

**REPORT AND PERFORMANCE EVALUATION
OF THE BOARD OF DIRECTORS &
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 from 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

Total net revenue and other income reached 86.2% of the 2018 target, increasing incrementally by 1.8% year-on-year

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.

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.*

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.

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/HĐ/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

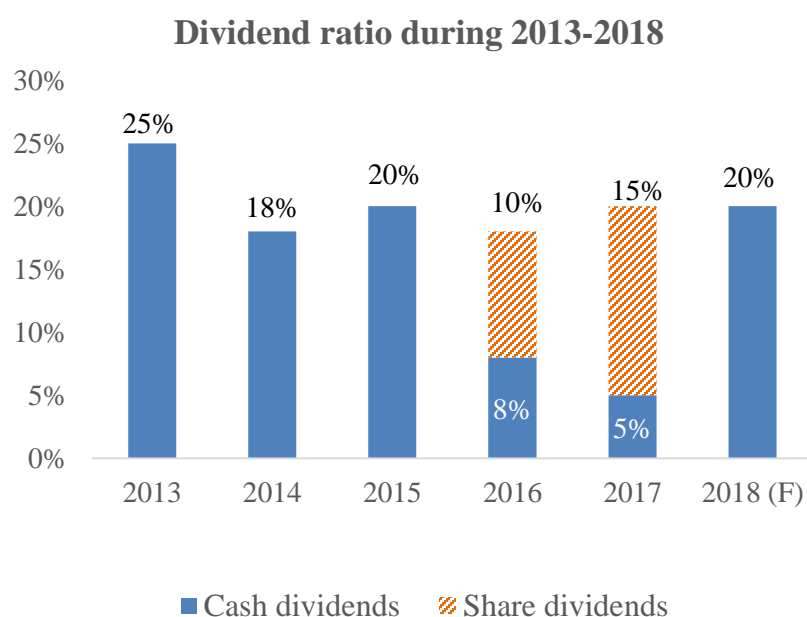
The Resolution of the Annual General Meeting was strongly supported by all shareholders attending the meeting. Resolutions and minutes of the General Meeting of Shareholders were published and reported within 24 hours as per regulation. Specific contents of the Resolution include:

No.	Resolution No. Date of issue	Item
1	16/NQ-ĐHĐCĐ- IMEX April 28, 2018	<ol style="list-style-type: none"> 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; 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; 3. 100% of shareholders agreed with business performance report and assessment of Supervisory Board in 2017 and 2013-2017 tenure; 4. 100% of shareholders approved the Proposal on operational expenses of the Board of Directors and Supervisory Board for 2018; 5. 100% of shareholders approved the Profit Distribution Proposal for 2017 and plan for dividend payout for 2018; 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; 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;

No.	Resolution No. Date of issue	Item
		8. 100% of shareholders approved the Proposal on the contribution to and use of the S&T Development Fund for 2018; 9. 100% of shareholders approved the Proposal on amendments and supplementation to the Charter of Imexpharm Pharmaceutical Joint Stock Company; 10. 100% of shareholders approved the Proposal on amendments and supplementation to the internal regulation on governance of Imexpharm Pharmaceutical Joint Stock Company; 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; 12. This resolution was adopted by 100% shareholders and took effect from the closing date of the General Meeting of Shareholders 2018.

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:



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 (*)	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 (*)	-	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	-	0.11	Starting date in the position of BOD

Number	Name	Position	Member of BOD	IMP shareholding ratio		Date of appointment/Dismissal
			(**)			Member: April 10, 2009
8	Mr. Tran Anh Tuan	Member of BOD	Non-executive (**)	-	0.11	Starting date in the position of BOD Member: 4/10/2009

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	Member of	3	60%	New

No	Member	Position	Number of BOD meetings attended	Attendance rate	Reason for absence
	Phuong	BOD			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 on 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-HĐQT-IMEX	1/18/2018	Approval of the Proposed appropriation to Science and Technology Development Fund in 2017.
2	03/NQ-HĐQT-IMEX	1/31/2018	<ul style="list-style-type: none"> - Approval of the Report on production and business performance in 2017; - Approval of the targets for production and business plan in 2018; - Approval of the authorization of the General Director to accept credit line at commercial banks in the form of unsecured loans; - Approval of wages in 2018.
3	05/NQ-HĐQT-IMEX	3/22/2018	<ul style="list-style-type: none"> - 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; - Approval of the agenda and working rules at 2018 Annual General Meeting of Shareholders; - 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 Reports and Proposals to be presented at 2018 Annual General Meeting of Shareholders.
4	14/NQ-HĐQT-IMEX	4/25/2018	Approval of the list of nominated and self-nominated members of the Board of Directors and Supervisory Board for the tenure 2018-2022

Number	No.:	Date	Item
5	17/NQ-HĐQT-IMEX	4/28/2018	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.
6	18/NQ-HĐQT-IMEX	4/28/2018	<ul style="list-style-type: none"> - Approval of the business performance report for Q1/2018; - Approval of the membership appointment of the Board of Management of Imexpharm Pharmaceutical Joint Stock Company; - Approval of the appointment of the Secretary of the Board of Directors; - 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; - 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.
7	21/NQ-HĐQT-IMEX	5/18/2018	Approval of the deadline for finalizing the list of shareholders for dividend payout in 2017
8	26/NQ-HĐQT-IMEX	8/3/2018	<ul style="list-style-type: none"> - Approval of the business performance report and financial statements for the first 6 months of 2018; - Approval of the progress of 02 investment projects; - Approval of the assignment of tasks to members of the Board of Directors for the term of 2018-2022; - Approval of the appointment of Ms. Nguyen Thi Kim Le as the person in charge of Administration and Company Secretary; - Approval of the Plan on the use of the Science and Technology Development Fund in 2018; - 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; - Approval of the purchase of additional 100,000 shares in Mephydica with a total additional investment of VND 2 billion;

Number	No.:	Date	Item
			<ul style="list-style-type: none"> - 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; - Approval of the investment directions for expansion of the dormitory for employees in Binh Duong.
9	28/NQ-HĐQT-IMEX	8/16/2018	- Approval of the appointment of Ms. Truong Ngo Sen as Imexpharm's representative at S.Pharm to replace Mr. Nguyen Quoc Dinh
10	30/NQ-HĐQT-IMEX	9/25/2018	<ul style="list-style-type: none"> - Approval of the appointment of Mr. Nguyen Dac Hai as Imexpharm's representative at S.Pharm to replace Mr. Nguyen Quoc Din - Replacement of Resolution No. 28/NQ-HĐQT-IMEX
11	31/NQ-HĐQT-IMEX	11/8/2018	<ul style="list-style-type: none"> - Approval of the business performance report and financial statements for the first 9 months of 2018; - Approval of the progress of 02 investment projects; - 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; - 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; - Approval of exercising the right to purchase additional shares for existing shareholders of Agimexpharm Pharmaceutical Joint Stock Company; - Approval of the divestment and transfer of all of its shares at S.Pharm Pharmaceutical Joint Stock Company to Mr. Nguyen Dac Hai.
12	32/NQ-HĐQT-IMEX	11/13/2018	-Approval of the divestment and transfer of all of its shares at Da Nang Pharmaceutical Medical Equipment Joint Stock Company (Dapharco)

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.

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%

Remuneration, expenses and bonuses distributed to the BOD and SB in 2018 were VND 5.2 billion, or a yoy increase of 20.9%; 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
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	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.

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.

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 credible 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**



The image shows a red circular official stamp of Imexpharm Pharmaceutical Joint Stock Company. The stamp contains the text: "M.S.D.N: 1400384433 - C.T.C.P.", "CÔNG TY CP DƯỢC PHẨM IMEXPHARM", and "TP. CAO LÃNH - T. ĐÔNG NAI". A blue ink signature is written over the stamp, and the name "CN. Nguyễn Quốc Định" is printed in red below it.