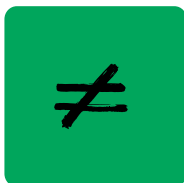
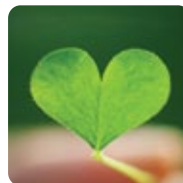
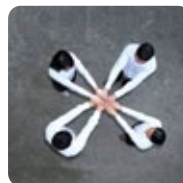


ANNUAL REPORT  
**2011**  
TRAPHACO JOINT STOCK COMPANY



*Modern* TECHNOLOGY  
& TRADITIONAL VALUES



## TRAPHACO JOINT STOCK COMPANY

English name: TRAPHACO JOINT STOCK COMPANY

Shortened name: TRAPHACO

Stock symbol (HoSE): **TRA**

Head office's address: 75 Yen Ninh Street, Ba Dinh District, Hanoi, Vietnam

Tel: (84 4) 3734 1797

(84 4) 3683 0751

Fax: (84 4) 3681 4910

Website: [www.traphaco.com.vn](http://www.traphaco.com.vn)

Business Registration Certificate: Business Registration Certificate For Joint Stock Company No. 0100108656 issued first by Hanoi Department of Planning and Investment on 24/12/1999 and last updated on 30/12/2010.

- SCOPE OF BUSINESS:**
- » Purchasing, cultivating and processing pharmaceutical herbal ingredients.
  - » Producing and trading of pharmaceutical products, chemicals and medical equipments.
  - » Manufacturing of prescription medicines.
  - » Providing consulting services to the production of pharmaceutical products and cosmetics.
  - » Importing and exporting pharmaceutical materials and products.
  - » Producing and trading cosmetics.
  - » Producing and trading foods.
  - » Providing consulting services and technology transfer in medical and pharmaceutical fields.
  - » Producing and trading liquors, beers and beverages (excluding bar operation).

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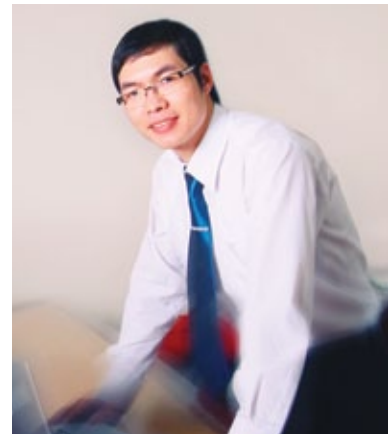
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For the purpose of conserving resources, Traphaco's 2011 Annual Report will be issued in limited prints and will be downloadable at the website: [www.traphaco.com.vn](http://www.traphaco.com.vn). After having reviewed, please pass on to interested parties.



This annual report uses recycled printing paper from responsibly-managed sources.



In the 2010 annual report, Traphaco delivered the message:  
"Combining SCIENCE with NATURE".

Traphaco would like to deliver to shareholders, customers,  
investors and employees: "from SCIENCE to LIFE" – as part of  
a consistent and connected series of messages over the years.

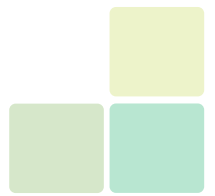


# from **SCIENCE** to *life*

Inheriting the knowledge of Vietnam's thousand-years-old traditional medicine, Traphaco has boldly applied new technology into production. With the slogan "MODERN TECHNOLOGY & TRADITIONAL VALUES", Traphaco has contributed to society products and services that are modern yet enriched with traditional values.



Message from  
the Chairwoman



In 2011, Traphaco continued to be recognized as the **“Leading pharmaceutical brand in Vietnam”**. It ranked No.1 in the manufacturing and trading of traditional medicines.

.....



# 1,123

VND billion

## 2011 REVENUE REACHED

“ For a company like Traphaco, which was formed and developed in difficulties, the tougher the environment, the more resilient it gets and there is nothing unachievable for an enterprise, which always chooses for itself a positive direction and utilizes its internal resources with the sharing and cooperation of the community. We have a firm belief that the vision of Traphaco will certainly be realized, we will exceed the strategic targets for 2015 and the business targets for 2012 will be achieved despite having faced with more difficulties and challenges. ”

---

### Dear valued Shareholders, Customers, Investors and Staffs,

2011 was a year when enterprises had to face with a great deal of difficulties due to the global economic crisis. However, Traphaco conquered the year in the way a mountain climber conquered a mountain peak. We earned the glory and happiness of a climber who conquered the mountain peak after days of struggles and hardships. Traphaco achieved a 123% growth to reach a revenue of VND 1,123 billion and net profit of VND 88 billion, exceeding previously-set targets. More proudly, Traphaco was ranked among TOP 10 ENTERPRISES WITH SOCIAL RESPONSIBILITIES in the corporate community nationwide.

The Traphaco brand continuously maintained the “**No. 1 pharmaceutical brand in Vietnam**” with a new, more complete, more beautiful and sustainable logo image. The slogan “**modern technology & traditional values**” were further validated by prominent brands such as Hoat Huyet Duong Nao – Cebraton, which took the leading positions in the category for central nervous system medicines; Boganic won the first prize of Vifotec – the 2011 national technology award; in addition, the new product Tottri, which was developed from a family-owned formula into a mass-produced, easy-to-use pharmaceutical product, has gained wide recognition after just 1 year of being launched.

The No.1 modern manufacturing factory of traditional medicines in Vietnam: Traphaco CNC contributed to strengthen Traphaco’s quality credentials as well as enhancing the company’s business efficiency after we successfully completed the acquisition to bring our ownership at Traphaco CNC to 50.96%.

The distribution network expanded aggressively with the full operation of the 10 branches, helping to capture market share, enhancing financial efficiency and reducing the risk of overdue receivables. In an environment of rising inflation and interest rates, the company still managed to do a good job in collecting receivables, ensuring a healthy financial standing for the company.

During 2011, the corporate culture “**Cooperation, sharing, commitment and honoring commitment**” had significant impacts. Traphaco successfully underwent a leadership transition, transforming itself for a new phase of further development. The first year of the IV term was a year of many changes in the corporate structure. The senior leadership team became complete with the separation of the Board of Directors and the management team. This was the foundation for higher productivity, especially in the aspect of corporate governance.

Message from  
the Chairwoman (cont.)

2011 EPS reached VND  
**7,188** growing 19% from  
2010 (2010 EPS: VND 6,047)

**88.68** VND billion

## IN NET PROFIT FOR 2011

Indicators		Actual 2010	Target 2011	Actual 2011	2011A vs. 2011T (*)	Target 2012
Total revenue (incl. VAT)	VND billion	907	1,080	1,123	104%	1,330
Revenue from manufactured products	VND billion	652	830	844	102%	1,000
Other revenue	VND billion	259	250	279	112%	330

(\*): A: Actual - T: Target

The year 2011 concluded with impressive figures and achievements. Trophaco had utilized its internal resources, the position and resources of a heroic enterprise. Trophaco was able to thrive and overcome the difficulties because of the sharing and cooperation of the shareholders, business partners, authorities, banks, suppliers, distributors, customers...especially the dedication and solidarity during hardships of the entire staffs.

On behalf of the Board of Directors, I would like to express our sincere gratitude to our dear stakeholders, during difficulties, sharing is truly precious.

Together we will continue conquering the new heights. We can be proud of what we have accomplished and firmly believe in the company's success because Trophaco has **"all-that-it-takes"**. We always listen, receive and appreciate every opinion and support from you as well as any contribution from the community.

Sincerely yours,



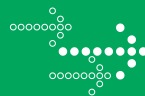
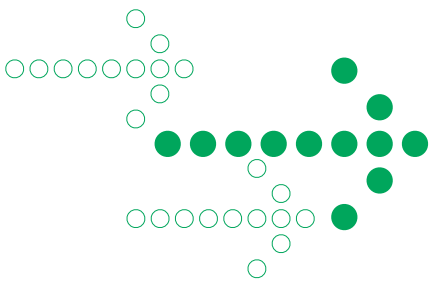
VU THI THUAN  
Chairwoman



CONQUERED FANSIPAN PEAK  
NOVEMBER 2010



Traphaco aspires to be constantly moving forward  
and achieving the new heights.



## Mission

Provides and contributes to society the products and services which are modern yet enriched with traditional values, with the sole intention of improving the quality of life.

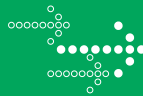
Always be customers' satisfaction-oriented, creates meaningful jobs and provides employees with career-advancement opportunities.

Increases shareholders' value and maximizes other interests for investors .



## Vision

to become a **STRONG ECONOMIC GROUP**  
in the healthcare sector by 2020.



## Core Values

The quality of the products and services is decisive to the existence of the Enterprise.

The added values for society, customers, employees and shareholders are the goals and drivers for a sustainable development.

Creative labor is fundamental to development.

Cooperative relationships, sharing, commitments and honoring commitments are the foundations of the corporate culture.

Modern and traditional are the unique characteristics of Traphaco.



“

Science-technology as the core, market as the direction, growth as the motivation, quality as the commitment to customers, the strategy of industrializing and modernizing production processes has always manifested in the Company's scientific and technological missions.

”



$\alpha$

from  
**Science**

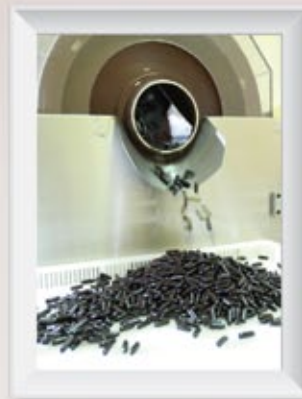
## KEY milestones of 2011

**A proposal within the GreenPlan project received grant from the World Bank**



On 15 June 2011, the proposal “Develop the identifier set for *Dioscorea persimilis* Prain et Burkill and *Rhizoma Dioscorea persimilis*” received grant from the World Bank through the program Vietnam Innovation Day 2011. The proposal was one of the research topics within Traphaco’s GreenPlan project, which was implemented with the message “For a green environment, for the health of the community, for the prosperity of the country”.

**Traphaco successfully conducted a tender offer to acquire shares of Traphaco High Technology Joint Stock Company (Traphaco CNC)**



By 01 November 2011, Traphaco successfully completed the tender offer to buy Traphaco CNC’s shares, bringing its ownership at Traphaco CNC from 12.83% to 50.96%. Having a majority stake in Traphaco CNC would allow Traphaco to control Traphaco CNC in a way that is consistent with its long term development strategy and at the same time provide additional support in management, technology and marketing.



TRAPHACO won the award for the Best Annual Report and ranked high in “The annual report on the Credit Rating of Vietnam Index 2011”



TOP **10** ENTERPRISES with CORPORATE SOCIAL RESPONSIBILITIES

In 2011, Traphaco was proudly named among the “Top 10 enterprises with Corporate Social Responsibilities”, this was a recognition by the Organizer and the Award Evaluation Committee for Traphaco’s accomplishments over the recent years and would encourage the company continue its commitment to community in the coming years.



In 2011, for the first time, Traphaco participated in the contest for “Best Annual Reports of 2010” and won the “Best Annual Report” Award. In addition to this award, Traphaco was also graded AAA in “The annual report on the Credit Rating of Vietnam Index 2011”, which was only given to enterprises with high operational efficiency, transparency, sound financial standing, long-term development outlook, tight control of the capital and the lowest risks.



### Traphaco won the first prize of Vifotec

On 15 April 2011, the Vietnam Fund for Supporting Technological Creations (VIFOTEC), which is an affiliate of the Vietnam’s Union of Scientific and Technological Associations, announced the list of technological solutions which won the Vietnam awards for scientific and technological creations in 2010. The project “Research to produce the liver-detoxifying Boganic from Vietnamese medicinal herbs” of Traphaco proudly won the first prize.

# 39 years

of maintaining  
a **STRONG BRAND**  
(28/11/1972 - 28/11/2011)

Trophaco was formerly a medicine manufacturing workshop of the Railway Health Authority, established on 28 November 1972 with the mission to produce serum, infused fluid and distilled water for the Railway Hospital during the American War.

Equitization: Since 1<sup>st</sup> January 2000, The Transportation Pharmaceutical and Medical Equipment Joint Stock Company officially started operating as a Joint Stock Company with 45% State ownership.

First day of trading on the stock exchange: On 26 November 2008, the stock officially became listed on the Ho Chi Minh Stock Exchange (HOSE) under the symbol TRA..

## 1972

The establishment of the medicine manufacturing workshop of the Railway Health Authority.

- 1993 : The railway pharmaceutical enterprise (Trophaco).
- 1998 : Set up the manufacturing factory in Phu Thuong – First GMP – certified manufacturing in the North.
- 2000 : The Founding General Shareholders Meeting. Trophaco became one of the first pharmaceutical companies to be equitized.

## 2001 ~ 2006

- 2001 : Changed the name to Trophaco Joint Stock Company with a business scope in multiple industries in order to cope with new economic trends.
- 2002 : Set up the first branch in Ho Chi Minh City. Set up Trophaco Sapa Limited Liabilities Company with 2 members: Trophaco and Lao Cai Pharmaceutical Company.
- 2004 : Commenced and put into operation Hoang Liet manufacturing factory – Hoang Mai – Hanoi (The factory was certified GMP-WHO in 2007 by the Drug Administration of Vietnam).
- 2006 : Set up the branch in the Central in Da Nang, the company was granted ISO 9001-2000 by BVQI. Set up Trophaco High-Technology Joint Stock Company (Trophaco CNC).





## 2007 ~ 2008

**2007** : Successfully conducted the IPO. The IPO attracted the participation of strategy shareholders, who are reputable investment funds such as Vietnam Azalea Fund Limited... The joint-venture traditional medicine manufacturing factory in Van Lam – Hung Yen was certified with GMP accreditation.

**2008** : The company was granted ISO 14001–2004 by Quacert and in October was granted the 5S good practice certificate.

On 26 November 2008, the company's TRA stock symbol became officially listed on the Ho Chi Minh Stock Exchange (HoSE).

## 2009 ~ 2011

**2009** : Marked the 10<sup>th</sup> anniversary of being equitized. Traphaco was recognized as the No. 1 pharmaceutical brand in Vietnam. Introduced Traphaco Sapa Single Member Limited Liabilities Company in Lao Cai, of which Traphaco owned 100%.

**2010** : Traphaco proudly received the Labor Hero title, was the only one enterprise to receive the Wipo award from the World Intellectual Property Organization. Won 3<sup>rd</sup> prize for corporate social responsibilities to the environment.

**2011** : Traphaco proudly won the Top 10 enterprise for corporate social responsibilities. Traphaco owned 50.96% of Traphaco CNC.



Time	Prize
2005	received the recognition “Enterprise for women’s progress” - the Kovalevskaia award for the female science workers of Traphaco
1998 - 2011	For 14 consecutive years received the “Consumers’ Choice for High quality Vietnamese products” award.
2003 - 2011	Won the award “Vietnam’s Gold Star” (in the TOP 100 consecutively throughout the period 2008-2011).
2007	<ul style="list-style-type: none"> <li>- “The Second – Class Labor Medal” from the President of the Socialist Republic of Vietnam in 2007.</li> <li>- “The Third – Class Labor Medal” from the President of the Socialist Republic of Vietnam granted to the Company’s union.</li> <li>- The only pharmaceutical company which received the “Techmart Gold Cup”.</li> </ul>
2008	Gold cup for the most recognized Traphaco brand.
2009	Was recognized with “the Most Recognized Pharmaceutical Brand in Vietnam”
2010	<ul style="list-style-type: none"> <li>- Won the title “Labor Hero”.</li> <li>- Won the award for corporate social responsibilities.</li> <li>- Received the WIPO award from the World Intellectual Property Organization.</li> </ul>
2011	<ul style="list-style-type: none"> <li>- Among the top 10 enterprises for Corporate Social Responsibilities.</li> <li>- Leading brand in Vietnam.</li> <li>- Vifotec’s first prize for Boganic .</li> <li>- Was named one of the Best Annual Reports. Received the highest rating (AAA) in the Annual report on Credit Rating Index 2011 for Vietnam.</li> </ul>

# 123.4

VND billion

## CHARTERED CAPITAL IN 2011

### History of capital raising

Unit: 1.000 VND

Timeline	Purposes of capital raising	Pre-capital raise chartered capital	Chartered capital raised	Post-capital raise chartered capital
9/2006	Issuance to existing shareholders	9,900,000,000	10,100,000,000	20,000,000,000
3/2007	Share bonus issuance to employees	20,000,000,000	800,000,000	20,800,000,000
4/2007	Share dividend	20,800,000,000	41,600,000,000	62,400,000,000
11/2007	Share offering to existing shareholders and employees, IPO	62,400,000,000	17,600,000,000	80,000,000,000
12/2008	Share bonus to employees	80,000,000,000	1,585,200,000	81,585,200,000
10/2009	Share issuance to existing shareholders	81,585,200,000	20,396,300,000	101,981,500,000
4/2010	Share issuance to existing shareholders.	101,981,500,000	20,395,790,000	122,377,290,000
12/2010	Share bonus to employees	122,377,290,000	1,020,950,000	123,398,240,000



## highlighted Products

The leading famous brands  
**HOAT HUYET DUONG NAO – Cebatron**  
Herbal tonic for the brain and the memory



**Ingredients:** Extractum Polyscias, Extractum Ginkgo, Excipients.

**Indication:**

- » Loss of memory, cerebral circulation insufficiency, vestibular syndrome. Cerebral circulation insufficiency with its symptoms such as: headache, dizziness, vertigo, sleeplessness, losing balance.
- » Cerebral function deficiency, loss of memory, nervous breakdown, encephalomaia, sequel of cerebral disorder.
- » Intellectual workers' symptoms caused by stress such as headache, dizziness, vertigo, asthenia.
- » Tremors for patients of Parkinson disease.

VIFOTEC'S FIRST PRIZE

**BOGANIC**

For enhancing detoxification  
and protecting the liver



**Ingredients:** Extractum Cynarae, Extractum Polygoni avicularis, Semen Ipomoeae, Excipients.

**Indications:**

- » For patients with liver hypofunction, tiredness caused by hepatitis, indigestion, jaundice, carbuncles, pruritus, constipation.
- » Detoxification, anti-allergy. Especially for men having diminished function of the liver due to using alcohol drinks too much
- » Atherosclerosis, hyperlipemia

THE CAPITAL'S FAVORITE  
VIETNAMESE PRODUCT

**Bright Eye Pill**

**SANG MAT**  
Eye tonic from herbs



**Ingredients:** Flos Chrysanthemi, Rhizoma Alismatis, Radix Rehmanniae, Radix Polygoni, Spica prunellae, Rhizoma Dioscoreae persimilis, Semen Cassiae torea, Radix Angelicae sinensis, Excipients

**Indications:**

- » Eyestrains
- » Dimeyes
- » Retinitis
- » Inflammation
- » Amblyopia
- » Optic atrophy

SOLE CERTIFICATE  
ON USEFUL SOLUTION

**Ampelop**

Healing the  
gastro-duodenal ulcers.



**Ingredients:** Ampelopsis Cantonensis extract, Excipients

**Actions:**

- » Eradicating Helicobacter Pylori.
- » Reducing inflammation and pain.
- » Reducing gastric acid secretion.
- » Healing the gastro-duodenal ulcer.

**Actions:**

- » Gastric ulcer, duodenal ulcer.

FAMILY'S  
SECRET FORMULA

**tottri**

For effectively managing  
and preventing acute  
hemorrhoids



**Ingredients:** Radix Codonopsis pilosulae, Radix Astragali membranacei, Radix Angelicae sinensis, Rhizoma Atractylodis macrocephalae, Rhizoma Cimicifugae, Radix Bupleuri, Pericarpium citri reticulatae perenne, Radix Glycyrrhizae, Semen Nelumbinis, Semen Ciocis, Excipients.

**Indication:**

- » Acute haemorrhoids with symptoms: Bleeding during bowel movements, itching, rectal pain and prolapse.
- » Prevention and treatment of internal and external haemorrhoids.

**Ingredients:** Salvia miltiorhiza extract, Panax pseudo-ginseng powder, Borneol, Excipients.

**Indications:**

- » Prevention and treatment chest pain, pains due to blood stasis and coronary artery diseases, and stuffiness in the chest.
- » Prevention and treatment Cardiomyopathy and high cholesterol.
- » Headache due to blood stasis (intermittent pains), cerebral circulation deficiency.

**Ingredients:** Phellodendron amurense Rupr, Rhizoma Anemarrhenae, Pericarpium Citri Reticulatae, Radix Paeoniae Alba, Rhizoma Zingiberis, Radix Rehmanniae gluticosae praeparata, Calcium Lactate, Excipients

**Indications:**

- » Limpness and aching of the loins and knees, pain of the bones and joints, weakness of the muscles and tendons, difficult walking
- » Treatment and prevention of porosis, porous bone at old people, menopausal women.

**Ingredients:** Radix Angelicae Pubescentis, Loranthus parasiticus, Radix Ledebouriellae, Herba Asaricum radice, Radix Gentianae macrophyllae, Ramulus Cinnamomi, Radix Achyranthis bidentatae, Cortex Eucommiae, Radix Agelicae sinensis, Radix Paeoniae lactiflorae, Radix Glycyrrhizae, Rhizoma Ligustici wallichii, Radix Rehmanniae, Radix Campanumoeae, Poria, Excipients

**Indications:**

- » Inflammation, pain of peripheral nerves marked by: sciatica, pain over shoulders and back.
- » Arthritis, pain of the bones and joints.
- » Aching and limpness of the loins.

**Ingredients:** Chlopheniramin maleat, Dextromethorphan HBr, Guaiphenesin, Excipients.

**Indications:**

- » Treatment nonproductive cough (dry cough), allergic cough, cough due to the common cold, flu.
- » Treatment productive cough due to pneumonia, bronchitis, excessive smoking

**Ingredients:** Fructus Lycii, Semen Cuscutae, Fructus Rubi, Semen Plantaginis, Fructus Schisandrae

**Actions:**

- » Formenton originated from a famous ancient traditional remedy "Ngu tu dien tong" meaning "five seeds passing on the generations", which was recorded in the ancient medical book "Nhiep sinh chung Dieu phuong" of the famous physician Truong Thoi Duc.
- » The medicine will enhance male fertility and help users have many children

**Indications:**

- » For men and women struggling with infertility and sexual function deficiency.
- » Men with weak kidney syndromes: premature ejaculation, semen discharge disorder, nocturnal emission, loss of libido, low sperm count, back pain, discharge after urination

## TOTTIM EXTRA

FOR PREVENTING AND TREATING C  
ARDIOVASCULAR DISEASES



## AbFUCO

Preventing and treatment for osteoporosis



THE FAMOUS LOCAL MEDICINE FORMULA

## Didicera

Relief of pain of the bones,  
joints and arthritis



Siro ho

## METHORPHAN

For the effective control of coughs



MODERNIZING TRADITIONAL MEDICINE

## FORMENTON

Yang kidney tonic, improving sperm of quality and count



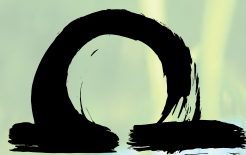
SEED OF  
HAPPINESS



“

Employing the most modern, GMP-WHO certified traditional medicine production lines in Vietnam, Traphaco has been providing clinically effective, safe and reasonably- priced pharmaceutical products, contributing their part to enhance the healthcare for millions of people in the whole country.

”



to  
**Life**



## A NUMBER OF NOTABLE RESULTS ACHIEVED IN THE INDUSTRY

### DOMESTIC PRODUCTION AND SUPPLY UPDATE

Unit: USD thousands

Year	Total drug market value (*)	Total domestic drug value (*)	Total imports value (*)	Drug expenditure per capita (USD)
2002	525,807	200,29	457,128	6.7
2003	608,699	241,87	451,352	7.6
2004	707,535	305,95	600,995	8.6
2005	817,396	395,157	650,180	9.85
2006	956,353	475,403	710,000	11.23
2007	1,136,353	600,630	810,711	13.39
2008	1,425,657	715,435	923,288	16.45
2009	1,696,135	831,205	1,170,828	19.77
2010	1,913,661	919,039	1,252,572	22.25
2011 (est.)	2,432,500	1,140,000	1,527,000	27.6

Source: Drug Administration of Vietnam

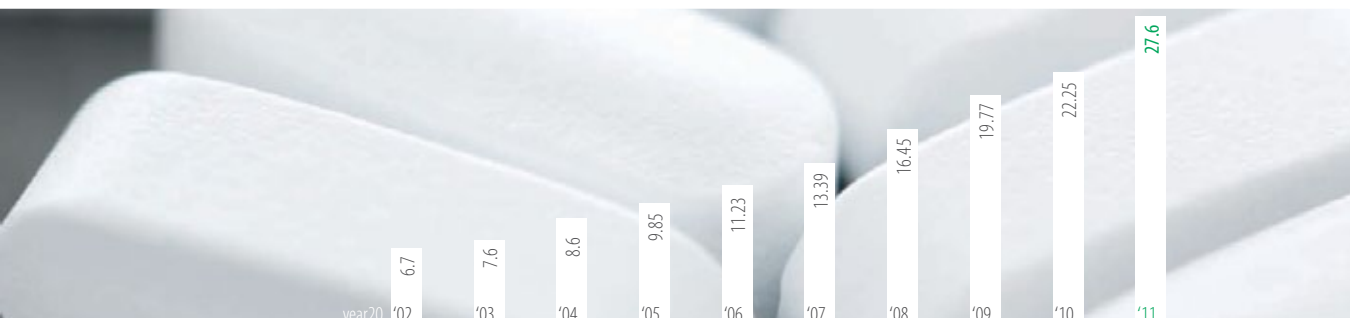
Estimated production growth in 2011 compared to 2010: 20.04%.

In 2010, the total value of domestically produced drugs reached approximately USD 919.04 million, increasing 10.57% from 2009 and satisfying 48.03% of total domestic demand.

The total drug market value was USD 1,913.66 million representing a 12.82% increase from 2009. Drug expenditure per capita was estimated at USD 22.25, increasing USD 2.48 from 2009 (or 12.54%).

### DRUG EXPENDITURE PER CAPITA

Unit: USD/person



Source: Drug Administration of Vietnam

### MEDICINE IMPORTS UPDATE

The total import value in 2011 was estimated at: USD 1,527 million, increasing 21.99% from 2010.

- » Value of imported products: USD 1,337 million, an increase of 28.7% from 2010.
- » Value of imported ingredients: USD 190 million, no change from 2010.

Total export value in 2011 was estimated at USD 44.5 million, no significant change from 2010.



## DRUG REGISTRATION UPDATE

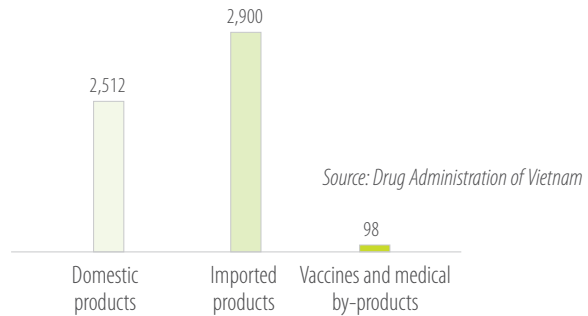
Total number of registrations: 25,415 products

Duplicated registration:

- » Many registration numbers from one active ingredient
- » Concentration on a number of commonly used products.

Domestic production: 13,268 registration numbers

- » Western medicines: 12,588 registration numbers
- » Traditional medicines: 680 registration numbers



Category	Total number of unexpired registration numbers	Number of active ingredients	Active ingredients/number of registration numbers ratios	Number of registration numbers issued in 2011
Domestic products	13,268	524	~1 Active ingredient/ 25 registration numbers	2,512
Imported products	12,147	971	~1 Active ingredient/ 13 registration numbers	2,900

Source: Drug Administration of Vietnam

## DRUG QUALITY ASSURANCE ACTIVITIES

Number of GPs-certified pharmaceutical companies over the years

Year	2006	2007	2008	2008	2008	2011
GMP	66	74	89	98	101	109
GLP	60	74	88	98	104	113
GSP	64	76	106	126	137	158

Source: Drug Administration of Vietnam

There has been a growing number of GPs-certified pharmaceutical companies, as of 31 Dec 2010, there were 101 GMP-certified manufacturing facilities, 104 GLP-certified facilities, of which there were 2 Central Drug Testing Institute and 1 Drug Testing Institute of Ho Chi Minh City, Medicine Research and Testing Center of the Army and 101 testing labs at the manufacturing facilities; 137 GSP certified companies.

## DRUG QUALITY ASSURANCE ACTIVITIES

Recalls of low quality medicines:



In 2011, the Drug Administration issued decisions to recall 76 batches of medicines, of which:

- » Domestic medicines: 39 batches.
- » Imported medicines: 37 batches.

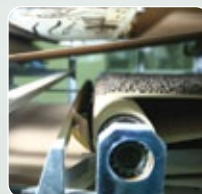
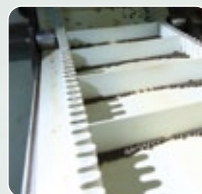


**The Government's plan to develop the pharmaceutical industry:**

In the Government's 10 year plan, as much as USD 1.5 billion will be intended for development investment in the pharmaceutical industry, in which enhancing the quality and increasing the market share of domestic products will be prioritized. According to this plan, the market share of Vietnamese pharmaceutical companies will increase from 40% to 60% by 2015 and the percentage of domestically produced ingredients will be increased. In the immediate future, the Government plans to invest USD 241 million to build 4 manufacturing facilities over the next 4 years. In parallel to the plan to increase production capacity, regulations in drugs administration and foods safety will also be bolstered and enhanced.

**Increasing medicine consumption per capita in Vietnam:**

The population of Vietnam is expected to reach 93 million by 2015. Population growth, along with income growth, will push up expenditure on medicines. In addition to using treatment medicines as a necessity, other healthcare products such as vitamins and food supplements will be consumed more widely. According to BMI's forecasts, medicine expenditure per capita in Vietnam in 2012 will increase 16% from 2010.



The production line for hard-capsule tablets



## RISK MANAGEMENT

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### RISKS

### IMPLICATIONS OF RISKS

### RISK MITIGATING MECHANISMS

#### Legal:

The legal frameworks and documents in Vietnam are still in the process of being completed and constantly changing.

Financial regulations and guidelines (particularly taxations) are constantly updated and adjusted.

Risks of being penalized, sued, litigated and claimed against if the company is not clear or updated on the latest legal documents.

The strategic planning as well as the execution of business strategies will be directly affected.

The legal department of the company is comprised of highly capable professionals who have had specialized trainings and are responsible for thoroughly monitoring, researching and regularly updating on legal documents, industry regulations that are relevant to business activities.

#### Macroeconomic

In 2012, the Vietnam's economy is forecasted to remain with many macro-economic uncertainties. Inflation and exchange rate are yet to be controlled. Decree 11 of the State and the continuing tightening monetary policy will reduce the total demand.

The unresolved European sovereign debt crisis and the slow recovery in the key developed markets will continue to be the main concerns of the global economy.

Rising inflation and currency devaluation will cause the company's input costs such as electricity, water, gasoline, raw materials and interest rate...to increase. Meanwhile, the product prices are not raised proportionally due to the State's price control mechanism applied the pharmaceutical industry.

The global economy's slow growth, or even zero-growth, which couples with the declined demand in the domestic economy driven by Decree 11 and the tightening monetary policy will reduce the demand for the company's products.

Traphaco regularly gets updated on the latest economic development and forecasts, proactively manages its financial resources, maintains good relationships with banks and financial institutions to ensure flexible liquidity..

Thoroughly implements optimization of working capital, expedites collection of receivables and reduces receivables days.

Employs a flexible strategy in structuring the product mix to maximize net profit.

Utilizes domestic supplies, refrains from engaging in transactions that involve foreign currencies.

## Raw materials

The supply and prices of the company's raw material inputs (including main raw materials, adjuvant, imported active ingredients for western medicines) are always fluctuating.

The suppliers can delay deliveries or deliver raw materials of poor quality.

Since the prices of the company's products are under strict control by the Drug Administration authorities and the price adjustment process is complicated and time-consuming, every constant fluctuation in the price for the raw materials will directly affect the company's profit.

Under-stocking and being unable to fulfill the demand of the customers in a timely fashion could result in losses of market opportunities, and subsequently losing market share.

Products of poor quality due to low quality raw materials could be returned, hence negatively affecting the company's reputation and credibility.

Actively negotiates with suppliers regarding prices and signs long-term contracts for domestic raw materials supply, and annual contracts for imported ingredients supplies.

The company has been also proactively building and developing the farming areas for the raw materials of traditional medicines.

The company has been contributing to the development of a number of medicinal herbs which are locally unique. The first intention is to establish a stable supply both in terms of quantity and quality for the company's production needs. The long term target is to share information, cooperate and transfer the technology for safe farming and processing of medicinal herbs, support the scientific research projects which aim at sustainable development of the medicinal herbs resource in Vietnam.

## Competition and counterfeited products

In an open economy with great potentials for growth, pharmaceutical enterprises like other consumer products enterprises, are faced with fierce competition.

Currently, of the 178 pharmaceutical manufacturing enterprises, there are 98 western medicine producers and 80 traditional medicine manufacturers. In addition, there are also 200 independent entities which are engaged in the production of traditional medicines.

Traphaco is also faced with fierce competition from Chinese traditional medicine manufacturers.

A number of Traphaco products are easily to make counterfeits.

Traphaco products can easily be substituted if they cannot prove their superior quality and effectiveness.

The company can lose their market share to competitors if their brand and distribution network are not well-maintained.

The counterfeited products are ubiquitous, especially in rural provinces and that can reduce the revenue and potentially downgrade the credibility of the products.

The company needs to constantly improve the quality of their medicinal products, enhance the technology and diversify the product portfolio.

The company's leaders are continuing the strategy to expand the distribution network and strengthen the sales team.

The Traphaco brand has always been the focal point of PR and marketing campaigns, keeping its credibility to customers and maintaining recognition awards from various domestic and foreign organizations.

The company always proactively and thoroughly registers for intellectual property and patent protection, at the same time, aggressively requests legal intervention from the authorities whenever discovering counterfeited and faked products.

## High days receivables

The days receivables at Traphaco is high compared to other industry peers.

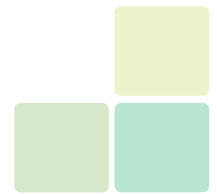
Reduces the business and working capital efficiency.

Can incur losses of assets if overdue debts turn bad.

The provision for bad debts can directly lower net profit.

Being disciplined and persistent in collecting receivables.

Sets clear and specific targets for the sales team and accounting department in collecting receivables.

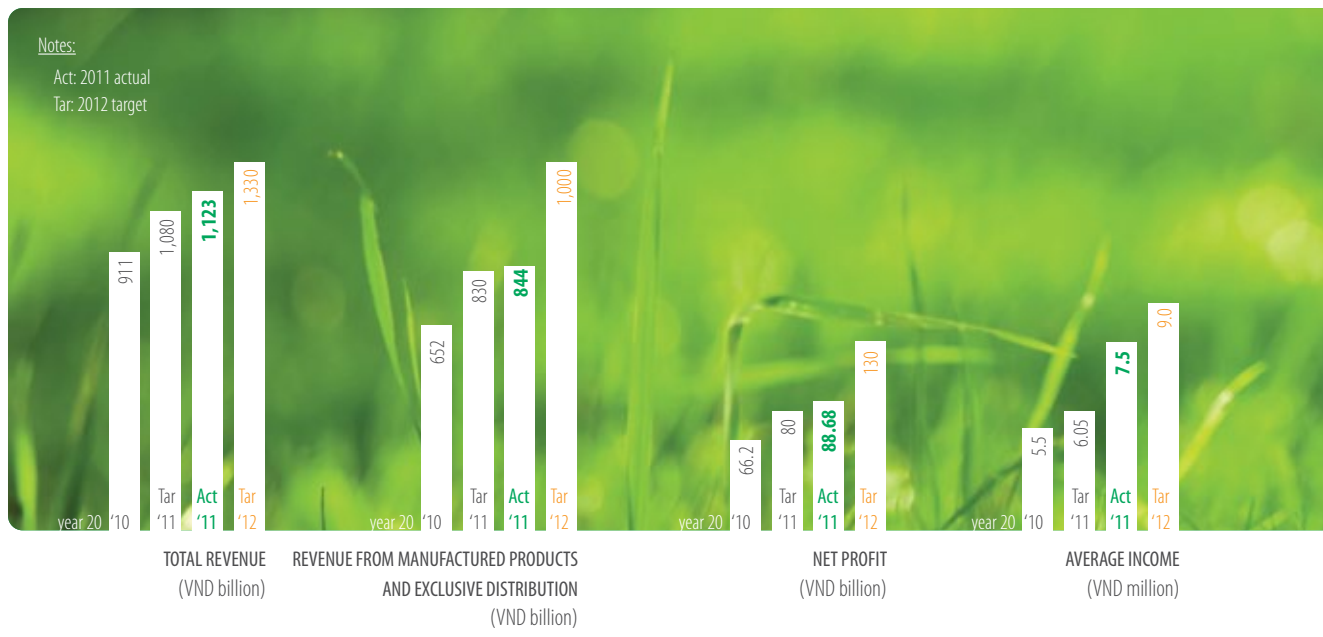


“ 2011 marked the opening year of the IV term (2011–2015) with tremendous pressure for the Board of Directors and the Management team to achieve the targets and plans set by the Annual Shareholders Meeting. However, by utilizing the company’s resources and with the resolution of the entire staffs, Traphaco exceeded all business targets, as follows. ”

### Business Performance

Target	(VND billion)	Actual (VND billion)	% of Target	% Growth from 2010
Total revenue (Incl. VAT)	1,080	1,123	104	23
Of which:				
From manufactured products:	830	844	102	29
From trading:	250	279	112	8
Net Profit:	80	88,68	111	34

Distribution of net profit:	Advanced VND 12,339,824,000 as a portion of 2011 dividend equivalent to 10% of chartered capital
Develop a plan and negotiate to acquire shares of Traphaco CNC.	Successfully acquired a 38.17% stake in Traphaco CNC through a tender, bringing Traphaco’s ownership at Traphaco CNC to 50.96% of chartered capital.
Average income for employees: Increase by 10%, ensure full employment for the employees.	Average income for employee increased by 15% as compared to 2010, ensured full employment of employees.





## REPORT ON BUSINESS ACTIVITIES

### Production management:



Increased utilization of Hoang Liet Factory, revenue from products manufactured at the factory accounted for 68% of total revenue from manufactured products (equivalent to VND 570 billion in sales), a 37% growth from 2010. After 1 year of implementing the policy “two increases, one reduce” (increase productivity, increase equipment usage efficiency, reduce man hours), the achieved results were positive and served as the stepping stones for production process modernization.

Invested over 5 billion in equipments with a new automatic bottler, increased the capacity of the eye/nose drop production line by three times compared to 2010.

Implemented changes in the output-wage quota mechanism as well as the unit wage for the production division. As such, proactiveness and creativity were promoted in production, which in turn induced effective production organization and productivity increased by 14.7% as compared to 2010.

Inventories were well managed, significantly lowering warehouse costs and financial expenses, contributing to lower the costs of goods sold.

### Quality control:



Strictly adhered to progressive quality control practices, which are in compliance with GPs standards from WHO (GMP, GSP, GLP, GDP), ISO 9001:2000, ISO14001:2004 standards and 5S KAIZEN from Japan

In March, the Ministry of Health re-examined and issued certificates to the company for good practices of GPs standards.

In December, Bureau Veritas Certification re-examined and certified that Traphaco’s quality control system met ISO 9001:2008 standard, Vietnam Productivity Center also re-examined and issued 5S good practice certificates to the company.

### Financial investment and management activities:

The merging of Traphaco CNC into Traphaco: In executing on the resolutions of the Annual Shareholders Meeting in 2011, from 20 September 2011 to 20 October 2011, the Board of Directors hired VnDirect Securities to develop the plan to conduct a tender offer to buy shares of Traphaco CNC in full compliance with securities and enterprise laws. As of 01 November 2011, Traphaco owned 1,787,650 shares of Traphaco CNC shares, equivalent to 50.96% of CNC’s chartered capital. The total investment amount was over VND 60 billion.

Reached an agreement for land and crop compensations with the residents of Tan Quang commune - Van Lam district to clear the site for the new factory. The total compensation cost amounted to VND 28 billion.

The business operation at the Single Member Limited Liabilities Company Traphaco Sapa was entering into a stable development phase. Over the past year, Traphaco Sapa exceptionally fulfilled on its mission of ensuring a sufficient and timely supply of raw materials for Traphaco, especially Artichoke extract and Ramulus Ampelopsis extract.

The projects to build the infrastructure for the provincial branches were in progress without delays: Khanh Hoa, Quang Ninh, Gia Lai, Hai Duong, Thai Nguyen.

Screened and evaluated candidates for potential M&A transactions, targeting a number of prominent pharmaceutical distributors in the sales channels with the intention to strengthen the distribution network.



report of  
**the Board of Management (cont.)**

**Research and development of new products:**

Researched and implemented new technology to ensure the stability of the product quality: Spray drying, steam sterilization, pressing multiple types of capsules on 1 pressing mold.



Implementing GreenPlan project: Researched and developed farming areas, ensuring a long-term supply of herbal medicines with stable quality which were controlled from the farming stage to harvesting and processing stages. Signed contracts with 8 local partners to develop farming areas. The research proposal “Develop the identifier set for *Dioscorea persimilis* Prain et Burkill and *Rhizoma Dioscorea persimilis*” received grant from the World Bank.



State-level research project: Bid for and got approved for one production trial project for Cebraton (the new memory enhancing product of Traphaco); Continued to implement projects within the National Focused Research Program to develop the pharmaceutical industry to 2020.

Researched over 20 new products. Built marketing plans to launch to market 5 new products. Revenue from new products reached VND 67 billion, a 86% growth from 2010 (accounting for 8% of total revenue).

**Distribution Network Expansion:**

Set up 3 new provincial branches in: Dong Nai, Binh Thuan, Quang Ngai. The branches were fully operational and utilized, directly managing and proactively capturing the local markets. In addition, the company also issued decisions to open 2 more branches in Khanh Hoa and Can Tho.



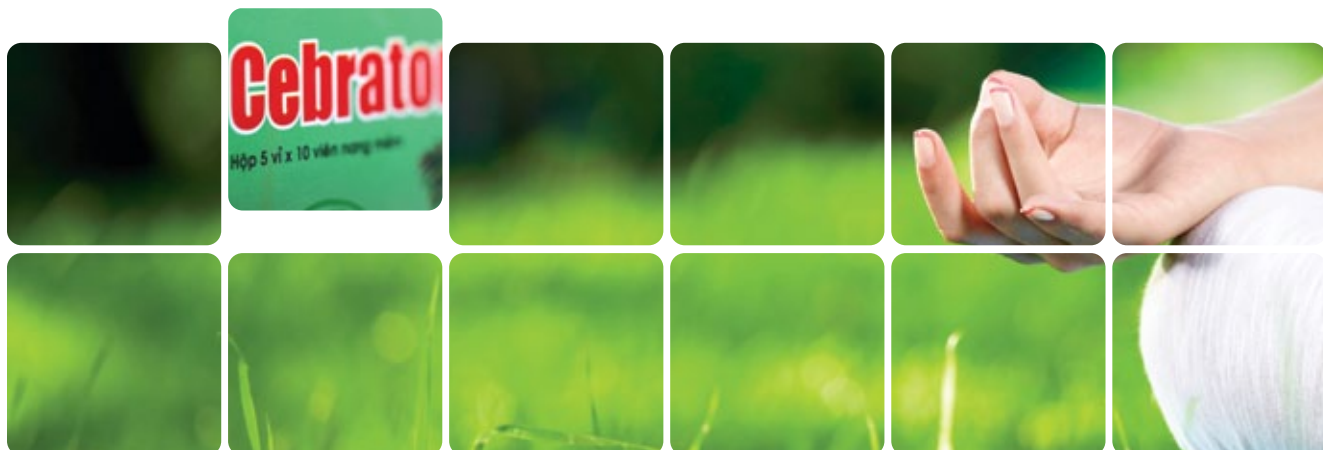
Opening ceremonies were held at Hai Phong, Vinh Long and Quang Ngai branches.

Customer relationship management project: increased the activities for customer clubs, managed relationships with 10,000 customers nationwide. By 2011, Traphaco had 10 fully operational branches, achieving the goal of controlling the distribution network and increasing working capital turnovers.

**Brand and corporate culture building:**

**Promoting and strengthening the brand**

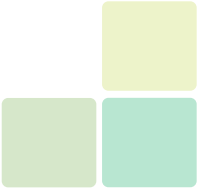
Continued to promote and strengthen the brand, maintained the title “The most recognizable Pharmaceutical brand in Vietnam”. In 2011, Traphaco was acknowledged with the following notable prizes:





Brand and corporate culture building:

- » The leading brand in Vietnam; Thang Long's golden brand, the brand of integration and development;
- » "Top 100 Vietnam's Gold Stars" and especially in 2011 Traphaco was named in the list "Top 10 enterprises with corporate social responsibilities"; "TOP 100 Vietnamese high-quality products"; "Enterprise for the cultural development of the community".
- » "The Best Annual Reports Award"; Highest rating in the Annual Report on Credit Rating Index 2011.
- » In addition, the company's flagship products were also highly recognized: "Vien Sang Mat (or Bright Eye Pill) - The Capital consumers' favorite Vietnamese products"; "Hoat huyet duong nao - Top 20 most trusted Vietnamese products".
- » In the area of technological innovation: The project "Research to produce the liver-detoxifying Boganic from Vietnamese medicinal herbs" won the first prize of VIFOTEC, the National award for scientific and technological innovation.



Officially launched the new Traphaco logo: **Traphaco**™



Enhanced creativity and utilized communication channels to conduct marketing activities for products which targeted high-end consumers such as: CEBRATON, LIVERCYN, AbFUCO...

Direct brand promotion toward consumers through healthcare consultation activities for the elderly, women and professional associations. In 2011, events were organized at 531 associations across the country with different healthcare themes, particularly the free consultation and testing sessions for osteoporosis sponsored by AbFUCO made a great impression and were highly appreciated by customers.

**Corporate culture:**



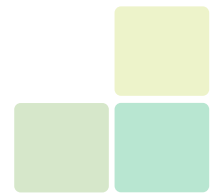
Organized training sessions and conducted activities to build a corporate culture toward "Cooperation, sharing, commitment and honoring commitment".

Political and social organizations developed strongly within the enterprise. Ensured the basic compensations and full employment for employees. The entire staffs united under the leadership of the management team to overcome difficulties and achieved the expected results.

Shareholder relations:

Completed all procedures required by relevant authorities: The State Securities Commission, the Ho Chi Minh stock exchange, Vietnam Securities Depository to accommodate shareholders to register their shares in a timely manner. The company proactively met with many investment funds, provided sufficient information and responded to the investors' interest in Traphaco, reliably, accurately and timely disclosed information, contributing to building a reputable image for the TRA stock. During 2011, the company prioritized improving the Annual Report, participated in the Contest for Best Annual Reports of 2010 and won the award for Best Annual Report.





## ASSESSMENT ON THE PERFORMANCE OF THE BOARD OF DIRECTORS AND MANAGEMENT TEAM IN 2011

The Board of Directors maintained a meeting schedule to meet once a month, held extra-ordinary meetings when issues arose, delegated accountabilities to each member. In 2011, the Board had held 12 regular meetings and 3 extra-ordinary meetings.

Over the past year, the Board of Directors and the management team strictly adhered to the Company's strategic directions and the resolutions approved by the Board of Directors, maintained a stable organization, oversaw all of the company's activities and outstandingly achieved all of the quarterly, semi-annual and annual targets.

During 2011, financial efficiency was one of the management team's highest priorities in managing the capital, lowering receivables and inventory days; as such despite the rising interest rate and the high level of investments compared to 2010, the company's financial position was still in good standing. The Traphaco brand continued to be strengthened and promoted as "the No.1 pharmaceutical brand in Vietnam".

In addition to fulfilling all the tasks delegated by the General Shareholder Assembly, the Board of Directors also set out to implement strategies and major projects which aimed at achieving the long term and sustainable development for the enterprise, such as:

- » Successfully conducted a tender offer to buy shares of Traphaco CNC to bring Traphaco's ownership at Traphaco CNC to 50.96%.
- » Expedited the expansion of the distribution network through setting up provincial branches nationwide. The company decided to acquire 6 properties to build offices and warehouses in: Khanh Hoa, Quang Ngai, Thai Nguyen, Hai Duong, Quang Ninh.
- » Issued the decision to increase the size of credit facility provided by VietinBank from VND 80 billion to VND 140 billion.

### Organizational building.

- » Set up the sub-committees to assist the Board of Directors , decided on the organization and composition of the management team shortly after the Annual Shareholders Meeting.
- » Stipulated new company guidelines and policies with changes to accommodate the new organization.
- » Coordinated with the Board of Supervisors to supervise the activities of the management team. Received and reviewed the contributed opinions of the Board of Supervisors regarding the activities of the management team.
- » Contributed to finding solutions to macro challenges such as exchange rate fluctuation, inflation, corporate income taxes and pharmaceutical price control mechanisms.





## DIRECTIONS FOR BUSINESS ACTIVITIES IN 2012

### GENERAL OUTLOOK

2012 is forecasted to be a difficult and challenging year for the global economy in general and Vietnam in particular.

According to forecasts, the EU zone is yet to get out of the sovereign debt crisis, political instabilities in oil-exporting countries will cause fluctuations in the oil price and negatively affect corporate business activities.

#### ADVANTAGES:

The company achieved and maintained a strong growth rate (an average of 25%) over many years.

Traphaco has a strong brand and reputable products which have been the consumers' favorite.

Roughly 70% of revenue came from traditional medicines which are produced from domestic ingredients, highlighting the advantages in the unique development strategy and at the same time ensuring a stable input supply both in terms of price and quality.

The company is in a healthy financial standing.

The production capacity is sufficient to accommodate the high growth rate, at the same time the quality control and production systems which have been improved over the years, will continue to strengthen itself and enhance productivity and quality.

Regarding the Vietnamese economy, the economists forecast that 2012 will continue to be difficult as the State continues the tightening monetary policy and government spending cut, which will lead to reduced consumers' consumption and negatively impact corporate activities.

There is also a good cooperation between the company, business partners and institutional shareholders.

The State Capital Investment Corporation also shows strong support for the company's development strategy.

#### CHALLENGES:

Setting a high revenue and profit targets in an environment of lowered consumption.

The business outlook for pharmaceutical enterprises is not bright, ensuring a safe return on the capital will be challenging in 2012.

Securing fundings from the banks for the company's major projects will be difficult.

### DIRECTIONS OF BUSINESS ACTIVITIES FOR 2012

#### OBJECTIVES

Invest in and develop the enterprise's resources: human, material and financial resources. Capture the opportunities, utilize the advantages, and control the difficulties, maintain and expand domestic and oversea markets for traditional and new products. Strengthen and promote the brand, maintain the position of the most recognizable pharmaceutical brand in Vietnam.

Maintain the growth target for the Southern market with the intention of increasing the contribution of revenue from the South to the Company's total revenue. Maintain the high growth rates in both revenue and net profit and step-by-step increase the value of the enterprise (both tangible and intangible value) as a foundation for fulfilling the 5 years strategy from 2011 to 2015.

## DIRECTIONS OF BUSINESS ACTIVITIES FOR 2012 (continued)

### SPECIFIC TARGETS:

#### Business Performance:



Total revenue: VND 1,330 billion (incl. VAT), of which:

- » Revenue from manufactured products and exclusive distribution: VND 1,000 billion, a 20% growth from 2011.
- » Revenue from trading and NPL retail sales: VND 330 billion.

Profit after tax: VND 130 billion, 46% increase compared to 2011.

Average income for employee: Increase by 15%, ensure full employment for all staffs.

#### Investment

#### Activities - Financial Management:



Enhance the efficiency of business activities at Traphaco Sapa.

Invest in the infrastructure of the distribution network through opening more provincial branches.

Expand the scale of the company by acquiring stakes in a number of provincial pharmaceutical companies, hence strengthening Traphaco's market position, establishing a stable market and increasing sales.

Maximize utilization and develop solutions for investing in machineries, equipments and technologies to increase capacity of Hoang Liet factories and affiliated entities.

Develop a plan to invest in the new factory in Van Lam.

Develop a plan to increase Traphaco's ownership in Traphaco CNC. The goal is to own 100% of Traphaco CNC by 2013.

Review options to increase the chartered capital and the number of members in the Board of Directors to accommodate the expanding scale of the enterprise.

#### Research and

#### development of new products:



Strive to maintain the market share of traditional products. Put into production and launch to market at least 06 six new products. Revenue from new products account for 7.5% of total revenue from manufactured products (VND 75 billion).

Conduct a feasibility study to set up a science-technology fund.

Explore further cooperation relationships with international partners, win exclusive distribution rights for at least 2 products.

Continue researching and implementing new technologies. Research and develop new products with uniqueness and distinctiveness.

Continue the implementation of GreenPlan project: Plan and develop farming areas to ensure a long-term and stable, high quality supply of raw materials. Complete the company's value chain.

Conduct State-level and ministry-level research projects. Expand from the works in these projects to develop more in-depth findings for new products.

## FINANCIAL TARGETS FOR 2012



“ Invest in and develop the enterprise’s resources: human, material and financial resources. Capture the opportunities, utilize the advantages, and overcome the difficulties, maintain and expand domestic and oversea markets for traditional and new products. Strengthen and promote the brand, maintain as the most recognizable pharmaceutical brand in Vietnam. Maintain the high growth rates of 20-25% in both revenue and net profit and step-by-step increase the value of the enterprise (both tangible and intangible values) as a foundation for fulfilling the 5 years strategy from 2011 to 2015. ”

### Distribution network expansion:



Maintain the existing 12 branches. Set up 4 more branches in: Quang Ninh, Gia Lai, Hai Duong, Thai Nguyen. Continue to enhance the distribution network to further strengthen the market position and increase competitiveness.

Maximize utilization of the distribution channels in the North, implement the CRM (customer relationship management) project with third-party customers.

Develop and further expand the distribution network in the South

Actively seek export opportunities to ASEAN markets (Laos, Myanmar, Cambodia) and Eastern Europe (Ukraine) but ensure financial safety.

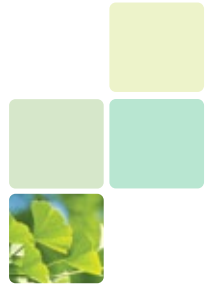
### Building brand and corporate culture:

Build, promote and strengthen the brand: Continue to promote and strengthen the brand, maintained the title “The most recognizable Pharmaceutical brand in Vietnam”.

Continue to implement IR activities to increase the value of the stock TRA.

Continue to build Traphaco’s corporate culture:

**“COOPERATION, SHARING, COMMITMENT AND HONORING COMMITMENTS”**, with the focus on the image of an enterprise best known for its credibility, quality and effectiveness.



## MACRO-ECONOMIC CONDITIONS OF 2011

“ Amid the instable trends of the global economy, 2011 marked a year of turbulences and challenges to the global and regional economies, as well as Vietnam. According to the World Bank, the Vietnamese economy grew by a slower pace than in 2010 at 5.8%. Inflation and currency devaluation were the biggest concerns for the Vietnamese economy throughout 2011. “

Inflation, caused by loosening monetary policies in the previous years as well as rising imported commodities prices, surged during the first three quarters and peaked in August at an annualized rate of 23%. The USD exchange rate was revised upward in the consecutive months in the end of 2010 and the first quarters of 2011 due to pressures from the trade deficit and the declining foreign currency reserve. Given the worsening situation, the Government had to issue Decree 11 with the sole intention of stabilizing the economy and containing inflation. By end of 2011, Decree 11 had delivered some positive results. After peaking in August, inflation showed signs of declining due to the tightening monetary policies applied throughout the year and was

estimated at 18% for the year 2011. Budget and trade deficits for 2011 were also improved. The exchange rate was stabilized in the last three quarters of 2011. However, there were still negative consequences of Decree 11. Particularly, the prolonged tightening monetary policies caused the interest rates to stay at the high level, thus led to illiquidity issues in the banking system. During 2011, there were times when the deposit rate went up to as high as 18 - 19% and lending rate was around 21 - 22%. Tightened credit and the intention to reduce public spending were the factors that would negatively affect the total domestic demand, which was projected to continue to decline in 2012.



## RISK MANAGEMENT

### MACRO-ECONOMIC RISKS

The imminent risks in corporate finance always arise from the uncontained inflation issue of the economy. Inflation is caused by many reasons but primarily by external factors from the global economy and the ineffective management of the macro economy by the State. Moreover, enterprises are the stem cells of the national economy, the wealth generators and the main contributors to the State budget. As such, when inflation is high and enterprises are faced with financial risks, the State cannot afford to stay on the sideline.

There are opinions which assert that inflation is the opportunity for the market to cleanse and weed out the weak and poor performing enterprises and induce the other enterprises to reform and strive toward sustainable development. Those opinions are not entirely incorrect. However, it does not mean we can rely solely on the self-correcting mechanism of the market and let the enterprises "swim or sink" in the challenging environment of inflation. Inflation is an illness of the economy. We cannot use illness

### INTEREST RATE RISK

In order to conduct business activities, almost all enterprises use borrowed capital. As such, interest expense - or cost of capital - becomes an important component of the enterprises' total costs of conducting business and investments. When planning business activities and investment projects, interest expense is always factored in. However, there are many other uncontrollable factors which affect interest expenses. Normally, when inflation rises, interest rate will surge. Therefore, the original forecasts and projections in business and investment planning will

### MARKET DEMAND RISK

Market demand is the decisive factor that dictates the consumption of the company's products and thus decides the company's cash flow. However, market demand is determined by liquidity. In an inflationary environment, the prices of commodities and produces go up but the incomes of ordinary people do not increase at all or keep up with the inflation rate, consequently the demand will be reduced. More importantly, the consumption pattern is shifted as well. Most of the income will be spent on essential products. Therefore, there will be products the

### EXCHANGE RATE RISK

Exchange rate risk arises when business transactions are conducted in foreign currencies and the exchange rate fluctuates in a way that the domestic currency depreciates. For companies which use a lot of foreign currencies, when the exchange rate rise, losses due to exchange rate can be significant, and potentially can wipe out all the gains from business activities. This is an inevitable risk to enterprises which operate in an

to cleanse the body. Therefore, the State – the tax collector and overseeing authority of the national economy – should have urgent and effective measures to support enterprises, especially small-to-medium enterprises, in mitigating financial risks due to inflation.

TRAPHACO must regularly get updated on the economic situations and projections, at the same time proactively control its financial resources, maintain good credit relationships with the banks and financial institutions to ensure favorable conditions for business activities and safeguard itself from major impacts of external circumstances.

The company had been taking steps to enhance the accounting system, strictly implement a management reporting system to regularly provide accurate, authentic and sufficient update about the financial situation in order to accommodate the analysis and decision making process.

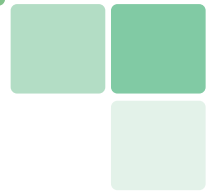
turn upside down. A major risk has surfaced and will have a significant impact on business activities. The larger the borrowed capital, the more significant the negative impact will get and could lead to bankruptcy if it prolongs.

Over the recent years, lending rates of credit institutions tended to fluctuate upward therefore the company was active in restructuring the capital structure to ensure it would not be heavily impacted as a result of lending rate adjustments.

demand for which will be significant reduced. At this point, the market demand risk will surface. It will reflect the reduced quantities of consumed commodities, and selling price will not be enough to cover the production and selling costs.

Medicine is a special kind of product which is directly related to human health and safety, therefore the company's products constantly need to be improved in terms of quality to meet the rising demand of the consumers in a constantly changing market.

economy with a large net import. The company has been proactively looking for suppliers of imported ingredients who offer competitive prices, utilizing the advantage of being a manufacturer of "essential products to serve public health", therefore the company is not affected by exchange rate fluctuations when making payments.



## RESULTS FROM BUSINESS ACTIVITIES

### REVENUE

2011 marked a year of turbulences and challenges for the global, regional as well Vietnamese economies. However, with the strengths developed through many years such as “The most recognizable pharmaceutical brand in Vietnam”,

a nation-wide distribution network, a healthy financial position,..Traphaco concluded the year 2011 by exceeding the targets set by the General Shareholders Assembly and maintaining a high growth rate over many years.

Metrics		2010 Actual	2011 Target	2011 Actual	2011 Actual vs. 2011 Target	2011 Actual vs. 2010 Actual
Total net revenue	VND billion	911	1,080	1,123	104%	123.75%
Revenue from manufactured products	VND billion	652	830	844	102%	127.63%
Other revenue	VND billion	259	250	279	112%	108.09%

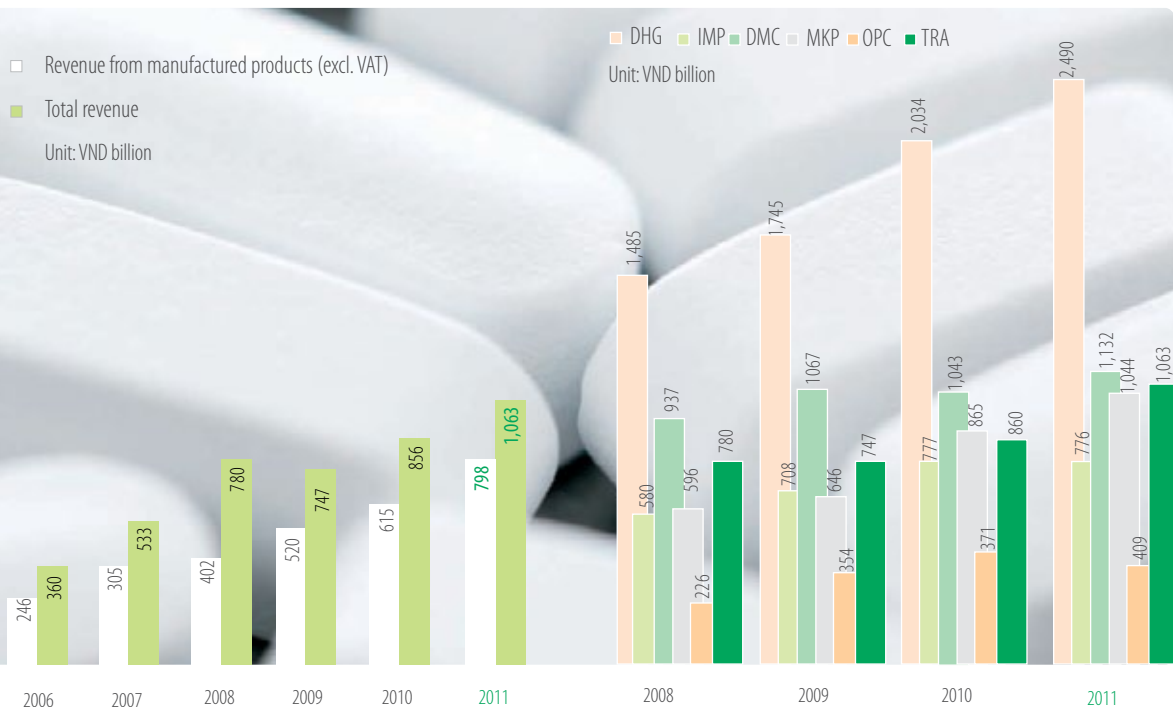
With a year-over-year revenue growth rate of 24% in 2011, which was high compared to other industry peers, Traphaco reaffirmed itself as the leading pharmaceutical company in Vietnam.

During the period from 2009 – 2011, the company planned to restructure its products mix, focusing on the manufactured products, which were of higher margins, in order to maximize profit, at the same reducing the portion of trading products, which were of lower margin. The annual growth rates of the revenue from manufactured products were between 20-30% over the recent years and higher than the company’s total revenue growth.

According to the company’s vision and milestones from now to 2015, the company will achieve an average revenue growth of between 20-25% annually, Traphaco will continue to exceed its targets and achieve year-over-year growths in all key metrics.

**GRAPH OF TOTAL REVENUE AND REVENUE FROM MANUFACTURED PRODUCTS GROWTH**

**NET PROFIT COMPARISON CHART WITH SIMILAR COMPANIES**





## REVENUE BY PRODUCT CATEGORIES

Revenue was generated from two main product categories:

- » Manufactured products (incl. traditional medicines and western medicines).
- » Trading products (Licensed imports, ingredients and raw materials, exclusive distributions)

### TRADITIONAL MEDICINES

According to the statistics by the Drug Administration of Vietnam, Traphaco's traditional medicines captured the largest market share in the North. This was the company's flagship product line, accounting for 58% of total revenue and 79% of total profit in 2011.

The company's traditional medicines achieved consistent growth throughout the years, especially from strategic products. Currently there are many products similar to Traphaco's Hoat huyet duong nao and Boganic... but the

revenue from these products still grew consistently over the years, confirming that the qualities of Traphaco's products had gained the trust and confidence of consumers.

Over the recent years, the revenue structure shifted more toward the traditional medicines. The percentage of revenue from traditional medicines in the total revenue was increasing through the years, which was also a goal of Traphaco to lessen dependence on imported ingredients, replace them with domestic ingredients and develop farming areas as per the strategies set out by the State and the Ministry of Health.

### WESTERN MEDICINES

Western medicines accounted for 16% of revenue and contributed 18% of total profit during 2011.

The shift in product structure helped the company lessen the pressure from rising exchange rate, which would directly

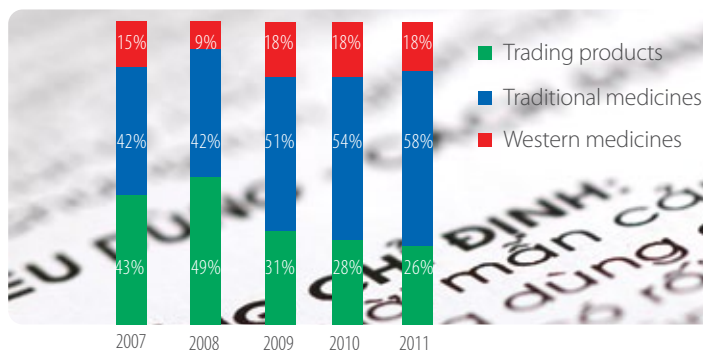
affect product prices, and focus on the production of western products which are of high-margin and less dependent on imported inputs.

### TRADING PRODUCTS

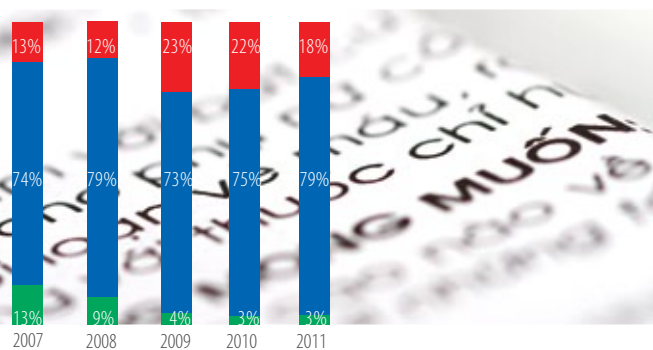
This product segment contributed a large portion of revenue but only a small portion of profit, therefore over the recent years, the company opted not to grow this product segment although there are still untapped potentials in the segment.

The company lowered the portion of trading products in total revenue during 2011 but gross profit was still maintained at a stable level as in 2010.

REVENUE COMPOSITION BY PRODUCT CATEGORIES CHART



REVENUE COMPOSITION BY PRODUCT CATEGORIES CHART



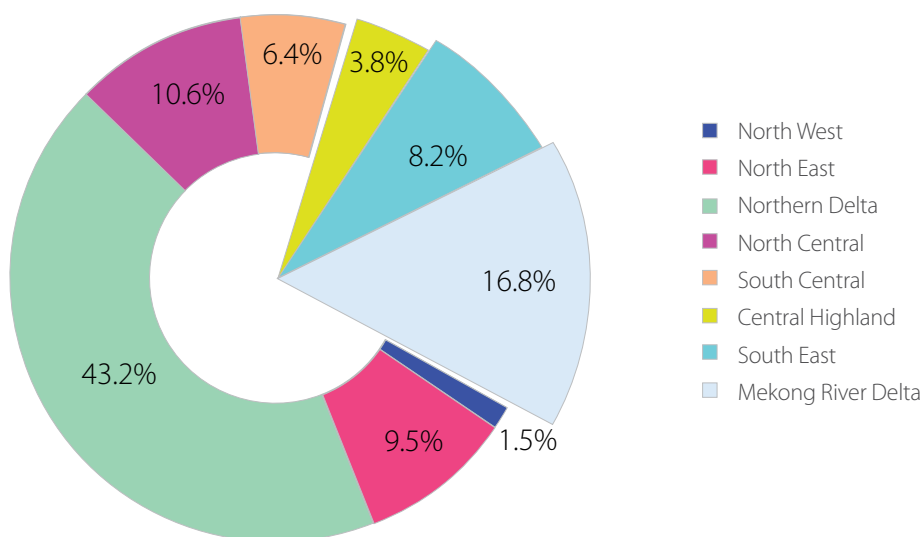
## RESULTS FROM BUSINESS ACTIVITIES (continued)

### REVENUE BY GEOGRAPHICAL REGIONS

The company's revenue in 2011 mainly came from domestic market in which revenue from the Northern delta accounted for 43% of the total revenue as this region is densely populated and presents the highest demand for essential medicines in the whole country. Revenue from export represented only a small percentage of total revenue, main export markets included Ukraine, Belgium, Laos, Myanmar.

In the company's strategic directions, Traphaco plans to introduce its flagship traditional products to other countries in the region with the intention to find new export markets. Leveraging on the advantage of having a nationwide distribution network extended to districts and townships of 64 provinces and cities in Vietnam, Traphaco's products are being brought to the hands of the end consumers.

### REVENUE BY GEOGRAPHICAL REGIONS



### PROFIT

In the period from 2006 – 2011, the company's revenue grew 3 times from VND 360 billion to VND 1,063 billion, while net profit grew 5.6 times from VND 15.9 billion to VND 88.7 billion. The net profit growth rate was 2 times as high as the revenue growth rate, confirming the company's increased profitability.

The acquisition of the Single Member Limited Liabilities Company Traphaco Sapa in July 2009 and the recent acquisition of a majority stake in Traphaco High-Technology

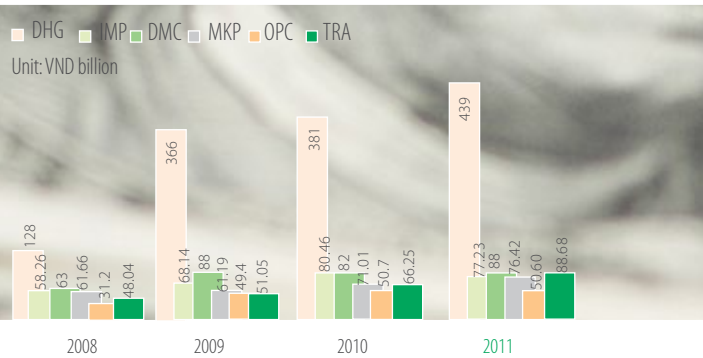
Joint Stock Company during November 2011 were the positive signals for the expansion of production capacity and business scale, setting up the foundation for a consolidated management to achieve a higher and higher net profit growth. Over 03 years of consolidation, Traphaco's annual net profit growth has achieved big jump from 6.26% in 2009, to 34% in 2011, this is an impressive figure, confirming that the company is on a right development trajectory.



GRAPH OF NET PROFIT GROWTH OVER THE YEARS



NET PROFIT COMPARISON CHART WITH SIMILAR COMPANIES



OPERATION EXPENSES

Operation expenses structure of Traphaco over the recent years:

Expenses as percentage of revenue		2008	2009	2010	2011
Costs of goods sold/Net revenue	%	79.33	71.20	69.33	62.45
Selling expense/net revenue	%	9.23	13.31	13.74	17.12
SG&A expense/net revenue	%	4.01	5.23	5.47	6.83
Financial expense/net revenue	%	0.57	0.91	1.35	2.57
Profit before taxes/net revenue	%	7.54	9.31	10.63	11.69
Profit after taxes/net revenue	%	5.90	6.83	7.71	8.34

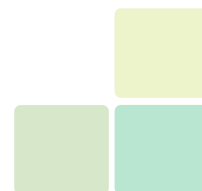
Source: Traphaco's audited reports.

Cost of goods sold as percentage of net revenue declined over the years, proving that the company had stabilized the raw material supply by consolidating farming areas to provide main ingredients as well as other clean ingredients. On the other hand, the company also proactively signed seasonal contracts with providers for each type of products, as such the inputs were carefully selected and reasonably priced. In 2011, the cost of goods sold margin was at the lowest, decreasing by 7% compared to 2010. This number showed that the company had optimized the capacity of the GMP-certified manufacturing facility and best utilized its economies of scale.

The selling expense ratios were stable during 2009 and 2010. In 2011, this ratio increased by 3% but was still in the same range as those of pharmaceutical companies

in category 2 and lower than those of category-1 pharmaceutical companies, which were in the 3 - 5% range. The selling expense ratio increased in 2011, mainly because the company invested and expanded the distribution network through setting up provincial branches in 6 provinces and cities.

The general & administrative expense as percentage of net revenue ratio stayed relatively unchanged throughout the years and at a reasonable level in comparison to the trend of pharmaceutical industry. Only interest expense ratio jumped by 1% in 2011, mainly because during 2011 interest rates surged and stayed at a very high level, which would trigger the demand for intervention by the governmental agencies and authorities. Profit before taxes and profit after taxes had always achieved stable growth over the years.



## FINANCIAL PERFORMANCE

### CAPITAL STRUCTURE

Total assets in 2011 rose by 45% compared to 2010, primarily due to the acquisition of shares in Trophaco High-Technology Joint Stock Company (CNC) to bring Trophaco’s ownership in CNC to 50.96%.

Total liabilities as percentage of total liabilities and equity: according to financial data in 2010, total liabilities accounted for 39% of the total capital structure and total equity accounted for the remaining 61%, but as of 31 December 2011, the structure tilted more toward

liabilities, which accounted for 47%, whereas total equity accounted for 53%, mainly due to the partial acquisition of CNC since 01 November 2011.

The balance between short-term and long-term assets in 2011 changed compared to 2010. Short term assets decreased from 85% in 2010 to 74% in 2011 because the company invested in fixed assets to set up new branches with a capital amounted to VND 100 billion.

### OPERATIONAL EFFICIENCY

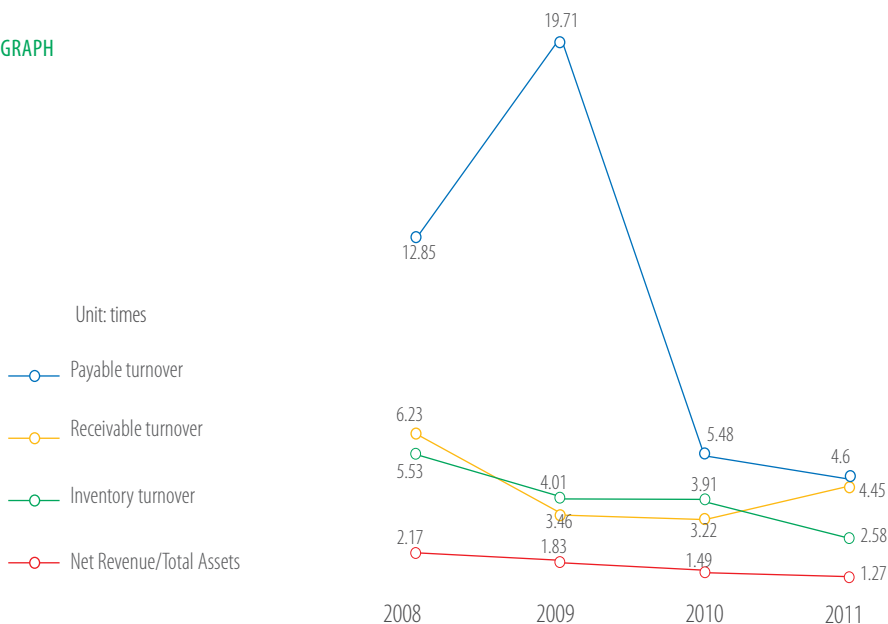
In the period between 2008 – 2009, there was a significant mismatch between receivables and payables, meaning Trophaco’s working capital was exploited by business partners, but this is a norm in the pharmaceutical industry as players in the sector have to sell to hospitals and the treatment system, the receivable days for these customers are normally very high, selling to third-party provincial distributors also requires large working capital.

The mismatch between receivables and payables has been improved significantly as the company set up provincial branches to better manage receivables and collect debts. Moreover, adjustments in the company’s

selling policies also increased receivables turnover by 1 time during 2011.

Inventory turnover ratios of Trophaco were stable over the years at 5-6 times a year, proving that the company was able to forecast the inventories accurately and proactively plan the production and selling of products in a way that was suitable to the business model of the pharmaceutical industry. In 2011, Trophaco’s inventory turnover decreased compared to previous years, mainly because since 4Q12 CNC was consolidated to the parent company and the inventories increased as a result of the consolidation.

### OPERATIONAL EFFICIENCY METRICS GRAPH





“ In terms of revenue and net profit, Traphaco was behind Hau Giang Pharmaceuticals and in the same range with Domesco Pharmaceuticals but in terms of profitability ratios such as ROA and ROE, Traphaco was only behind Hau Giang Pharmaceuticals and ahead of Domesco as well as other industry peers, proving that the company was better at managing costs and capital. In terms of earnings per share, in 2011, Traphaco was among the top pharmaceutical companies with the highest EPS in the industry, which again implied that the company was effective in managing its capital during the last year. ”

### PROFITABILITY

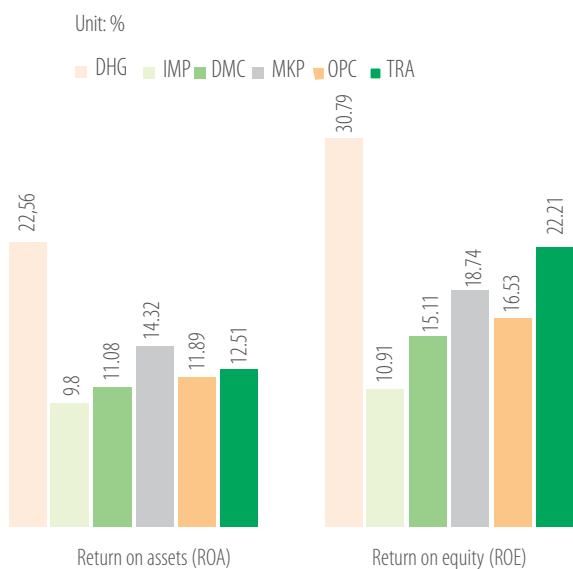
Profit before taxes as a percentage of net revenue increased continuously over the recent years and the operating profit ratio reached 14% in 2011 and had improved significantly from the previous years. This ratio is a simple measurement which gauges the operational leverage of the business. Traphaco effectively managed costs, controlled the input supply, focused on producing and selling of high-margin products, reduced the portion of low-margin products.

Return on equity in 2011 reached 22%, showing an increase of 3% compared to 2010 and implying that the company had achieved operational efficiency and high year-on-year growth.

### PROFITABILITY GRAPH



### PROFITABILITY COMPARISON CHART OF INDUSTRY PEERS



## Report of the Board of Supervisors

### Dear valued shareholders of Traphaco Joint Stock Company

During the first year of 2011 - 2015 term, from March 2011 to March 2012, the Board of Supervisors at Traphaco Joint Stock Company, which is consisted of three (3) members, monitored and supervised the execution of the company's strategy, as well as management and financial activities.

#### I. KEY TARGETS AND SCOPE OF SUPERVISION DURING 2011

##### 1. STRATEGIC SUPERVISION:

- » Brand building strategy.
- » Investment strategy to increase the ownership of Traphaco at Traphaco CNC to 51%, investment strategy to acquire 4.6 ha of land in Van Lam – Hung Yen, increasing the business efficiency at Traphaco Sapa.
- » Strategy to expand the distribution network.
- » Strategy to research and develop new products.

##### 2. SUPERVISION OF CORPORATE GOVERNANCE:

Developed the company's operation guidelines. Supervised the management process of investment projects, selling and distributor management process, advertising and sales support activities, raw material procurement process.

**3. FINANCIAL SUPERVISION:** Examined quarterly financial reports to assess the reasonableness of financial data; coordinated with independent coordinators during the auditing process in order to review the impacts of critical issues pertaining to auditing activities on the financial reports; and supervised the following of guidelines for financial investment management.

#### II. SUPERVISION METHODOLOGY, ASSESSMENTS OF RESULTS AND PROPOSALS OF THE BOARD OF SUPERVISION

##### SUPERVISION METHODOLOGY:

a. The Board of Supervisors attended all quarterly and extra-ordinary Board of Directors meetings with the intention to get updated on the actual business performance and contributed opinions to the Board of

Directors and the management team in achieving the targets approved by the General Shareholders Assembly at the General Shareholders Meeting.

b. The Board of Supervisors worked closely with the management team to review and examine the existing system of processes, the compliance of relevant departments and the operation of functional departments within the company. The supervision process included field visits to branches and distributors, examinations of archived documents, activities of functional departments, correspondences and interviews with senior management positions, interactions with auditing firms to ensure a thorough and detailed audit.

##### FINDINGS FROM SUPERVISORY ACTIVITIES

The Board of Supervisors would like to report on the findings from the supervision activities in the areas of strategic execution, business operation and financial performance during 2011, as follows:

##### 1. STRATEGIC SUPERVISION:

###### a. Brand building strategy:

- » Used the new logo to differentiate in brand recognition.
- » Maintained the awards: Most recognizable brand in Vietnam, TOP 100 Vietnam's Gold Star Award and TOP 10 Enterprises with Corporate Social Responsibilities, TOP 100 leading brands of Vietnamese high-quality products.

###### b. Investment Strategy:

Increased Traphaco's ownership at CNC to 51%: the company acquired a 38.17% stake in Traphaco CNC, bringing the total number of shares owned at Traphaco CNC to 1,787,659 shares, equivalent to 50.96% of chartered capital.

Investment strategy to acquire 4.6 ha of land in Van Lam - Hung Yen: implemented land and crop compensations for residents of Binh Luong and Tho Khang hamlets - Tan Khang commune - Van Lam district with a total amount of VND 28 billion. Enhanced business efficiency at Traphaco Sapa: In 2011, Traphaco Sapa entered stable development phase, starting to generate a net profit of VND 461 millions. Investment to construct infrastructure at provincial branches in: Khanh Hoa, Quang Ninh, Gia Lai, Hai Duong, Thai Nguyen.



**c. Strategy to expand the distribution network:**

Open 3 more branches in provinces: Binh Thuan, Dong Nai, Quang Ngai.

Reviewed and selected a number of pharmaceutical companies which SCIC planned to divest from as candidates for M&A transactions.

**d. Strategy to research and develop new products:**

In 2011, the company researched and launched to market 5 new products.

**2. SUPERVISION OF CORPORATE GOVERNANCE ACTIVITIES:**

**a. Developed the company's internal operation guidelines:**

Completed and promulgated the internal operation guidelines of Traphaco Joint Stock Company, which served as the basis to effectively manage and supervise the enterprise.

**b. Supervised corporate governance activities:**

Achieved and exceeded the business targets set out by the resolutions of the Annual Shareholders Meeting in March 2011:

The processes within the company, including investment management, production, selling and distributor management and procurement of raw materials processes, were complete and strictly complied with by employees.

Regulations and guidelines, organization system, compensation and bonus mechanisms.were strictly adhered to. Dividends were paid in full and within timeline as per the resolutions of the Annual Shareholders Meeting. The company's activities were conducted in

compliance with the existing laws of the Socialist Republic of Vietnam without any violation. Corporate governance activities were completed properly, thoroughly and in a timely manner, highlighting the determination of the management team and relevant departments to achieve the corporate governance targets set out by the resolutions of the Annual Shareholders Meeting.

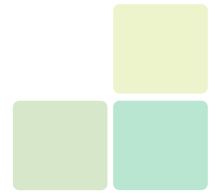
**3. FINANCIAL SUPERVISION**

a. According to regular reports and data analysis presented by the management team at Board of Directors meetings as well as the audited report for the period ended on 31 December 2011 prepared by Traphaco's independent auditor AASC, the Board of Supervision agreed that Traphaco was in a healthy financial situation.

- » The basic parameters regarding receivables, debt level, liquidity, effective use of assets, provisions and shareholders' equity were within acceptable range.
- » Traphaco's business performance achieved and exceeded the targets approved by the Annual Shareholders Meeting at the beginning of 2011.
- » Traphaco focused on core business and proactively, flexibly and conservatively managed its financial resources in an environment of high inflation and capital scarcity to accommodate for all business activities.

b. The Board of Supervisors worked with the independent auditor AASC after the 2011 audit of Traphaco and was informed that consolidated as well as separate financial reports reflected the accuracy and reasonableness of the consolidated financial situation, business performance and cash flows of the whole group and at the same time fully complied with existing accounting standards and regulations of the State of Vietnam.

Metrics		Target	Actual	% of Target
Revenue	VND billion	1,080	1,123	104 %
Net Profit	VND billion	80	88.7	111 %
Average Income of the employees	%	10% increase from 2010	15% increase from 2010	150 %



“ In fulfilling our supervisory duties, we monitored the enterprise’s operational activities in executing the strategies set out by the Board of Directors and approved by the General Shareholders Assembly. For the fiscal year 2011, Trophaco exceeded the targets with revenue of VND 1,123 billion, or 104% of target, and profit after tax of VND 88,7 billion, achieving 111% of target. Average employee income increased by 15% and Trophaco successfully increased its ownership at Trophaco CNC to 50.96%. ”

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### III. CONCLUSIONS AND PROPOSALS:

The Board of Directors and Management Team successfully achieved the targets set out by the resolutions of the General Shareholders Meeting in March 2011. The company made great progress in setting the right strategies, adopting effective financial policies and management practices, to boost investors’ confidence in Trophaco’s professionalism, effectiveness and transparency.

The company also fulfilled its tax obligations, making sufficient and significant contribution to the State’s budget, strengthening and promoting Trophaco’s brand as the leading pharmaceutical brand in Vietnam.

In 2011, the Board of Directors and management team coordinated closely with the Board of Supervisors, accommodating us to fully function within guidelines.

**Proposals:** With the intention to enhance the value of TRA stock in the listed market, the Board of Supervisors proposes the General Shareholders Assembly delegate the Board of Directors to select a domestic or international auditor, which is approved by the State Securities Commission for the fiscal year ending at 31 Dec 2012, preferably a Big 4 auditor.

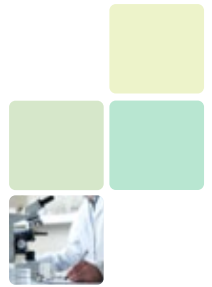
We would like to thank you for your trust and support during 2012 as well as in the coming period.

Sincerely!





the board of Supervisors



“Producing medicines from home-grown ingredients is contributing to the development of the pharmaceutical industry, stabilizing the prices of medicines, ensuring pharmaceutical and healthcare security in Vietnam and implementing the national policy on traditional medicines “

## DIRECTIONS FOR DEVELOPMENT OF NEW PRODUCTS IN THE FUTURE

Maintain the leading position in research and development (R & D) of healthcare products from herbal ingredients.

Invest in R & D to develop new unique and differential products, especially products from Vietnamese herbs, which have many advantages. Integrate business activities to capture the whole value chain from Research-Production-Distribution so as to achieve sustainable growth through the solutions:

- » Develop the 4 - Factors Model (farmers, the State, enterprises and scientists) to produce medicines and healthcare products from herbal ingredients.

- » Implement the GreenPlan Project (the research project to develop a sustainable supply of medicinal ingredients for Trophaco), which aims at ensuring the stable ingredient supply in terms of quality and volume in order to accommodate production. We provide herbal products to the domestic market under the brand Trophaco and to the international markets under the Vietnamese brand.

## MAKING STRATEGIC HEADWAY IN R & D OVER THE COMING YEARS

Invest 3 - 5% of annual revenue in R & D.

Strengthen the R & D human resource through applying new models of trainings, re-trainings and advanced trainings.

Attract the human resource with high expertise through collaborations with scientists, experts and consultants in scientific research projects at all levels.

Continue collaborating and participating in the technology transfer of research results with companies and research institutes. Set up the Trophaco Research

and Development Institute which is comprised of the following centers:

- » Center for Pharmacology.
- » Center for Herbology.
- » Center for Biotechnology.
- » Center for Traditional Medicine.
- » Center for Research, Forecasting and Planning of Development Strategy.

## SCIENTIFIC PROJECTS UNDERTAKEN OVER THE PAST 5 YEARS. THEIR ECONOMIC AND SOCIAL VALUES. THE SCIENTIFIC VALUES AND APPLICATION OF TRAPHACO'S NEW PRODUCT DEVELOPMENT

Being at the forefront of research and development, over the past five years, the Company implemented 4 state-level projects, collaborated to implement 1 project, 2 state-level research topics, 1 ministry-level research topic and hundreds of projects at local level. All the research topics and state-level projects were approved with high or excellent distinctions. The local level projects were carried out with high efficiency. Especially, in 2010, the Company won one state-level project under the national scientific research program to develop the pharmacological technology from now to 2020: the project to produce the soft-capsule Cebraton (this was the first pharmacological project approved in 2010). The project is expected to start in April 2011. In 2011, the company proposed, defended and won grants for the project "Develop the identifier set for *Dioscorea persimilis* Prain et Burkill and *Rhizoma Dioscorea persimilis*" by the World bank. This was the only project in the Vietnam Innovation Day (VID) Program 2011 sponsored by the World Bank.

In August 2009, the Company approved the project "Research to develop the sustainable supply of herbal ingredients for Traphaco" (a.k.a GreenPlan). With this project, the Company has entered a new phase of sustainable development. The Company has started to benefit from this on-going project, which will make more meaningful contribution with its slogan "for a green environment, for a healthy community and a prosperous country".

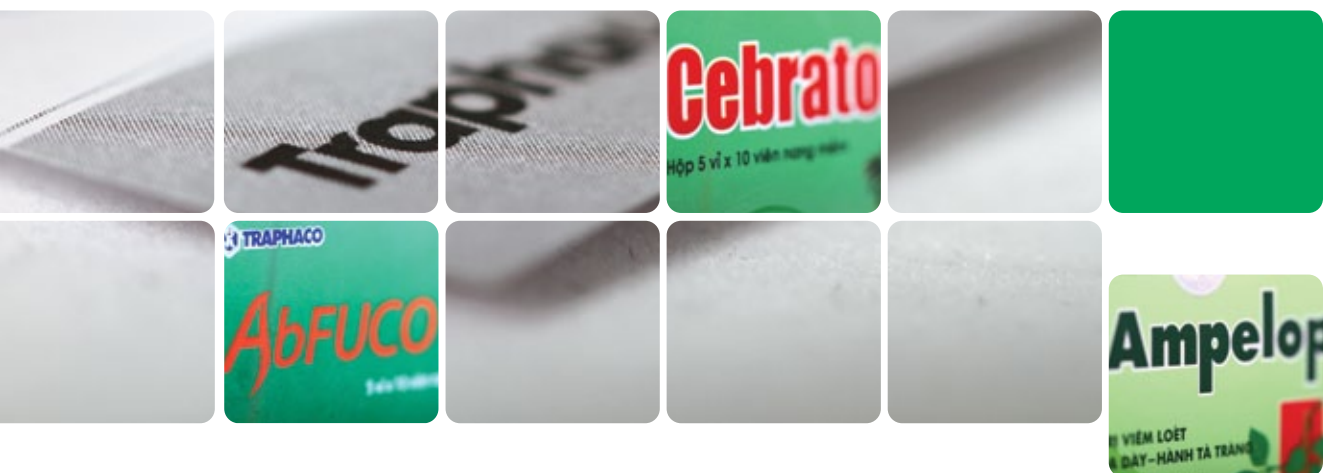
In addition to increasing the revenue through successful launching of newly developed products, the Company's R&D projects, which are mainly based on natural ingredients, not only provide the community with an effective, safe and affordable medicinal treatment and contribute to the healthcare of millions of people nationwide, but also have scientific, economic, social and environmental implications

In addition to creating thousands of jobs, especially jobs in rural and mountainous areas, the projects and research topics contributed significantly to the education of preserving and developing Vietnam's medicinal herb resource, which are being wastefully exploited. At the same time, Vietnam's traditional medicine practice will be carried on as a legacy. The research projects also build confidence and establish directions for farmers, incentivizing them to farm medicinal herbs, hence not only reduce poverty but also improve their living conditions.

Having the stable supply of herbal ingredients contributes to development of the industry, stabilizes the medicinal price, ensures the medicine security and protects the health of the Vietnamese people, and contributes to roll out the national policy on traditional medicines in Vietnam.

The clinical trial projects to assess the effects of the medicines and improve product quality have been carried out in recent years. They contribute to the successful launches of new product and at the same time enhance customers' confidence in the effectiveness of the medicines. The research projects also prove the safety of the products. These projects are important because medicinal herbs in Vietnam is not regulated and properly controlled and as such that causes many problems including poisonous herbs, wrong dosage being prescribed, fake herbal ingredients, moldy and low quality herbs, herbs containing heavy metal and crop protection substance and the use of poisonous chemical substances that may harm patients.

The projects on technological innovation and improving production capacity are implemented at all factories to save cost, prevent waste and stabilize product quality.



## 2012 R & D STRATEGY (cont.)

No.	Name of Inventions, scientific research topics, technological initiatives, useful solutions	Sponsors	Certified Authority, Year
1	The State-level Scientific Research Project, coded..... <b>“Enhance the production process for the soft-capsule Cebraton”</b> . The project is within the national scientific research program to develop the pharmacological technology from now to 2020.	Traphaco Joint Stock Company	MINISTRY OF INDUSTRIES AND COMMERCE commenced in 2011 and to be completed by 2013
2	Project <b>“Explore and develop the gene pool of Dioscorea persimilis Prain et Burk and Coix lachryma-jobi L to use as medicinal ingredients”</b>	Traphaco Joint Stock Company	MINISTRY OF SCIENCE AND TECHNOLOGY commenced in 2011 and to be completed in fall 2015.
3	Project <b>“Develop the identifier set for Dioscorea persimilis Prain et Burkill and Rhizoma Dioscorea persimilis”</b>	Traphaco Joint Stock Company	THE WORLD BANK commenced in 2011 and to be completed by 2012
4	<b>Herbal plants processing project</b>	Institute of Agricultural Engineering (in collaboration with Traphaco)	MINISTRY OF SCIENCE AND TECHNOLOGY started in 2011
5	State level scientific research project code KC.10.DA.09/06-10 <b>“Improving the production technology Hard-capsule Bat vi Que phu and soft-capsuled Boganic”</b>	Traphaco Joint Stock Company	MINISTRY OF SCIENCE AND TECHNOLOGY started 2008, test- trialed in 2010
6	Assessing the clinical effect of hard capsule Bat Vi Que Phu on the patients with back pains due to weak kidney	Traphaco Joint Stock Company	THE CENTRAL INSTITUTE OF TRADITIONAL MEDICINE in 2010
7	State-level scientific research project <b>“Pilot-research to develop the processing procedure for preparing Hac Phu, Bach Phu and processing condensed-aconite”</b>	Traphaco Joint Stock Company	MINISTRY OF SCIENCE AND TECHNOLOGY in 2009
8	State-level scientific research project <b>“Safe planting of Chè dâý for the production of Ampelop and other finished products to prevent and treat the gastricitis and duodenitis”</b>	Traphaco Joint Stock Company	MINISTRY OF SCIENCE AND TECHNOLOGY in 2006



No.	Name of Inventions, scientific research topics, technological initiatives, useful solutions	Sponsors	Certified Authority, Year
9	Ministry-level scientific research project <b>“Research to produce Aconite and condensed-Aconite from Sapa Tree as an ingredient to produce Bat Vi Que Phu”</b>	Traphaco Joint Stock Company	MINISTRY OF TRANSPORTATION 2007
10	State-level scientific research project No. KC.10.DA.08 <b>“Improving the production process of Embin to produce treatment medicine for intestinal flat worm from Embelia Scandens (Lour) Mez”</b>	Traphaco Joint Stock Company	MINISTRY OF SCIENCE AND TECHNOLOGY in 2006
11	State-level scientific research project Code. KC.10.DA.11 <b>“Improving the production process of Ampelop to produce treatment medicine for gastro and duodenal disorders”.</b>	Traphaco Joint Stock Company	MINISTRY OF SCIENCE AND TECHNOLOGY in 2006

## NOTABLE ACHIEVEMENTS AND AWARDS IN SCIENTIFIC RESEARCH AND DEVELOPMENT SINCE 2005

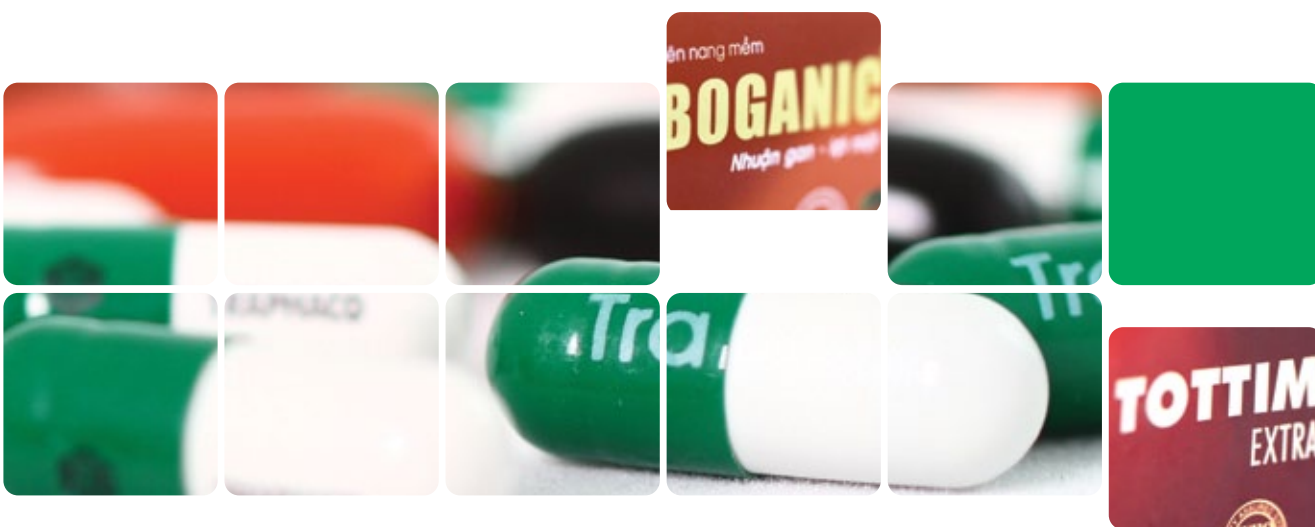
In 2005, TRAPHACO female research team was honored with the Kovalevskaja Annual Award granted by Vietnam Kovalevskaja Award Committee and Vietnam Women’s Union.

Techmart Gold Cup in 2007.

Certificate of Merit granted the Ministry of Health for achieving excellent results in implementing the national policy on traditional medicine during 2003 – 2008.

First prize in the “Scientific and Technological Innovation Award in Vietnam” (Vifotec) for “Research on Boganic detoxication medicine from Vietnam herbs.” The award ceremony was officially held at Hanoi Opera House in mid-April 2011 with the participation of senior leaders of the Communist Party, the State and Government of Vietnam.

Silver medal at the Coex International Fair – Korea in 2011. The fair was organized to honor the scientific research achievements and contributions to social progress of female scientist worldwide.





## SHAREHOLDER STRUCTURE

Shareholders	Number of Shareholders	Number of shares (shares)	Total chartered capital (VND)	Ownership percentage (%)
<b>DOMESTIC</b>	1,104	7,866,970	78,669,700,000	63.75%
Institutional	33	4,406,494	44,064,940,000	35.7%
Of which, state ownership	1	4,400,748	44,007,480,000	35.66%
Individuals	1,070	3,457,343	34,573,430,000	28.01%
Of which				
Board of Directors, Supervisory Board, Board of Management, Chief Accountant	8	641,451	6,414,510,000	5.2%
Employees	484	1,384,829	13,848,290,000	11.22%
Outside shareholders	578	1,431,063	14,310,630,000	11.6%
Treasury Shares	1	3,133	31,330,000	0.03%
<b>FOREIGN</b>	31	4,472,854	44,728,540,000	36.25%
Foreign Institutions	16	4,465,478	44,654,780,000	36.2%
Foreign Individuals	15	7,376	73,760,000	0.05%
<b>TOTAL</b>	1,135	12,339,824	123,398,240,000	100.00%

Source: List of shareholders as of 27 February 2011 of TRAPHACO joint stock company

## LIST OF MAJOR SHAREHOLDERS WITH OVER 5% OF OWNERSHIP

Shareholder name	Identification No./Business Registration No.	Address	Number of shares owned	Ownership (%)
State Capital Investment Corp.	0101992921	117 Tran Duy Hung Street, Cau Giay District, Ha Noi.	4,400,748	35.66%
VIETNAM AZALEA FUND LIMITED	CS6153	Floor 8 Capital Place, 06 Thai Van Lung, Dist. 1, Ho Chi Minh City	3,083,746	24.99%
<b>TOTAL</b>			7,484,494	60.65%

Source: List of shareholders as of 27 February 2012, Traphaco Joint Stock Company

In order to be in control of its research and production activities, Traphaco invested to develop clean farming areas of herbal plants. Traphaco's products were the result of complete research and a continuous and closed production process from: Farming, harvesting, processing producing and distributing.



The farming areas spread across 4 hectare at Traphaco Sapa.

INVESTOR RELATIONS

“Current, investor relation activities are relatively new to the company and there have not been specific guidelines or instructions. However, Traphaco are taking steps to further develop this function”

----- All investor relation information is available for download at the website: [www.traphaco.com.vn](http://www.traphaco.com.vn)

In 2011, Traphaco, for the first time, entered the contest for Best Annual Reports and won the “Best 2010 Annual Report” Award; Traphaco also ranked the highest in the “Annual Report on Credit Rating Index in Vietnam 2011”. These awards validated Traphaco’s transparency and authenticity to the investors as well as in complying with all the information disclosure regulations of the State Securities Commission and the Ho Chi Minh Stock Exchange (HoSE). These achievements also encouraged the preparers of the company’s Annual Report to improve further the quality in the coming years.

Traphaco has been building strong relationships with State authorities, government agencies, customers, shareholders and investors. With the intention to ensure the increasing value of shareholders, Traphaco always maintains a minimum dividend rate of 20% per year.

Impressed by Traphaco’s strong and stable growth, over the past year, many securities firms, foreign and domestic investment funds visited the company to explore investment opportunities, such as: Pure heart Capital, Jade River Management Ltd, Genesis Investment LLP (London), Yuki Company, PXP Vietnam Asset Management, Kim Eng Securities, Ho Chi Minh Securities Company, Ernst & Young, Viet Capital,... From those visits, we understood that the value of TRA stock did not only come from the business performance but also from the value that we could create for community, shareholders, customers and employees as well as the actions we take to ensure a sustainable development in the future.

In 2012, Traphaco will focus on developing further investor relation activities to improve the quality of the information, expanding the information channels, ensuring the timeliness, accuracy and sufficiency in the process of disclosing information to shareholders, customers and investors.







**HEAD OFFICE**

Level 5 & 6, AB Tower, 76 Le Lai St.,  
Ben Thanh Ward, District 1, HCMC  
T: (+84 8) 3823 3299  
F: (+84 8) 3823 3301  
E: info@hsc.com.vn

**HANOI OFFICE**

6 Le Thanh Tong St., Phan Chu Trinh  
Ward, Hoan Kiem District, Hanoi  
T: (+84 4) 3933 4693  
F: (+84 4) 3933 4822  
E: info@hsc.com.vn

W: www.hsc.com.vn

**To: TRAPHACO JSC**

HSC is a securities firm which provides leading financial and investment services in Vietnam with a wide network of clients from many different countries using its uniquely strong, professional research and analysis expertise.

During 2011, HSC continuously won recognitions from reputable international organizations such as Thompson Reuters, Institutional Investors, Asiamoney as the Best Brokerage Firm and the Top Research Team in Vietnam. Asiamoney also granted HSC an award for the Second-best Securities firm in Vietnam in organizing Investment Conferences. In 2011, Traphaco Joint Stock Company supported HSC in facilitating company visits and meetings with HSC's clients, which are the leading professional investors in the Vietnamese stock market, especially foreign institutional investors. From factory visits and working sessions with the management team of Traphaco..., HSC's clients had gathered valuable information from the company and understood more deeply about Traphaco before making investment decision. The transparency in disclosing information and the professionalism in organization activities at Traphaco were highly appreciated by HSC's clients.

We would like to thank Traphaco for your support, which contributed to HSC's success in gaining the confidence and trust of clients and investors over the year. We hope that in the future Traphaco continues to organize events to accommodate investors in learning more about the company, at the same time maintains the position of a leading traditional medicine manufacturer in Vietnam.

Sincerely yours,





“ Keeping the “**heart**” and “**ethic**” as the paramount success drivers, Traphaco always emphasizes “**talent**” in innovation, “**trust**” in business, “**conscience**” in social activities and “**vision**” in development strategy. ”

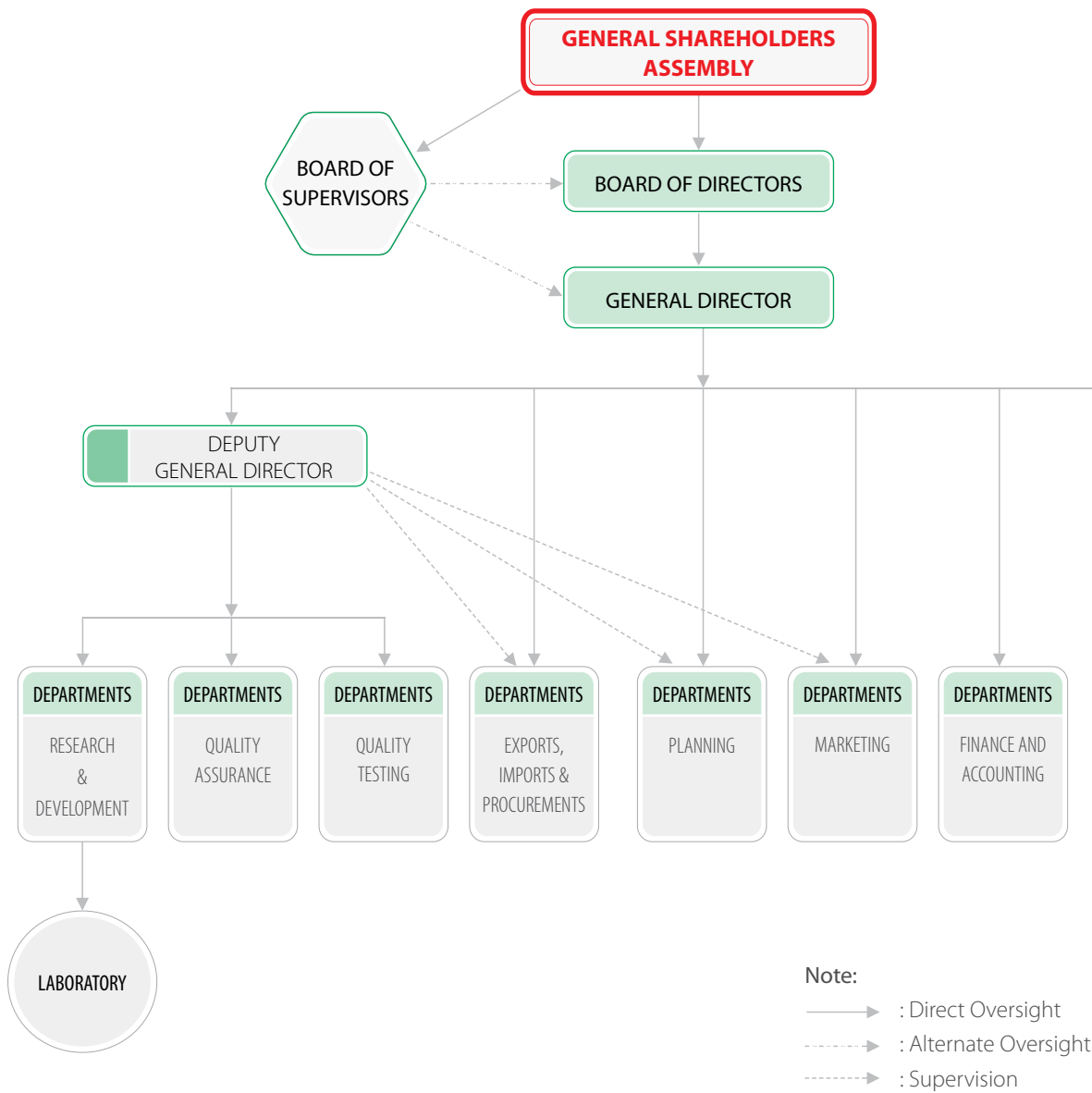


—

—

with

**Enthusiastic  
Energy**



**GENERAL SHAREHOLDERS ASSEMBLY**

**BOARD OF DIRECTORS: 5 members**

- 1. Ms. VU THI THUAN : Chairwoman of the Board
- 2. Mr. TRAN TUC MA : Deputy Chairman of the Board
- 3. Mr. NONG HUU ĐỨC : Member of the Board
- 4. Ms. NGUYEN THI LAN : Member of the Board
- 5. Mr. LE TUAN : Member of the Board

**BOARD OF SUPERVISORS : 3 members**

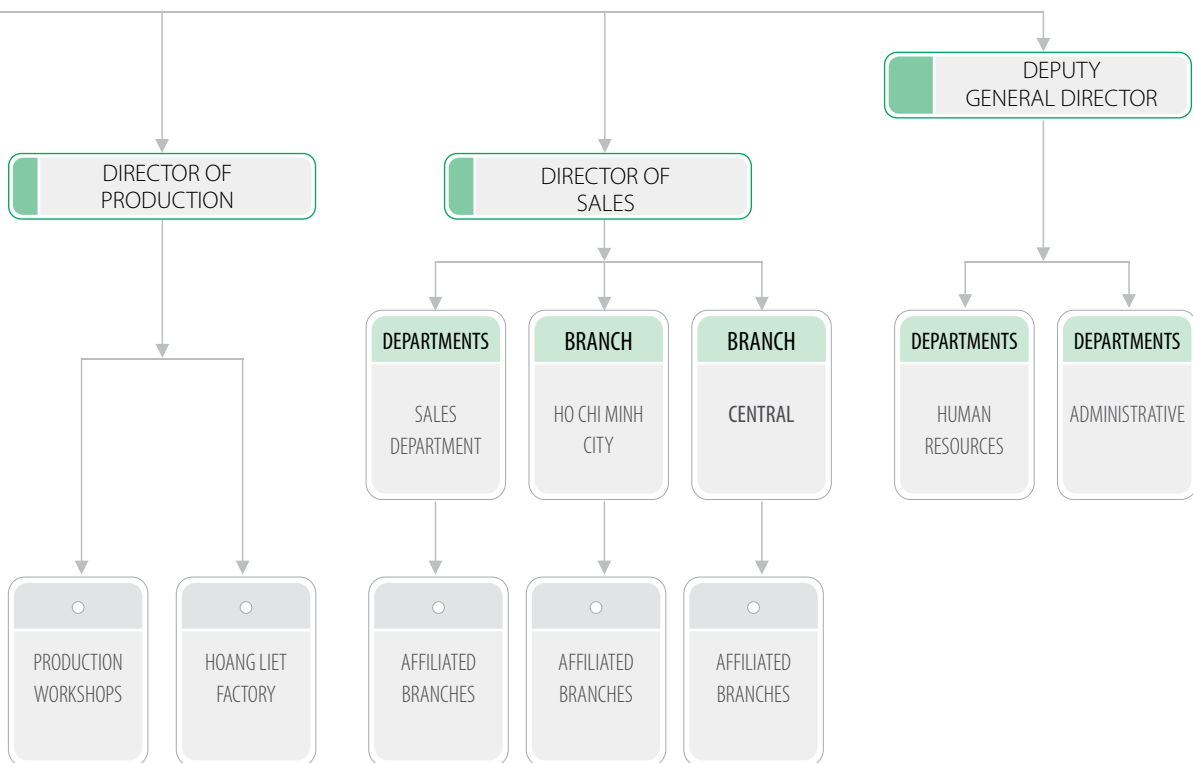
- 1. Ms. PHAM THI THANH DUYEN : Chairwoman of the Board
- 2. Ms. TRAN THI NGOC LAN : Member of the Board
- 3. Ms. DO KHANH VAN : Member of the Board

**EXECUTIVE DIRECTORS : 02 members**

- 1. Ms. NGUYEN THI HAU : Director of production
- 2. Mr. BUI KHANH TUNG : Director of sales

**MANAGEMENT TEAM : 03 members**

- 1. Mr. TRAN TUC MA : General Director
- 2. Mr. NGUYEN HUY VAN : Deputy General Director
- 3. Ms. HOANG THI RUOC : Deputy General Director



**HOANG LIET FACTORY:**

- Tablet – Fluid Workshop
- Gel – Soft Capsule Workshop
- Packaging Workshop
- Western Medicine Workshop
- Ngoc Hoi Workshop

**Branches:** 12 branches

Ho Chi Minh City; Central; Nam Dinh; Nghe An; Thanh Hoa; Vinh Long; Hai Phong; Dong Nai; Binh Thuan; Quang Ngai; Khanh Hoa; Can Tho.

**Subsidiaries:** 3 subsidiaries

- Traphaco Single Member Limited Liabilities Company (100%).
- Traphaco Hung Yen Limited Liabilities Company (100%).
- Traphaco High-technology Joint Stock Company (51%).

## Board of Directors





Profile of  
**Board of Directors and  
Board of Management**



**VU THI THUAN**

Chairwoman of the Board

Born in 1956

Education: Master of Pharmacy

Number of years with the company: 32 years

Management experience at the company:

30 years

National Emulated Fighter Award.

Certificate Third Class Labor Medal.

Outstanding medicine practitioner award.

02 Certificates of Merit from the Prime Minister

WIPO Prize.

Head of the female science team who won

the Kovalevskaia award.

Emulated Fighter Award of the

Transportation industry for 10 consecutive

years 2001-2010.

Awards :

- Notable Vietnamese Businessman.
- Notable Vietnamese Businesswoman (Golden Rose).
- Businesswoman who follows the teaching of Uncle Ho.
- Businesswoman for a cultural career, . . .

Many merit certificates from Ministry of Transportation, Ministry of Health, Vietnam Labor Union, Labor Union of the Ministry of Transportation.



**NGUYEN THI LAN**

Member of the Board of Directors, Head of Planning Department

Born: 1967

Education: Bachelor Degree in Pharmacy

Years with the company: 19 years

Management experience at the

company: 16 years

Many merit certificates from the Ministry of Transportation, Ministry of Health.



**TRAN TUC MA**

Vice Chairman of the Board of Directors

cum General Director

Born: 1965

Degree: Master of Pharmacy

Years with the company: 20 years

Management experience at the company: 15 years

Outstanding Medicine Practitioner Award.

Merit certificate from the Prime Minister.

Emulated Fighter Award of the Ministry of

Transportation from 2004 - 2006.

Many merit certificates from the Ministry of

Transportation, Ministry of Health and Labor Union

of the Ministry of Transportation.





**LE TUAN**

Member of the Board of Directors,  
Senior Associate Mekong Capital  
Born: 1984  
Education: Bachelor of Economics  
Bucknell University, USA



**NONG HUU DUC**

Member of the Board of Directors,  
Director of Ho Chi Minh Branch  
Born: 1971  
Education: Master of Business  
Administration  
Bachelor of Pharmacy

Years with the company: 18 years  
Management experience at the  
company: 10 years

Emulated Fighter Award of the  
Ministry of Transportation from  
2004 – 2006.  
Many merit certificates from the  
Ministry of Transportation, Ministry  
of Health and Labor Union of the  
Ministry of Transportation.



**NGUYEN HUY VAN**

Deputy General Director  
Born: 1967  
Education: Master of Pharmacy,  
Bachelor of Laws

Years with the company: 18 years  
Management experience at the  
company: 10 years

Outstanding medicine practitioner award.  
Merit certificate from the Prime Minister  
First Prize – Vietnam Scientific and  
Technological Innovation Vietnam 2010.  
Emulated Fighter Award of the Ministry  
of Transportation from 2007 – 2009.  
And many merit certificates from the  
Ministry of Transportation, Ministry  
of Health, Ministry of Science and  
Technology and Labor Union of the  
Ministry of Transportation.



**HOANG THI RUOC**

Deputy General Director  
Born: 1962  
Education: Master of Business  
Administration, Bachelor of Pharmacy.

Years with the company: 26 years  
Management experience at the  
company: 12 years

Outstanding medicine practitioner award.  
Merit certificate from the Prime Minister.  
Emulated Fighter Award of the Ministry of  
Transportation from 2004 – 2006.  
And many merit certificates from the  
Ministry of Transportation, Labor Union of  
Vietnam and Labor Union of the Ministry  
of Transportation.

## Profile of the Board of Supervision



**PHAM THI THANH DUYEN**

Chairwoman of the Board of Supervisors

Department Head,  
Administration Department

Born: 1974

Education: Master of Pharmacy,  
Bachelor of Economics

Years with the company: 14 years

Management experience at the  
company: 10 years

Emulated Fighter Award of the Ministry  
of Transportation from 2004 – 2006.

And many merit certificates from the  
Ministry of Transportation.



**DO KHANH VAN**

Member of the Board of Supervisors

Senior Finance and Accounting  
Consultant Mekong Capital

Born: 1981

Education: Bachelor of Corporate  
Finance



**TRAN THI NGOC LAN**

Member of the Board of Supervisors

Investment Associate, State Capital  
Investment Corp.

Born: 1986

Education: Bachelor of Finance and  
Banking





## Board of Management

(From left to right – See profiles on page 64 - 65)

**HOANG THI RUOC**  
Deputy General Director

**TRAN TUC MA**  
General Director

**NGUYEN HUY VAN**  
Deputy General Director



“

Traphaco always emphasized on the workplace culture:

**“Cooperation, sharing, commitments and honoring commitments”.**

Traphaco continuously strived to enhance professionalism through building consensus around targets, getting organized around a common goal and together finding optimal solutions to achieve the set targets. Traphaco takes authenticity, friendliness and motivation as the basis to build the relationships and policies with employees.

”



developing an  
**Unique Culture**

# 7,500,000 VND

AVERAGE EMPLOYEE INCOME

## Education and Training Policies

Employees are responsible for improving their skills, qualifications and capabilities to keep up with the growth of the Company.

Trophaco considers human resource as its vital energy. For employees who are sent by the Company to enroll in full-time university and post graduate programs shall be compensated as follows:

- » Basic salary
- » 100% health insurance and social insurance premium
- » Partial or full tuition reimbursement depending on their tenures with Company
- » For part-time students, the Company will accommodate working hours and reimburse tuitions based on guidelines.
- » For employees who are sent to short-term professional training courses upon their request or by assignment of the CEO, tuitions shall be paid for according to the Company's policies.

In 2010, the Company provided trainings for 1,153 employees with a total budget of over VND 1 billion. 120 employees received intensive and advanced professional trainings, 28 attended leadership trainings and 735 received soft skills trainings. Regular trainings were also provided to 300 employees.

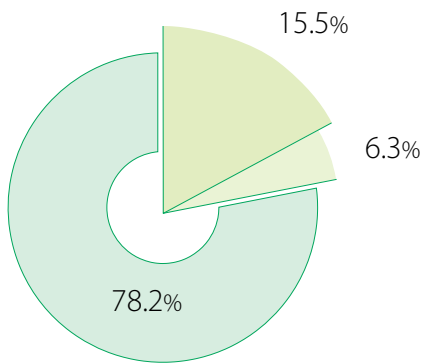
The regular training programs were upgraded in 2010 to include the "Golden Hands" competition for production workforce, training for pharmaceutical sales representatives in the Northern and Southern Regions. Trainings were also combined with team building activities, outdoor retreats, games, sporting events, especially the team event to climb Mount Fansipan which aimed at developing physical and mental endurance as well as mentalities for overcoming challenges.





## Healthcare

Initial health check-ups were provided to 2,137 employees, transferred 22 cases to hospitals.



The Company conducted annual medical check-ups. In 2011, annual check-ups were provided to 100% of employees in Hanoi and Ho Chi Minh City as planned. As such:

Grade 1 Health	: 6.3%
Grade 2 Health	: 78.2%
Grade 3 Health	: 15.5%
No Grade 4 Health	

The budget for in-house healthcare and medical check-ups for employees in 2010 was VND 170 million.

100% of female employees received gynaecology check-ups and 326 female employees were provided with tampons for free on a quarterly basis.

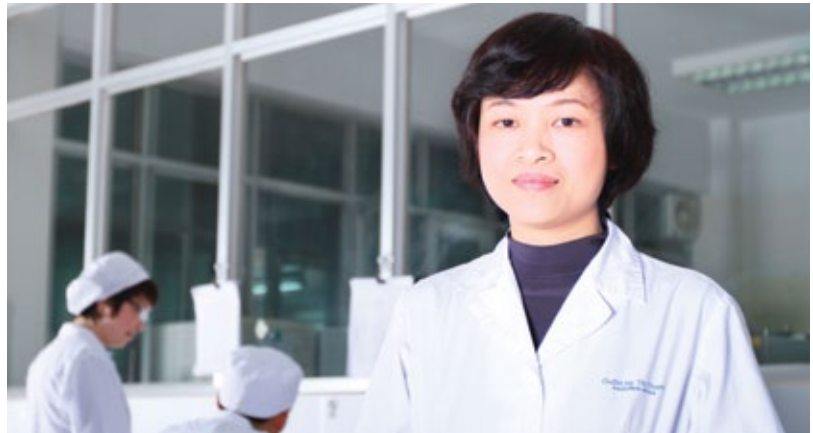
In addition to the required health and social insurances, the Company has also been providing accident insurance for all employees since 2004. From 2009, the Company bought 5-year term life insurance policies for employees.

Compensation of employees working in hazardous environments amounted to VND 100 million.

Gas and mobile phone allowances for employees were VND 300,000 per person per annum, equivalent to an annual expense amount of VND 2.3 billion per year for the whole company.

The Company also had an anti-heat in-kind allowance which were paid twice a year and each employee received 2 kgs of sugar and 40 bottles of milk.





Ensure Labor safety  
and Production safety



Transparency  
and democracy

Protective gears: two sets per person per year with a budget of VND 100 million. The tailored office uniforms for all staffs with a budget of VND 2.5 million per staff, totaling VND 1.68 billion for the whole Company.

Sanitizing the working environment: 03 times per year, including 05 times of spraying cloramin B at the water-waste treatment and WC areas.

Environment assessment: 3 times

Environment observant test: Once per year with 455 samples taken.

Circulated training materials on first aids and preventative measures for seasonal diseases to local general hygienists and 500 brochures on HIV/AIDS to employees.

Received the certificate for Safe Kitchen.

Regular safety checks for electrical equipments and machineries, new equipments for production facility: VND 4.3 billion; additional fire safety equipments and warehouse improvements: VND 5 billion.

Regular training on GMP, Labor Safety and Sanitation

Monthly public announcements were made on business results and the implementation of policies related to the employees' rights and obligation. Regular discussions were conducted with the Labor Union to align around business targets, the Enterprise's strategy and measures to achieve these targets in 2011.

Employee forums were also organized to: review 2010 business results, discuss the implementation of the collective labor agreement and the use of the welfare fund; departmental representatives were encouraged to voice up their opinions; at the seminars, the management team addressed all questions, concerns and proposals from the employees.

In 2011, TRAPHACO also conducted a review of the Company's regulations and sought opinions from employees to amend and supplement the regulations. The Company will issue the amended regulations after completing two rounds of review with employees.



# Cebraton

## *Access to success*

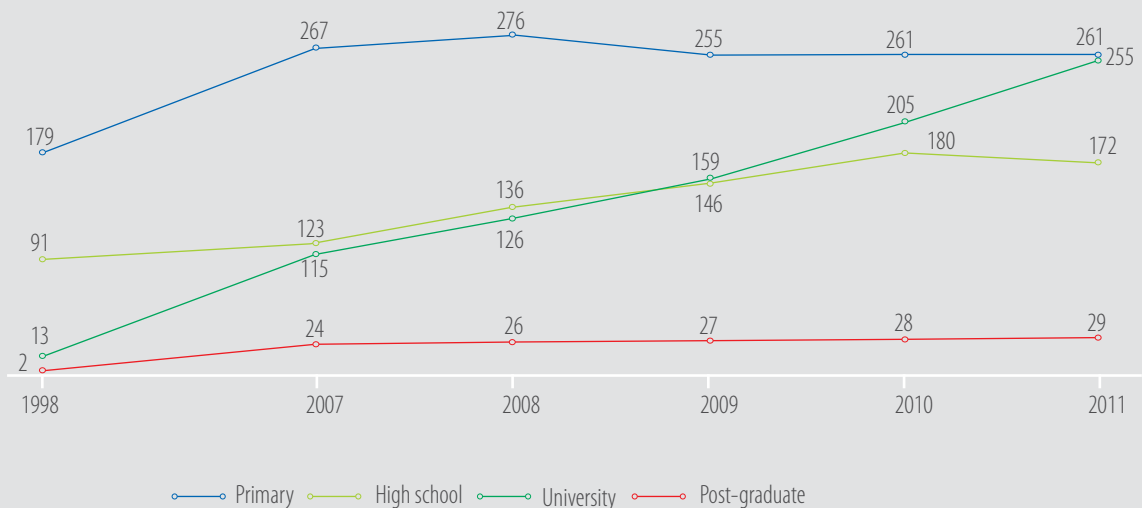
- ◆ **Nourish ment for the brain**
- ◆ **Enhancing memory**
- ◆ **Relief from stress**

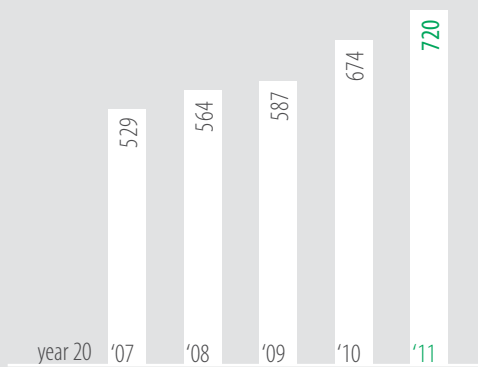


# Traphaco

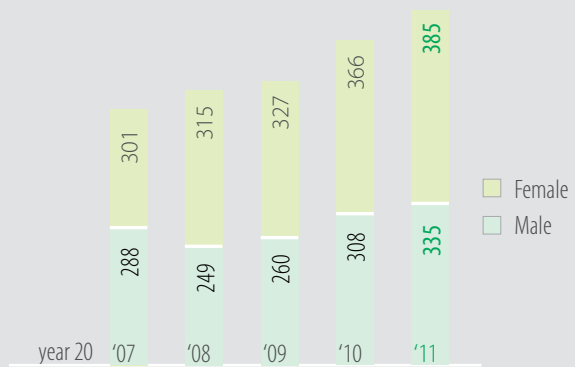
Year	Total	SEX		Education level				Average salary (dong/person/ month)
		Male	Female	Post Graduate	University	High school	Primary Education	
1998	285	86	199	2	91	13	179	1,400,000
1999	325	101	224	2	95	12	216	1,700,000
2000	344	116	228	6	110	32	196	1,900,000
2001	410	169	241	9	132	50	217	2,083,000
2002	465	206	259	11	137	66	251	2,200,000
2003	515	225	290	13	148	78	276	2,540,000
2004	627	258	369	15	152	105	355	3,300,000
2005	710	299	411	15	161	118	416	3,600,000
2006	797	343	454	22	157	120	498	3,900,000
2007	529	228	301	24	123	115	267	4,100,000
2008	564	249	315	26	136	126	276	4,500,000
2009	587	260	327	27	146	159	255	5,000,000
2010	674	308	366	28	180	205	261	5,500,000
2011	720	335	385	29	172	255	261	7,500,000

LABOR GRAPH BY EDUCATION LEVEL





TOTAL NUMBER OF EMPLOYEES AT TRAPHACO



LABOR GRAPH BY GENDER



“ Traphaco always understands the best interest of investors, creates opportunities for business partners, commits to provide the customers with high quality products at reasonable prices, and improves the livelihood of employees **TOWARD A BRIGHTER FUTURE.** ”



multiply

**Mutual Benefits**

## REPORT OF THE BOARD OF GENERAL DIRECTORS

The Board of General Directors of Trophaco Joint Stock Company (the “Company”) presents its report and the Company’s consolidated financial statements for the year ended as at 31st December 2011.

## COMPANY

Trophaco Joint Stock Company is a joint stock company which was transformed from State-owned Company into Joint - Stock Company under Decision No. 2566/1999/QDD-BGTVT dated 27 September 1999 of Minister of Transport. The company is reissued identification numbers from the business license number 058437 dated 24 December 1999 by Hanoi office for Planning and Investment into business license number 0100108656, issued on 22 April 2011 (the 14<sup>th</sup> change).

The company’s head office is located at 75 Yen Ninh - Quan Thanh - Ba Dinh – Hanoi.

## BOARD OF MANAGEMENT, BOARD OF GENERAL DIRECTORS AND BOARD OF CONTROLLERS

The members of The Board of Management in the fiscal year and to the reporting date are:

Ms. VU THI THUAN	Chairman	(Appointed on 28 <sup>th</sup> March 2011)
Ms. VU THI THUAN	Vice Chairman	(Resigned on 25 <sup>th</sup> March 2011)
Mr. TRAN TUC MA	Vice Chairman	(Resigned on 25 <sup>th</sup> March 2011)
Mr. NGUYEN HUY VAN	Member	(Resigned on 25 <sup>th</sup> March 2011)
Mr. NONG HUU DUC	Member	(Appointed on 25 <sup>th</sup> March 2011)
Ms. HOANG THI RUOC	Member	(Resigned on 25 <sup>th</sup> March 2011)
Mr. LE TUAN	Member	(Appointed on 25 <sup>th</sup> March 2011)
Ms. NGUYEN THI LAN	Member	(Appointed on 25 <sup>th</sup> March 2011)

The members of The Board of General Directors in the fiscal year and to the reporting date are:

Ms. VU THI THUAN	General Director	(Resigned on 2 <sup>nd</sup> April 2011)
Ms. VU THI THUAN	General Director	(Appointed on 2 <sup>nd</sup> April 2011)
Mr. NGUYEN HUY VAN	Deputy General Director	
Ms. HOANG THI RUOC	Deputy General Director	
Ms. PHAM THI PHUONG	Deputy General Director	(Retired on 1 <sup>st</sup> March 2011)

The members of the Board of Controllers are:

Mr. NGUYEN TAT VAN	Head of Control Department	(Resigned on 25 <sup>th</sup> March 2011)
Ms. NGUYEN THI KIM HOA	Member	(Resigned on 25 <sup>th</sup> March 2011)
Ms. NGUYEN THI HAU	Member	(Resigned on 25 <sup>th</sup> March 2011)
Ms. PHAM THI THANH DUYEN	Head of Control Department	(Appointed on 25 <sup>th</sup> March 2011)
Ms. TRAN THI NGOC LAN	Member	(Appointed on 25 <sup>th</sup> March 2011)
Ms. DO KHANH VAN	Member	(Appointed on 25 <sup>th</sup> March 2011)

## AUDITORS

The auditors of Auditing and Accounting Financial Consultancy Service Company Limited (**AASC**) take the audit of Consolidated Financial Statements for fiscal year ended as at 31 December 2011.

## STATEMENT OF THE BOARD OF DIRECTORS' RESPONSIBILITY IN RESPECT OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Board of General Directors is responsible for the Consolidated Financial statements of each financial year which give a true and fair view of the state of affairs of the Company and of its operation results and cash flows for the year. In preparing those consolidated financial statements, the Board of General Directors is required to:

- » Select suitable accounting policies and then apply them consistently;
- » Make judgments and estimates that are reasonable and prudent;
- » State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the consolidated financial statements;
- » Prepare the consolidated financial statements on the basis of compliance with accounting standards and system and other related regulations;
- » Prepare the consolidated financial statements on going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Board of General Directors is responsible for ensuring that proper accounting records are kept which disclosed, with reasonable accuracy at any time, the consolidated financial position of Company and to ensure that the accounting records comply with the registered accounting system. It is responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

We, the Board of General Directors, confirm that the Consolidated financial statements for the fiscal year ended as at 31 December 2011 prepared by us, give a true and fair view of the financial position at 31 December 2011, its operation results and cash flows in the year 2011 of Company accordance with the Vietnamese Accounting System and comply with relevant statutory requirements.

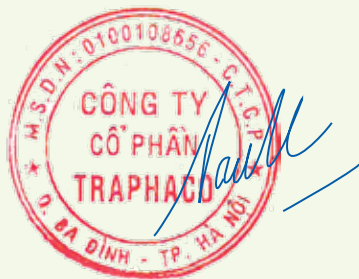
## OTHER COMMITMENTS

The Board of General Directors pledges that the Company does not offend obligation of information disclosure under regulation in Circular No. 09/2010/TT-BTC dated 15 January 2010 issued by Ministry of Finance guiding disclosure of information on Securities Market.

*Hanoi, 18 January 2012*

On behalf of the Board of General Directors

General Director



TRAN TUC MA

## AUDITORS' REPORT

No : /2012/BC.KTTC-AASC.KT5

ON THE CONSOLIDATED FINANCIAL STATEMENTS OF TRAPHACO  
JOINT STOCK COMPANY FOR THE FISCAL YEAR ENDED AS AT 31 DECEMBER 2011

To: The Shareholders, the Board of Management and Board of General Directors Traphaco Joint Stock Company

We have audited the Consolidated financial statements of Traphaco Joint Stock Company prepared on 12 January 2012 including: Consolidated balance sheet as at 31 December 2011, Consolidated income statement, Consolidated cash flows statement and Notes to Consolidated financial statements for the year ended as at 31 December 2011 as set out on pages 05 to 33 attached.

These Consolidated financial statements are the responsibility of the Board of General Directors of the Company. Our responsibility is to express an opinion on these Consolidated financial statements based on our audit.

## BASIS OF OPINION

We conducted our audit in accordance with Vietnamese Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the compliance with current accounting standards and system and the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

## AUDITOR'S OPINION

In our opinion, the Consolidated Financial Statements of Traphaco Joint Stock Company give a true and fair view, in all material respects, of the financial position of the Company as at 31 December 2011, and of the results of its operations and its cash flows for the year then ended in accordance with the Vietnamese Accounting Standards and system and comply with relevant statutory requirements.

Auditing and Accounting Financial  
Consultancy Service Company Limited (AASC)



**NGUYEN THANH TUNG**  
Deputy General Director  
Registered Auditor No: Đ0063/KTV  
Ha Noi, 6 March 2012

**HOANG THUY NGA**  
Auditor  
Registered Auditor No: 0762/KTV



## CONSOLIDATED BALANCE SHEET

As at 31 December 2011

		<i>Unit: VND</i>		
Code	ASSETS	Note	31/12/2011	01/01/2011
100	A. A. CURRENT ASSETS		622,670,204,678	489,064,704,123
110	I. Cash and cash equivalents	3	43,240,547,864	29,068,347,374
111	1. Cash		16,740,547,864	9,068,347,374
112	2. Cash equivalents		26,500,000,000	20,000,000,000
120	II. SHORT-TERM INVESTMENTS	4	715,000,000	819,000,000
121	1. Short-term investments		715,000,000	819,000,000
130	III. SHORT-TERM ACCOUNTS RECEIVABLE		238,826,589,878	267,131,929,398
131	1. Trade receivables		221,556,524,505	236,864,185,255
132	2. Advances to suppliers		17,428,106,629	27,015,879,479
135	3. Other receivables	5	3,004,492,980	4,954,608,325
139	4. Provisions for short-term bad debts		(3,162,534,236)	(1,702,743,661)
140	IV. INVENTORY	6	328,156,185,911	186,291,250,860
141	1. Inventory		329,704,787,226	186,291,250,860
149	2. Provision for inventories obsolescence		(1,548,601,315)	-
150	V. OTHER CURRENT ASSETS		11,731,881,024	5,754,176,491
151	1. Short-term prepaid expenses		2,064,098,206	-
152	2. VAT deductibles		4,929,101,627	3,820,909,492
154	3. Taxes and other receivables from State	7	1,008,626,000	-
158	4. Other current assets	8	3,730,055,191	1,933,266,999
200	B. NON- CURRENT ASSETS		215,773,293,056	89,803,414,018
220	II. FIXED ASSETS		185,172,592,151	85,891,450,840
221	1. Tangible fixed assets	9	153,845,723,892	57,615,354,836
222	- Cost		265,634,680,556	128,324,589,488
223	- Accumulated depreciation		(111,788,956,664)	(70,709,234,652)
227	2. Intangible fixed assets	10	29,677,177,087	16,747,480,165
228	- Cost		30,342,789,962	16,747,480,165
229	- Accumulated amortization		(665,612,875)	-
230	3. Construction in progress	11	1,649,691,172	11,528,615,839
250	IV. LONG-TERM INVESTMENTS		-	2,250,000,000
258	1. Other long-term investments		-	2,250,000,000
260	V. OTHER LONG-TERM ASSETS		30,600,700,905	1,661,963,178
261	1. Long-term prepaid expenses		431,643,678	331,180,991
262	2. Deferred tax assets		1,399,730,977	84,598,508
268	3. Other long-term assets		25,017,370	53,482,950
269	4. Goodwill		28,744,308,880	1,192,700,729
<b>270</b>	<b>TOTAL ASSETS</b>		<b>838,443,497,734</b>	<b>578,868,118,141</b>

**CONSOLIDATED BALANCE SHEET (cont.)**

As at 31 December 2011

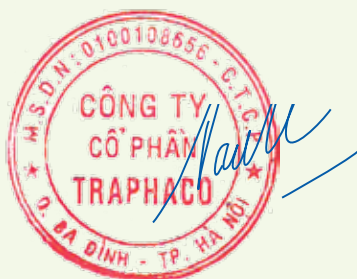
					<i>Unit: VND</i>	
Code	RESOURCE	Note	31/12/2011	01/01/2011		
300	A. LIABILITIES		403,405,929,980	229,729,744,090		
310	I. CURRENT LIABILITIES		370,825,993,240	226,070,171,614		
311	1. Short-term loans and debts	12	154,378,941,564	86,076,863,042		
312	2. Trade payables		144,150,930,973	108,752,744,821		
313	3. Advances from customers		7,519,014,706	2,233,094,209		
314	4. Payables to employees	13	26,977,537,882	17,536,757,981		
315	5. Accrued expenses		19,284,165,016	5,549,608,526		
316	6. Accrued expenses	14	2,834,910,571	137,040,035		
319	7. Bonus and welfare fund	15	12,754,721,836	5,537,267,801		
323	8. Bonus and welfare fund		2,925,770,692	246,795,199		
330	II. LONG-TERM LIABILITIES		32,579,936,740	3,659,572,476		
334	1. Long- term loans and debts	15	28,589,816,000	-		
336	2. Provision for unemployment allowances		3,990,120,740	3,659,572,476		
400	B. OWNER'S EQUITY		400,085,339,558	349,138,374,051		
410	I. OWNER'S EQUITY	17	399,280,111,678	349,096,519,711		
411	1. Contributed legal capital		123,398,240,000	123,398,240,000		
412	2. Share capital surplus		92,063,700,000	92,063,700,000		
414	3. Treasury stocks		(3,593,000)	(3,593,000)		
416	4. Foreign exchange differences		347,388,175	1,728,925,854		
417	5. Investment and development fund		80,798,904,048	54,512,922,444		
418	6. Financial reserve fund		14,538,443,422	11,174,870,036		
420	7. Profit after tax retained		88,137,029,033	66,221,454,377		
430	II. OTHER CAPITAL AND FUNDS		805,227,880	41,854,340		
432	1. Subsidized not-for-profit funds	18	805,227,880	41,854,340		
439	C. NON-CONTROLLING INTEREST		34,952,228,196	-		
439	1. Non-controlling interest		34,952,228,196	-		
440	TOTAL RESOURCE		838,443,497,734	578,868,118,141		

## OFF CONSOLIDATED BALANCE SHEET ITEM

As at 31 December 2011

ITEMS	Note	31/12/2011	Unit: VND
			01/01/2011
1. Foreign currencies		-	-
USD		1,690,03	8,764,76

Hanoi, 12 January 2012



TRAN TUC MA  
General Director

A blue ink signature, likely belonging to Dinh Trung Kien.

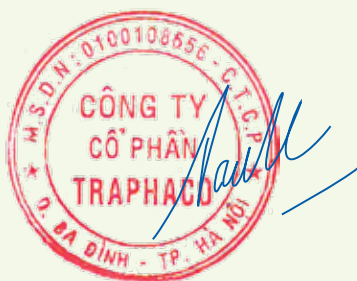
DINH TRUNG KIEN  
Chief Accountant

**CONSOLIDATED INCOME STATEMENT**

Year 2011

			<i>Unit: VND</i>	
Code	Items	Note	Year 2011	Year 2010
01	1. Revenue from sale of goods and rendering of services	19	1,073,255,309,337	869,798,826,310
02	2. Deductible items		10,462,190,603	10,036,654,110
10	3. Net revenue from sale of goods and rendering of services		1,062,793,118,734	859,762,172,200
11	4. Cost of goods sold	20	663,666,372,174	596,068,780,115
20	5. Gross profit from sale of goods and rendering of services		399,126,746,560	263,693,392,085
21	6. Revenue from financial activities	21	7,925,686,407	4,282,299,823
22	7. Financial expenses	22	27,335,435,730	11,609,106,377
23	In which: Interest payable		21,742,975,139	9,849,281,942
24	8. Selling expenses		181,969,513,161	118,151,242,367
25	9. Administrative expenses		72,564,866,267	46,986,026,190
30	10. Net profit from operating activities		125,182,617,809	91,229,316,974
31	11. Other income		878,547,928	207,781,136
32	12. Other expense		1,821,026,912	16,375,625
40	13. Other profit		(942,478,984)	191,405,511
50	14. Total profit before tax		124,240,138,825	91,420,722,485
51	15. Current corporate income tax expenses	23	34,856,620,994	25,140,236,698
52	17. Deferred corporate income tax expenses		(1,315,132,469)	32,417,834
60	18. Profit after tax		90,698,650,300	66,248,067,953
61	18.1 Minority shareholder		2,010,980,175	-
	18.2. Holding company		88,687,670,125	66,248,067,953
70	19. Earnings per share	24	7,188	6,047

Hanoi, 12 January 2012



**TRAN TUC MA**  
General Director

**DINH TRUNG KIEN**  
Chief Accountant

## CONSOLIDATED CASH FLOWS STATEMENT

Year 2011 - (Under direct method)

				Unit: VND	
Code	Items	Note	Year 2011	Year 2010	
	I. CASH FLOWS FROM OPERATING ACTIVITIES				
01	1. Cash receipts from sales of goods, rendering of services and other revenue		1,022,088,433,163	880,453,651,839	
02	2. Cash paid to suppliers		(710,235,778,397)	(693,789,868,081)	
03	3. Cash paid to employees		(117,099,548,793)	(85,673,743,603)	
04	4. Interest paid		(19,739,664,188)	(9,745,854,286)	
05	5. Enterprise income tax paid		(25,823,139,955)	(23,923,371,030)	
06	6. Other receipts from operating activities		15,818,852,762	4,660,409,344	
07	7. Other expenses on operating activities		(62,205,970,133)	(44,921,399,707)	
20	Net cash flows from operating activities		102,803,184,459	27,059,824,476	
	II. CASH FLOW FROM INVESTING ACTIVITIES				
21	1. Purchase of fixed assets and other long-term assets		(21,037,717,061)	(32,402,415,169)	
22	2. Proceeds from disposals of fixed assets and other long-term assets		300,000,000	201,818,182	
23	3. Loans to other entities and purchase of debt instruments of other entities		(1,350,000,000)	(1,315,000,000)	
24	4. Repayment from borrowers and proceeds from sales of debt instruments of other entities		375,000,000	986,500,000	
25	5. Investments in other entities		(191,686,885,300)	-	
26	6. Investment returns from other entities		116,319,000,000	-	
27	7. Interest, dividends and profit received		2,779,924,878	886,515,264	
30	Interest, dividends and profit received		(94,300,677,483)	(31,642,581,723)	
	III. CASH FLOWS FROM FINANCING ACTIVITIES				
32	1. Fund returned to equity owners, issued stock redemption		-	(1,073,000)	
33	2. Long-term and short-term borrowings received		242,969,527,099	149,794,880,417	
34	3. Loan repayment		(212,759,523,085)	(121,359,194,864)	
36	4. Dividends, profit paid to equity owners		(24,540,310,500)	(217,356,000)	
40	Net cash flows from financing activities		5,669,693,514	28,217,256,553	
50	Net cash flows within the period		14,172,200,490	23,634,499,306	
60	Cash and cash equivalents at the beginning of year		29,068,347,374	5,433,848,068	
70	Cash and cash equivalents at the end of year	3	43,240,547,864	29,068,347,374	

Ha Noi, 12 January 2012



**TRAN TUC MA**  
General Director

**DINH TRUNG KIEN**  
Chief Accountant

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year 2011

### 1. COMPANY INFORMATION

#### Forms of Ownership

Traphaco Joint Stock Company is a joint stock company which was transformed from State-owned Company into Joint- Stock Company under Decision No. 2566/1999/QDD-BGTVT dated 27 September 1999 of Minister of Transport. The company is reissued identification numbers from the business license number 058437 by Hanoi office for Planning and Investment dated 24 December 1999 into business license number 0100108656, issued on 22 April 2011 (the 14th change).

The company's head office is located at 75 Yen Ninh - Quan Thanh - Ba Dinh – Hanoi.

Company's Legal capital: VND 123,398,240,000 (One hundred twenty three billion, three hundred ninety eight million and two hundred forty thousand Vietnamese Dong). Equivalent to 12,339,824 shares with the price of VND 10,000 per share.

The Company's subsidiaries are as follows:

Name	Address	Principle activities
Ho Chi Minh Branch	Ho Chi Minh City	
Da Nang Branch	Da Nang City	
Nam Dinh Branch	Nam Dinh Province	
Nghe An Branch	Nghe An Province	
Thanh Hoa Branch	Thanh Hoa Province	
Vinh Long Branch	Vinh Long Province	
Hai Phong Branch	Hai Phong City	
Dong Nai Branch	Dong Nai Province	
Binh Thuan Branch	Binh Thuan Province	
Quang Ngai Branch	Quang Ngai Province	
Khanh Hoa Branch	Khanh Hoa Province	
Can Tho Branch	Can Tho City	

Trading in pharmaceuticals, food, cosmetics, chemicals, supplies, medical equipment, importing and exporting of raw materials for drugs, drug products.

The Company's subsidiary is as follows:

Name	Address	Principle activities
<b>Traphacosapa One Member Limited Company</b>	Lao Cai Province	Cultivating and processing medicinal, agricultural and forest products and food; Producing, trading pharmaceutical products, medicinal herbs, food;...
<b>Traphaco High Tech Joint Stock Company</b>	Hung Yen Province	Producing, trading pharmaceutical products,..
<b>TraphacohungyenOne Member Limited Company</b>	Hung Yen Province	Producing, trading pharmaceutical products,..

## Business field

Under the 14th Business License issued by Hanoi office for Planning and Investment dated 22 April 2011, the Company's business fields are:

- » Producing, sales of wine, beer, soft drinks (not including business in bars);
- » Consulting on Science and Technology services, Technology transfer in the field of medicine and pharmacy;
- » Manufacturing, trading food;
- » Manufacturing, trading cosmetics;
- » Import and export raw materials for drugs and drug products;
- » Consulting on producing pharmaceutical, cosmetics;
- » Dispensing prescription drugs;
- » Manufacturing and trading Pharmaceutical, chemicals and medical equipment;
- » Purchasing, cultivating, processing medicinal herbs.

## 2. ACCOUNTING SYSTEM AND ACCOUNTING POLICY

### 2.1 Accounting period and accounting monetary unit

Annual accounting period commences from 1st January and ends on 31<sup>st</sup> December.

The Company maintains its accounting records in VND.

### 2.2 Accounting Standards and Accounting system

#### *Accounting system*

The company applies Enterprise Accounting System issued under Decision No.15/2006/QĐ-BTC dated 20 March 2006 by Minister of Finance amended and supplemented in accordance 244/2009/TT -BTC 31/12/2009 Circular of the Minister of Finance.

#### *Announcement on compliance with Vietnamese standards and accounting system*

The company applies Vietnamese Accounting Standards and supplement documents issued by the State. Consolidated Financial statements are prepared in accordance with regulations of each standard and supplement documents as well as with current accounting system.

#### *Form of accounting record*

The company is applying accounting record by computer.

### 2.3 Basis for consolidation of financial statements

Consolidated financial statements are prepared based upon consolidating separate financial statements of the Company and subsidiaries under its control as at 31 December annually. Control rights is in practice when the company has power to govern the financial and operating policies of invested companies to obtain benefits from their activities.

Financial statements of subsidiaries are prepared for the same fiscal year with that of parent companies. If necessary, financial statements of subsidiaries may be adjusted to ensure the consistence between accounting policies applied at the company and its subsidiaries.

Operation results of subsidiaries which were purchased or liquidated in the period are presented on consolidated financial statements since the purchasing or liquidated dates.

Balance, main income and expense, including unrealized profits from intra-group transactions are eliminated in full from consolidated financial statements.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont.)

Year 2011

Minority interest reflecting profits or losses and net assets which are not held by shareholders of the company will be presented in a separate item on consolidated balance sheet and consolidated income statement.

## 2.4 Goodwill

Goodwill presented on consolidated financial statements is the surplus between its purchase cost and benefit of the company in total fair value of assets, liabilities and contingent liabilities of subsidiaries, associates or joint ventures at the investment date. Goodwill is treated as intangible fixed assets, amortized under straight -line basis with estimated useful life not beyond 10 years.

When selling subsidiaries, associates and joint ventures, the carrying amount of goodwill which is not fully amortised is accounted into profit/loss of the selling transaction.

## 2.5. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash in banks and short-term, highly liquid investments with an original maturity of less than three months that are readily convertible into known amounts of cash and that are subject to an insignificant risk of change in value.

## 2.6. Receivables

Receivables is presented on the Financial statements according to book value of trade receivable and other receivables after deducting provision for bad receivable debts.

Provisions for bad debts are made for each debt based on overdue period of debts or possible loss.

## 2.7. Inventories

Inventories are stated at original cost. Where the net realizable value is lower than cost, inventories should be measured at the net realizable value. The cost of inventories comprise the purchase price, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventory at the year-end is calculated by weighted average method.

Inventory is recorded by perpetual method.

Provisions for devaluation of inventories made at the end of the year are the excess of original cost of inventory over their net realizable value.

## 2.8 Fixed assets and depreciation of fixed assets

Fixed assets (tangible and intangible) are stated at the historical cost. During the using time, fixed assets (tangible and intangible) are recorded at cost, accumulated depreciation (armotisation) and net book value.

Depreciation is provided on a straight-line method based on the estimated duration of use of a fixed asstes, which is suitable for Circular No. 203-2009-TT-BTC - Guiding regime on management, use and calculation of depreciation of Fixed Assets. Annual rates calculated to write off the cost of each asset evenly over its expected useful life as follows:

Buildings	15 – 25 year
Machine, equipment	06 – 07 year
Transportation equipment	05 – 08 year
Office equipment	03 – 06 year
Others	05 - 15 year



Buildings, machine and equipment of Traphacosapa One member limited company are depreciated based on product quantity; Other Assets are depreciated based on a straight-line basis.

Intangible assets are land use rights with unlimited duration shall not be depreciated.

## 2.9 Financial investment

Investments in subsidiaries over which the Company has control rights are stated at original cost. Distributions from accumulated net profits from subsidiaries arising subsequent to the date of acquisition are recognized in the Statement of comprehensive income. Other distributions received (in excess of such profits) are considered a recovery of investment and are deducted to the cost of the investment.

Financial investment at the balance sheet date, if:

- » Having maturity not over than 3 months from the date of acquisition are recognized as “cash equivalents”;
- » Having maturity less than 1 year/1 operating cycle are recognized as short-term assets;
- » Having maturity over than 1 year/1 operating cycle are recognized as long-term assets.

Provisions for devaluation of investments are made based on the excess of original cost in accounting books over their market value at year-end.

## 2.10. Borrowing costs

Borrowing costs are recognized into operating costs during the period, except for which directly attributable to the acquisition, construction or production of a qualifying asset included (capitalized) in the cost of that asset, when gather sufficient conditions as regulated in SAV No. 16 “Borrowing costs”.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset that takes more than 12 months to put into use under certified purposes or for sale should be included (capitalized) in the cost of that asset, including interest on borrowings, amortization of discounts or premiums relating to issuing bonds and ancillary costs incurred in connection with the arrangement of borrowings.

## 2.11. Prepaid expenses

Prepaid expenses only related to present fiscal year are recognised as short-term prepaid expenses and are recorded into operating costs.

Prepaid expenses incurred during the year but related to business operations of several years are recorded as long-term prepaid expenses and are amortised to the income statement in several years.

The calculation and allocation of long-term prepaid expenses to profit and loss account in the period should be based on nature of those expenses to select a reasonable method and allocated factors. Prepaid expenses are allocated partly into operating expenses on a straight-line basis.

## 2.12. Accrued expenses

Expenses not yet occurred may be charged in advance into production and operating costs in order to ensure when these expenses arise, they do not make material influence on production and operating costs on the basis of suitability between revenue and cost. When these expenses arise, if there is any difference with the amount charged, accountants additionally record or make decrease to cost equivalent to the difference.

## 2.13. Provision for payables

The amount recognised as a provision shall be the best estimate of the expenditure required to settle the present obligation at the end of year.

Only expenditures that relate to the original payables provision are set against it.

In case provision set for the previous period but not used up exceeds the one set for the current period, the difference is recorded as decrease in production and operation expenditures. The bigger difference of the payables provision on insuring the construction is recorded into other revenue.

#### 2.14. Owner's equity

Owner's equity is stated at actually contributed capital of owners.

Premium reserve is recorded by the difference (over/under) between the selling price and the par value of treasury stocks when stocks are firstly or additionally issued or reissued. Direct expenses related to the additional issuance of shares or reissuing treasury stock is recorded to reduce the surplus capital stock.

Other capital of owner is the fair value of assets offered to the company by other entities or individuals less payable taxes (if any) imposed on these assets; and the amount added from income statement.

Profit after tax retained is the profit of business operations after deduction (-) regulated items due to applying a change in accounting retrospectively or to make a retrospective restatement to correct materiality in previous years. The profit is available for appropriation to investors after approval by Board of Management and after appropriation to reserve funds in accordance with the Company's Charter and Vietnamese regulatory requirements.

Dividends to be paid to shareholders are recognised as a payable in Statement of financial position after declaration from the Board of Management.

#### 2.15. Revenue

##### *Revenue from sale of goods*

Revenue from sale of goods should be recognised when all the following conditions have been satisfied:

- » The entity has transferred to the buyer the significant risks and rewards of ownership of the goods;
- » The entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- » The amount of revenue can be measured reliably;
- » It is probable that the economic benefits associated with the transaction will flow to the entity; and
- » The cost incurred or to be incurred in respect of the transaction can be measured reliable.

##### *Revenue from rendering of services*

When the outcome of a transaction involving the rendering of services can be estimated reliable, revenue associate with the transaction shall be recognised by reference to the stage of completion of the transaction at the end of reporting period. The outcome of a transaction can be estimated reliable when all the following conditions are satisfied:

- » The amount of the revenue can be measured reliably;
- » It is probable that the economic benefits associated with the transaction will flow to the entity;
- » The stage of the completion of the transaction at the end of the reporting period can be measured reliably; and
- » The costs incurred for the transaction and the costs to complete the transaction can be measured reliable.

The stage of the completion of the transaction may be determined by surveys of work completed methods.

### *Sales return*

Traphaco Joint Stock Company will receive returns in the case of slow sales (exact number of lots of Traphaco Joint Stock Company) delivered within 90 days from the date of receipt of goods and the buyer must have a written record attached.

### *Finance income*

Revenue arising from the used by the others of entity assets yielding interest, royalties and dividends shall be recognised when:

- » It is probable that the economic benefits associated with the transaction will flow to the entity;
- » The amount of the revenue can be measured reliably.
- » Financial income arising from investment trust is recorded based upon minutes of measuring period profit between the Company and the Trustee.
- » Dividends shall be recognised when the shareholder's right to receive payment is established.

## 2.16. Finance expenses

Items recorded into finance expenses consist of:

- » Expenses or losses relating to financial investment activities;
- » Expenses of capital lending and borrowing;
- » Loss due to foreign exchange differences arising from transactions relating to foreign currencies;
- » Provision for devaluation of securities investment.

Finance expense arising from investment trust is recorded based upon minutes of measuring period loss between the Company and the Trustee.

The above items are recorded by the total amount arising within the period without compensation to financial revenue.

## 2.17. Taxation

### *Current tax*

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted by the balance sheet date.

## 2.18. Foreign currency transactions

Transactions in currencies other than the currencies of the Company (VND/USD) are recorded at the rate of exchange ruling at the dates of transactions. All exchange differences arising on settlement will be recorded into the financial income or expense in the fiscal year. At the year – end, Monetary assets denominated in foreign currencies are revalued at the inter-bank exchange rate issued by the State Bank of Vietnam at the balance sheet date. Exchange differences by revaluing monetary assets and short-term debts denominated in foreign currencies at the year-end are presented at the "Foreign Exchange difference" in the Owner's equity on the Balance sheet and will be decreased in the next year; exchange differences by revaluing long-term debts denominated in foreign currencies at the year-end are recorded into the Income statement in the fiscal year.

According to Vietnamese Accounting Standard No.10 – "Influence of foreign exchange difference", transactions in currencies other than the currencies of the Company are recorded at the rate of exchange ruling at the dates of transactions. At the year – end, monetary assets and liabilities (cash on hand, cash at bank, cash in transit, receivables and liabilities) denominated in foreign currencies are revalued at the inter-bank exchange rate issued by the State Bank of Vietnam at the balance sheet date. All exchange differences in the year and by revaluing monetary denominated in foreign currencies are presented at Income statement of the fiscal year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont.)

Year 2011

3. CASH AND CASH EQUIVALENTS

	31/12/2011	01/01/2011
Cash on hand	5,031,861,637	2,977,782,184
Cash at bank	11,708,686,227	6,090,565,190
Cash equivalents	26,500,000,000	20,000,000,000
	<u>43,240,547,864</u>	<u>29,068,347,374</u>

Cash equivalent as at 31 December 2011 are cash at bank with below three month term and flexible interest.

4. SHORT-TERM FINANCIAL INVESTMENTS

	31/12/2011	01/01/2011
Others short- term financial investments (lending)	715,000,000	819,000,000
	<u>715,000,000</u>	<u>819,000,000</u>

Including building loan contract for staff with one year term and interest from 16% to 17% per year.

5. OTHER SHORT- TERM RECEIVABLES

	31/12/2011	01/01/2011
Others	3,004,492,980	4,954,608,325
	<u>3,004,492,980</u>	<u>4,954,608,325</u>

Details of other receivables as at 31 December 2011 are as follows:

	31/12/2011	01/01/2011
Collaborators' personal income tax (*)	345,565,400	345,565,400
Welfare	-	3,137,949,853
Management Board remuneration	2,137,754,807	1,174,916,309
Mr. Nguyen Xuan Canh	90,000,000	90,000,000
Receivables from staff at the branch of Central Vietnam	204,780,311	-
Social insurance	187,387,994	-
Interest receivables and others at Traphacosapa One Member Limited Company	18,451,157	76,547,160
Others	20,553,311	129,629,603
	<u>3,004,492,980</u>	<u>4,954,608,325</u>

(\*): Under labour agreement, the Company is responsible for paying the collaborators' personal income tax.

## 6. INVENTORY

	31/12/2011	01/01/2011
Raw material	110,883,532,523	63,207,084,039
Tools, supplies	42,888,170	-
Work in process	27,726,751,440	18,778,125,002
Finish goods	51,659,102,853	28,676,541,049
Merchandise	139,392,512,240	75,629,500,770
Provision for inventories obsolescence	(1,548,601,315)	-
	<b>328,156,185,911</b>	<b>186,291,250,860</b>

## 7. TAX AND RECEIVABLES FROM THE STATE BUDGET

	31/12/2011	01/01/2011
VAT	412,717,155	-
Export, import duties	595,908,845	-
	<b>1,008,626,000</b>	<b>-</b>

## 8. OTHER CURRENT ASSETS

	31/12/2011	01/01/2011
Advances	2,930,594,554	1,916,766,999
Difference between value-added tax declaration and account-book.	250,157,729	-
Short-term deposits, mortgages and collateral	549,302,908	16,500,000
	<b>3,730,055,191</b>	<b>1,933,266,999</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont.)**

Year 2011

**9. TANGIBLE FIXED ASSETS**

	Buildings	Machinery, equipment	Transportation equipment	Office equipment	Others	Total
<i>Unit: VND</i>						
<b>Original cost</b>						
Opening balance	46,322,385,417	42,467,330,833	27,768,148,163	11,766,725,075	-	128,324,589,488
Increase	60,555,080,183	63,858,182,998	7,681,584,638	3,944,564,402	3,734,065,383	139,773,477,604
- Purchase in the year	675,303,703	868,003,162	5,563,850,908	1,617,530,355	-	8,724,688,128
- Finished construction investment	19,229,401,964	7,333,588,696	-	1,140,159,182	-	27,703,149,842
- Others	-	-	6,740,000	127,109,091	-	133,849,091
- Tangible fixed assets at CNC Traphaco	40,650,374,516	55,656,591,140	2,110,993,730	1,059,765,774	3,734,065,383	103,211,790,543
Decrease	(14,827,364)	(748,728,595)	(706,334,181)	(993,496,396)	-	(2,463,386,536)
- Liquidating, disposing	-	(744,941,504)	(583,012,181)	(993,496,396)	-	(2,321,450,081)
- Others	(14,827,364)	(3,787,091)	(123,322,000)	-	-	(141,936,455)
<b>Closing balance</b>	<b>106,862,638,236</b>	<b>105,576,785,236</b>	<b>34,743,398,620</b>	<b>14,717,793,081</b>	<b>3,734,065,383</b>	<b>265,634,680,556</b>
<b>Accumulated depreciation</b>						
Opening balance	20,510,572,543	26,475,002,181	14,116,519,649	9,607,140,279	-	70,709,234,652
Increase	12,223,105,367	23,858,909,104	2,893,670,233	1,904,624,429	2,148,569,293	43,028,878,426
- Depreciation within period	2,359,635,926	2,921,187,356	2,275,685,262	1,326,125,964	-	8,882,634,508
- Others	161,822,086	46,473,258	5,653,245	-	-	213,948,589
- Depreciation at CNC Traphaco	9,701,647,355	20,891,248,490	612,331,726	578,498,465	2,148,569,293	33,932,295,329
Decrease	(1,232,765)	(697,601,029)	(271,838,817)	(978,483,803)	-	(1,949,156,414)
- Liquidating, disposing	-	(697,601,029)	(271,838,817)	(978,483,803)	-	(1,947,923,649)
- Others	(1,232,765)	-	-	-	-	(1,232,765)
<b>Closing balance</b>	<b>32,732,445,145</b>	<b>49,636,310,256</b>	<b>16,738,351,065</b>	<b>10,533,280,905</b>	<b>2,148,569,293</b>	<b>111,788,956,664</b>
<b>Net book value</b>						
Opening	25,811,812,874	15,992,328,652	13,651,628,514	2,159,584,796	-	57,615,354,836
<b>Closing</b>	<b>74,130,193,091</b>	<b>55,940,474,980</b>	<b>18,005,047,555</b>	<b>4,184,512,176</b>	<b>1,585,496,090</b>	<b>153,845,723,892</b>

In which:

- Ending net book value of tangible fixed assets pledged as loan securities: VND 85,245,925,070,

- Cost of fully depreciated tangible fixed assets but still in use: VND 46,645,481,680,

## 10, INTANGIBLE FIXED ASSETS

			<i>Unit: VND</i>
	Land used right (*)	Accounting software	Total
<b>Original cost</b>			
Opening balance	16,747,480,165	-	16,747,480,165
Increase	13,498,185,127	97,124,670	13,595,309,797
- Purchase in the year	8,526,156,453	68,187,570	8,594,344,023
- Intangible fixed assets at Traphaco High Tech Joint Stock Company	4,972,028,674	28,937,100	5,000,965,774
Decrease	-	-	-
<b>Closing balance</b>	<b>30,245,665,292</b>	<b>97,124,670</b>	<b>30,342,789,962</b>
<b>Accumulated depreciation</b>			
Opening balance	-	-	-
Increase	660,347,550	5,265,325	665,612,875
- Depreciation within period at Traphaco High Tech Joint Stock Company	660,347,550	5,265,325	665,612,875
Decrease	-	-	-
<b>Closing balance</b>	<b>660,347,550</b>	<b>5,265,325</b>	<b>665,612,875</b>
<b>Net book value</b>			
Opening	16,747,480,165	-	16,747,480,165
<b>Closing</b>	<b>29,585,317,742</b>	<b>91,859,345</b>	<b>29,677,177,087</b>

As at 31/12/2011, Intangible fixed assets are indefinitely land used rights, detail as follows:

	<i>ĐVT: VND</i>
	<b>31/12/2011</b>
Land used rights at 255 Ton Duc Thang - Lien Chieu - Da Nang City (**)	2,618,528,525
Land used rights in Phuoc Kien commune - Nha Be - Ho Chi Minh City (**)	7,795,378,640
Land used rights at new urban area Hoa Vuong - Nam Dinh City	2,350,425,000
Land used rights in Vinh Tan ward - Vinh city - Nghe An Province - Cua Ong (plot No, 581)	1,290,240,000
Land used rights in Vinh Tan ward - Vinh city - Nghe An Province - Cua Ong (plot No, 582)	1,267,560,000
Land used rights at urban area Vinh Diem Trung - Nha Trang	1,873,777,089
Land used rights at new urban area Cao Xanh -Ha Long City (Increase in this year)	3,049,800,000
Land used rights in No,05 trunk road - Nghe An Province (plot No, 14)	1,509,367,364
Land used rights at new urban area West side, Thanh Binh ward, Hai Duong City	3,518,560,000
	<b>25,273,636,618</b>

(\*\*) As at 31/12/2011, the cost of land used rights in Da Nang city and Ho Chi Minh city are used as mortgage for short- term bank loans,

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont.)

Year 2011

## 11. CONSTRUCTION IN PROGRESS

	<i>Unit: VND</i>	
	31/12/2011	01/01/2011
Construction in progress	862,078,539	6,616,257,888
- New office construction in Ho Chi Minh Branch	-	1,369,237,341
- Office construction at Hoang Liet	-	785,730,681
- Office construction at Yen Ninh	-	686,690,409
- Office construction in Hai Phong Province	-	3,140,368,181
- Trophaco Medicals factory (*)	27,749,461	27,749,461
- Office construction in Nha Trang City	327,106,350	606,481,815
- Office construction in Thai Nguyen Province	201,939,091	-
- Office construction in Quang Ninh Province	198,470,909	-
- Office construction in Gia Lai Province	106,812,728	-
Fixed assets prior to commissioning	787,612,633	4,912,357,951
- Assets in process of assembling and testing	-	4,912,357,951
- Fixed assets prior to commissioning at Trophaco High Tech Joint Stock Company	787,612,633	-
	<u>1,649,691,172</u>	<u>11,528,615,839</u>

(\*): Trophaco Joint stock company established TrophacoHung Yen One Member Limited Company (100% capital of Trophaco Joint Stock Company) which is in charge of building of high - tech medicals factory with area 4,6 ha in Tan Quang commune - Van Lam District - Hung Yen Province. Total investment budget of the project is VND 300 billion with duration of 05 years. The Project has been approved by Hung Yen People Committee and in negotiation process for farming product compensation.

## 12. SHORT-TERM LOANS AND DEBTS

	<i>Unit: VND</i>	
	31/12/2010	01/01/2010
Short-term loans	148,552,768,564	86,076,863,042
- From banks at Trophaco Joint stock company	68,299,994,441	63,321,254,042
- From other entities at Trophaco Joint stock Company	53,591,439,075	22,755,609,000
- From banks at Trophaco High Tech Joint Stock Company	26,661,335,048	-
Current portion of long-term loan at Trophaco High Tech Joint Stock Company	5,826,173,000	-
	<u>154,378,941,564</u>	<u>86,076,863,042</u>



## Detail of short-term loans

	31/12/2010	01/01/2010
<i>Unit: VND</i>		
<b>Short-term loans at Traphaco Joint stock company</b>		
- VN Joint Stock Commercial Bank for Industry and Trade (1)	67,381,614,679	63,321,254,042
- ANZ Bank (2)	918,379,762	-
- Other individuals (3)	53,591,439,075	22,755,609,000
<b>Short-term loans at Traphaco High Tech Joint Stock Company</b>		
- VN Joint Stock Commercial Bank for Industry and Trade (4)	26,661,335,048	
	<b>148,552,768,564</b>	<b>86,076,863,042</b>

Detail information on short-term loans is as follows:

### (1): Including two contracts:

*a. Credit Contract No. 01-2010/HDTD dated 01/07/2010, amendments and supplements of the credit contract No. 01/VBSD-2010 dated 27/8/2010, with the terms detailed below:*

- » Credit limit is VND 70 billions; This includes outstanding debt to the date of 31/12/2011 of the credit contract No. 01-2009/HDTD dated 30/06/2009. Outstanding debt to the date of 31/12/2011 of the credit contract No. 01-2010/HDTD dated 01/07/2010 is VND 29,211,352,740.
- » Loan purpose: To make payment for purchase contracts of supplies and goods, raw materials, fuel and other costs for production and business activities according to business fields and the business plan, business plan.
- » Loan duration: Record on every paper, but the debt must not exceed 6 (six) months from the date of receiving the loan.
- » Interest Rate (IR): Applying the floating method (IR = IR of savings mobilization following interest payment 6 months + margin); At the date of Credit Contract, the rate is 13% per year for VND and 5.8% per year for US dollars. The amplitude of this prescribed minimum of 3% for loan in VND and 2.8% for foreign currency loans.
- » Form of loan security: Mortgage assets of the company:
  - Factory associated with land use rights and machinery in factory producing drugs in Hoang Liet, asset value is VND 13,162,000,000;
  - Pledge is office in Hochiminh Branch - Traphaco Joint Stock Company, address No. 108/14/28, Road No. 3/2, Ward No. 14, District No. 10, Hochiminh City, total assets value is VND 3,855,000,000;
  - Pledge is office in Da Nang Branch - Traphaco Joint Stock Company at 255 Ton Duc Thang, Min Hoa ward, Lien Chieu Districts, Da Nang City, asset's value is VND 3,050,000,000;
  - Pledges are machine producing drugs, transportation vehicle, assets' value is VND 14,549,000,000.

*b. Credit Contract No. 53-2011/HDTD dated 30/06/2011, with the terms detailed below:*

- » Credit limit is VND 190 billions. Outstanding debt to the date of 31/12/2011 is VND 38,170,261,939.
- » Loan purpose: To buy raw materials, goods, payme nt for salary, cost of delivery and other costs for production and business activities 2011 of the Company.
- » Loan duration: Record on every paper, but the debt must not exceed 6 (six) months from the date of receiving the loan.

- » Interest Rate (IR): Applying the floating method (IR = IR of savings mobilization following interest payment 3 months + margin); At the date of Credit Contract, the rate is 19.3% per year for VND and 7.8% per year for US dollars. The amplitude of this prescribed minimum of 3.2% for loan in VND and 3.8% for foreign currency loans.
- » Form of loan security: Mortgage assets of the company:
  - Factory associated, project construction of factories producing drugs in Hoang Liet in urban area
  - Phap Van – Tu Hiep – Hoang Mai – Ha Noi. Worth of assets are VND 15,182,000,000;
  - Pledge is office Branch Traphaco Joint Stock Company with land use rights in HoChiMinh; worth of assets is VND 5,028 millions;
  - Pledge is office Branch the Central of Viet Nam with land use rights at 255 Ton Duc Thang – Minh Hoa – Lien Chieu – Da Nang; worth of assets is VND 8,388 millions;
  - Pledges are machinery producing drugs, transportation vehicle, assets' value is VND 14,549 millions.

(2): Letter of recommendation provides services of ANZ One Member Limited Bank was approved by the Traphaco Corporation, with the following details:

- » Credit limit is USD 2,000,000. Outstanding debt to the date of 31/12/2011 is VND 918,379,762.
- » Loan purpose: To make payment for purchase contracts of supplies and goods, raw materials, fuel and other costs for production and business activities according to business fields and the business plan, business plan.
- » Loan duration: Record on every paper, but the debt must not exceed 180 days from the date of receiving the loan.
- » Interest Rate (IR): Applying Interest Rate announced by ANZ Bank for each period. Addition of 0.1% guarantee is utility/month and free of commercial add-on is 1.7% per year.
- » Form of loan security: Mortgage assets of the company:
  - The cargo was covered in Ngoc Hoi – Phap Van store with collateral value is USD 1 million;
  - All receivables from customers with the value of the borrower's mortgage is USD 1 million.

(3): Personal loans with the terms details:

- » Loan purpose: Additional working capital to serve production and business activities;
- » Loan duration: not exceed 12 months from the date of receiving the loan.
- » Interest Rate (IR): the rate is 1.7% per month; the rate is 1.4% per month since 8 November 2011;
- » Form of loan security: Credit Approval.

(4): Credit Contract No. 01-2010/HĐTD - CNC dated 29 January 2010 with the terms detailed below:

- » Credit limit is VND 15 billions;
- » Loan purpose: To make payment for purchase contracts of supplies and goods, raw materials, fuel and other costs for production and business activities according to business fields and the business plan, business plan.
- » Loan duration: Record on every paper, but the debt must not exceed 6 (six) months from the date of receiving the loan.
- » Interest Rate (IR): Applying the floating method.
- » Form of loan security: Mortgage assets of the company: production lines, machines and equipment and means of transport, the property value is: VND 27,799,167,000 and factory, Office and auxiliary works, property values are VND 30,012,000,000,
- » Contract number 01/2011/HĐTD-CNC dated 04 March 2011 and text modification modify additional contract credit of 01/VBSD-2011 dated 27 May 2011 is the additional extension of contract number 01/2010/HĐTD-CNC dated 29 January 2010 with the additional terms is
  - Credit limit is USD 40 billions (including the balance of the contract number 01/2010/HĐTD-CNC dated 29 January 2010);
  - Loan duration: Record on every paper, but the debt must not exceed 4 months from the date of receiving the loan.

### 13. TAX AND STATUTORY OBLIGATIONS

	<i>Unit: VND</i>	
	31/12/2011	01/01/2011
VAT	810,632,735	279,851,697
Export, import duties	-	232,365,688
Business income tax	24,567,293,173	15,533,812,134
Personal income tax	1,599,611,974	1,490,728,462
	<u>26,977,537,882</u>	<u>17,536,757,981</u>

The Company's tax settlements are subject to examination by the tax authorities. Because the application of tax laws and regulations on many types of transactions is susceptible to varying interpretations, amounts reported in the financial statements could be changed at a later date upon final determination by the tax authorities.

### 14. ACCRUED EXPENSES

	<i>Unit: VND</i>	
	31/12/2011	01/01/2011
Accrued commission sell	255,848,221	-
Accrued imported cost	40,400,000	-
Electricity, food expenses for December 2011	390,675,000	-
Accrued Loan interest expenses of Traphaco Joint stock company	568,279,722	131,040,035
Other accrued expenses	13,636,364	6,000,000
Accrued Loan interest expenses at Traphaco High Tech Joint Stock Company	1,566,071,264	-
	<u>2,834,910,571</u>	<u>137,040,035</u>

### 15. OTHER SHORT-TERM PAYABLES

	<i>Unit: VND</i>	
	31/12/2011	01/01/2011
Trade union fund	2.601.567.606	605.966.447
Social insurance	151.028.450	197.541.242
Health insurance	11.297.571	7.883.154
Unemployment benefit	-	5.318.625
Dividends to be paid to shareholder	599.027.328	460.575.828
Others		
- At Traphaco Joint stock company (1)	5.443.970.375	4.159.482.505
- At Traphacosapa One Member Limited Company (2)	145.951.296	100.500.000
- At Traphaco High Tech Joint Stock Company (3)	3.801.879.210	
	<u>12.754.721.836</u>	<u>5.537.267.801</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont.)

Year 2011

Details of other short - term payables as at 31 December 2011 are as follows:

At Traphaco Joint stock company (1)

	31/12/2011	01/01/2011
- Research team named Mr. Nguyen Khac Vien	4,164,183,200	3,944,722,000
- Technological transfer cost of other teams	156,533,124	-
- Payable to State from fund of projects	462,436,750	-
- Topic executive Money of Physics Institute - Tran Quang Luc	90,000,000	-
- Collaborators' personal income tax at the branch of Central Vietnam	232,039,792	-
- Collaborators' personal income tax at the branch of Ho Chi Minh	212,772,727	-
- Others	126,004,782	214,760,505
	<b>5,443,970,375</b>	<b>4,159,482,505</b>

At Traphacosapa One Member Limited Company (2)

	31/12/2011	01/01/2011
- Dividends of year 2008 to be paid Traphaco Joint stock company	100,500,000	100,500,000
- Management Board remuneration under the dispatch no.94/CV about distribution of profit after tax of year 2011	45,451,296	-
	<b>145,951,296</b>	<b>100,500,000</b>

At Traphaco High Tech Joint Stock Company (3)

	31/12/2011
- Management Board remuneration	15,107,521
- Control Board remuneration	30,874,037
- Director Board bonus	374,985,288
- Transportation cost, materia medica radiation treatment cost,...	90,712,364
- Shareholder' advance to buy stock	3,290,200,000
	<b>3,801,879,210</b>

## 16. LONG-TERM LOANS AND DEBTS

		<i>Unit: VND</i>
	31/12/2011	01/01/2011
Long-term loans	28,589,816,000	-
From banks	1,062,000,000	-
- VN Joint Stock Commercial Bank for Industry and Trade (1)	1,062,000,000	-
Other individuals	27,527,816,000	-
	<u>28,589,816,000</u>	<u>-</u>

Detail information on Long - term loans is as follows:

(1): Credit Contract No. 02-DH/NHBD-CNC dated 01/01/2009, with the terms detailed below:

- » Credit limit is VND 7.5 billions;
- » Loan purpose: Invest in building extension project of pharmaceutical factory-standard GMP-category "construction of factories producing soft";
- » Interest Rate (IR): Applying the floating method;
- » Loan duration: not exceed 64 months from the date of receiving the loan;
- » Form of loan security: Mortgage assets of the company: the entire factory and machinery in investment projects;
- » Outstanding balance at 31/12/2011 of the credit contract

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont.)**

Year 2011

**17. VOWNER'S EQUITY**

**a) Increase and decrease in owner's equity**

	Unit: VND							
	Contributed legal capital	Share capital surplus	Treasury stocks	Foreign exchange differences	Investment and development funds	Financial reserve fund	Retained earnings	Total
Beginning balance of previous year	101,981,500,000	92,063,700,000	(2,520,000)	(407,499,441)	51,515,179,504	8,622,511,847	31,978,008,205	285,750,880,115
Increase in capital	21,416,740,000	-	-	-	-	-	-	21,416,740,000
Profit of the previous	-	-	-	-	-	-	66,248,067,953	66,248,067,953
Other increase	-	-	-	2,136,425,295	-	-	-	2,136,425,295
Treasury stocks purchasing	-	-	(1,073,000)	-	-	-	-	(1,073,000)
Dividend payment	-	-	-	-	-	-	(20,395,790,000)	(20,395,790,000)
Earnings distribution	-	-	-	-	2,997,742,940	2,552,358,189	(9,759,533,885)	(4,209,432,756)
Remuneration to th board of Management	-	-	-	-	-	-	(1,837,697,896)	(1,837,697,896)
Other decrease	-	-	-	-	-	-	(11,600,000)	(11,600,000)
Ending balance of previous year	123,398,240,000	92,063,700,000	(3,593,000)	1,728,925,854	54,512,922,444	11,174,870,036	66,221,454,377	349,096,519,711
Profit of current year	-	-	-	-	-	-	88,687,670,125	88,687,670,125
Other increase	-	-	-	347,388,175	-	-	51,770,482	399,158,657
Dividend payment	-	-	-	-	-	-	(24,678,762,000)	(24,678,762,000)
Earnings distribution	-	-	-	-	26,285,981,604	3,363,573,386	(39,710,950,627)	(10,061,395,637)
Management Board remuneration	-	-	-	-	-	-	(2,427,242,154)	(2,427,242,154)
Other decrease	-	-	-	(1,728,925,854)	-	-	(6,911,170)	(1,735,837,024)
Ending balance of current year	123,398,240,000	92,063,700,000	(3,593,000)	347,388,175	80,798,904,048	14,538,443,422	88,137,029,033	399,280,111,678

(\*): According to Resolution No. 30/2011/NQ-DHDCD dated 25 March 2011 at Annual General Meeting of shareholders of Traphaco Joint-Stock Company and Decision No. 07/CT dated 23 January 2011 of Traphacosapa One Member Limited Company, the Company' retained profit in 2010 was distributed as table here under (Traphaco High Tech Joint Stock Company had been become subsidiary of Traphaco Joint stock company since 31 October 2011, this company has not distributed profit yet for the period from 31 October 2011 to

31 December 2011):

	Unit: VND		
	Traphaco Joint stock company	Traphacosapa One Member Limited Company	Total
- Investment and development funds:	25,868,132,877	417,848,727	26,285,981,604
- Financial reserve fund:	3,308,042,858	55,530,528	3,363,573,386
- Bonus and welfare fund (**):	9,924,128,575	137,267,062	10,061,395,637
- Pay dividend in stocks	24,678,762,000	-	24,678,762,000
- Pay Management and Control Board remuneration	2,381,790,858	45,451,296	2,427,242,154
<b>Total</b>	<b>66,160,857,168</b>	<b>656,097,613</b>	<b>66,816,954,781</b>

(\*\*): In which, a deduction of VND 1,323,217,143 for issuing bonus shares to employee with excellent achievement in 2010 (the stock's price is equivalent to par value),

#### b. Details of owner's invested capital

	Unit: VND	
	31/12/2011	01/01/2011
Invested capital of State	44,007,480,000	44,007,480,000
Invested capital of others	79,390,760,000	79,390,760,000
	<b>123,398,240,000</b>	<b>123,398,240,000</b>

#### c. Capital transactions with owners and distribution of dividends and profits

	Unit: VND	
	Current year	Previous year
<b>Owner's invested capital</b>	<b>123,398,240,000</b>	<b>123,398,240,000</b>
At the beginning of year	123,398,240,000	101,981,500,000
Increase in the year	-	21,416,740,000
Decrease in the year	-	-
At year end	123,398,240,000	123,398,240,000
Distributed dividends and profit	24,678,762,000	20,395,790,000
- Distributed dividends on last year profit	24,678,762,000	20,395,790,000

#### d. Stock

	Unit: VND	
	31/12/2011	Previous year
Quantity of Authorized issuing stocks	12,339,824	12,339,824
Quantity of issued stocks	12,339,824	12,339,824
- Common stocks	12,339,824	12,339,824
Quantity of repurchased stocks	3,133	443
- Common stocks	3,133	443
Quantity of circulation stocks	12,336,691	12,339,381
- Common stocks	12,336,691	12,339,381
Par value per stock:	10,000	10,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont.)

Year 2011

18. SUBSIDIZED NOT-FOR-PROFIT FUND

	<i>Unit: VND</i>	
	Year 2011	Year 2010
Opening balance	41,854,340	(222,145,660)
Receipt in the year	3,767,908,540	1,181,000,000
Not-for-profit expenditure	(3,004,535,000)	(917,000,000)
<b>Ending subsidized not-for-profit fund</b>	<b>805,227,880</b>	<b>41,854,340</b>

19. TOTAL REVENUE FROM SALE OF GOODS AND RENDERING OF SERVICES

	<i>Unit: VND</i>	
	Year 2011	Year 2010
Revenue from sale of finish goods sold	807,543,486,484	624,341,575,244
Revenue from sale of merchandise sold	265,711,822,853	245,457,251,066
	<b>1,073,255,309,337</b>	<b>869,798,826,310</b>

20. COSTS OF GOODS SOLD

	<i>Unit: VND</i>	
	Year 2011	Year 2010
Costs of finish goods sold	411,067,883,756	359,810,572,054
Costs of merchandise sold	251,353,389,148	236,258,208,061
Provision for devaluation of inventory	1,245,099,270	-
	<b>663,666,372,174</b>	<b>596,068,780,115</b>

21. FINANCIAL INCOME

	<i>Unit: VND</i>	
	Year 2011	Year 2010
Interest income	1,496,763,305	892,011,264
Dividends, profits earned	1,220,665,573	-
Realized gain from foreign exchange difference	66,203,334	332,462,154
Interest from installment sales	5,142,054,195	3,057,826,405
	<b>7,925,686,407</b>	<b>4,282,299,823</b>

22. FINANCIAL EXPENSES

	<i>Unit: VND</i>	
	Year 2011	Year 2010
Interest expenses	21,742,975,139	9,849,281,942
Realized loss from foreign exchange difference	5,592,460,591	1,759,824,435
	<b>27,335,435,730</b>	<b>11,609,106,377</b>



## 23. EARNINGS PER SHARE

Earning per share distributed to common shareholders of the company is calculated as follows:

	<i>Unit: VND</i>	
	Year 2011	Year 2010
Profit after tax	88,687,670,125	66,248,067,953
Adjustment to accounting profit or loss after tax		
Profit or loss allocating for shareholders owned common stocks	88,687,670,125	66,248,067,953
Average circulated of common stocks in the period	12,338,414	10,955,965
<b>Basic earnings per share</b>	<b>7,188</b>	<b>6,047</b>

## 24. PRODUCTION COST BY ITEMS

	<i>Unit: VND</i>	
	Year 2011	Year 2010
Raw materials	317,620,749,611	290,773,812,677
Labour	161,203,655,371	92,277,430,388
Depreciation expenses	9,922,907,096	8,002,597,848
Expenses from external services	50,991,495,570	52,176,814,656
Other expenses by cash	66,645,249,276	52,355,406,042
	<b>606,384,056,924</b>	<b>495,586,061,611</b>

## 25. EVENTS AFTER THE REPORTING PERIOD

There have been no significant events occurring after the reporting period, which would require adjustments or disclosures to be made in the financial statements.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (cont.)

Year 2011

## 26. TRANSACTION WITH RELATED PARTIES

During operation, there are a number of transactions between the companies with related parties as follows

*Unit: VND*

	Relation	Year 2011
<b>Revenue from sale of goods</b>		
- Traphaco High Tech Joint Stock Company	Subsidiary	42,985,203,637
- Traphacosapa One Member Limited Company	Subsidiary	802,161,064
<b>Purchase of raw materials</b>		
- Công ty CP Công nghệ cao TRAPHACO	Subsidiary	277,740,436,284
- Công ty TNHH MTV Traphaco Sapa	Subsidiary	9,866,688,700
<b>Các dịch vụ khác</b>		
- Traphaco High Tech Joint Stock Company	Subsidiary	26,753,000
- Traphacosapa One Member Limited Company	Subsidiary	106,727,273
<b>Cổ tức được chia</b>		
- Traphaco High Tech Joint Stock Company	Subsidiary	1,260,000,000
<b>Lãi vay nhận được</b>		
- Traphacosapa One Member Limited Company	Subsidiary	56,166,667
<b>Cho vay vốn</b>		
- Traphacosapa One Member Limited Company	Subsidiary	600,000,000

Outstanding balances with related parties up to the reporting date are as follows:

*Unit: VND*

	Relation	31/12/2011	01/01/2011
<b>Payables</b>			
- Traphaco High Tech Joint Stock Company	Subsidiary	49,678,867,965	21,137,883,827
- Traphacosapa One Member Limited Company	Subsidiary	488,994,380	25,691,544

## 27. COMPARATIVE FIGURES

The corresponding figures are those taken from the accounts for the fiscal year ended as at 31 December 2010, which was audited by Auditing and Accounting Financial Consultancy Company Limited (AASC).

*Ha Noi, 12 January 2012*



**TRAN TUC MA**  
General Director

A blue ink signature in cursive script, appearing to read "Dinh Trung Kien".

**DINH TRUNG KIEN**  
Chief accountant





“

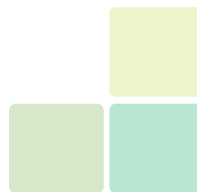
In 2011, Traphaco was named among  
**the TOP 10 enterprises with corporate social responsibilities.**

Traphaco has always set “the well-being of the community  
as the driver of all business activities” and committed to a  
sustainable development which is closely tied to the  
well-being of the community.

”



sharing with  
**Community**



“The award **“TOP 10 enterprise with corporate social responsibilities”**, granted to Trophaco on 15 October 2011, served as an acknowledgement of the State for the positive contributions made by the company’s community services over the past years. This was a timely encouragement which would motivate and energize Trophaco - the leading enterprise in the Vietnamese pharmaceutical industry that is most distinctive for its community-driven sustainable development. “

**ENVIRONMENTAL RESPONSIBILITIES**

TRAPHACO has applied the environmental management system ISO14001:2004, committing to promote environmental protection and contributing to sustainable development.

Trophaco is the pioneer in developing the farming areas of herbal plants for medicine production, researching and breeding rare medicinal herbs in Sapa (where the climate and soil conditions are conducive to many types of rare medicinal herbs). On 15 June 2011, the proposal “Develop the identifier set for *Dioscorea persimilis* Prain et Burkill and *Rhizoma Dioscorea persimilis*” received grant from the World Bank through the program Vietnam Innovation

Day 2011. The proposal was one of the research topics within Trophaco’s GreenPlan project, which was implemented with the message “For a green environment, for the health of the community, for the prosperity of the country”. Receiving the grant from the World Bank validated the economic, social and environmental benefits which the project would provide to the company and to the country. The grant also implied the strong support and assistance of domestic and international organizations for project GreenPlan. Trophaco also proactively participated in the action programs of international organizations for preservation, development and sustainable use of diverse local bio-resources such as UNTAD and SIPPO... as part of the effort to ensure the sustainable development of the herbal plants supply in Vietnam.



## COMMUNITY SUPPORT



TRAPHACO is a role model enterprise for active sponsorship of charitable and giving-back events with an aim to enhance the quality and happiness of life. It has supported the charity program "Joining the big circle of arms" and contributed to the "For the Poor" Fund in ten consecutive years. It also sponsored the program of "One heart, One world" in the past 9 years, "Spring for the children" in the past 2 years, gave out gifts and direct support to the entitled, those in extremely difficult situations, provided support to the Heroic Mothers of Vietnam and victims of Orange Agents, war veterans, orphans, disabled children, etc. In the past year, the TRAPHACO Youth Union proactively

organized events to give free meals to poor patients at K2, Bach Mai and Thanh Nhan hospitals with a simple desire to bring back the long missing smiles and beliefs to those patients and their loved ones.

By being the pioneer in developing farming areas of herbal plants in remote and mountainous regions, Traphaco also contributed to poverty reduction - creating jobs which provide higher income than the farming other crops. Traphaco has been training those farmers to plant seeds, harvest and store the medicinal herbs according to GACP standards.

## CORPORATE CULTURE

Being a large enterprise with employees from many different backgrounds of professional expertise, cultures, social relationships, geographic regions and ideologies, the Company itself is a diverse and intricate working environment. TRAPHACO was able to develop a unique corporate culture in which employees are united by a working motto: "Cooperation, sharing, commitments and honoring commitments".

TRAPHACO not only cares about the economic conditions of its employee, it also commits to uplifting

the quality of life and the spirit of its employees. Every year, the Company holds performance show, mini football tournament, Traphaco open tennis tournament, company's vacation, and oversea field trips. The Company organizes birthday parties on a quarterly basis for staffs, summer camps, organizes ceremonies to give presents to employees' children with outstanding academic performance, Christmas gifts for employees' children... These activities are the bonding experiences for the employees, strengthening the love for and confidence in the Company, heightening the pride in working at TRAPHACO.

## OTHER ACTIVITIES

In addition to producing medicinal products of good quality, providing consultations and instructions for safe medicine usage are also the activities that TRAPHACO has been engaged in for years.

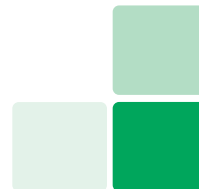
With the responsibilities of an enterprise operating in the healthcare service industry, over the past 10 years, Traphaco has been very active in organizing healthcare consultation activities for free, giving away medicines and the Healthy Living magazines to millions of members of the Elderly clubs and Women's Union nationwide, especially those in rural areas and remote regions where healthcare services and information are seriously inadequate.

Every year, Traphaco set aside billions of dong in budget for communication activities about healthcare. On a quarterly basis, particularly on special occasions such as International Elderly Day (1 October), the traditional Vietnam Elderly Day (6 June), International Women's Day (8 March), Vietnamese Women's Day (20 October), the Company conducted more than 100 "Health consultation" conferences. During these conferences, the experienced and dedicated doctors and pharmacists of Traphaco, give talks about preventive measures and treatments for frequent diseases within the community; and provide consultations on safe and effective of medicines, especially Traphaco's products. These periodical activities are organized in coordination

with Elderly Associations and Women's Unions in provinces nationwide and are welcomed by their members. Over the past year, the company organized 531 such conferences across countries with different healthcare themes, in which free consultation sessions on how to prevent and test for osteoporosis (or bone loss), sponsored by AbFUCO brand, were of significant interest and highly appreciated by the consumers.

The company's emotional and material supports to communities have left great impressions and touched many people, which were evidenced by the numerous letters from the Elderly Associations and Women's Unions sent to the company. This had a major PR effect, which established good relationships with customers, enhanced credibility and customers' loyalty, expanded new customer bases, and enhanced products' reputation and image.

In addition to Healthcare consultation conferences with direct customers, Traphaco also organized many seminars which introduced the company and provided sufficient and detailed information about the company's products to the doctors, pharmacists at hospitals and medical centers, and pharmacies. These activities earned the supports of the specialists and intermediate distributors, setting up the foundation for the market development of Traphaco's products.



**3.35**  
VND billion

**CHARTERED CAPITAL 2011**

Revenue:	VND 9.83 billion
	exceeding target by 10% and increasing 14% compared to 2010
-----	
Net profit :	VND 461.4 million
	increasing 204% compared to 2010
-----	
Scale	40.000 m <sup>2</sup>

**35.00**  
VND billion

**CHARTERED CAPITAL 2011**

Revenue:	VND 270.2 billion
	increasing 23.4% from 2010
-----	
Net Profit:	VND 29.2 billion
	increasing 20% compared to 2010
-----	
Scale	10.000 m <sup>2</sup>

**TRAPHACO SAPA SINGLE MEMBER LIMITED LIABILITIES COMPANY**

Traphaco Sapa is Single member Limited Liabilities Company, 100% owned by Traphaco, which specializes in the processing of ingredients and input herbal ingredients as well as the researching of GAP practice for Traphaco. At the same time, it serves as the center for developing farming areas for herbal ingredients for Traphaco. The Traphaco Sapa factory started in 1998 with a high-speed extraction assembly line, processing the input herbal ingredients and with more than 4 ha of land for the test-farming of medicinal herbs. Over the past year, Traphaco Sapa outstandingly fulfilled its mission of ensuring a sufficient and timely supply of input materials for Traphaco, especially Artichoke and Ampelopsis Cantoniensis extracts.

**TRAPHACO HIGH-TECHNOLOGY JOINT STOCK COMPANY**

TRAPHACOCNC is partially-owned subsidiary, specializing in processing and manufacturing of Traphaco's products. The factory of Traphaco CNC, which is located at Van Lam, Hung Yen, was first constructed in October 2004 and put into operation in January 2007.

With over 10,000m<sup>2</sup> of facilities and warehouses, the factory is comprised of 01 facility for traditional medicines' compressed pills, 01 facility for preliminary processing, 01 tea processing facility, 01 facility for tube medicines and another one for powdered medicines. The Van Lam Factory specializes in traditional medicines and has been certified with GPs-WHO standards in 2008. It is the first, largest and most technologically-advanced traditional medicine manufacturing facility in Vietnam.

As of 01 November 2011, Traphaco successfully completed the tender offer for shares of Traphaco CNC, bringing Traphaco's ownership at CNC from 12.83% to 50.96%. Owning a controlling stake at Traphaco CNC will enable Traphaco control Traphaco CNC in a way that is suitable and consistent with the long term development of Traphaco, at the same time providing more support to Traphaco CNC in terms of management, technology and marketing... Traphaco will continue to develop Traphaco CNC to become a leading company in Vietnam which engages in the production of marketing of products from herbal plants. Traphaco will provide more support to Traphaco CNC in terms of capital, management capabilities, research and development capabilities to develop products from natural ingredients, improving the production capabilities for Traphaco-branded products to ensure a sustainable development.





# TRAPHACO SUCCESSFULLY COMPLETED THE TENDER OFFER TO BUY SHARES OF TRAPHACO CNC TO BRING THE OWNERSHIP AT CNC TO 50.96%

“The Win-Win principle is one of the fundamental principles in the modern art of negotiating and dealing. According to this principle, the negotiators and business partners must respect each other and operate from the “both parties will win” (win-win) and/or “all parties will win” (win-win-win) context. This principle ensures a long term partnership or cooperation. Many companies choose the “win-win” principle as their underlying business philosophy, for example the Win-Win Strategy Consulting Company or COMECO, the petroleum company. According to Win-Win Consulting Strategy, the “Win” in the “Win-Win” business strategy implies for five stakeholders: employees, customers, shareholders, business partners and community.”

## TRAPHACO CNC

The “first, largest and most technologically-advanced traditional medicine manufacturing facility”, which owns 40,000m<sup>2</sup> of land in Van Lam, Hung Yen and the “only” hard-capsule production line in Vietnam.

Traphaco High-Technology Joint Stock Company (or “Traphaco CNC” for short) was set up due to historical circumstances - Traphaco needed capital to expand the production capacity with high-technology capabilities in order to stay ahead of the timeline which the Drug Administration of Vietnam required for traditional medicine manufacturers to upgrade their facilities to meet GMP standards. Traphaco CNC was founded on 21 June 2006 from the facilities of Traphaco’s traditional medicine production workshop in Tan Quang, Van Lam, Hung Yen with an original chartered capital of VND 15 billion, of which Traphaco owned 15% of chartered capital and other shareholders (mainly employees of Traphaco) owned the remaining 85%.

Since its establishment, Traphaco CNC quickly stabilized production, creatively applied GMP-certified production and quality management models and continuously increased productivity to achieve a high growth rate (at an average of 30% per annum). Traphaco CNC’s success in supplying high quality products at reasonable prices contributed to the development of Traphaco as well as the strengthening of Traphaco’s brand.

## TRAPHACO OWNS ALMOST 51% OF TRAPHACO CNC

In executing the resolutions of the Annual Shareholders Meeting of 2011, Traphaco’s Board of Directors implemented the procedures to conduct a tender offer to buy shares of Traphaco CNC through the following steps: Submitted application to the State Securities Commission of Vietnam; Sought the opinions of the Board of Directors at CNC regarding the tender offer; Publicly informed existing shareholders of Traphaco CNC about the tender offer. After that, Traphaco registered to buy shares at a fixed price of VND 45,000 per share, the number of shares registered to buy was 1,338,900 equivalent to 38.17% of Traphaco CNC’s chartered capital, the offering period was from 20 September 2011 to 20 October 2011.

Traphaco completed all payments to buyers. At the same time, Traphaco CNC completed all procedures to transfer the shares.

## TRAPHACO OWNS ALMOST 51% OF TRAPHACO CNC – A WIN - WIN MODEL.

From a financial and corporate governance standpoint, there were many different opinions that: Owning a controlling stake at Traphaco CNC will enable Traphaco influence Traphaco CNC in a way that is suitable and consistent with the long term development of Traphaco, at the same time providing more support to Traphaco CNC in terms of management, technology and marketing... Traphaco will continue to develop Traphaco CNC to become a leading company in Vietnam which engages in the production of marketing of products from herbal plants. Traphaco will provide more support to Traphaco CNC in terms of capital, management capabilities, research and development capabilities to develop products from natural ingredients, improving the production capabilities for Traphaco-branded products to ensure a sustainable development.

### From the shareholders’ standpoint:

**For existing shareholders of Traphaco CNC:** This was a great to divest Traphaco CNC shares, especially for shareholders with demand for cash to buy houses, cars, pay tuitions of their children’s oversea education and many other demands in an environment of capital scarcity and high interest rates.

**For Traphaco’s shareholders:** owning almost 51% of Traphaco CNC implied significant upside for not just strategic shareholders but also potential shareholders. Because, before Traphaco’s only 15% ownership at Traphaco CNC was the source of major concerns for investors when they decided to buy TRA stock. From now on, the investors would have many reasons to buy in the growth prospect of TRA stock of a leading pharmaceutical company in Vietnam with a strong brand and large production capacity.

For the employees of both Traphaco and Traphaco CNC, Traphaco’s partial or full ownership of Traphaco CNC would not make much of a difference. Because they are all “employees of Traphaco” with similar salaries, compensations and other benefits. We, “the employees of Traphaco” who days and nights never stop strive to explore and develop traditional medicine products of high quality to satisfy the demand of Vietnamese consumers, all believe strongly that: in the future, together with the vigorous growth of both companies, the employees will contribute more of their intellectual and physical effort and receive higher incomes...

## Network of Branches and Affiliates

### **HA NOI TRAPHACO JOINT STOCK COMPANY**

Head Office : 75 Yen Ninh Street, Ba Dinh District, Hanoi City  
 Phone : (84 4) 3734 1797 / 3683 0751  
 Fax : (84 4) 3681 4910 / 3681 5097  
 Email : info@traphaco.com.vn  
 Website : <http://www.traphaco.com.vn>

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### **HUNG YEN TRAPHACO HIGH-TECH JOINT STOCK COMPANY**

Tan Quang Commune, Van Lam District, Hung Yen Province  
 Phone : (84-321) - 399 1790  
 Fax : (84-321) - 399 1790

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### **LAO CAI TRAPHACO SAPA SINGLE MEMBER JOINT STOCK COMPANY**

Sapa Town, Sapa District, Lao Cai Province  
 Phone : (84-20) - 387 1813  
 Fax : (84-20) - 387 1813

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### **HO CHI MINH TRAPHACO JOINT STOCK COMPANY BRANCH**

59 Le Van Luong Street, Neighborhood 5, Phuoc Kien Commune, Nha Be District  
 Phone : (84-8) - 3866 1771  
 Fax : (84-8) - 3863 9322  
 Email : traphacohcm@hcm.fpt.vn

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### **DA NANG CENTRAL BRANCH – TRAPHACO JOINT STOCK COMPANY**

255 Ton Duc Thang Street, Hoa Minh Ward, Lien Chieu District, Danang City  
 Phone : (0511) - 376 7750  
 Fax : (0511) - 376 7751  
 Director : (0511) - 376 7752

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### **BINH THUAN BRANCH IN BINH THUAN PROVINCE – TRAPHACO JOINT STOCK COMPANY**

24 Bui Thi Xuan, Xuan An Ward, Phan Thiet City, Binh Thuan Province  
 Phone : 0918 155 168 (Director)

**DONG NAI BRANCH IN DONG NAI – TRAPHACO JOINT STOCK COMPANY**

C7 - Hoa An Resident Area, Nguyen Ai Quoc Street, Hoa An Ward,  
Bien Hoa City, Dong Nai Province  
Phone : 0918 419 831(Director)

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**VINH LONG BRANCH IN VINH LONG CITY – TRAPHACO JOINT STOCK COMPANY**

52/12B Pho Co Dieu, Hamlet 5, Ward 4, Vinh Long City  
Phone : 0909 343 408 (Director)

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**NGHE AN BRANCH IN NGHE AN PROVINCE – TRAPHACO JOINT STOCK COMPANY**

Vinh Tan New Town Area, Vinh City, Nghe An Province  
Phone : 0985 995599 (Director)

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**THANH HOA BRANCH IN THANH HOA CITY – TRAPHACO JOINT STOCK COMPANY**

Plot K1+K2, 4 Area, Bac Dai Lo Le Loi new town area,  
Dong Huong Commune, Thanh Hoa City  
Phone : 0974 228 899 (Director)

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**NAM DINH BRANCH IN NAM DINH CITY – TRAPHACO JOINT STOCK COMPANY**

Truong Han Sieu Road, Hoa Vuong Town Area, Nam Dinh City  
Phone : (0350) - 384 5628  
Fax : (0350) - 384 5628

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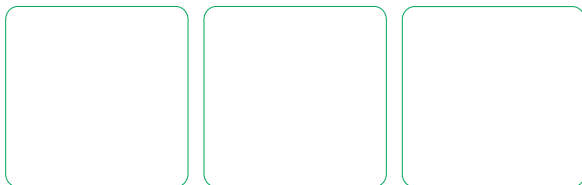
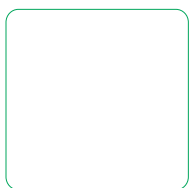
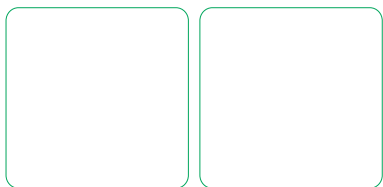
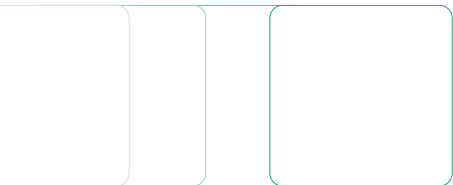
**HAI PHONG BRANCH IN HAI PHONG CITY – TRAPHACO JOINT STOCK COMPANY**

No.14 - 15, Plot BD6, PG An Dong Town Area, An Duong District, Hai Phong City  
Phone : 0912 490 538 (Director)

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**QUANG NGAI BRANCH IN QUANG NGAI CITY – TRAPHACO JOINT STOCK COMPANY**

S141/26 Le Trung Dinh Street , Tran Hung Dao War, Quang Ngai City  
Phone : 0914 064 580 (Director)



# Traphaco<sup>®</sup>

## TRAPHACO JOINT STOCK COMPANY

75 Yen Ninh Street, Ba Dinh District,  
Hanoi City, Vietnam

T : (84 4) 3734 1797

(84 4) 3683 0751

F : (84 4) 3681 4910

(84 4) 3681 5097

E : [info@traphaco.com.vn](mailto:info@traphaco.com.vn)

[www.traphaco.com.vn](http://www.traphaco.com.vn)

