</b>	<b>Inventories</b>	10	<b>323,809,107,094</b>	<b>282,178,900,566</b>
141	Inventories		326,982,599,909	283,184,621,489
149	Provision for decline in value of inventories		(3,173,492,815)	(1,005,720,923)
<b>150</b>	<b>Other current assets</b>		<b>26,331,140,089</b>	<b>10,178,135,856</b>
151	Short-term prepaid expenses		443,234,596	1,972,344,687
152	Value Added Tax to be reclaimed		24,129,338,389	7,241,020,398
153	Tax and other receivables from the State Budget	16(a)	1,758,567,104	964,770,771

The notes on pages 10 to 42 are an integral part of these financial statements

<b>200</b>	<b>LONG-TERM ASSETS</b>		<b>939,504,623,313</b>	<b>796,087,843,005</b>
<b>210</b>	<b>Long-term receivables</b>		<b>3,550,244,742</b>	<b>50,244,740</b>
215	Long-term loans receivables		3,500,000,002	-
216	Other long-term receivables		50,244,740	50,244,740
<b>220</b>	<b>Fixed assets</b>		<b>315,304,833,923</b>	<b>267,508,052,394</b>
221	Tangible fixed assets	11(a)	242,576,553,974	195,155,353,779
222	Historical cost		575,112,884,123	506,000,763,871
223	Accumulated depreciation		(332,536,330,149)	(310,845,410,092)
227	Intangible fixed assets	11(b)	72,728,279,949	72,352,698,615
228	Historical cost		92,835,037,094	91,046,453,094
229	Accumulated amortisation		(20,106,757,145)	(18,693,754,479)
<b>240</b>	<b>Long-term asset in progress</b>		<b>547,705,487,912</b>	<b>427,223,610,659</b>
242	Construction in progress	12	547,705,487,912	427,223,610,659
<b>250</b>	<b>Long-term investments</b>		<b>41,093,514,700</b>	<b>65,797,444,700</b>
252	Investments in associates	4(c)	40,034,396,700	54,336,876,700
253	Investments in equity of other entities	4(c)	1,326,668,000	11,526,668,000
254	Provision for long-term investments	4(c)	(267,550,000)	(266,100,000)
255	Investments held to maturity		-	200,000,000
<b>260</b>	<b>Other long-term asset</b>		<b>31,850,542,036</b>	<b>35,508,490,512</b>
261	Long-term prepaid expenses	13	31,850,542,036	35,508,490,512
<b>270</b>	<b>TOTAL ASSETS</b>		<b>1,774,246,689,473</b>	<b>1,773,630,879,890</b>

### RESOURCES

<b>300</b>	<b>LIABILITIES</b>		<b>269,634,123,949</b>	<b>378,316,621,650</b>
<b>310</b>	<b>Short-term liabilities</b>		<b>236,477,695,853</b>	<b>343,855,235,956</b>
311	Short-term trade accounts payable	14	109,020,003,485	224,903,077,485
312	Short-term advances from customers	15	8,882,372,011	2,437,554,082

The notes on pages 10 to 42 are an integral part of these financial statements

## FINANCIAL STATEMENTS

For the year ended 31 december 2018

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313	Tax and other payables to the State Budget	16(b)	12,484,292,871	8,201,955,236
314	Payable to employees		27,817,999,931	22,818,720,646
315	Short-term accrued expenses	17	61,848,533,123	82,412,715,963
319	Other short-term payables		2,441,888,370	2,574,003,354
322	Bonus and welfare fund	18	13,982,606,062	507,209,190
<b>330</b>	<b>Long-term liabilities</b>		<b>33,156,428,096</b>	<b>34,461,385,694</b>
337	Other long-term payables		550,000,000	50,000,000
343	Science and technology development fund	19	32,606,428,096	34,411,385,694
<b>400</b>	<b>OWNERS' EQUITY</b>		<b>1,504,612,565,524</b>	<b>1,395,314,258,240</b>
<b>410</b>	<b>Capital and reserves</b>		<b>1,504,612,565,524</b>	<b>1,395,314,258,240</b>
411	Owners' capital	20, 21	494,211,590,000	429,781,510,000
411a	- Ordinary shares with voting rights		494,211,590,000	429,781,510,000
412	Share premium	21	601,241,079,354	601,241,079,354
414	Owners' other capital	21	2,420,789,142	2,420,789,142
415	Treasury shares	21	(218,600,000)	(218,600,000)
418	Investment and development fund	21	281,866,737,047	265,808,132,605
421	Undistributed earnings	21	125,090,969,981	96,281,347,139
421a	- Undistributed post-tax profits of the previous years		407,928,353	400,481,853
421b	- Post-tax profit of current year		124,683,041,628	95,880,865,286
<b>440</b>	<b>TOTAL RESOURCES</b>		<b>1,774,246,689,473</b>	<b>1,773,630,879,890</b>

Duong Hoang Vu  
Preparer

Tran Hoai Hanh  
Chief Accountant

Nguyen Quoc Dinh  
Deputy General Director  
Authorised by Legal  
Representative  
4 March 2019

The notes on pages 10 to 42 are an integral part of these financial statements.

## INCOME STATEMENT

Form B 02a - DN

Code	Note	Year ended 31 December	
		2018 VND	2017 VND
<b>01</b>	<b>Revenue from sales of goods</b>	<b>1,234,684,829,387</b>	<b>1,211,539,255,989</b>
02	Less deductions	(49,867,100,156)	(46,083,606,091)
<b>10</b>	<b>Net revenue from sales of goods</b>	<b>24</b>	<b>1,184,817,729,231</b>
11	Cost of goods sold	25	(715,187,247,219)
<b>20</b>	<b>Gross profit from sale of goods</b>	<b>469,630,482,012</b>	<b>436,820,960,613</b>
21	Financial income	26	18,888,215,287
22	Financial expenses	27	(17,598,693,224)
23	- Including: Interest expense		(1,275,879,713)
25	Selling expenses	28	(212,133,585,451)
26	General and administration expenses	29	(88,183,904,806)
<b>30</b>	<b>Net operating profit</b>	<b>170,602,513,818</b>	<b>145,756,624,684</b>
31	Other income		3,419,180,185
32	Other expenses		(252,256,271)
<b>40</b>	<b>Net other income</b>	<b>3,166,923,914</b>	<b>801,956,146</b>
<b>50</b>	<b>Net accounting profit before tax</b>	<b>173,769,437,732</b>	<b>146,558,580,830</b>
51	Business income tax - current	30	(35,086,396,104)
<b>60</b>	<b>Net profit after tax</b>	<b>138,683,041,628</b>	<b>117,360,040,786</b>
<b>70</b>	<b>Basic earnings per share</b>	<b>22</b>	<b>2,524</b>
<b>71</b>	<b>Diluted earnings per share</b>	<b>22</b>	<b>2,524</b>

Duong Hoang Vu  
Preparer

Tran Hoai Hanh  
Chief Accountant

Nguyen Quoc Dinh  
Deputy General Director  
Authorised by Legal  
Representative  
4 March 2019

The notes on pages 10 to 42 are an integral part of these financial statements.



## FINANCIAL STATEMENTS

For the year ended 31 december 2018

Form B 03a - DN

Mẫu số B 03a - DN

### CASH FLOW STATEMENT

(Indirect method)

Code		Note	Year ended 31 December	
			2018 VND	2017 VND
CASH FLOWS FROM OPERATING ACTIVITIES				
01	Net accounting profit before tax		173,769,437,732	146,558,580,830
	Adjustments for:			
02	Depreciation and amortisation		30,515,092,412	31,379,088,060
03	Provisions/(reversal of provision)		1,196,235,052	(2,515,116,681)
04	Unrealised foreign exchange gains	26	(469,250,320)	(424,432,218)
05	Profits from investing activities		(15,899,254,511)	(17,111,111,608)
06	Interest expense	27	1,275,879,713	618,733,502
07	Other adjustments	19	19,000,000,000	16,000,000,000
08	Operating profit before changes in working capital		209,388,140,078	174,505,741,885
09	Decrease/(increase) in receivables		22,334,105,781	(1,437,631,837)
10	Increase in inventories		(43,797,978,420)	(47,523,201,453)
11	(Decrease)/increase in payables		(13,724,008,827)	23,575,925,481
12	Decrease/(increase) in prepaid expenses		5,187,058,567	(12,659,539,533)
14	Interest paid		(1,275,879,713)	(618,733,502)
15	Business income tax paid		(32,083,024,291)	(31,711,798,648)
17	Other payments on operating activities		(13,933,959,026)	(6,917,863,029)
20	Net cash inflows from operating activities		132,094,454,149	97,212,899,364
CASH FLOWS FROM INVESTING ACTIVITIES				
21	Construction and purchases of fixed assets		(272,440,024,143)	(274,456,614,870)
22	Proceeds from disposals of fixed assets		1,689,090,910	439,603,637
23	Loans granted and term deposits placed at banks		(43,817,250,000)	(357,729,700,000)

24	Collection of loans and term deposits at banks	221,737,811,648	183,075,000,000
25	Investments in other entities	(1,000,000,000)	(4,755,300,000)
26	Proceeds from divestment in other entities	33,691,625,000	-
27	Dividends and interest received	12,037,505,317	10,180,078,424
<b>30</b>	<b>Net cash outflows from investing activities</b>	<b>(48,101,241,268)</b>	<b>(443,246,932,809)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
31	Proceeds from issue of shares and capital contribution	21	-
32	Payments for share repurchases	-	(95,000,000)
33	Proceeds from borrowings	160,076,187,844	120,000,000,000
34	Repayments of borrowings	(160,076,187,844)	(120,000,000,000)
36	Dividends paid	-	(52,728,886,700)
<b>40</b>	<b>Net cash inflow from financing activities</b>	<b>352,371,798,300</b>	
<b>50</b>	<b>Net decrease in cash and cash equivalents</b>	<b>83,993,212,881</b>	<b>6,337,764,855</b>
<b>60</b>	<b>Cash and cash equivalents at beginning of year</b>	<b>3</b>	<b>106,457,131,642</b>
61	Effect of foreign exchange differences	(13,690,240)	(8,086,899)
<b>70</b>	<b>Cash and cash equivalents at end of year</b>	<b>3</b>	<b>190,436,654,283</b>

Major non-cash transactions in the year ended 31 December 2018 are presented in Note 33.



**Duong Hoang Vu**  
Preparer



**Tran Hoai Hanh**  
Chief Accountant



**Nguyen Quoc Dinh**  
Deputy General Director  
Authorised by Legal Representative  
4 March 2019

The notes on pages 10 to 42 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018

1. General information

Imexpharm Pharmaceutical Joint Stock Company (the “Company”), formerly known as Dong Thap Pharmaceutical Union incorporated under Decision No. 284/TCCQ dated 28 September 1983 issued by the Health Department of Dong Thap Province, was transformed from a State-Owned company into a joint stock company in accordance with initial Enterprise registration certificate No. 1400384433 dated 1 August 2001 issued by the Department of Planning and Investment of Dong Thap Province.

The Company’s shares were listed on Ho Chi Minh Stock Exchange (“HOSE”) on 4 December 2006 with the stock code IMP under Decision No. 76/UBCK-GPNY of HOSE.

The principal activities of the Company are manufacturing pharmaceutical products, processing pharmaceutical materials, trading, importing and exporting pharmaceutical products, medical equipment and supplies, chemicals, materials for medicine manufacturing and packaging, chemicals used for sterilization or disinfection in humans (except for those listed under Point A, Part II, Appendix No. 04 accompanying Decision No. 10/2007/QĐ-BTM dated 21 May 2007 issued by the Ministry of Trade, currently known as Ministry of Industry and Trade).

In accordance with Resolution No. 16/NQ-ĐHCHĐ-IMEX of the General Shareholders’ Meeting on 28 April 2018, the charter capital of the Company is increased to VND 494,211,590,000 following the profit distribution plan in the form of stock dividend payment.

The normal business cycle of the Company is 12 months.

As at 31 December 2018, the Company had 1,208 employees (as at 31 December 2017: 1,121 employees).

As at 31 December 2018, the Company had 25 branches and 4 associates. Details of the Company’s associates are presented below:

Company name	Principal activities	Address of registered office	Percentage of ownership and voting rights	
			2018	2017
Agimexpharm Pharmaceutical Joint Stock Company	Manufacturing and trading pharmaceutical products	An Giang	32.99%	32.99%
Dong Thap Muoi Research Conservation and Development Pharmaceutical Joint Stock Company	Researching, conserving and developing pharmaceutical materials	Dong Thap	23.56%	20.00%
Gia Dai Pharmaceutical Company Limited	Manufacturing and trading pharmaceutical products	Ho Chi Minh	26.00%	2 26.00%

2. Summary of significant accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared in accordance with Vietnamese Accounting Standards, the Vietnamese Corporate Accounting System and applicable regulations on preparation and presentation of financial statements. The financial statements have been prepared under the historical cost convention.

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

The financial statements in Vietnamese language are the official statutory financial statements of the Company. The financial statements in English language have been translated from the Vietnamese language financial statements.

2.2 Fiscal year

The Company’s fiscal year is from 1 January to 31 December.

2.3 Currency

The financial statements are measured and presented in Vietnamese Dong (“VND”).

Transactions arising in foreign currencies are translated at exchange rates ruling at the transaction dates. Foreign exchange differences arising from these transactions are recognized as income or expenses in the income statement.

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are respectively translated at the buying and selling exchange rates at the balance sheet date of the commercial bank where the Company regularly trades. Foreign currencies deposited in bank at the balance sheet date are translated at the buying exchange rate of the commercial bank where the Company opens the foreign currency accounts. Foreign exchange differences arising from these translations are recognised in the income statement.

2.4 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash at bank, cash in transit, demand deposits and other short-term investments with an original maturity of three months or less.

2.5 Trade receivables

Trade receivables are carried at the original invoice amount less an estimate made for doubtful receivables based on a review by the Board of Directors of all outstanding amounts at the year end. Bad debts are written off when identified.



2.6 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined by the weighted average method and includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. In the case of manufactured products, cost includes all direct expenditure and production overheads based on normal levels of operating activity. Net realisable value is the estimated selling price in the normal course of business, less the estimated costs of completion and selling expenses.

The Company applies the perpetual method for inventories.

Provision is made, where necessary, for obsolete, slow-moving and defective inventory items. The difference between the provision of this period and the provision of the previous period are recognised as an increase or decrease of operating expenses in the year.

2.7 Investments

(a) Trading securities

Trading securities are securities, which are held for trading purpose to earn profit.

Trading securities are initially recorded at cost of acquisition. They are subsequently measured at cost less provision. The provision for diminution in value of trading securities is made when the cost is higher than its fair value.

Profit or loss from liquidation or disposal of trading securities is recorded in the income statement. The costs of trading securities disposed are determined by using the moving weighted average method or the first in first out method.

(b) Investments held to maturity

Investments held to maturity are investments which the Board of Directors has positive intention and ability to hold until maturity.

Investments held to maturity include term deposits, held-to-maturity loans for interest earnings and other held-to-maturity investments. Those investments are accounted for at cost less provision.

Provision for diminution in value of investments held to maturity is made when there is evidence that part or the whole of the investment is uncollectible.

(c) Investments in associates

Associates are investments that the Company has significant influence but not control and would generally have from 20% to under 50% voting shares of the investee. Investments in associates are accounted for at cost less provision for diminution in value. Provision for diminution in value is made when there is an impairment of the investments.

(d) Investments in equity of other entities

Investments in equity of other entities are investments in equity instruments of other entities without controlling rights or co-controlling rights, or without significant influence over the investee. These investments are initially recorded at cost.

Regarding to long-term investments in listed shares or the long-term investments which its fair value can be determined reliably, the provision is made when the cost is higher than the market value. For other long-term investments, provision for diminution in value of these investments is made when the entities make losses, except when the loss was anticipated in their business plan before the date of investment.

2.8 Lending held to maturity

Lending held to maturity is lending for interest earning granted under agreements among parties but not being traded as securities in the market.

Allowance for doubtful lending is made for each lending based on overdue days in payment of lending principals according to initial payment commitment (exclusive of the payment rescheduling between parties), or based on expected loss that may arise.

2.9 Fixed assets

*Tangible and intangible fixed assets*

Fixed assets are stated at historical cost less accumulated depreciation/amortisation. Historical cost includes expenditure that is directly attributable to the acquisition of the fixed assets.

*Depreciation and amortisation*

Fixed assets are depreciated and amortised using the straight-line method so as to write off the cost of the assets over their estimated useful lives or over the term of the enterprise registration certificate if shorter. The estimated useful lives are as follows:

Plants and buildings	10 – 50 years
Machinery and equipment	6 – 15 years
Motor vehicles	6 – 10 years
Office equipment	3 – 8 years

Land use rights with indefinite useful life are recorded at historical cost and are not amortised.

Land use rights with definite useful life are amortised using the straight-line method in accordance with the terms indicated in the land use right certificates.

*Disposals*

Gains or losses on disposals are determined by comparing net disposal proceeds with the carrying amount and are recognised as income or expense in the income statement.

### *Construction in progress*

Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost. Cost includes professional fees and, for qualifying assets, borrowing costs dealt with in accordance with the Company's accounting policy. Depreciation of these assets, on the same basis as other fixed assets, commences when the assets are ready for their intended use.

## **2.10 Leased assets**

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the term of the lease.

## **2.11 Prepaid expenses**

Prepaid expenses include short-term and long-term prepayments on the balance sheet. Prepaid expenses are recorded at historical cost and allocated using the straight-line method over estimated useful lives.

## **2.12 Payables**

Classifications of payables are based on their nature as follows:

- Trade accounts payable are trade payables arising from purchase of goods and services.
- Other payables are non-trade payables and not related to purchase of goods and services.

Payables are classified into long-term and short-term payables on the balance sheet based on remaining period from the balance sheet date to the maturity date.

## **2.13 Borrowing costs**

Borrowing costs that are directly attributable to the construction or production of any qualifying assets are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are recognised in the income statement when incurred.

## **2.14 Accrued expenses**

Accrued expenses include liabilities for goods and services received in the period but not yet paid for due to pending invoices or insufficient records and documents. Accrued expenses are recorded as expenses in the reporting period.

## **2.15 Provisions**

Provisions are recognised when: the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provision is not recognised for future operating losses.

Provisions are measured at the expenditures expected to be required to settle the obligation. If the time value of money is material, provision will be measured at the present value using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as an interest expense.

## **2.16 Science and technology development fund**

Science and technology development fund is appropriated for scientific and technological development activities. The fund is set up on the basis of maximum 10% of profit before tax and charged to expenses when appropriated.

## **2.17 Provision for severance allowances**

In accordance with Labour Law of Vietnam, employees of the Company who have worked regularly for a period of 12 months or longer are entitled to severance allowance. The working period used for the calculation of severance allowance is the period during which the employee actually works for the Company less the period during which the employee participates in the unemployment insurance scheme in accordance with labour regulations and the working period for which the employee has received severance allowance from the Company.

Severance allowance is accrued on the basis that each employee is entitled to half of an average monthly salary for each working year. The average monthly salary used for calculating severance allowance is the employee's average salary for the six-month period prior to the balance sheet date. As at 31 December 2018, the estimated provision for severance allowances to be accrued is VND13,033,340,000.

In accordance with the guidances of Circular No. 180/2012/TT-BTC dated 24 October 2012 issued by the Ministry of Finance, the Company is not required to recognise provision for severance allowances. The Company records and pays severance allowances when employees leave the Company.

## **2.18 Capital and reserves**

Contributed capital of the shareholders is recorded according to actual amount contributed. Contributions from owners are recorded according to par value of the share.

Share premium is the difference between the par value and the issue price of shares; the difference between the repurchase price and re-issuing price of treasury shares.

Treasury shares are shares issued by the Company and bought-back by itself, but these are not cancelled and shall be re-issued in the period in accordance with the Law on securities.

Undistributed earnings record the accumulated results after business income tax at the reporting date.



## 2.19 Appropriation of net profit

Dividend is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's General Meeting of shareholders.

Net profit after income tax could be distributed to shareholders after approval at General Meeting of shareholders, and after appropriation to other funds in accordance with the Company's charter and Vietnamese regulations.

The Company's funds are as below:

### (a) Development and investment fund

Development and investment fund is appropriated from the Company's profit after tax as approved by shareholders at the General Meeting of Shareholders. This fund is appropriated for investment and business expansion activities, and offsetting against damages incurred during the course of business (if any). The fund's disbursement is decided by the Board of Management.

### (b) Bonus and welfare fund

Bonus and welfare fund is appropriated from the Company's profit after tax and subject to shareholders' approval at the Company's General Meeting. This fund is set aside for the purpose of rewarding, encouragement, improvement of the employees' welfare and is recognised as a liability item in the balance sheet.

## 2.20 Revenue recognition

### (a) Revenue from sales of goods

Revenue from sale of goods is recognised in the income statement when all five (5) following conditions are satisfied:

- The Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the Company; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due or the possible return of goods.

Revenue is recognised based on principle of "substance over form" and allocated to each sales obligation. In case that the Company gives promotional goods to customers associated with customers' purchase, the Company allocates total consideration received for goods sold and promotional goods. Cost of promotional goods is recognised as cost of sales in the income statement.

### (b) Interest income

Interest income is recognised on an earned basis.

### (c) Dividend income

Income from dividend is recognised when the Company has established the receiving right from investees.

## 2.21 Sales deductions

Sales deductions include sales returns and allowances. Sales deductions incurred in the same period of the related sales of products, goods and services are recorded as deduction of revenue of that period.

Sales deductions for products, goods or services which are sold in the period but are incurred after the balance sheet date but before the issuance of the financial statements are recorded as deduction of revenue of the period.

## 2.22 Cost of goods sold

Cost of goods sold are cost of finished goods, merchandises, materials sold during the period, and recorded on the basis of matching with revenue and on prudent concept.

## 2.23 Financial expenses

Financial expenses are expenses incurred in the period for financial activities mainly including interest expenses, loss from disposal financial investments, provision for diminution in value of investments in other entities and losses from foreign exchange differences and payment discount.

## 2.24 Selling expenses

Selling expenses represent expenses that are incurred in the process of selling products, goods, which mainly comprise salary expenses of sales staff, marketing, expenses, research and development market expenses, conference and travelling expenses, material costs, outsourced services and other expenses.

## 2.25 General and administration expenses

General and administration expenses represent expenses for administrative purposes which mainly include salary expenses of administrative staff, conference and travelling expenses, appropriation to Science and Technology development fund, outsourced services and other expenses.

## 2.26 Current and deferred income tax

Income taxes include all income taxes which are based on taxable profits including profits generated from production and trading activities in other countries with which the Socialist Republic of Vietnam has not signed any double taxation agreement. Income tax expense comprises current tax expense and deferred tax expense.

Current income tax is the amount of income taxes payable or recoverable in respect of the current year taxable profits at the current year tax rates. Current and deferred tax should be recognised as an income or an expense and included in the profit or loss of the period, except to the extent that the tax arises from a transaction or event which is recognised, in the same or a different period, directly in equity.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of occurrence affects neither the accounting nor the taxable profit or loss. Deferred income tax is determined at the tax rates that are expected to apply to the financial year when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

## 2.27 Related parties

Enterprises and individuals that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the Company, including holding companies, subsidiaries and fellow subsidiaries are related parties of the Company. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the enterprise, key management personnel, including directors of the Company and close members of the family of these individuals and companies associated with these individuals also constitute related parties.

In considering the related party relationship, the Company considers the substance of the relationship not merely the legal form.

## 2.28 Segment reporting

A segment is a component, which can be separated by the Company, engaged in providing products or services (business segment) or providing products or services within a particular economic environment (geographical segment). Each segment is subject to risks and returns that are different from those of other segments.

Segment reporting is prepared and presented in accordance with accounting policies applied to the preparation and presentation of the Company's financial statements in order to help users of financial statements understand and evaluate the Company's operations in a comprehensive way.

## 3. Cash and cash equivalents

	2018 VND	2017 VND
Cash on hand	4,438,217,043	2,098,338,196
Cash at banks	55,458,434,022	74,222,559,646
Cash in transit	540,003,218	10,136,233,800
Cash equivalents (*)	130,000,000,000	20,000,000,000
	<b>190,436,654,283</b>	<b>106,457,131,642</b>

(\*) Cash equivalents represent bank deposits with maturity from one to three months at fixed interest rates in Vietnamese Dong.

## 4. Investments

### (a) Trading securities

	2018			2017		
Cash	Cost VND	Fair value VND	Provision VND	Cost VND	Fair value VND	Provision VND
Mekophar Chemical Pharmaceutical Joint- Stock Company	5,589,637,900	3,455,100,000	2,134,537,900	5,589,637,900	3,185,040,000	2,404,597,900
Bach Tuyet Cotton Corporation	239,465,000	202,000,000	37,465,000	239,465,000	-	239,465,000
DHG Pharma Corporation	239,510,000	505,363,000	-	239,510,000	735,655,000	-
OPC Pharma Joint Stock Company	166,965,260	465,000,000	-	166,965,260	562,500,000	-
	<b>6,235,578,160</b>	<b>4,627,463,000</b>	<b>2,172,002,900</b>	<b>6,235,578,160</b>	<b>4,483,195,000</b>	<b>2,644,062,900</b>

### (b) Investments held to maturity

	2018		2017	
	Cost VND	Book value VND	Cost VND	Book value VND
Term deposits at banks	217,250,000	217,250,000	179,454,700,000	179,454,700,000

The term deposits represent bank deposits with maturity of more than three months and less than one year at fixed interest rates in Vietnamese Dong.



	2018			2017		
	Cost VND	Fair value VND	Provision VND	Cost VND	Fair value VND	Provision VND
<b>(ii) Investments in equity of other entities</b>						
TV,Pharm Pharmaceutical Joint Stock Company	581,428,000	832,585,534	-	581,428,000	1,917,886,000	-
Vidipha Central Pharmaceutical Joint Stock Company	503,000,000	580,689,400	-	503,000,000	674,175,000	-
Saigon Thuong Tin Commercial Joint Stock Bank	127,690,000	149,386,950	-	127,690,000	160,637,850	-
No. 25 Central Pharmaceutical Joint Stock Company	114,550,000	29,000,000	(85,550,000)	114,550,000	30,450,000	(84,100,000)
Danang Pharmaceutical Medical Equipment Joint Stock Company	-	-	-	10,200,000,000	13,230,000,000	-
	<b>1,326,668,000</b>	<b>1,591,661,884</b>	<b>(85,550,000)</b>	<b>11,526,668,000</b>	<b>16,013,148,850</b>	<b>(84,100,000)</b>

Equity investments in other entities represent the investments that the Company holds less than 20% voting rights in those entities.

### (c) Long-term investments

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	2018			2017		
	Cost VND	Provision VND	Cost VND	Provision VND	Cost VND	Provision VND
<b>(i) Investments in associates</b>						
Agimexpharm Pharmaceutical Joint Stock Company	36,044,396,700	-	36,044,396,700	-	-	-
Dong Thap Muoi Research Conservation and Development Pharmaceutical Joint Stock Company	3,808,000,000	-	2,808,000,000	-	-	-
Gia Dai Pharmaceutical Company Limited	182,000,000	(182,000,000)	182,000,000	(182,000,000)	-	-
S. Pharm Pharmaceutical Joint Stock Company	-	-	15,302,480,000	-	-	-
	<b>40,034,396,700</b>	<b>(182,000,000)</b>	<b>54,336,876,700</b>	<b>(182,000,000)</b>		

#### Operational status of associates

Gia Dai Pharmaceutical Company Limited has ceased operation since 2015. Other associates are operating in their normal course of business.

#### Fair value

As at 31 December 2018 and 31 December 2017, the fair value of investment in Agimexpharm Pharmaceutical Joint Stock Company was VND 65,522,300,000 and VND77,814,817,500 respectively. The Company has not had sufficient information to determine the fair value of the remaining investments.

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### 5. Short-term trade accounts receivable

	2018 VND	2017 VND
Third parties	170,986,006,639	215,888,648,991
Related parties (Note 34(b))	14,508,592,469	15,174,445,559
	<b>185,494,599,108</b>	<b>231,063,094,550</b>

As at 31 December 2018 and 31 December 2017, the balances of short-term trade accounts receivable which were past due, amounting to VND10,642,892,313 and VND15,076,675,081 respectively, are presented in Note 9.

As at 31 December 2018 and 31 December 2017, there was no balance accounting from 10% or more of the total balance of short-term trade accounts receivable.

### 6. Short-term prepayments to suppliers

	2018 VND	2017 VND
Third parties (*)	80,227,308,348	140,671,284,012

(\*) Details of suppliers accounting for 10% or more of total short-term prepayments to suppliers balance were as follows:

	2018 VND	2017 VND
Hoa Viet Mechanical Refrigeration Electrical Co, Ltd.	23,338,525,100	39,923,491,500
Orioled International Pte. Ltd	14,487,362,420	-
Greensol Co, Ltd.	12,581,456,859	11,129,726,759
Dong Thap Hydraulic JSC	11,189,078,300	-
Joy-Maitreya International Ltd.	-	34,710,503,925
Novocat Farma SA	-	12,167,032,500

### 7. Short-term lending

The balance represents short-term lending to individuals at an interest rate of 7.5%/p.a.

### 8. Other short-term receivables

	2018		2017	
	Book value VND	Provision VND	Book value VND	Provision VND
Advance to employees	10,417,238,735	-	7,645,541,852	-
Tax receivables	1,215,627,284	-	841,184,946	-
Interest income	452,238,673	-	6,415,154,547	-
Others	19,627,546,327	5,421,256,914	15,047,539,535	4,026,594,006
	<b>31,712,651,019</b>	<b>5,421,256,914</b>	<b>29,949,420,880</b>	<b>4,026,594,006</b>

As at 31 December 2018 and 31 December 2017, the balances of other short-term receivable which were not past due but doubtful, amounting to VND 8,964,871,021 and VND9,275,174,245 respectively, are presented in Note 9.



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### 9. Doubtful debts

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	2018			2017		
	Recoverable			Recoverable		
	Cost VND	Amount VND	Provision VND	Cost VND	Amount VND	Provision VND
<b>(i) Receivables that were past due</b>	<b>10,642,892,313</b>	<b>3,563,930,186</b>	<b>7,078,962,127</b>	<b>15,076,675,081</b>	<b>6,102,123,206</b>	<b>8,974,551,875</b>
From 6 months to 1 year	2,325,898,435	1,628,128,904	697,769,531	5,049,656,300	3,534,759,410	1,514,896,890
From 1 year to 2 years	2,813,873,979	1,406,936,989	1,406,936,990	1,683,489,950	841,744,975	841,744,975
From 2 years to 3 years	423,784,393	94,864,293	328,920,100	4,305,396,070	1,291,618,821	3,013,777,249
Over 3 years	5,079,335,506	434,000,000	4,645,335,506	4,038,132,761	434,000,000	3,604,132,761
<b>(ii) Receivables that were not past due but doubtful</b>	<b>8,964,871,021</b>	<b>3,543,614,107</b>	<b>5,421,256,914</b>	<b>9,275,174,245</b>	<b>5,248,580,239</b>	<b>4,026,594,006</b>
	<b>19,607,763,334</b>	<b>7,107,544,293</b>	<b>12,500,219,041</b>	<b>24,351,849,326</b>	<b>11,350,703,445</b>	<b>13,001,145,881</b>

### 10. Inventories

	2018		2017	
	Cost VND	Provision VND	Cost VND	Provision VND
Raw materials	191,590,665,909	(3,173,492,815)	131,717,802,029	(1,005,720,923)
Finished goods	84,340,602,767	-	82,619,638,752	-
Work in progress	27,493,068,349	-	29,043,195,846	-
Goods in transit	13,571,387,521	-	32,345,596,400	-
Merchandises	6,186,094,253	-	4,223,570,857	-
Tools and supplies	3,800,781,110	-	3,234,817,605	-
	<b>326,982,599,909</b>	<b>(3,173,492,815)</b>	<b>283,184,621,489</b>	<b>(1,005,720,923)</b>

(b) Intangible fixed assets

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	Land use rights VND	Copyright VND	Computer software VND	Others VND	Total VND
<b>Historical cost</b>					
As at 1 January 2018	75,549,435,195	744,712,823	13,402,305,076	1,350,000,000	<b>91,046,453,094</b>
New purchases	-	-	-	92,180,000	<b>92,180,000</b>
Transfers from construction in progress (Note 12)	-	-	1,696,404,000	-	<b>1,696,404,000</b>
As at 31 December 2018	75,549,435,195	744,712,823	15,098,709,076	1,442,180,000	<b>92,835,037,094</b>
<b>Accumulated amortization</b>					
As at 1 January 2018	5,021,063,465	744,712,823	12,691,311,524	236,666,667	<b>18,693,754,479</b>
Charge for the year	528,533,000	-	411,424,666	473,045,000	<b>1,413,002,666</b>
As at 31 December 2018	5,549,596,465	744,712,823	13,102,736,190	709,711,667	<b>20,106,757,145</b>
<b>Net book value</b>					
As at 1 January 2018	70,528,371,730	-	710,993,552	1,113,333,333	<b>72,352,698,615</b>
As at 31 December 2018	69,999,838,730	-	1,995,972,886	732,468,333	<b>72,728,279,949</b>

Historical cost of fully amortized intangible fixed assets but still in use as at 31 December 2018 was VND13,077,610,899 (as at 31 December 2017: VND13,030,610,889).

## 11. Fixed assets

(a) Tangible fixed assets

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	Plant, buildings and structures VND	Machinery and equipment VND	Motor vehicles VND	Office equipment VND	Total VND
<b>Historical cost</b>					
As at 1 January 2018	191,511,882,592	218,744,836,439	75,381,153,402	20,362,891,438	<b>506,000,763,871</b>
New purchases	-	4,787,450,000	125,000,000	5,257,802,000	<b>10,170,252,000</b>
Transfers from construction in progress (Note 12)	6,302,454,069	46,202,737,591	12,352,524,674	1,939,204,182	<b>66,796,920,516</b>
Disposals	-	(3,303,629,809)	(4,551,422,455)	-	<b>(7,855,052,264)</b>
As at 31 December 2018	197,814,336,661	266,431,394,221	83,307,255,621	27,559,897,620	<b>575,112,884,123</b>
<b>Accumulated depreciation</b>					
As at 1 January 2018	94,002,937,975	156,588,537,395	49,853,869,822	10,400,064,900	<b>310,845,410,092</b>
Charge for the year	7,503,300,510	12,349,697,452	6,670,903,332	2,838,188,452	<b>29,362,089,746</b>
Disposals	-	(3,303,629,809)	(4,367,539,880)	-	<b>(7,671,169,689)</b>
As at 31 December 2018	101,506,238,485	165,634,605,038	52,157,233,274	13,238,253,352	<b>332,536,330,149</b>
<b>Net book value</b>					
As at 1 January 2018	97,508,944,617	62,156,299,044	25,527,283,580	9,962,826,538	<b>195,155,353,779</b>
As at 31 December 2018	96,308,098,176	100,796,789,183	31,150,022,347	14,321,644,268	<b>242,576,553,974</b>

Historical cost of fully depreciated tangible fixed assets but still in use as at 31 December 2018 was VND 233,348,522,115 (as at 31 December 2017: VND215,059,173,979).

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### 12. Construction in progress

	2018 VND	2017 VND
Purchases of machinery	465,606,055,018	344,866,080,845
Binh Duong high-tech pharmaceutical factory	79,446,154,172	77,092,463,279
Others	2,653,278,722	5,265,066,535
	<b>547,705,487,912</b>	<b>427,223,610,659</b>

Movements in the construction in progress during the year were as follows:

	2018 VND	2017 VND
Beginning of year	427,223,610,659	76,033,490,844
Increases	194,852,497,104	362,098,173,596
Transfers to tangible fixed assets (Note 11(a))	(66,796,920,516)	(10,908,053,781)
Transfers to intangible fixed assets (Note 11(b))	(1,696,404,000)	-
Transfers to long-term prepaid expenses (Note 13)	(5,877,295,335)	-
End of year	547,705,487,912	427,223,610,659

### 13. Long-term prepaid expenses

	2018 VND	2017 VND
Land rental	11,984,765,122	12,385,162,356
Office furniture	10,287,731,732	5,993,794,652
Tools and supplies	3,321,657,132	3,002,826,668
Market research expenses	1,055,555,556	1,722,222,223
Others	5,200,832,494	12,404,484,613
	<b>31,850,542,036</b>	<b>35,508,490,512</b>

Movements in long-term prepaid expenses during the year were as follows:

	2018 VND	2017 VND
Beginning of year	35,508,490,512	27,711,711,475
Increase	3,317,660,159	16,453,704,746
Transfers from construction in progress (Note 12)	5,877,295,335	-
Allocation	(12,852,903,970)	(8,656,925,709)
End of year	31,850,542,036	35,508,490,512

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### 14. Short-term trade accounts payable

	2018		2017	
	Value VND	Repayment Capability VND	Value VND	Repayment Capability VND
Third parties (*)	109,020,003,485	109,020,003,485	219,913,500,835	219,913,500,835
Related parties (Note 34(b))	-	-	4,989,576,650	4,989,576,650
	<b>109,020,003,485</b>	<b>109,020,003,485</b>	<b>224,903,077,485</b>	<b>224,903,077,485</b>

(\*) Details of suppliers accounting for 10% or more of the total short-term trade accounts payable balance are as follows:

	2018 VND	2017 VND
Novartis (Singapore) Pte.Ltd	17,561,388,603	9,624,178,515
DSM Sinochem Pharmaceuticals	16,872,348,020	-
Fresenius Kabi iPSUM S.r.l	13,132,406,144	-
Alcapharm B.V.	27,115,000	23,165,346,108
Rieckermann GmbH	-	109,669,423,722

As at 31 December 2018 and 31 December 2017, there was no balance of short-term trade accounts payable that was past due.

### 15. Short-term advances from customers

	2018 VND	2017 VND
Third parties (*)	8,882,372,011	2,437,554,082

(\*) Details of customers accounting for 10% or more of the total short-term advances from customers balance are as follows:

	2018 VND	2017 VND
Orgalife Co., Ltd.	6,580,400,000	1,580,400,000

### 16. Tax and other receivables from/payables to the state budget

Movements in tax and other receivables from/payables to the State Budget during the year are as follows:

	As at 1.1.2018 VND	Payable during the year VND	Payment during the year VND	As at 31.12.2018 VND
<b>a) Receivables</b>				
Personal income tax	(964,770,771)	7,520,781,971	(8,314,578,304)	(1,758,567,104)
<b>b) Payables</b>				
Business income tax	7,092,461,885	35,086,396,104	(32,083,024,291)	10,095,833,698
Personal income tax	1,104,635,015	6,481,390,451	(6,795,091,492)	790,933,974
Foreign contractor tax	4,858,336	4,731,299,463	(3,138,632,600)	1,597,525,199
VAT on importation	-	41,842,166,554	(41,842,166,554)	-
Import – export duties	-	16,966,952,095	(16,966,952,095)	-
Other taxes	-	851,819,098	(851,819,098)	-
	<b>8,201,955,236</b>	<b>105,960,023,765</b>	<b>(101,677,686,130)</b>	<b>12,484,292,871</b>

### 17. Short-term accrued expenses

	2018 VND	2017 VND
Advertising and promotion expenses	52,956,136,447	57,029,036,093
Research and market development expenses	5,558,549,843	9,171,469,185
Royalty fees	3,333,846,833	16,212,210,685
	<b>61,848,533,123</b>	<b>82,412,715,963</b>

### 18. Bonus and welfare fund

Movements of bonus and welfare fund during the year are as follows:

	2018 VND	2017 VND
Beginning of year	507,209,190	4,437,929,814
Appropriated (Note 21)	28,083,204,894	2,139,121,358
Utilised	(14,607,808,022)	(6,069,841,982)
End of year	<b>13,982,606,062</b>	<b>507,209,190</b>



## 19. Sience and technology development fund

Movements of sience and technology development fund during the year are as follows:

	2018 VND	2017 VND
Beginning of year	34,411,385,694	21,720,693,918
Appropriated (*)	19,000,000,000	16,000,000,000
Utilised	(20,804,957,598)	(3,309,308,224)
End of year	<b>32,606,428,096</b>	<b>34,411,385,694</b>

(\*) In accordance with Resolution No. 02/NQ-HDQT-IMEX of the Board of Management on 10 January 2019.

## 20. Owners' capital

### (a). Number of shares

	2018		2017	
	Ordinary shares	Preference shares	Ordinary shares	Preference shares
Number of shares registered	49,421,159	-	42,978,151	-
Number of shares issued	49,421,159	-	42,978,151	-
Number of shares repurchased	(19,800)	-	(19,800)	-
Number of existing shares in circulation	49,401,359	-	42,958,351	-

### (b). Details of owners' shareholding

	2018		2017	
	Ordinary shares	%	Ordinary shares	%
Vietnam Pharmaceutial Corporation	11,305,027	22.87	9,830,459	22.87
Kwe Beteiligungen AG	5,016,704	10.15	4,347,352	10.12
Balestrand Limited	2,900,944	5.87	2,522,560	5.87
Franklin Templeton Investment - Templeton Frontier Markets Fund	1,730,579	3.50	2,954,714	6.88
Pha No Pharmaceutical Joint Stock Company	1,650,362	3.34	2,894,658	6.74
Others	26,817,543	54.27	20,428,408	47.52
	49,421,159	100	42,978,151	100

### (c). Movements of share capital

	Number of share capital	Ordinary shares VND	Preference shares VND	Total VND
As at 1 January 2017	28,942,646	289,426,460,000	-	<b>289,426,460,000</b>
New shares issued	14,035,505	140,355,050,000	-	<b>140,355,050,000</b>
As at 31 December 2017	42,978,151	429,781,510,000	-	<b>429,781,510,000</b>
New shares issued	6,443,008	64,430,080,000	-	<b>64,430,080,000</b>
As at 31 December 2018	49,421,159	494,211,590,000	-	<b>494,211,590,000</b>

Par value per share: VND10,000.

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### 21. Movements in owners' equity

	Owners' capital	Share premium	Owners' other capital	Treasury shares	Investment and development fund	Undistributed earnings	Total
	VND	VND	VND	VND	VND	VND	VND
<b>As at 1 January 2017</b>	<b>289,426,460,000</b>	<b>297,713,719,049</b>	<b>2,420,789,142</b>	<b>(123,600,000)</b>	<b>254,924,234,920</b>	<b>91,554,807,500</b>	<b>935,916,410,611</b>
Capital increased during the year	101,297,930,000	303,897,755,000	-	-	-	-	405,195,685,000
Profit for the year	-	-	-	-	-	117,360,040,786	117,360,040,786
Cash dividend paid	-	-	-	-	-	(31,249,711,200)	(31,249,711,200)
2017's interim dividend declared	-	-	-	-	-	(21,479,175,500)	(21,479,175,500)
Stock dividend declared	39,057,120,000	-	-	-	(39,057,120,000)	-	-
Appropriation to funds	-	-	-	-	17,696,779,643	(19,835,901,001)	(2,139,121,358)
Utilisation of funds	-	-	-	-	(6,812,881,958)	-	(6,812,881,958)
Bonus for Board of Management	-	-	-	-	(1,011,593,446)	-	(1,011,593,446)
Buy-back of shares	-	-	-	(95,000,000)	-	(95,000,000)	(95,000,000)
Share issue fee	-	(370,394,695)	-	-	-	-	(370,394,695)
<b>As at 31 December 2017</b>	<b>429,781,510,000</b>	<b>601,241,079,354</b>	<b>2,420,789,142</b>	<b>(218,600,000)</b>	<b>265,808,132,605</b>	<b>96,281,347,139</b>	<b>1,395,314,258,240</b>
Profit for the year	-	-	-	-	-	138,683,041,628	138,683,041,628
Stock dividend declared (*)	64,430,080,000	-	-	-	-	(64,430,080,000)	-
Appropriation to funds (*)	-	-	-	-	16,058,604,442	(44,141,809,336)	(28,083,204,894)
Bonus for Board of Management and Board of Supervision (*)	-	-	-	-	(1,301,529,450)	-	(1,301,529,450)
<b>As at 31 December 2018</b>	<b>494,211,590,000</b>	<b>601,241,079,354</b>	<b>2,420,789,142</b>	<b>(218,600,000)</b>	<b>281,866,737,047</b>	<b>125,090,969,981</b>	<b>1,504,612,565,524</b>

(\*) In accordance with Resolution No. 16/NQ-DHCD-IMEX of the General Shareholders' Meeting on 28 April 2018, the 2017's profit distribution plan has plan been approved as follows:

- Appropriation of VND16,058,604,442 to the investment and development fund and of VND14,083,204,894 to the bonus and welfare fund.
- Bonuses for the Board of Management and Board of Supervision for achieving and exceeding the profit targets with the amount of VND1,301,529,450.
- 20% dividend payment in the form of cash and new shares of which an amount of VND 21,479,175,500 was paid in cash in 2017 and new shares of VND 64,430,080,000 were issued in 2018.

(\*\*) In accordance with Decision of the Board of Directors on 4 January 2019, an amount of VND 14,000,000,000 has been accrued to bonus and welfare fund from the 2018 profits. The final appropriated amount to the bonus and welfare fund is subject to approval and possible adjustments by shareholders at the General Shareholders' Meeting.

### Status of utilisation of capital

In accordance with Resolution No. 16/NQ-DHCD-IMEX of the General Shareholders' Meeting on 28 April 2018, the Company used the mobilized capital from shares issued to invest in high-tech pharmaceutical factories and to supplement its working capital for business activities. Specifically, mobilized capital of VND 405,195,685,000 has been utilised as follows:

Purposes	Mobilised capital used VND
Factory construction	150,195,685,000
Purchases of machiney and equipments	205,000,000,000
Working capital supplements	50,000,000,000
	<b>405,195,685,000</b>

### 22. Basic earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to shareholders after deducting the bonus and welfare fund by the weighted average number of ordinary shares outstanding during the year, excluding ordinary shares repurchased by the Company and held as treasury shares:

	2018	2017
Net profit attributable to shareholders (VND)	138,683,041,628	117,360,040,786
Less amount allocated to bonus and welfare fund (VND) (*)	(14,000,000,000)	(14,083,204,894)
	124,683,041,628	103,276,835,892
Weighted average number of ordinary shares in issue (shares)	49,401,359	47,821,598
Treasury shares	(19,800)	(19,800)
Basic earnings per share (VND)	2,524	2,160

(\*) The amount allocated to bonus and welfare fund for the year ended 31 December 2018 was estimated in accordance with Decision of the Board of Directors on 4 January 2019.

(\*\*) In 2018, the Company paid stock dividend by issuing additional 6,443,008 shares at the rate of 100:15 in accordance with Resolution No. 16/NQ-DHCD-IMEX of the General Shareholders' Meeting on 28 April 2018. This issuance led to a retrospective adjustment to basic earnings per share on Income Statement in the year ended 31 December 2017.

The Company did not have potential shares which diluted earning per shares.

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### 23. Off balance sheet items

#### (a) Foreign currencies

	2018	2017
United States Dollar ("USD")	124,228,10	23,286,60
Euro ("EUR")	2,052,00	-

#### (b) Bad debts written off

	2018 VND	2017 VND
Bad debts written off	19,536,179,950	17,815,684,080

### 24. Revenue from sales of goods

	2018 VND	2017 VND
<b>Revenue</b>		
Sales of finished goods	1,114,081,182,960	1,051,007,526,188
Sale of franchised goods	67,328,879,801	105,068,047,835
Sale of exported goods	12,481,606,939	5,132,060,015
Sales of others	40,793,159,687	50,331,621,951
	<b>1,234,684,829,387</b>	<b>1,211,539,255,989</b>
<b>Deductions</b>		
Trade discounts	(41,998,624,329)	(34,582,621,629)
Sales returns	(7,868,475,827)	(11,379,266,727)
Sales allowances	-	(121,717,735)
	<b>(49,867,100,156)</b>	<b>(46,083,606,091)</b>
<b>Net revenue from sales of goods</b>	<b>1,184,817,729,231</b>	<b>1,165,455,649,898</b>

### 25. Cost of goods sold

	2018 VND	2017 VND
Cost of finished goods	536.484.874.854	474.617.328.485
Cost of promotion goods	89.926.830.748	123.102.473.358
Cost of franchised goods	53.358.947.465	88.169.091.063
Cost of exported products	5.813.304.799	3.175.168.520
Cost of others	29.603.289.353	39.570.627.859
	<b>715.187.247.219</b>	<b>728.634.689.285</b>

### 26. Financial income

	2018 VND	2017 VND
Gain from disposal financial investments	10,991,625,000	-
Interest income from deposits	6,139,875,270	14,552,321,898
Realised foreign exchange gains	1,018,282,697	988,834,620
Net gain from foreign currency translation at year-end	469,250,320	424,432,218
Dividend income	269,182,000	2,527,572,300
	<b>18,888,215,287</b>	<b>18,493,161,036</b>

### 27. Financial expenses

	2018 VND	2017 VND
Payment discounts	10,885,301,900	12,116,787,955
Realised foreign exchange losses	3,063,258,361	1,339,010,787
Loss from disposal financial investments	2,802,480,000	-
Interest expense	1,275,879,713	618,733,502
Reversal of provision for diminution in value of investments	(470,610,000)	(124,055,550)
Others	42,383,250	35,000,000
	<b>17,598,693,224</b>	<b>13,985,476,694</b>

### 28. Selling expenses

	2018 VND	2017 VND
Staff costs	90,936,309,551	92,982,920,267
Marketing, research and market development	48,735,792,705	44,642,966,675
Conference and travelling expenses	16,178,392,704	16,126,502,199
Material costs	14,203,009,442	11,628,371,769
Outsourced services	7,719,452,094	5,226,134,014
Depreciation	4,948,621,900	5,539,375,475
Repairs and maintenance	3,067,369,714	3,345,012,087
Others	26,344,637,341	30,575,375,426
	<b>212,133,585,451</b>	<b>210,066,657,912</b>

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### 29. General and administration expenses

	2018 VND	2017 VND
<b>Staff costs</b>	25,368,913,381	24,310,169,501
Scientific and technological fund distribution	19,000,000,000	16,000,000,000
Outsourced services	9,515,606,450	15,321,933,984
Conference and travelling expenses	4,209,534,239	5,085,045,850
Depreciation and amortization	4,947,132,961	3,880,198,071
Remunerations for Board of Management and Board of Supervision	3,934,070,158	3,317,522,057
Others	21,208,647,617	17,590,492,896
	88,183,904,806	85,505,362,359

### 30. Business income tax

The business income tax on the Company's profit before tax differs from the theoretical amount that would arise using the applicable tax rate of 20% as follows:

	2018 VND	2017 VND
Net accounting profit before tax	173,769,437,732	146,558,580,830
Tax calculated at a rate of 20%	34,753,887,546	29,311,716,166
<b>Effects of:</b>		
Income not subject to tax	386,344,958	392,338,338
Non-deductible expenses	(53,836,400)	(505,514,460)
Business income tax charge (*)	35,086,396,104	29,198,540,044
<b>Charged to income statement:</b>		
Business income tax – current	35,086,396,104	29,198,540,044
Business income tax – deferred	-	-
	<b>35,086,396,104</b>	<b>29,198,540,044</b>

(\*) The business income tax charge for the year is based on estimated taxable income and is subject to review and possible adjustments by the tax authorities.

### 31. Cost of operation by factors

	2018 VND	2017 VND
Raw materials	407,369,544,892	409,375,286,805
Labour costs	202,815,921,796	188,559,688,785
Depreciation and amortisation	28,125,493,432	31,379,088,060
Outsourced service expenses	59,846,326,385	57,607,414,667
Other cash expenses	165,700,073,226	176,022,095,006
	<b>863,857,359,731</b>	<b>862,943,573,323</b>

### 32. Business and geographical segments

#### Geographical Segments

The Company's revenue is mainly generated by domestic sales whereas export sales only account for a small portion in the total revenue in the Company's income statement for the year ended 31 December 2018 and the prior periods. As a result, the Company did not prepare the report by geographical segment.

#### Business Segments

The Company's principal activities are to manufacture pharmaceutical products and trade materials used for processing pharmaceutical products. Other business activities only make up a small portion in the total revenue. Therefore, the Company did not prepare the report by business segment.

### 33. Additional information for the items of the cash flow statement

#### (a) Non-cash transactions affect the cash flow statement

	2018 VND	2017 VND
Purchases of fixed assets not yet paid	24,282,797,949	134,583,472,473
Stock dividend declared	64,430,080,000	39,057,120,000

#### (b) Amount of loan actually withdrawn during the year

	2018 VND	2017 VND
Proceeds from borrowings following normal borrowing contracts	160,076,187,844	120,000,000,000

#### (c) Amount of loan principal actually paid during the year

	2018 VND	2017 VND
Repayments for borrowings following normal borrowing contracts	160,076,187,844	120,000,000,000



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### 34. Related party disclosures

#### (a) Related party transactions

During the year, the following major transactions were carried out with related parties:

	2018 VND	2017 VND
<b>i) Sales of goods</b>		
<b>Associates</b>		
Agimexpharm Pharmaceutical Joint Stock Company	23,210,726,715	28,751,319,643
S.Pharm Pharmaceutical Joint Stock Company (*)	104,765,612	5,778,606,593
	23,315,492,327	34,529,926,236
<b>ii) Purchases of goods</b>		
<b>Associates</b>		
Agimexpharm Pharmaceutical Joint Stock Company	19,434,391,150	27,098,205,801
S.Pharm Pharmaceutical Joint Stock Company (*)	159,186,013	1,296,623,250
	19,593,577,163	28,394,829,051
<b>iii) Compensation of key management</b>		
Gross salaries and other benefits	16,130,187,324	10,120,285,217

#### (b) Year end balances with related parties

	2018 VND	2017 VND
<b>i) Short-term trade accounts receivable (Note 5)</b>		
<b>Associates</b>		
Agimexpharm Pharmaceutical Joint Stock Company	13,608,592,469	13,137,826,079
S.Pharm Pharmaceutical Joint Stock Company (*)	900,000,000	2,036,619,480
	14,508,592,469	15,174,445,559
<b>ii) Short-term trade accounts payable (Note 14)</b>		
<b>Công ty liên kết</b>		
Agimexpharm Pharmaceutical Joint Stock Company	-	4,614,052,550
S.Pharm Pharmaceutical Joint Stock Company (*)	-	375,524,100
	-	4,989,576,650

(\*) From 2 November 2018, S.Pharm Pharmaceutical Joint Stock Company is not an associate of Company.

### 35. Capital expenditure commitments

Capital expenditure contracted for at the balance sheet date but not recognised in the financial statements was as follows:

	2018 VND	2017 VND
Property, plant and equipment	93,774,316,485	248,374,561,410

The financial statements were approved by the Board of Directors on 4 March 2019.

Duong Hoang Vu  
Preparer

Tran Hoai Hanh  
Chief Accountant



Nguyen Quoc Dinh  
Deputy General Director  
Authorised by Legal Representative