IMEXPHARM CORPORATION

THE SOCIALIST REPUBLIC OF VIETNAM
Independence – Freedom-Happiness

No.: 118/BC-IMP

Cao Lanh city, April 1st, 2022

REPORT ON BUSINESS AND FINANCIAL OPERATIONS OF THE MANAGEMENT BOARD IN 2021

OBJECTIVES FOR 2022

A. MACRO ECONOMY IN 2021 AND FORCASTS FOR 2022

The year 2021 ends with many low notes of the whole economy under the influence induced by the COVID-19 pandemic. However, it was estimated that the Gross Domestic Product (GDP) for the whole year 2021 still grew by 2.58%, much lower than the target of 6% set by the National Assembly. The fourth outbreak of the pandemic caused GDP in the third quarter of 2021 to fall sharply at a level not ever witnessed since the country's renovation period in 1986.

Industry and construction was the leading sector with the highest growth rate and the most positive contribution to GDP structure at a growing level of 4.05% and made up 37.86% of total GDP. Agriculture, forestry and fishery in 2021 has played a vital role as a launch pad to boost the economy despite encountering many obstacles due to the impacts of supply chain disruptions. Agriculture and forestry continued growing by 2.9% and accounted for 12.36% of GDP structure. The service sector was hugely affected by social distancing orders, but still attained a growth rate of 1.22% and contributed 40.95% of the Gross Domestic Product.

During the crisis period caused by the pandemic, import and export turnover increased by 22.6% year over year and was estimated at a total value of USD 668.5 billion. In which, the export revenue reached 336.25 billion USD, up 19% over the previous year. Import turnover also rose by 26.5% and was estimated at USD 332.25 billion. Economic recovery efforts in the fourth quarter have stimulated the economy to regain its momentum and Vietnam in 2021 experienced a trade surplus of approximately USD 4 billion.

Foreign direct investment (FDI) flowing into Vietnam in 2021 raised by 9.2% and attained over USD 31 billion.

Besides the adverse effects that the pandemic creates, there were also positive points to be recorded. Under the influence of social distancing orders, the digital transformation has been strongly promoted in Vietnam, helping to raise the size of Vietnam's digital economy by 31% compared to 2020 and achieved USD 21 billion.

Admit many challenges, Vietnam has performed effectively in protecting health and safety of the residences during an outbreak of the pandemic. From one of the countries with low vaccination rates in the region in late April of 2021, by the end of the year, Vietnam has become one of the three countries having the fastest vaccination rates globally. There were about 151 million doses of vaccine injected, of which nearly 100% of the population over 18 years old received at least 1 dose, more than 90% of people over 18 years old got 2 doses of the vaccine.

The 15th National Assembly at its second meeting approved the socio-economic development target in 2022 with a GDP growth of 6-6.5% and GDP per capita at US$ 3,900. With the Government's objective to "Both prevent the pandemic and develop the economy", Vietnam's growth target in 2022 is completely feasible. In addition, Vietnam will continue to give priority to enhancing and synchronizing the development institutions, improving the efficiency of law enforcement, and building the society orderly and disciplinedly. Simultaneously, strictly manage and effectively use land and resources, protect the environment, and proactively respond to climate change are focused. Vietnam also committed to net zero emissions by 2050 at the Climate Summit – COP26 congregated in Glasgow, Scotland.

B. PHARMACEUTICAL INDUSTRY – ALWAYS A PIONEER IN SUPPORTING HEALTH CARE

Hospitals in the South had to switch functions to treat COVID-19, thereby creating anxiety for people, leading to a deep fall in revenue of hospital channel. Vietnam's pharmaceutical industry has experienced a turmoil 2021 under the impacts of the COVID-19 pandemic. In addition, the production output of pharmaceutical companies, especially the ones in the South, also decreased dramatically in the period of July-August due to the market circumstances and those plants had to apply 3-4 on the spot production.

The pandemic prevention methods implemented in China, the energy crisis and the tightening of environmental protection measures, along with disease outbreaks in India and Europe have made the supply chain be disrupted and jump in the price of raw materials, which affected profit margin of pharmaceutical enterprises. Businesses have to stockpile raw materials to mitigate the risk of price increases and raw material scarcity; these actions led to high inventory costs. In parallel with raises in raw material prices, fully focus on COVID-19 prevention and control made disbursements be conducted more slowly than before. Moreover, the debt of this channel at businesses rose significantly, which caused difficulties in managing working capital at pharmaceutical enterprises.

According to a survey made by VNR (Vietnam Report) in December 2021, studying the impact of the COVID-19 pandemic on firms in the industry, it showed that 57.14% of businesses rated the situation as slightly worse, while only 7.14% of enterprises thought the situation to be slightly better. Of the 20 pharmaceutical companies listed on the stock exchange, only about 50% of them have witnessed revenue and profit growth year over year.

But it is also considered to recognize the bright spots of the pharmaceutical industry in 2021 when it becomes a leader, actively supporting people's health care during the pandemic situation. The most notable success can be mentioned is that some Vietnamese pharmaceutical enterprises were able to produce the drug to treat COVID-19 - Molnupiravir to meet domestic demand, which made a significant contribution to fight against COVID-19 and to reduce fatalities. Furthermore, the pharmaceutical industry also actively assists to the inspection, supervision and distribution of vaccines to localities so as to timely serve vaccinations for the entire population. Additionally, other domestic medicinal products also significantly support to the fight against the COVID-19 pandemic.

The prospect of the pharmaceutical industry in 2022 is difficult to forecast because it depends heavily on the movement of the pandemic and the ability to control such disease. However, the growth of the pharmaceutical industry in 2022 is quite potential when Vietnam's vaccination coverage reaches more than 90% of the population, and the pandemic appearing winding down in India could contribute to a strong recovery in the production of pharmaceutical ingredients in this country as well as create the prospect of reducing the price of input materials. In addition, Vietnam's population is aging rapidly, so the Vietnamese pharmaceutical industry growth is very prominent. Therefore, M&A activities in the industry are expected to be boosted when the Vietnamese market with a population of nearly 100 million people together with an increasing average income are always a potential for both local and foreign pharmaceutical firms.

C. REPORTS ON BUSINESS, PRODUCTION AND FINANCIAL OPERATIONS OF THE BOARD OF MANAGEMENT

The year 2021 has passed with many events considered to be unprecedented in Imexpharm's activities since its establishment nearly 45 years ago. However, the Board of Management also recognized that there might be opportunities in challenges and therefore, Imexpharm's activities of risk management and enhance value chain during the crisis induced by the pandemic have been accomplished. In the midst of struggles and challenges, the human spirit is forged; the safety and engagement of all Imexpharm employees are a great motivation to help the Company overcome a difficult year.

In this report, business, production activities, financial indicators are analysed and the value chain and sustainable development strategies that Imexpharm is pursuing will be highlighted.

I. FINANCIAL STATEMENT ANALYSIS

1. Analysis of business indicators

No.	Item	FS 2020	% net revenue	FS 2021	% net revenue	Growth rate
1	Net revenue	1,369,422	100.0%	1,266,597	100.0%	(7.5)%
2	Production revenue	1,279,848	93.5%	1,191,295	94.1%	(6.9)%
3	Cost of goods sold	822,376	60.1%	778,595	61.5%	(5.3)%
4	Gross margin	547,046	39.9%	488,002	38.5%	(10.8)%
5	Financial income	9,606	0.7%	18,444	1.5%	92.0%
6	Financial expenses	19,620	1.4%	18,041	1.4%	(8.0)%
7	In which: interest	5,408	0.4%	5,496	0.4%	1.6%
8	Selling expense	213,142	15.6%	181,293	14.3%	(14.9)%
9	Administrative expense	71,348	5.2%	72,637	5.7%	1.8%
10	Operating income	252,540	18.4%	234,475	18.5%	(7.2)%
11	Profit before tax	255,441	18.7%	238,859	18.9%	(6.5)%
12	Profit after tax	209,697	15.3%	189,095	14.9%	(9.8)%
13	Total net revenue and other income	1,382,338	100.9%	1,290,553	101.9%	(6.6)%

Target of net revenue and other incomes and profit before tax set by the General Meeting of Shareholders

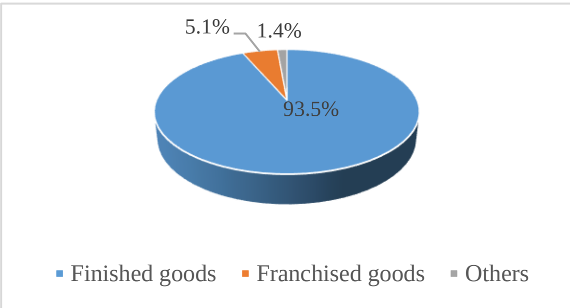
Indicators (VND million)	Actual number	Target	% Plan
Total net revenue and incomes	1,290,553	1,530,000	84.3%
Profit before tax	238,859	290,000	82.4%

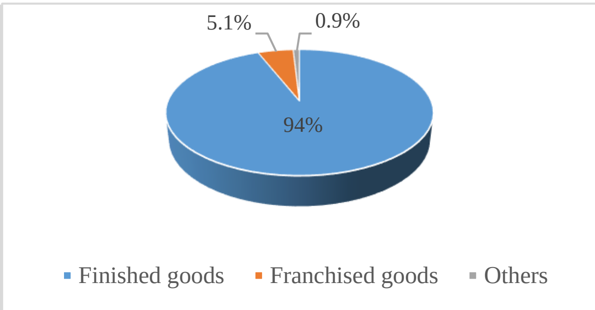
In 2021, Imexpharm's total net revenue and income was about VND 1,291 billion and made up 84.3% of the annual plan.

For the first time during many years, Imexpharm faced a negative growth in profit. The Company's pre-tax profit also dropped by 6.5% year over year and was only equal to 82.4% of the target profit set by the General Meeting of Shareholders. Imexpharm has implemented cost control measures effectively and increased inventory level to maintain profit margin stable, however, high production costs in the third quarter led to lower profit results than expected.

The Board of Management understood the business results were not as expectations, which mostly came from objective factors. Nevertheless, we recognized the shortcomings and gained experiences to come up with a specific action plan in 2022 in order to improve business and production performance.

In 2021, Imexpharm has succeeded in restructuring its product portfolio, focused on products with high economic efficiency to increase profits, and Imexpharm branded products still play a significant role in the revenue structure at 94.1%. Franchised products and other purchases accounted for 5% and 0.9% respectively in 2021. This proportion in general did not change much compared to 2020. Besides, franchise revenue also decreased by 11.1% compare to the earlier year. When the pandemic was spreading, searching and market expansion faced many difficulties, so in 2020 and 2021, Imexpharm did not record any revenue from exports. However, the seek for export markets is continuously conducted and it is expected that Imexpharm would export some products in the near future.



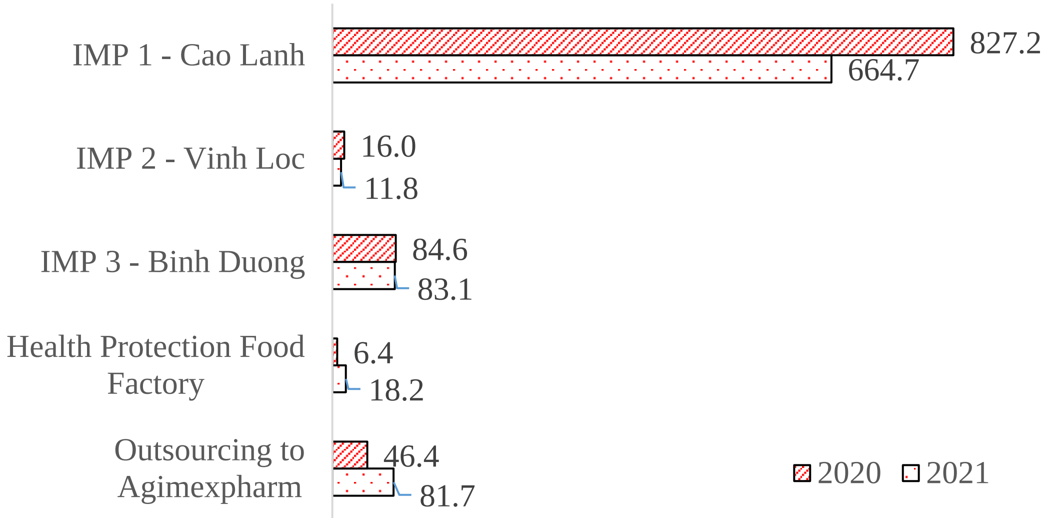


2020 2021

Production and consumption volume

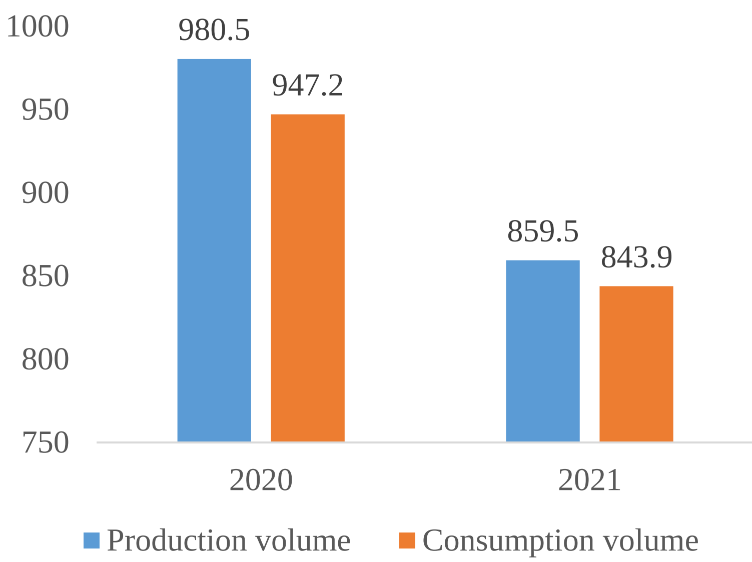
Due to the decrease in revenue, Imexpharm's production output at factories also declined, especially IMP1 and IMP2 plants. However, in 2021, Imexpharm has actively restructured its product portfolio and focused on producing high-efficiency products, so output might be reduced sharply but products value was high. In addition, the production volume of the IMP3 factory was kept stable in comparison with the amount of 2020, which reflects the strategy of concentrating on high quality products of EU-GMP factories.

In 2021, the Health Protection Food Factory had more new products announced, which led to soar in production volume of this plant. This facility is expected to help the Company diversify its product portfolio and enhance the presence of Imexpharm brand in the market.



Production volume classified by factories

The Company's consumption output fell from 947.2 million production units in 2021 to 843.9 million in 2020.



Production and consumption volume 2020-2021

Cost of goods sold and gross profit margin

The Company focuses on producing key products with high gross profit margin. However, due to the pandemic situation causing production costs to increase when operating factories, the decrease in cost of goods sold of Imexpharm was not corresponding to the fall of revenue. The Company's gross profit margin went down by 1.4 percentage points year over year. Despite volatile market conditions and rising raw material prices as well as transportation costs, Imexpharm's gross profit margin was kept at 38.5%, which helps to maintain the Company's profit. In addition, the implementation of innovative measures, useful solutions, and thrifty practices at factories have also actively contributed to cutting costs and reinforcing profit margins for Imexpharm's products.

Selling and administrative expenses

It is said that in 2021, Imexpharm has succeeded in managing operating expenses. In the context of unpredictable movements of the pandemic, costs were reduced to keep profits stable. Sales and sales support activities were suspended during the outbreaks of the pandemic, the Company flexibly switched to online forms, minimizing contact, so selling expenses were significantly declined by 15% compared to the previous year. The proportion of selling expenses in total net revenue also decreased by 1.3 percentage points. Meanwhile, administrative costs increased by 1.8%, safety measures applied in business operation has caused a raise in administrative expenses.

Interest and financial expenses

Imexpharm has been implemented the policy of managing working capital in a conservative manner and limiting debts. In 2021, we successfully disbursed a long-term loan of USD 8 million from the Asian Development Bank (ADB). However, interest expense did not increase compared to 2020, while financial expenses dropped by 8%. The activities of stabilizing capital flows for business activities and minimizing financial costs have been well done at Imexpharm.

Profit after tax and profitability ratios

Imexpharm's profit after tax decreased by 9.8% year over year, but the proportion in net revenue increased by 0.7 percentage points. Although the Company has implemented many cost-cutting measures, the plummet in revenue in the third quarter of 2021 has led to a decrease in profit regardless that the proportion of profit has improved. Profitability ratios such as ROA, ROE and EPS also dropped compared to the figures of 2020.

Items	2020 (VND million)	2021 (VND million)	Growth rate
Total asset	2,096,455	2,294,700	9.5%
Total owner's equity	1,730,486	1,794,410	3.7%
ROA	10.6%	8.6%	(2.0)%
ROE	12.8%	10.7%	(2.1)%
EPS	2,773	2,600	(6.2)%

Imexpharm's new factories were gradually completed, the Company invested more capital for stockpile inventories and increase in receivables, so Imexpharm's assets increased by 9.5% compared to 2020. The ROA and ROE ratios both decreased by 2 and 2.1 percentage points respectively compared to rates of the earlier year due to the decline in profits. Similarly, basic earnings per share also decreased by 6.2% year over year even though in 2021, Imexpharm has not issued additional shares.

2. Liquidity and solvency ratios

Item	2020	2021	Growth rate
Current ratio	2.8	2.9	0.1 time
Quick ratio	1.6	1.7	0.1 time
Cash ratio	0.2	0.7	0.5 time
Interest coverage	47.7	43.7	(4) time
Financial debt/total asset	6.2%	11.5%	5.3%
Financial debt/total owner's equity	7.6%	14.7%	7.1%

Imexpharm always pursues a low risk appetite and mitigates liquidity-related risks, so all financial decisions are made prudently. The Company's liquidity ratios including: current ratio, quick ratio, and cash ratio all increased slightly compared to 2020 amid the impact of the COVID-19 pandemic. On the other hand, despite pursuing a conservative strategy, Imexpharm still maintains a certain amount of financial debt to get good capital efficiency. The debt/total assets, debt/total equity ratios are 11.5% and 14.7% respectively in 2021. Though these ratios have nearly doubled compared to 2020, they are still kept at very safe level. Interest coverage in 2021 was nearly 44 times and Imexpharm's credit history with credit partners is very good. Financial management activities are always performed by the Company in the direction of transparency, safety, effective manner, which supports for production and business as well as earns investors' trust.

3. Operational metrics

Criteria (days)	2020	2021	Growth rate
Inventory days	172	215	43
Net receivable days	69	74	5
Net payable days	12	22	10
Operational days	241	289	48
Cash conversion cycle	229	267	38

(Note: Net receivables is calculated based on total receivable minus the amount customers paid in advance. Net payables is calculated based on total payables minus the amount prepaid by Imexpharm to suppliers. While revenue is calculated based on total revenue from sales of goods including deductions and calculations are based on 365-day length year)

The number of days of Imexpharm's inventory in 2021 increased by 43 days compared to 2020. The Board of Management has actively raised inventory level to cope with the global supply chain disruptions, long delivery times and the issue that some ingredient could not be purchased during the outbreak of the pandemic due to export restrictions. In spite of bearing the risk of increasing inventory costs, it would bring more benefits to Imexpharm since the pharmaceutical materials have a long shelf life and Imexpharm's storage facilities are qualified to maintain the stability of the raw materials. In addition to ensuring business and production continuity, the storage of inventory also helps the Company to mitigate the risk of raw material price increase and lower gross profit margin.

Imexpharm is boosting sales in the hospital channel, so during the pandemic, the receivables of ETC was also a challenge for the Company beside a decline in revenue of this channel. However, Imexpharm has actively controlled receivables of ETC whilst hospitals mostly concentrated on COVID-19 pandemic prevention and control. Imexpharm also cooperates with clients to speed up the debt collection process, reduce the amount of receivables and receivable days. Receivables at the end of 2021 declined sharply compared to the beginning figure of the year; however, the decrease in sales led the number of receivable days to rise slightly by 5 days and the Board of Management recognized the efforts of functional departments in monitoring debts.

Imexpharm's net payable days have been improved and increased by 10 days, most pharmaceutical materials are imported from abroad, so it is inevitable to pay suppliers to ensure sufficiency of materials in uncertainties. Imexpharm has been implementing many measures such as diversifying suppliers to raise bargaining power and upgrade the position of the Company when negotiating with domestic and foreign vendors.

Imexpharm's operating days went up by 48 days while the cash conversion cycle raised by 38 days compared to the numbers of the same period, largely due to a rise in inventory level. It is considered that the liquidity of Imexpharm would not be affected by the increase in operating cycles and such a jump is a strategy to tackle fluctuations of the market.

4. Cash flow statement

Criteria (VND billion)	2020	2021	Growth rate
Net cash flow from operating activities	73,153	234,881	221.1%
Net cash flow from investing activities	(136,476)	(83,142)	(39.1)%
Net cash flow from financing activities	73,592	34,495	(53.1)%
Net cash flow for the period	10,270	186,235	1,713.4%
Cash and cash equivalents at the end of the period	85,269	271,273	218.1%

Imexpharm's operating cash flow has been enhanced thanks to a decrease in receivables compared to the end of 2020 although inventories witnessed a surge. In comparison with the figure of end's 2020, operating cash flow has soared more than 220%, thereby helping Imexpharm minimize liquidity risks in the short term. Simultaneously, cash flow spent on investment activities decreased over the same period. Meanwhile, cash flow from financial activities also declined by more than 53%.

Thanks to cash flow from operating activities, Imexpharm's cash and cash equivalents at the end of the period increased sharply. While the pandemic was impacting in all aspects of life, Imexpharm still maintained strong cash flow for operations, so the Board of Management considers this fact to be one of the bright spots in the Company's performance.

II. Strengthening the comprehensive value chain

1. Research and development

Research and development activities in 2021 met Imexpharm's demand of expansion. The R&D department has conducted research and development for new products following the Quality by Design (QbD) approach, contributing to build a flexible production process and improving product quality. In addition to maintaining existing registration numbers, the R&D department has fulfilled responsibilities to register for new drug in accordance to the product development strategies of the Company. Especially, the registration to be granted the European Authority for products manufactured in EU-GMP factories has obtained very positive results. Moreover, bioequivalence testing activities have also promptly deployed by the R&D department to serve the Company's production and business operations.

In the coming period, training to improve science and technology capacity is one of the key activities of the Research and Development (R&D) department. The Board of Management will review training programs and invest more for R&D activities so that the quality of Imexpharm's products is continuously improved, and customers' confidence in Imexpharm's medicines is enhanced and spread more widely.

2. Production and quality assurance

The Quality Assurance and Quality Control departments at factories performed stably in 2021 and actively contribute to the maintenance of Imexpharm's product quality. When the pandemic was highly contagious, the Company had to maintain 3 or 4 on the spot production, Testing and Operation activities were facing difficulties due to the travel restrictions. Moreover, all staff had to maintain working and resting at factories. However, Quality Control and Assurance were still performed in accordance with EU and WHO requirements, principles and standards. Therefore, Imexpharm's products always meet quality's requirements from raw materials to finished products as well as bring peace of mind to doctors and patients.

3. Product portfolio and brand products

In 2021, Imexpharm continues to diversify its product portfolio to increase Imexpharm's brand presence in the market. In addition to the Company's strength of traditional antibiotic products, Imexpharm also invests in research new product lines such as Health Protection Food. During the year, Imexpharm had 21 medicinal products, 17 health protection food ones licensed to manufacture and distribute, and 196 products with valid circulation registration numbers. Besides, the Company has also been granted certificates of ownership by the National Office of Intellectual Property for 5 new Trademarks.

Imexpharm will continue to maintain branded products in 2022, register new products for the IMP4 factory and the Health Protection Food factory, and simultaneously promote advertisements for the Company's new products in accordance with the applicable laws. With the top priority still being product quality, the Company believes that new Imexpharm drugs will be positively received by the market.

4. Distribution channel management

Imexpharm conducts sales on OTC and ETC. During the year, the Company's ETC was adversely impacted by social distancing orders and people's delays to visit the hospitals. Meanwhile, OTC is also affected but to a lesser extent than ETC.

Despite encountering obstacles, Imexpharm still managed branches effectively, and the Company's medical representatives were pro-active throughout the pandemic outbreak to ensure that the products were promptly supplied to the market and to maintain business continuity. By the end of 2021, Imexpharm had 20 sales branches operating nationwide in both OTC and ETC. The Board of Management recognizes that there are some struggles in managing distribution channels in an unfavourable situation, however, by the end of 2021, all sales branches of Imexpharm have firmly overcome these challenges. Although it might not be as expected, the sales team put all efforts to continue to tackle uncertainties in a stormy year amidst the pandemic. Additionally, Imexpharm also actively supported distributors in ETC when sales decreased significantly and disbursement progress of hospitals was relatively slow compared to the usual schedule because most of the resources were devoted to the distribution of goods and services helping to fight against COVID-19.

5. Marketing and customer services

Marketing activities in 2021 are flexibly changed to follow the actual situation. Imexpharm actively trained and fostered medical representatives to boldly apply online forms to maintain interaction with customers. During the year, the Marketing Department collaborated with the sales branches to create many effective programs, such as " Through the waves to lead" to create motivation for the sales staff to overcome difficulties and reach achievements. The program received an enthusiastic response from the sales staff, thereby spreading positive messages about the spirit of dedication and hard working in the entire Imexpharm team. Though Imexpharm staff could not meet customers face-to-face as usual, Imexpharm's customer care activities were not interrupted as the Company still pro-actively performed such activities and conducted online surveys to collect customers' opinions on products and services, thereby serving as a foundation for improving Imexpharm's performances. In addition, scientific seminars on professional topics for doctors, medical staff or related topics to responses fighting against the pandemic attracting public’s interests were kept going on in accordance to the real situation. These activities have contributed to strengthen Imexpharm's brand and satisfy customers.

In 2022, marketing activities will be maintained in the form of actively applying information technology to communication and marketing activities to both ensure the requirements of the pandemic prevention and improve the effectiveness of Imexpharm’s advertisements. Besides, the Company will also consider and resume activities to increase direct interaction with customers when conditions permit.

6. Enterprise infrastructure

Over the past 20 years, Imexpharm has always focused on investing in quality and ensured that Imexpharm's brand products are always quality drugs manufactured by the enthusiasm, industrious and perseverance of Dong Thap people so the Company invests in factories accredited modern standards, firstly being ASEAN-GMP, WHO-GMP and now upgraded to EU-GMP. Each Imexpharm factory is equipped with modern production lines as the ones in advanced countries. In 2021, Imexpharm's factories has been operating continuously to accomplish the Company's business goals. Two factories in Cao Lanh city mainly serve the sales activities in the OTC, while the IMP2 factory in Ho Chi Minh City and the IMP3 plant located in Binh Duong province concentrate on producing products that meet the EU-GMP standard for bidding activities in ETC.

Despite maintaining production of 3 (4) on the spot production in compliance with the the pandemic prevention and control guidelines of the authorities, Imexpharm still ensured to comply set forth requirements in drug production in terms of infrastructure. Moreover, product quality is still guaranteed and strictly complies with EU-GMP, WHO-GMP. The Board of Management also recognized the efforts of all employees of the factories in maintaining stable production and saving costs. During the year, the Board of Management recorded that the cost of the factories was well controlled and decreased by 12.5%, higher than the pace of revenue drop.

In addition to investing in a high-quality factory system, Imexpharm has been a pioneer in implementations of information technology in manufacturing and management for many years. Imexpharm is the first pharmaceutical company to deploy SAP-ERP system for managerial activities. After nearly 9 years of applying SAP system, this software has been actively supporting Imexpharm's operations. Furthermore, there are other software such as: Distribution System Management (DMS), Electronic Office Management - Base... Under the impacts of the social distancing orders, the information technology system has tremendously supported the sales policy of limiting exposure and promoting digital transformation within the Company.

Imexpharm's upcoming development direction will be to promote online sales for products allowed by regulations, promote electronic payments as well as reduce cash payments and stimulate information technology application in management activities to shorten processing time, enhance productivity and decrease paper records.

7. Human Resource development

Human resource is a crucial factor determining the success of the company in any stage of development, during a pandemic, the role of each individual becomes even more significant for the organization’s developments. In the midst of difficulties, the Board of Management acknowledges the "ENGAGEMENT" of all employees who have been with the Company in a harsh year. The average total number of employees in 2021 was 1,224 people, 46 people lower than 2020. The number of employees who quitted in the year is 159 people. Imexpharm has fulfilled its obligations to leaving employees.

Imexpharm Human Resource Development Department is responsible for culture development, employee engagement with the Company and conducting surveys when employees quit their jobs. The Board of Management expressed gratitude and pride to all Imexpharm's employees being together with the Company to overcome a turbulent year. Although business results have not met expectations, the Company has succeeded in ensuring the safety of more than 1,200 employees, maintaining human resources and business and production continuity. Imexpharm employees were vaccinated early and fully equipped with protective equipment when they perform their tasks and all were working in a safe environment.

In 2022, the Board of Management will review the indicators of the Balanced Scorecard (BSC), adjust the KPIs of the departments to follow the new situation as well as improve the capability of the team. For mid-level manager, they would become professional ones, and each Imexpharm employee will strive to strengthen professional and soft skills to meet Imexpharm's development requirements.

8. Supply chain management

The source of pharmaceutical raw materials is a decisive factor for the success of the Company's products. Imexpharm's purchasing department during the year accomplished its duties to meet the requirements of production activities. Despite impacts induced by the pandemic, Imexpharm was proactive in searching raw material sources, diversifying suppliers, and registering additional sources of raw materials at the Drug Administration of Vietnam - the Ministry of Health to mitigate risks of dependence on sole source of ingredients.

In addition to the assessment of foreign suppliers maintained by the Company, Imexpharm also performs well in evaluating domestic vendors and promotes the use of domestically-originated goods if they meet the required standards in order to build up the Vietnamese business community.

Facing the sharp increase in raw material prices due to the impacts caused by the pandemic and the disruption of the global supply chain, Imexpharm has actively stockpiled raw materials to reduce the risk of price jump or shortage of production materials. However, such action also puts a lot of pressure on the management of inventory and working capital of the Company. Therefore, the Board of Management has closely monitored the market's movements in 2021 and considered that the inventory policies of Imexpharm in 2021 were congruent with the development goals and strategies of the Company.

III. Achievements and limitations

1. Achievements

Imexpharm and all businesses in the same industry have experienced an extremely fluctuated year, the rare time when the Company's revenue and profit in 2021 recorded negative growth after many years witnessed positive figures, the Board of Management acknowledged the Company still had some achievements in 2021 including

(1) Ensure health and safety for more than 1,200 employees and maintaining business continuity

Imexpharm's motto is "SAFETY FIRST", "ALIVE FIRST AND THEN EARN MONEY", so the health of all employees is the top priority in solutions to cope with the pandemic's outbreaks. Sales activities in the context that the pandemic is highly infectious created many potential risks to employees' health, however, some sales branches still achieved the set targets and actively contributed to the overall development of the Company. The Board of Management recognized the efforts of whole team because of all for careful activities to protect the health of all staff during the pandemic, so that the Imexpharm's house would be sustainable, successful and safely overcoming the storm named "COVID-19".

(2) Strong and transparent finance contributes to stabilizing core competences of the Company.

Imexpharm always manages capital flows prudently, effectively to promptly meet production and business objectives. The Company's policy restricts leverage, investment activities based on owner's equity and retained earnings. Therefore, during the pandemic situation, when business activities were going down, the

Company's liquidity risk remained low, thereby maintaining stable income and welfare policies for employees. Thanks to effective management activities, Imexpharm has been recognized and honoured by many organizations such as:

- Top 05 “Best Corporate Governance” – Mid-cap group – at the Listing Company Award 2021.

- Top 50 “Vietnam’s 50 Best-performing Companies” – Nhip Cau Dau Tu Magazine.

- And Top 100 Sustainable Enterprises - Vietnam Business Council for Sustainable Development - VCCI

(3) The innovation and creativity of the departments in confront with unprecedented problems

Despite facing unprecedented challenges being never seen during many years of operation. At Imexpharm, functional departments have made timely adjustments to deal with uncertainties caused by the pandemic. Sales and Marketing solutions are implemented in a timely manner to maintain the Company's core operations and ensure uninterrupted distribution during the outbreak of the disease. The production, purchasing and planning departments have collaborated to come up with appropriate inventory plans to ensure the highest efficiency for the Company's performance. In addition, the drug registration has been performed by the R&D department appropriately to ensure the continuous circulation of medicines. Besides, because the authorities put all efforts to anti-pandemic activities, there was a huge backlog of dossiers related to drug registration. However, drug registration processes have been conducted by the R&D department in collaborations with relevant departments to ensure the legal requirements for circulation permits to maintain the production and circulation of goods continuity and convenience.

(4) Engagement and sustainable development

Firstly, the engagement is the attachment of the staffs in Imexpharm’s overall development. During the pandemic situation, each Imexpharm employee was working enthusiastically to help the Company overcome challenges and make accomplishments.

Besides, Imexpharm is a community-oriented enterprise, the Company attaches its interests to the general development of society. In the context of the COVID-19 pandemic outbreak, the Southern provinces had to fight against the disease, Imexpharm has contributed a part of its efforts to join the whole country in combating the virus by donating rapid test kits, protective clothing, and financed support for the frontline hospitals as well as Departments of Health in such provinces. An enterprise is truly sustainable only when it is operated and developed in a sustainable community, so Imexpharm's efforts to contribute to the community have never stopped, even in the circumstances where the Company has to encounter challenges and struggles.

2. Limitations

Although there have been many efforts and exertions in risk management, coping with the pandemic situation that hinders production and business activities, Imexpharm recognizes that the Company also has some limitations in 2021.

(1) Not achieving the revenue and profit target set by the General Meeting of Shareholders

As of April 2021, when the pandemic has not been highly contagious, Imexpharm's revenue and profit were on right track and the Company could strive to achieve the target for the whole year. But a lot of regulations on social distancing and lockdown to prevent and control the pandemic made almost activities “frozen”, ETC sales declined dramatically and resulted in negative growth in revenue and profit of Imexpharm, an issue being difficult to predict when entering 2021. By the end of 2021, revenue and profit are only 85% of the plan. However, the Board of Management considered such problem to be a limitation and will focus more on forecasting and risk management to better respond to market fluctuations.

(2) Branch management has not performed in-depth, forecasting is still inadequate

Sales branches in general are improving managerial works, however, they are not really professional, in-depth and closely follow the targets set by the Board of Management. In addition, there is still a circumstance where medical representatives misappropriate debts. Moreover, the demand forecast has not yet achieved the expectation, which causes certain difficulties for planning and production activities.

The upcoming direction of the Board of Management will be to review each KPI for each branch and each medical representative to enhance the effectiveness of management activities of each branch and the whole sales division. At the same time, boosting smoother coordination between departments in forecasting as well as tightening policies in receivables management.

(3) Accreditation and re-certified EU-GMP for factories are behind schedule

The progress of EU-GMP accreditation for IMP4 factories and re-certify for IMP2 and IMP3 factories was struggling due to the influence of social distance orders and travel restrictions between Vietnam and European countries. However, the Board of Management has focused on the MA registration of products of IMP4 factory and completed the preparation steps to be ready for remote inspection. The Board of Management also acknowledges that the delay in EU-GMP accreditation for IMP4 factory (although this is a consequence of the lock down and social distancing policy due to the spread of the pandemic) has caused a lot of loss to the Company's business as the factory has to operate whilst commercial products have not launched to the market yet.

(4) Personnel development has not met the Company's demand

Imexpharm's management team is an indispensable factor in helping the Company overcome the ups and downs of the market during its development journey. However, the qualifications and leadership skill of this team are not very uniform, there are still some managers being lack of skills and professional managerial thinking. The ability of some managers to self-cultivate and continuously improve is constrained. Simultaneously, they have not strongly motivated employees to boost their self-learning ability and met the requirements of the Company.

IV. Plans in 2022

1. Revenue and pre-tax profit

Criteria (VND billion)	2021	Plan in 2022	Growth rate
Total net revenue and other incomes	1,291	1,450	12.3%
Profit before tax	239	275	15.1%

When the pandemic is basically under control, Imexpharm expects total net revenue and other incomes to increase by 12.3% and reach VND1,450 billion in 2022. Meanwhile, pre-tax profit target is VND 275 billion, going up 15.1 % year over year.

2. Reinforce the value chain and boost values added

In the first and second quarters of 2022, Imexpharm aims that IMP4 factory would be successfully accredited EU-GMP and such invent might be announced by the Vietnam Drug Administration in the third quarter and the factory would be put into commercial production as soon as possible in the third or fourth quarter of 2022.

Quickly changing and adapting to market fluctuations in the situation that the COVID-19 pandemic is still unpredictable help to create flexibility in all activities of Imexpharm.

Stimulating digitization in the Company's operations, especially online and non-cash payments would be conducted. Remote training and working activities might be implemented based on the real situation.

Strengthening research and development activities constantly in the direction of improving the professional capacity of each member of the R&D department and promoting the registration of export visas to expand the market are focused.

3. Improve the capacity and skills of human resources for the whole Company

The Company would continously boost training activities on professional skills, especially soft skills for the team.

Imexpharm would enhance online interactive training, culture development and employees’ engagements for the Company’s general objectives.

V. Conclusion

During hardships, hopes are flared, faith is cherished and preserved every day. For nearly 45 years, Imexpharm has been strong and persisted to overcome big waves and storms to maintain the “Initial Commitment” ", that's what the whole Company is proud of. Each individual or an organization is imperfect, but if that organization or individual is always moving ahead, and keeping the spirit of striving, persisting to achieve the set goals, the organization/individual will succeed!

Although 2021 is full of unfavourable factors, Imexpharm has safely passed the year having many unexpected events.

The Board of Management acknowledges that although there are still many limitations and if something were redone, they should be better, we do not forget to express our deep gratitude to all shareholders, investors, and especially more than 1,200 employees of Imexpharm, who made huge contribution to the success of the Company.

There are many people who would never desire to remember the year 2021 because of too much pain and loss in materiality and mentality. But we understood that, in those struggling days, we received the extreme engagement of the team to maintain production and business continuity, the enthusiastic support from the partners to facilitate the supply of drugs to the market. And as a Vietnamese enterprise, we have stood side by side with the health sector and local authorities to fight against the COVID-19 pandemic, once every hundred years. All of these are formed by wisdom, the spirit of mutual support and sacrifice and after that "CHALLENGES TO PASS - LOVE TO STAY".

Sincerely yours,

GENERAL DIRECTOR