

Traphaco[◆]

Green way of Health







*“If I can choose the most prestigious pharmaceutical company in Vietnam?
I choose Traphaco”(*)*

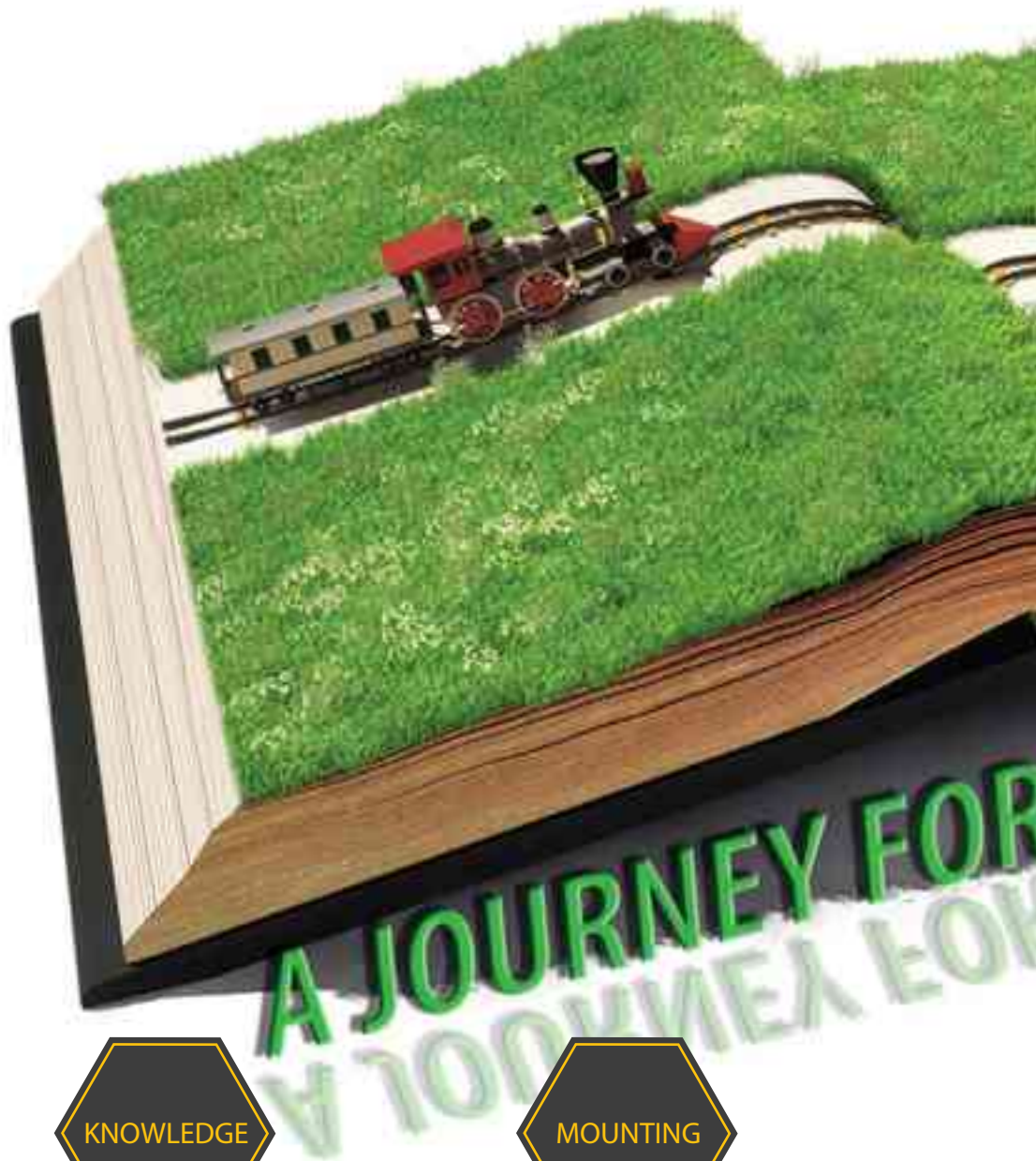
This has also been resulted for nearly a decade-half of Traphaco's efforts to build trust from customers, medical staffs, investors and social community.

*That long process has included non-stop journey of Traphaco employees "**For health beliefs**". We have explored, created the Traphaco logo, with the desire to create the price sustainable green value for the community together. We have joined together to dedicate products and services included rich traditional to lift high quality of life, maximum satisfaction for customers; create meaningful work and promotion opportunities for workers; increase the value of investors.*

*The path that we have created is "**The path to green health**" and will continue to expand and extend forever which bring Traphaco into the leading group on public health care - a **transparent** and **long-living** Traphaco.*

Traphaco[®]
Green way of Health

(*) According to a survey conducted by VietnamReport, 37.8% asked customers agreed
Traphaco was the most prestigious company in Vietnam



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ACMF

COMPARED WITH THE ASEAN
SCORECARD ON CORPORATE
GOVERNANCE



SUSTAINABLE DEVELOPMENT
REPORT FOLLOWING GRI4
STANDARD



INDEPENDENT AUDITING
AND FINANCIAL REPORT

ERP

CORPORATE RESOURCE
MANAGEMENT SYSTEM



PROCESSES IN
ACCORDANCE WITH
ISO STANDARDS



ENVIRONMENT UNDER THE
5S CERTIFICATE

HIGHLIGHTS
OF THE REPORT



2016

ANNUAL REPORT

BASED ON DIGITAL TECHNICAL PLATFORM

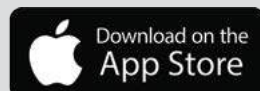


Visit website: www.traphaco.com.vn/ir

Download the annual report application at:

IOS: Enter the keyword "Traphaco-IR"

Android: Enter the keyword "Traphaco-IR"



VISION

Vision 2020 to become No. 1 Enterprise Vietnam
Pharmaceutical industry in terms of revenue, profit
and market capitalization



MISSION

Pioneering, creativity

Green pharmaceuticals

protect human health

CORE VALUE



25 years of work
in **Traphaco** teaches me the passion
to dedicate myself
“ *for health beliefs* ”

Nguyen Thi Loan - A worker in a packing facility.







Chairman of VFF Nguyen Thien Nhan visited Traphaco

On the morning of 29/10/2016, the inspection team of the Central Committee to steer the movement named "Vietnamese people use Vietnamese goods" by comrade Nguyen Thien Nhan, Member of the Politbureau, Chairman of the Central Committee of The Vietnamese Fatherland Front (VFF) has a working session at Traphaco Joint Stock Company. Mr. Nguyen Thien Nhan highly appreciates Traphaco's efforts, in particular of actively using raw materials in Vietnam which contributed to improve the lives of ethnic minorities. Customer caring and management and distribution channel management of Traphaco is also a bright spot to be promoted and shared for other units.

General Assembly of Shareholders for the term of 2016-2020

On 30 March 2016, Traphaco held general shareholder meeting during the term 2016-2020. The meeting approved the Consolidated Income Statement during the term 2011-2015 and that result of 2015; Direction and mission during the term 2016-2020 and 2016 also; Direction to distribute profits and dividends in 2016. The meeting voted 07 members of Board of Director, 03 members of Board of Inspection during the term 2016-2020.

Top 40 most value Brands in Vietnam

Forbes Vietnam - Vietnamese version of the world's top business magazine - published top 40 value brands in Vietnam, of which Traphaco was assessed to be US25.5 million for the first time. Forbes Vietnam also published and honored 50 best listed companies in Vietnam including Traphaco within four consecutive years.

Traphaco continued to be given Gold prize National Quality Award by the Prime Minister.

On 26 February 2016, the Prime Minister signed Decision 311/QĐ-TTg to award 2015 National Quality Prize for 77 enterprises, of which Traphaco became 1 of 10 big firms to be given Gold prize National Quality Award. Beforehand, Traphaco was given that prize (2012) and Asia - Pacific International Quality Award (2013). They motivated for Traphaco to keep moving forward and improving to confirm our Number 1 Vietnamese Pharmaceutical Company.



Traphaco continued to be given Gold prize National Quality Award by the Prime Minister.

Following our sales policy, Traphaco held 12 meeting to appreciate our customers which attracted 1,830 relative customers. While joining the meeting, customer to visit modern facilities and hi-tech

production lines in the company, meet leaders and listen about the company's co-benefits policy and development perspective; Provide information about business direction of the pharmaceutical industry. The conference helped customers to understand and encourage their trust to the product, to the policy of "Mutual benefit and development together" of Traphaco.





Traphaco continues to be voted as national brand – Vietnam Value

The National Brand Program (Vietnam Value) the fourth time officially announced the list of 88 brand represents Vietnam in the domestic and international market. Chosen from over 2,000 attended projects, with great effort as well as steps Boom in the field of pharmaceuticals, Traphaco has converged all three values in quality innovation, creativity - Pioneering capacity.



Building Traphaco from 2016-2020

On 26 August 2016, the General Director signed Decision 705/QĐ-TRA to establish the Board of Strategy Construction Project of Traphaco within the period 2016-2020. The board had to gather and provide information for the private sectors (IEBT-Foreign Trade University) and advise the General Manager on the construction strategies of Traphaco within the period 2016-2020. Draft version of the Sustainable Development Strategy of Traphaco during the period 2017-2020 was approved by the Board and submitted for shareholders meeting's opinion in 2017.

Traphaco divested at Thai Nguyen Pharmaceutical and Medical Equipment Joint-stock company (THAPHACO)

By our changes in sales policy, until now Traphaco has completely distributed products in Thai Nguyen province. However, our investment in THAPHACO was not effective enough, therefore the Board of Directors recommended the Board of Chairman to divest 100% of invested capital out of THAPHACO to other investment activities of Traphaco. According to Decision 89/QĐ-HĐQT, on 02 November 2016 of the Board of Directors, Traphaco officially divested out of THAPHACO and on 31 December 2016 we finished the divestment process.



Top 10 Vietnamese reputable pharmaceutical enterprises in 2016

On 25 October 2016, Vietnam Report and Analyzing JSC (Vietnam Report), Vietnamnet News and Ministry of Information and Communication officially announced top 10 reputable pharmaceutical enterprises in 2016, of which Traphaco led the top, especially 37.8% asked people chose Traphaco in the question "If you choose only one best pharmaceutical enterprises, which one will you choose?", the most percentage gained.

Cebraton Brain Graduation Medicine is honored to be the top 10 most famous brand in Vietnam

The voting program of Famous Brand – Competitive Brand in Vietnam is organized by Vietnam Intellectual Property Association with the aim of raising the social awareness of intellectual property. Cebraton Brain Graduation Medicine is honored to be the top 10 most famous brand in Vietnam in 2016. Accordingly,

Cebraton passed the evaluation criterias under Article 75 of Law of Intellectual Property.

Brands of products are unique with fast, strong growth rate and high market impact; The product is a popular product in the market, which was friendly manufactured and environmental protected; Actively participate in social activities.

NOTABLE AWARDS



Titles
Labor Hero



First Class
Labor Medal



Award
WIPO



Gold Asia
Pacific Quality Award



Gold National
Quality Award



National Brand
Vietnam Value



Top 10 most trusted
pharmaceutical companies
Vietnam



Top 50 listed
companies in Vietnam



Top 10 most sustainable
enterprises in Vietnam

Enterprise for labor

Top 10 outstanding
Vietnamese Award for
Boganic





*"Our
Tra
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hear*

Jou



er the past 45 years,
phaco's people
shared our beliefs and
ts together For the
belief of health ”

rney of belief

MESSAGE

“Traphaco has gained the core values for 45 years because of our belief in health of Vietnamese people: pioneering in green value chain management, applying new technology and knowledge, creating products and services with perfect quality and knowledge of Traphaco; High commitment to to the society, shareholders, customers, partners and employees on the principle of co-interest. It is covered by the cultural identity of human in Traphaco with full of desiration, passion and dedication”



MESSAGE OF THE CHAIRWOMAN



Dear our beloved shareholders, customers, investors and colleagues!

Ladies and gentlemen,

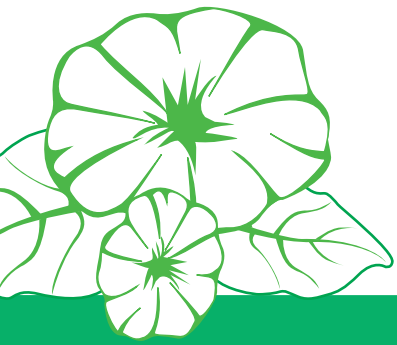
Although 2016 was a challenging year, we still need to continue to keep Traphaco to build a sustainable future that is accelerating on the path to green health. In terms of business, last year, we completed our business plan targets in the context of fierce competition in the market, maintaining No. 2 position in the pharmaceutical industry of Vietnam.

2016 was also the year Traphaco actively identified our strategic objectives from now until 2020 and Vision 2025. In 2016, a year for Traphaco to develop on a higher, more sustainable whirlwind to satisfy the stringent requirements of the integration period. They were compliance with legal regulations, strengthening corporate governance, the first year of ERP implementation to extend the application of information technology and gradually build “digital businesses”. We kept on the green health path to implement our strategic goals from now until 2020 to be the enterprise with the highest growth rate of pharmaceutical industry in Vietnam in terms of revenue, profit and market capitalization and the number one pharmaceutical company in Vietnam according to our Vision 2025.

Ladies and gentlemen,

In terms of management and operation, last year, Traphaco successfully held the shareholders meeting for the term of 2016- 2020. The senior management of the Company was raised to new heights: The Board of Directors and the Board of Executive performed the functions of strategic management, directed to supervisor and executive functions of production, business and investment. This was also the first time convergence of a “model board”, whereby the members of the Board did not occupy the maximum position, had independent members of the Board of Directors, members of economic and pharmaceutical experts and investment professionals; and three subcommittees to help the Board. Traphaco also completed corporate governance regulations in 2016 in line with the times: the corporate regulations were supplemented and amended under the new Law on Enterprise, many internal governance regulations are reviewed, supplemented, amended and promulgated on the principle of law observance, closure, publicity and transparency, including operating regulations of the Board of Directors, management regulations and transactions with related persons.

We always consider a business implementing laws, democracy, justice and civilization is a sustainable business.



Ladies and gentlemen,

In 2016, under closely guidelines of Board of Director, persistent and creative management of Board of Management, the positive participation of employees who got Labor Hero title and the warmly welcomed of partners, customers and related parties, Traphaco was honored as the most prestigious pharmaceutical enterprises in Vietnam, also National Brand – “Vietnam Value 2016” and Gold National Quality Award from the Prime Minister, continued to develop our green value chain and be voted as most listed companies in Vietnam Stock Market (top 50 Forbes). Besides, we was appreciated in top 10 Vietnamese firms having sustainable development, continued to invest and develop human resources, distribution system, manage and use capital resources effectively...our revenue and profit increased comparing with our plan.

It could be seen that Traphaco had a well starting year for a 5-year plan (2016-2020). On behalf of the Board, I would like to thank the companionship and support of our customers. I would like to express gratitude to the Board of Directors and all officers and employees for taking initiatives, being creative, applying high technologies, developing new products, accepting positive changes, determined and gathered the strength to overcome difficulties higher by the national authorities and the competitive environment which was unfair for sustainable developing firms. Accordingly, we successfully completed our goals, invested more new factories with high technologies and operated ERP program, researched and developed new products, ignited potential of Southside market, developed distribution system, market share and trust from customers...I would like to thank you trust and contribution of shareholders, investors and all of you.

Ladies and gentlemen,

2017 is Traphaco’s 45th year: a year of vitality and strength

caused by 45 years of formation and development, strength of successfully reformation. Only within 15 years, our self-control, creative, daring to do and facing with struggles to find new development opportunities brought Traphaco from a small business to be the second best of Vietnamese pharmaceutical industry. Applying new administration tools also brought Traphaco to the trajectory of market economy and good management to develop and protect our achievements.

Now, Traphaco has had core values for 45 years for our belief in health of Vietnamese people: pioneer to manage green value chain, apply new technologies and knowledge, initiate products and services with perfect quality and knowledge from Traphaco; high responsibilities of commitments and honoring of commitments with society, customers, partners, shareholders and employees based on co-benefits principle. It was covered by cultural identity of Traphaco, which means desiration, passion and dedication.

On the 45-year race for the faith of health of Vietnamese people, Traphaco has brought position and power of development with experiments and reform strength. It is the strength of heroic tradition, mission with high humanity and future way which fits to common trend. We believe Traphaco will finish excellently our responsibilities in 2017 – a hinge year of our 5-year plan. If we want to do so, all the Board, workers and employees of Traphaco have to think about the effect of every works and how to do them in highest effortness. We believe although of many struggles ahead, by bravery, pioneer, position and power of Traphaco combining with particular solutions, our strategic target is to be a firm with most growth speed with vision to be the biggest enterprise of pharmaceutical industry in Vietnam.



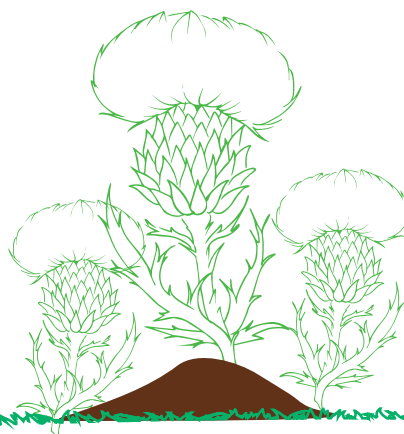
We always appreciate valuable ideas of our customers. We would like to accompany the customers on the way of our sustainable success - The pioneer way to create green products, protect human health, for common peace and prosperity.

Thank you very much./.

Chairman of the Board of Director



Excellent doctor, Masters. Vu Thi Thuan





“ Traphaco continues our issued strategies about revenue, profit and capital in the stock market growth speed. ”



MESSAGE OF GENERAL DIRECTOR



Dear our beloved customers, shareholders and all employees of Traphaco Joint Stock Company!

Year 2016 passed with highly appreciate for changes and big development of Traphaco.

Year 2016 was chosen to be a year of “renew the technologies”. In 2017, Traphaco invested the Vietnam Pharmaceutical Factory with modern scale, total investment reached VND500 billion and aimed for high quality criterion such as GMP-PIC/GMP-EU and also modern administration system ERP (Enterprise Resource Planning). In 2016, Traphaco finished to create “development strategies during the period of 2016-2020 including specific target in each phase of the strategies to make Traphaco to be number 1 firm about growth speed and benefit of capitalization.

Following those activities, Traphaco always keep high growth speed. In 2016, our total revenue excluding VAT reached VND2,000 billion and profit after tax was VND210.5 billion, which was 17% higher than 2015, and labor income increased 19% comparing to 2015. These are notable results while the Vietnamese economy still has tough issues.

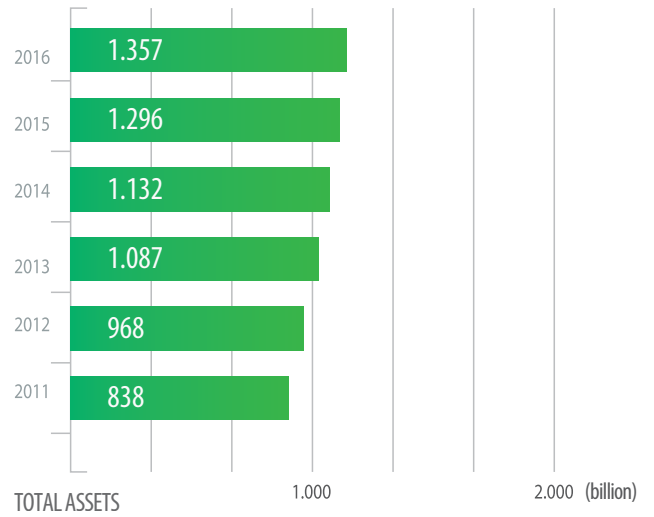
Affirming these successes, in 2016, Traphaco Joint Stock Company won many prestigious titles and awards: National Brand Award in 2016, Gold National Quality Award, Ranked No. 1 in Top 10 Vietnam’s prestigious pharmaceutical enterprises in 2016, Top 40 Vietnam Most Valuable Brands, Top 50 Best Companies Listed by Forbes Magazine Vietnam. This is a solid premise for Traphaco to enter year 2017 with many big goals.

In the context of the pharmaceutical market having general changes and strong competition, to maintain the growth momentum and finish our goals and messages of CEO in 2017 namely “work efficiency” with the slogan “Effectiveness is the goal - Determination is the solution”. This has been the 5th consecutive year Traphaco has had the message of the year. Traphaco has strongly focused on the objectives of improving production efficiency of business through improving the performance of each department in general, each staff in particular. Since the beginning of 2017, Traphaco has taken drastic steps in business activities, focusing on selling efficiency and ensuring the benefits to customers. Then, Traphaco has continued to implement the strategy set out to become the number one of pharmaceutical company in Vietnam in terms of revenue growth, profitability and market capitalization in 2020 to meet the needs of customers, consolidate and increase market share, further develop the market in the Southern and the Central market.

On behalf of Traphaco, I would like to express my gratitude to our valued customers, shareholders and partners who have believed and supported Traphaco over years with the staff who are working hard for the development of Traphaco. I believe that with the determination and efforts of the staffs and the appropriate solutions, Traphaco will fulfill the 2017 targets impressively and toward the achievement of the set strategic objectives.

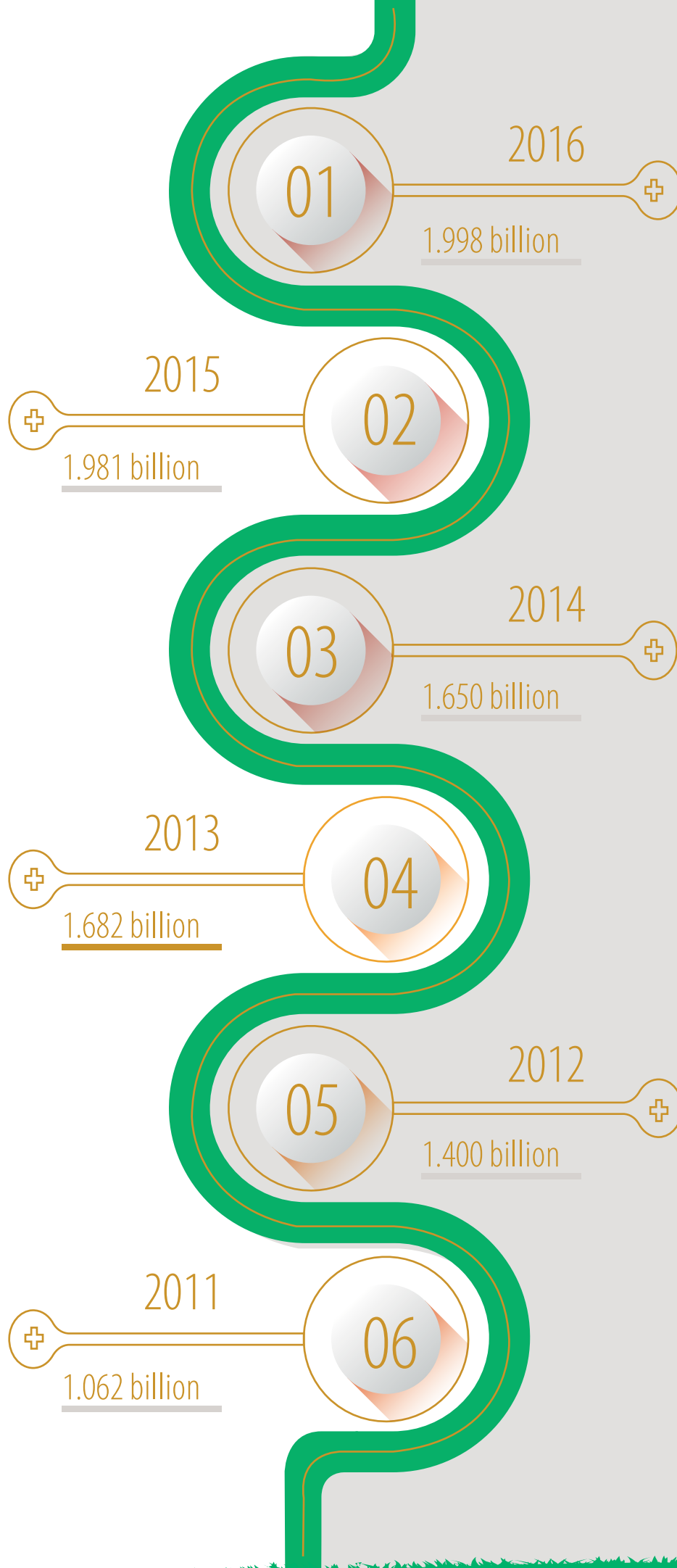
GENERAL MANAGER

Excellent doctor, MSc. Tran Tuc Ma



TOTAL ASSETS AT 31/12/2016: **1.357** BILLION







Journey of knowledge

*We are constantly striving to create the
quality products and services bearing
Trophaco's knowledge mark.*



best
the

OVERVIEW

KHÁI QUÁT VỀ TRAPHACO



Traphaco™
Headquarters
Hoang Mai - Ha noi



Traphaco™
Traphaco High Tech Joint
Stock Company (Traphaco CNC)

Traphaco™
Sapa Atiso Planting Area

WORKING FIELD:

- ◆ Producing and trading pharmaceuticals, chemicals and medical supplies.
- ◆ Purchasing, cultivating, processing pharmaceutical materials.
- ◆ Preparing drugs following prescriptions.





GENERAL INFORMATION:

Transaction name: TRAPHACO JOINT STOCK COMPANY

International transaction name: Traphaco Joint Stock Company

Short name: Traphaco

Charter capital: VND 345.455.160.000

Stock code: TRA

Headquarter address: No. 75 Yen Ninh, Street, Ba Dinh District, Hanoi

Phone: (84-4) 3683 0751

Fax: (84-4) 3681 5097

Website: www.traphaco.com.vn

Certificate of business registration number: 0100108656

Issued by the Department of Planning and Investment of Hanoi

Registered for the first time: 24 December 1999

Registration for the 21st revision: 23 August 2016

- ◆ Consulting pharmaceutical and cosmetics production.
- ◆ Trading, importing and exporting raw materials, auxiliary materials, medicines.
- ◆ Manufacturing and trading cosmetics.

- ◆ Producing and trading food.
- ◆ Consulting scientific services, transferring technologies in the field of medicine.
- ◆ Producing, trading alcohol, beer, beverage (not including bar business)

THE BEAT OF 45 YEARS FOR THE BELIEF OF HEALTH



Establishment of the manufacturing team of the medical and railing department.

Railway Pharmacy Company (RAPHACO).

The first pharmaceutical factory in Phu Thuong - GMP in the Northern Vietnam.

Creating the General Meeting of Shareholders, Traphaco became one of the pioneering pharmaceutical enterprises to be equited.



On 26 November 2008, TRA's stock code was officially traded on the Ho Chi Minh City Stock Exchange (HOSE) with charter capital of VND80 billion.

Established Traphaco Sapa one member limited company in Lao Cai, Traphaco owned 100% capital.

Celebrated 10 years of equitization. Received the Labor Hero title.

General Meeting of Shareholders for the term 2011 - 2015

Celebrated the 40th anniversary of the company's tradition, receiving the First Class Labor Medal.



Renamed as Traphaco Joint Stock Company, with the purpose of multi-professional business following the trend of new economy.

Established the first branch in Ho Chi Minh City. Established Traphaco Co., Ltd with two members: Traphaco and Lao Cai Pharmaceutical Company.

Inaugurated and put into use the drug manufacturing factory in Hoang Liet, Hoang Mai, Hanoi.

Established Central branch in Danang. Established Traphaco High Tech Joint Stock Company (Traphaco CNC).

First IPO shares to the public, increased charter capital from VND20 billion to VND80 billion. Inaugurated the Eastern Medicinal Drug Manufacturing Factory in Van Lam - Hung Yen in accordance with GMP-WHO standard.

2001

2002

2004

2006

2007

Increased chartered capital to VND 246,764,330,000.

Changed the new OTC sales policy based on co-benefits; Applied information technology in distributed system administration.

Started construction of pharmaceutical factory in Vietnam with a total estimated value of VND500 billion.

General Meeting of Shareholders for the term of 2016 - 2020. Increased charter capital to VND345,455,160,000.

2013

2014

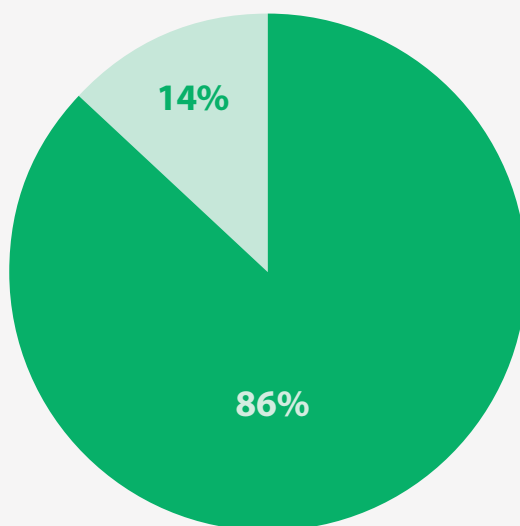
2015



2016

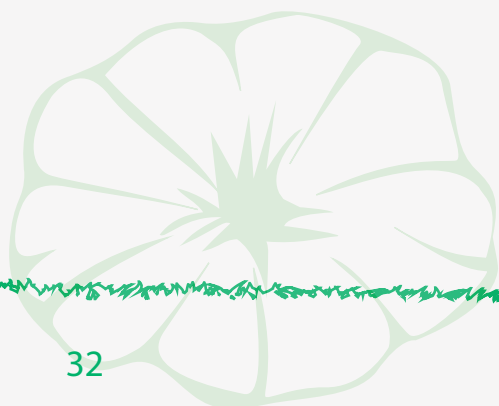


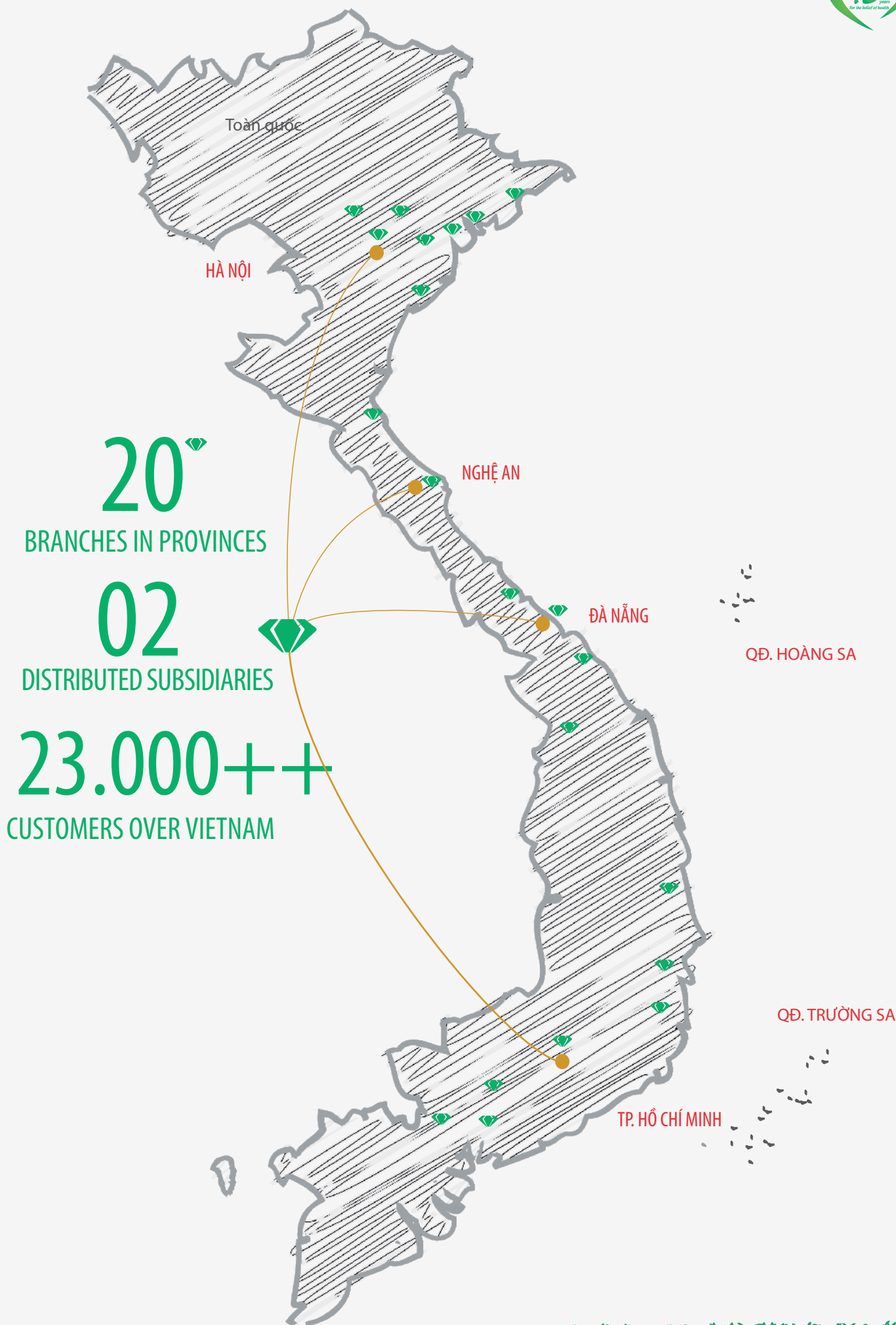


Traphaco owns the most powerful pharmaceutical distribution network in Vietnam with 02 distribution companies, 20 branches and more than 23,000 retail pharmacies nationwide.



-  OTC (Pharmacy System)
-  ETC (Treatment System)

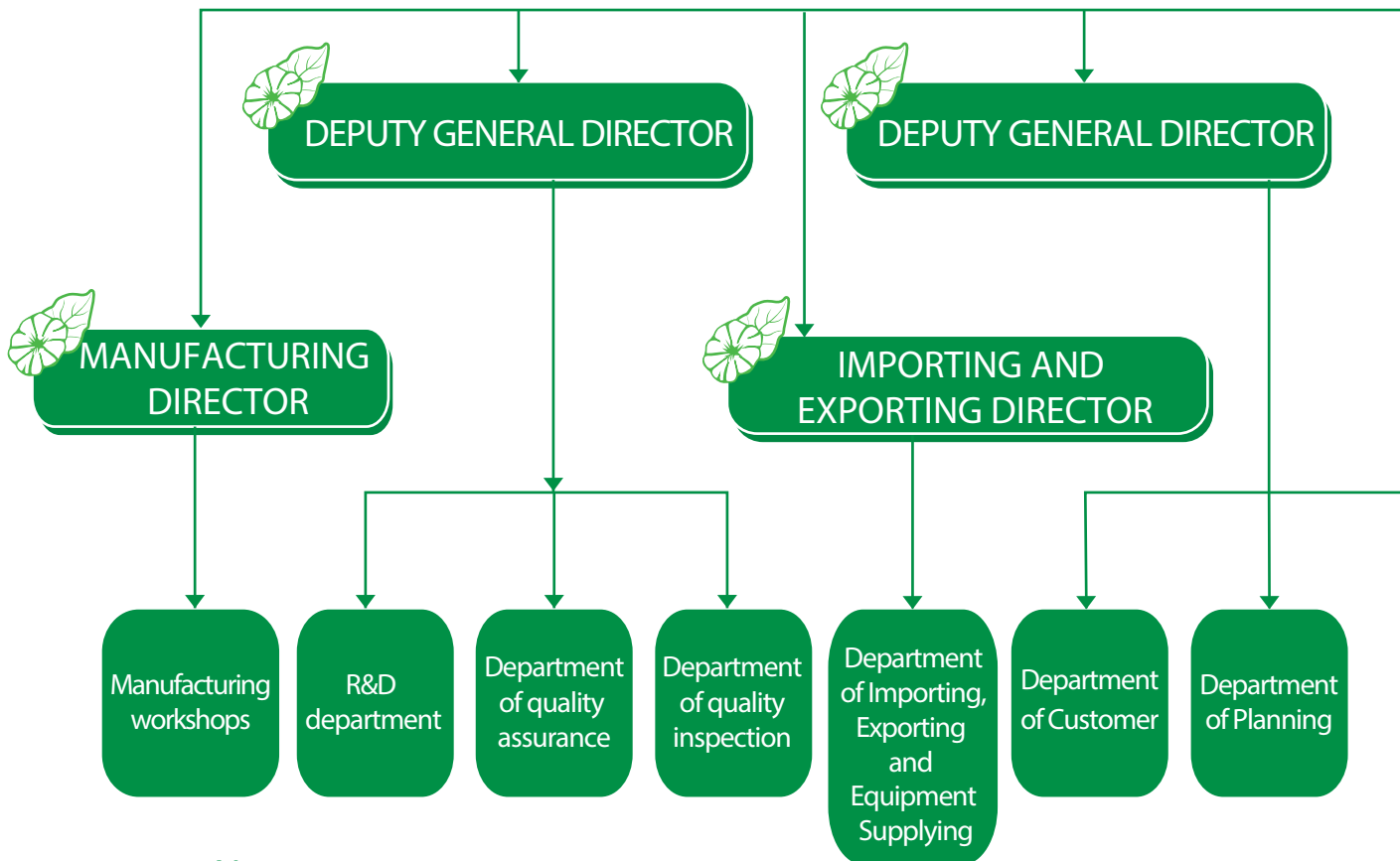




ORGANIZATIONAL CHART

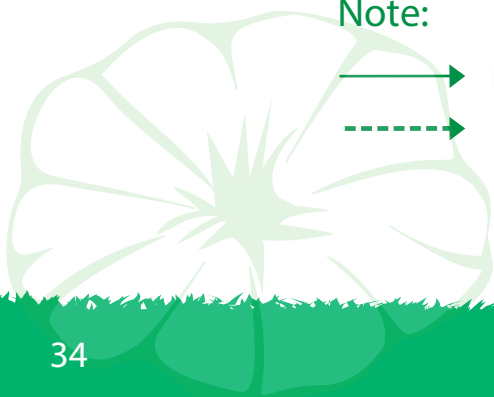


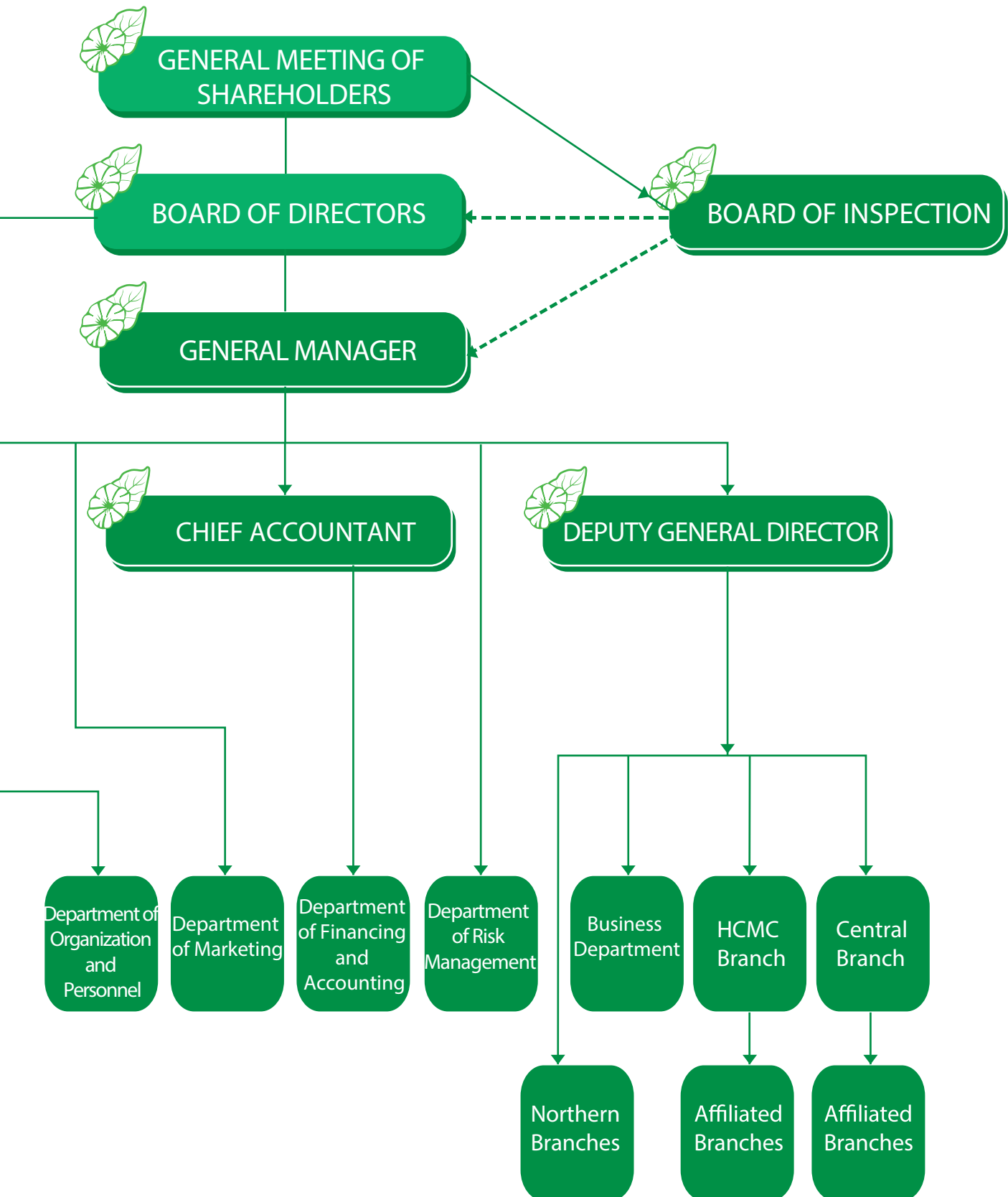
SUBSIDIARIES



Note:

- Direct steering
- - - Control





BOARD OF DIRECTOR



Ms. Vu Thi Thuan
Chairman of the Board

Mr. Tran Tuc Ma
Member

Mr. Chad Ryan Ovel
Member





Mr. Marcus John Pitt
Member

Mr. Christopher E. Freund
Member

Mr. Nguyen Anh Tuan
Vice Chairman of the Board

Mr. Nguyen Hong Hien
Member



JOURNEY OF KNOWLEDGE

BOARD OF INSPECTION



Ms. Nguyen Thanh Hoa
Member

Ms. Duong Duc Hung
Head of the Board



Ms. Do Thi Khanh Van
Member



BOARD OF EXECUTIVE



Mr. Nguyen Huy Van
DEPUTY GENERAL DIRECTOR

Mr. Tran Tuc Ma
GENERAL MANAGER





Ms. Nguyen Thi Lan
DEPUTY GENERAL DIRECTOR

Mr. Nguyen Van Bui
DEPUTY GENERAL DIRECTOR



Mr. Dinh Trung Kien
CHIEF ACCOUNTANT



Ms. Nguyen Thi Hau
PRODUCTION MANAGER

Mr. Nguyen Duy Vinh
DIRECTOR OF IMPORTING AND EXPORTING



DEPARTMENTS

1. Department of Personnel and Organization
2. Department of administration and administration
3. Department of Research and Development
4. Department of Finance and Accounting
5. Sales Department
6. Planning Department
7. Department of Importing-Exporting-Supplying materials
8. Department of Quality Control
9. Department of Quality assurance
10. Marketing Department
11. Board of Risk Management

HOANG LIỆT MANUFACTURING FACTORY

1. Pills - Water tablets workshop
2. Gel - soft capsule workshop
3. Packing Workshop
4. Western Medicine Workshop

SUBSIDIARIES WHOSE 100% CAPITAL WAS TRAPHACO

1. TraphacoSapa One Member Limited Liability Company
2. Traphaco Hung Yen Co., Ltd

20 BRANCHES

Quang Ninh	Central Branch	Binh Duong
Hai Phong	Thanh Hoa	Đông Nai
Bac Giang	Nghe An	Tp. Ho Chi Minh
Phu Tho	Quang Ngai	Vinh Long
Hung Yen	Khanh Hoa	Can Tho
Hai Duong	Gia Lai	Tien Giang
Nam Định	Binh Thuan	

POLITICAL AND SOCIETY ORGANIZATION

Corporate Party: 6 sub branches

Secretary: Mr. Tran Tuc Ma

Deputy Secretary: Mr. Nguyen Huy Van

Company union: 6 union parts

Chairman of the union: Ms. Tran Thi Anh Phuong

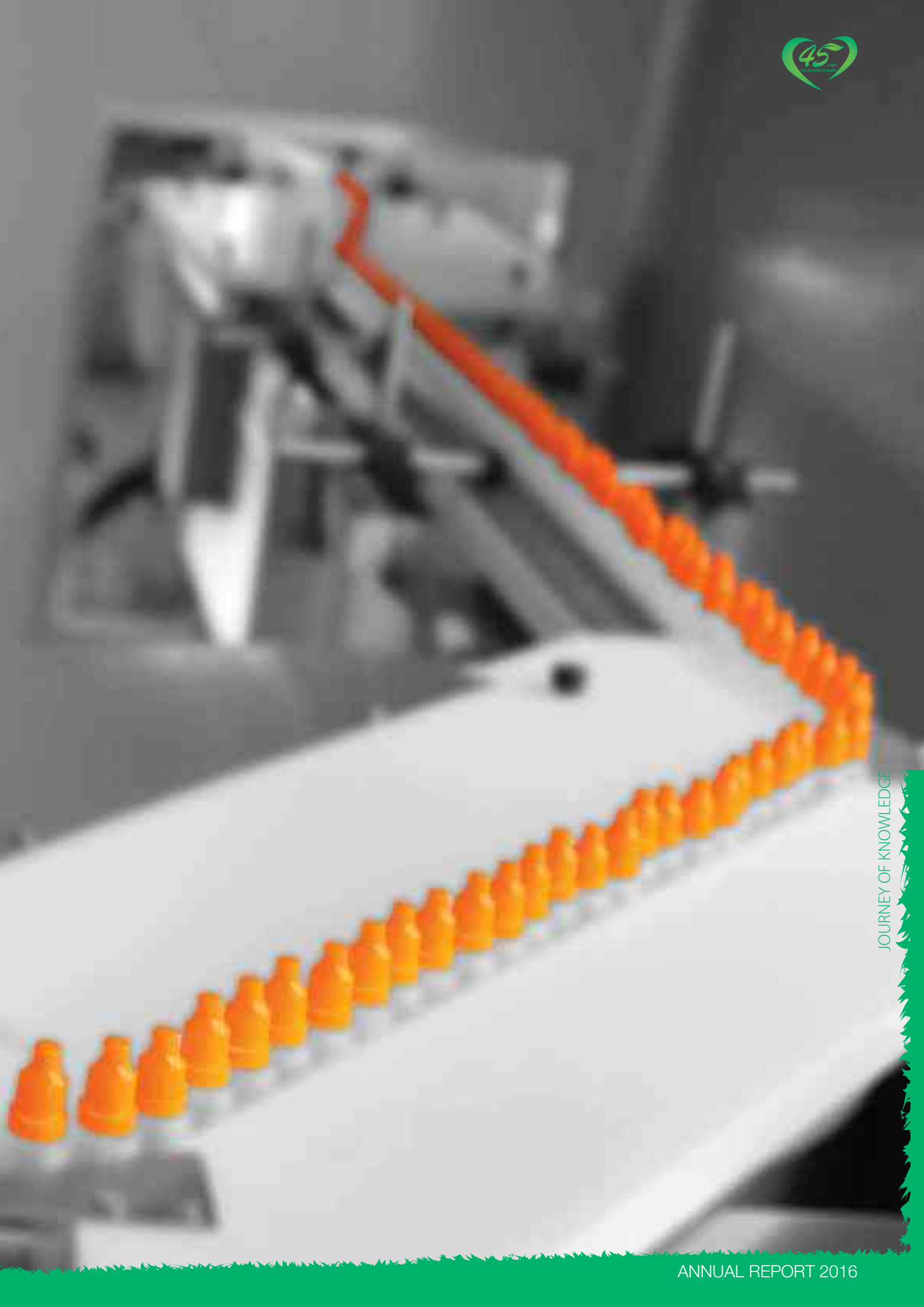
Vice Chairman: Mr. Nguyen Duy Vinh

Ho Chi Minh Communist Youth Union Traphaco: consists of 7 affiliated branches

Secretary: Ms. Do Thi Hanh Le

Deputy Secretary: Mr. Le Minh Duc

Deputy Secretary: Nguyen Thi Bao Van



JOURNEY OF KNOWLEDGE



**TRAPHACO SAPA SINGLE MEMBER
LIMITED COMPANY**

Chartered capital: VND16,800,000,000

Ownership of Traphaco:

100%

TRAPHACO HUNG YEN CO., LTD

Chartered capital: VND250,000,000,000

Ownership of Traphaco:

100%

**TRAPHACO HUNG YEN HIGH
TECHNOLOGY JOINT STOCK COMPANY**

Chartered capital: VND 90,703,570,000

Ownership of Traphaco:

51%



**DAK LAK PHARMACEUTICAL PHARMACEUTICAL
JOINT STOCK COMPANY (BAMEPHARM)**

Chartered capital: VND19,415,880,000

Ownership of Traphaco:

58%

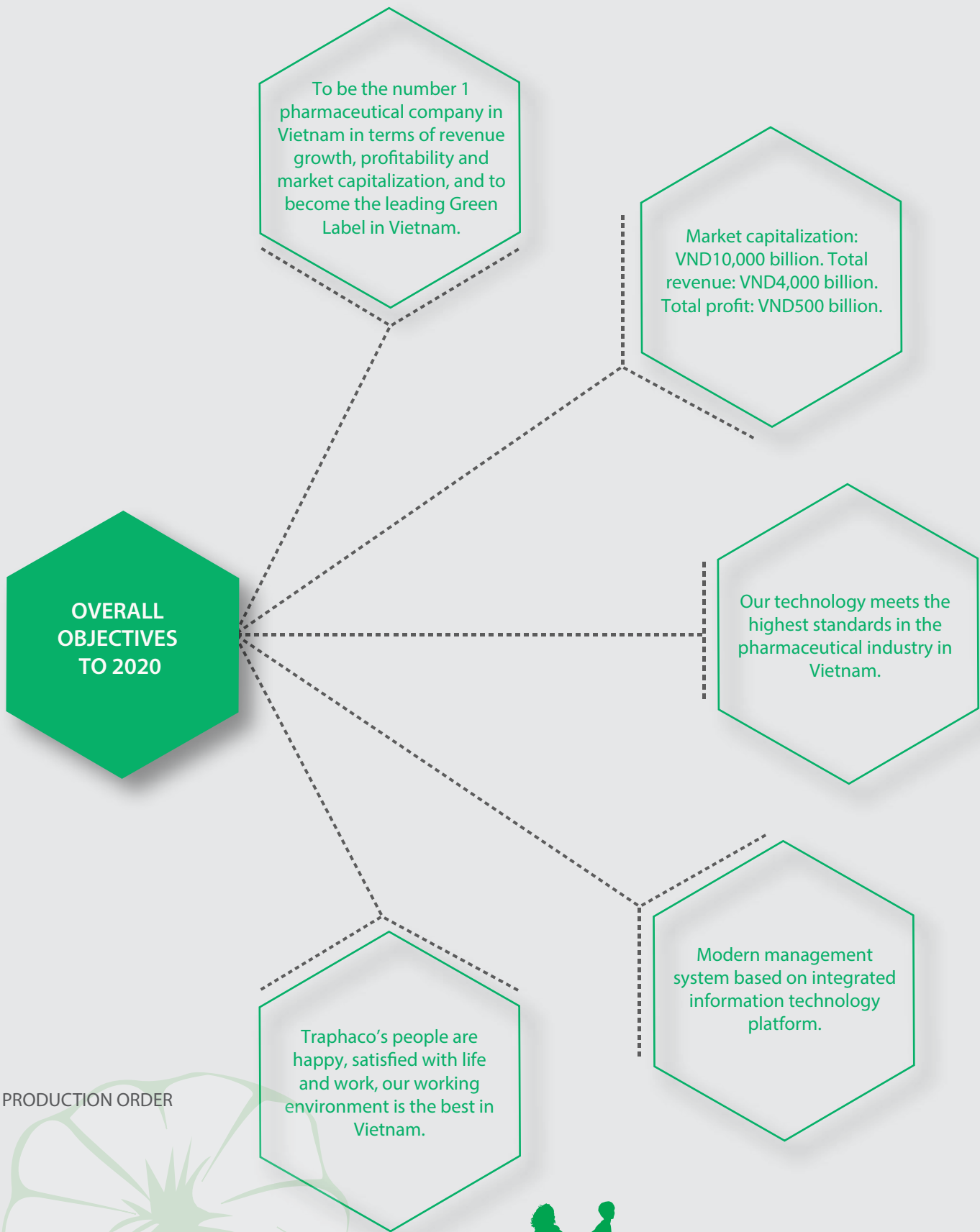
**QUANG TRI PHARMACY MEDICINE
MATERIALS JOINT STOCK COMPANY**

Chartered capital: VND 2,929,300,000

Ownership of Traphaco:

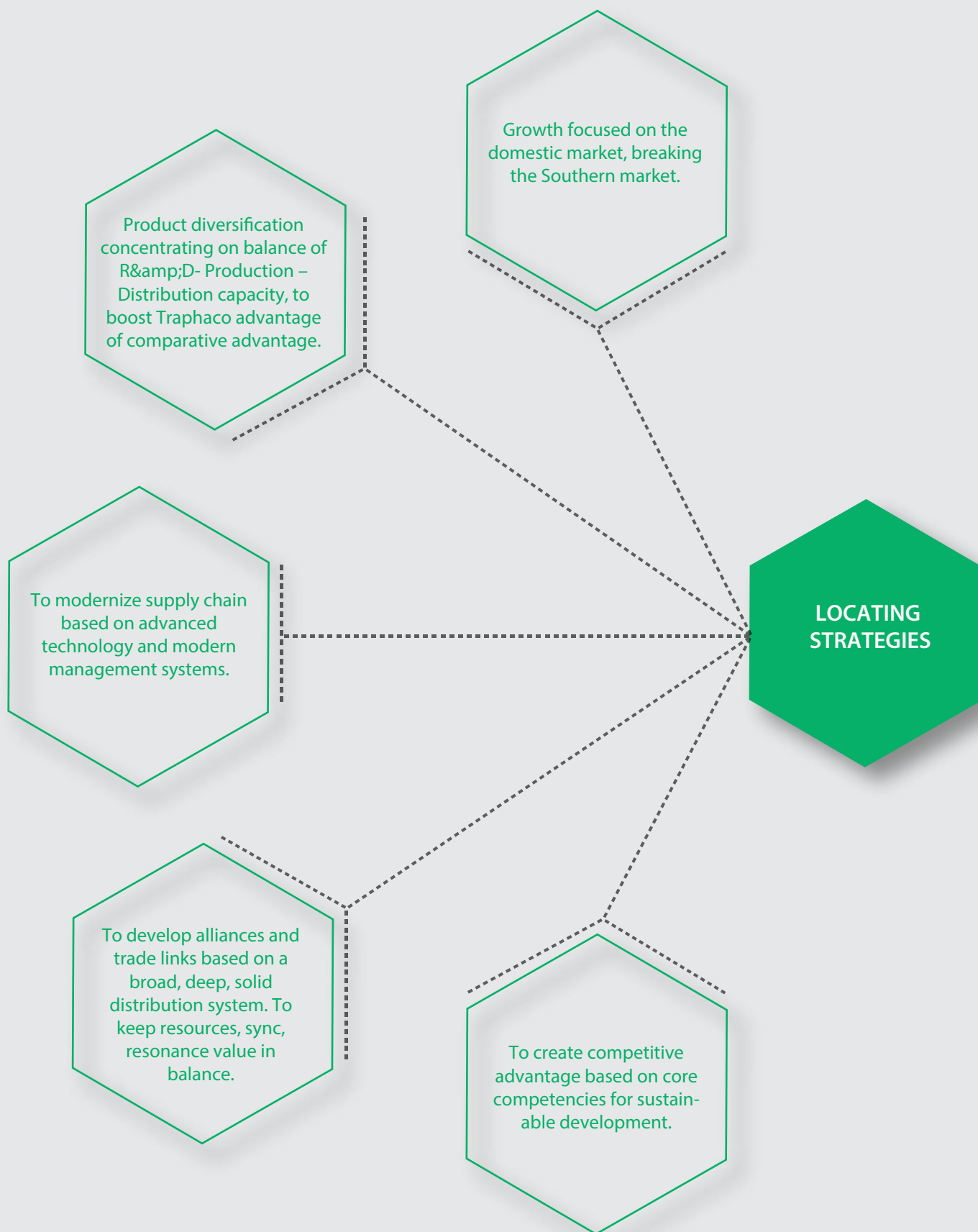
43%





PRODUCTION ORDER







We always commit and consistently follow our responsibility for the society, our shareholders, customers, partners and employees on the principle of mutual benefit and development.



Journey of connecting

BUSINESS RESULTS



REPORT AND EVALUATION OF FINANCIAL REPORT IN 2016

OVERVIEW OF MACROECONOMIC SITUATION IN 2016 IN GENERAL AND PHARMACEUTICAL MARKET IN PARTICULAR

Macroeconomic situation in 2016:

In 2016, Vietnam's economy undergone many changes. The GDP growth rate did not reach the set target; Agriculture, forestry and fishery industry were difficult due to natural calamity, drought; The mining sector decreased its strong impact on the overall growth rate. However, Vietnam's economy made significant improvements.

GDP 2016 did not meet the target:

2016 was expected to increase 6.21% over 2015, not reached 6.7% of target.

Environmental factors were one of the reasons why GDP growth in Vietnam was not reaching the target. Accordingly, in 2016, Vietnam lost nearly 1% of GDP (about \$1.7 billion) by drought and other natural disasters.

Still, according to the General Statistics Office, although this year's growth rate was still lower than the 6.68% growth rate of 2015 and did not meet the target of 6.7% growth, it was acceptable in the context that the world economy was not favorable and domestic market faced with many difficulties, the level was a success.

A record of newly established enterprises:

For the whole year 2016, the number of established enterprises reached a record of 110.1 thousand enterprises, an increase of 16.2% over 2015.

Total registered capital was VND891.1 trillion, increased 48.1%. The average registered capital of a new establishment in 2016 was VND8.1 billion, rose 27.5% compared to 2015.

Total registered labor force of newly established enterprises in 2016 was 1,268 thousand people, equaling 86.1% in 2015. This year, there were 26,689 enterprises returning to operation, a growth of 24.1% against 2015, bringing the total number of newly registered enterprises and businesses back to operation in 2016 to 136,800 enterprises..

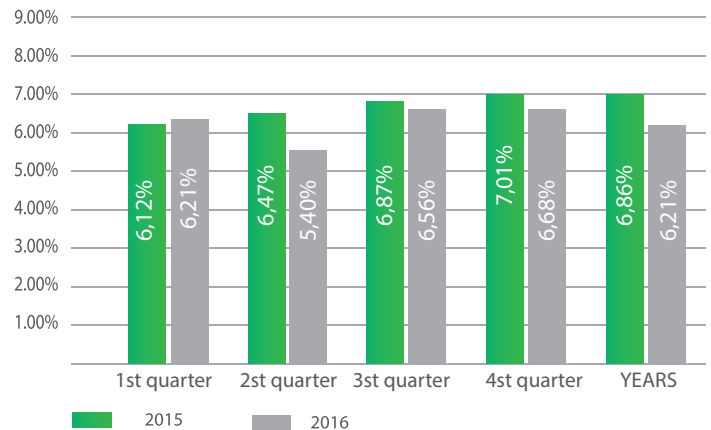
Retail growth: Total retail sales of goods and services in 2016 were estimated at VND3,527.4 trillion, climbed 10.2% over the previous year (9.8% in 2015), if the price factor was excluded, it rose by 7.8%, lower than that of 8.5% from the previous year due to the unchanged purchasing power while consumer prices this year were higher than last year.

Trade balance in 2016, trade surplussed of \$2.68 billion:

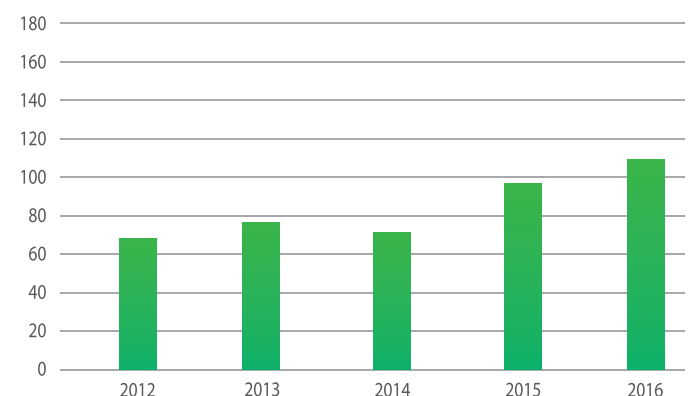
Export turnover in 2016 was estimated at \$ 175.9 billion, rose 8.6% over the previous year. Imports turnover in 2016 was estimated at \$ 173.3 billion, rose 4.6% over the previous year.

Trade balance for the whole of 2016 was \$2.68 billion. In particular, the domestic economic sector trade deficit of \$21.02 billion, the FDF region export surplussed of \$23.7 billion.

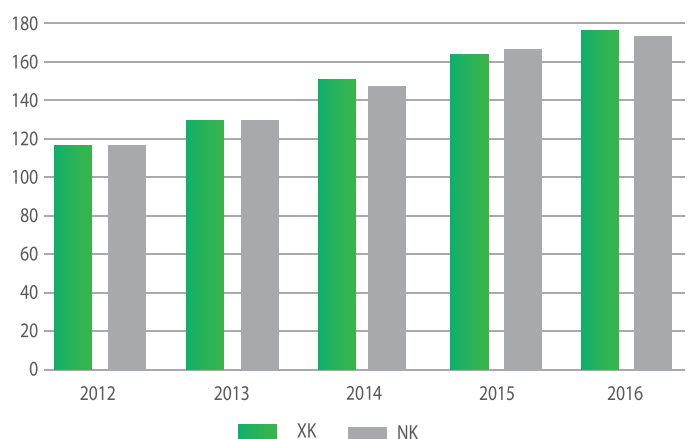
GDP 2015 and 2016



Total number of newly registered enterprises



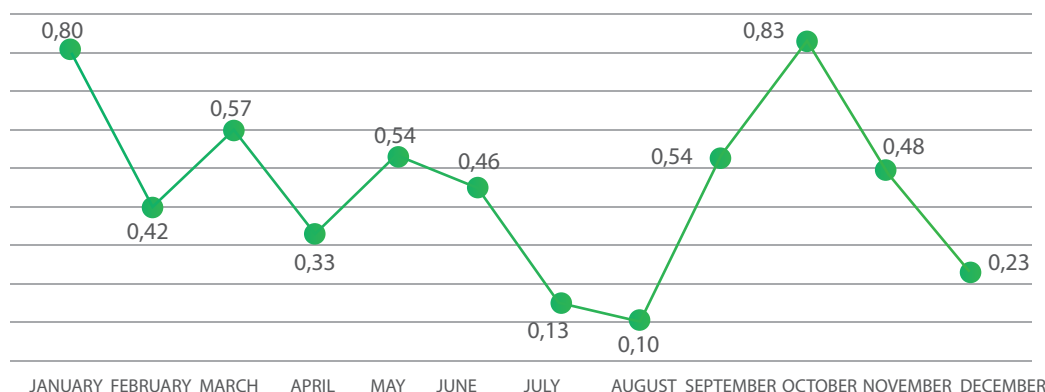
Import and export from 2012-2016



CPI for the whole year 2016 increased 4.74%:

CPI in December 2016 increased 4.74% compared with December 2015, the average monthly increased 0.4%. The average CPI in 2016 would increase by 2.66% over the average in 2015.

CPI for the whole 2016



Although the increase of 2016 was higher than that of 2015, it was still much lower than the average CPI of some recent years and still within the 5% target set by the National Assembly.

Core inflation in December 2016 increased by 0.11% over the previous month and 1.87% over the same period last year. The average annual inflation in 2016 increased by 1.83% year on year.

(Source: General Statistics Office, CafeF.vn)

Pharmaceutical market:

Vietnam is a country with a young population structure with GDP growth rated on average, have the third largest population in the ASEAN region and a rapidly growing middle class. The awareness of the Vietnamese people on diseases has been also improved significantly recently. Half of the population is under the age of 30 and will enter the age of 15 years.

In Vietnam, there are currently 178 drug manufacturers, but most of them concentrate in the form of simple, generic, low value and lack of specific drugs.

The Vietnamese pharmaceutical industry uses about 60,000 tons of pharmaceuticals, including 80-90% of imported medicines, China and India are two largest countries to export turnover to Vietnam in medicinal sector. In addition, the application of advanced technology to production has encountered many difficulties. The proportion of new drug research companies in the country accounted for only about 5% of turnover, while foreign companies are 15%.

By 2015, according to VIRAC estimates, the value of the Pharmaceutical Industry was estimated to reach \$4.2 billion, spending on pharmaceuticals was about \$ 38 per person. In the coming years, the prescription drug market will grow beyond the over-the-counter (OTC) market due to the emergence of expensive patented products from abroad and the growing demand for high quality and special medicine.

According to BMI estimations, the value of Vietnam's drug consumption in 2016 continued to grow at about 10.2% due to the young population structure, income and the level of attention to the health problems of the day was higher. However, the value of domestic production accounted for less than 45% of the total value of drug use, mainly for making

simple, popular and cheap drugs. High value branded and special drugs are mostly imported drugs, distributed by joint venture and foreign pharmaceutical companies. In order to develop the domestic pharmaceutical industry, enterprises will face a difficult problem in the coming time: improving the quality of existing products, increasing investment and researching specialized products, while capital, capacity and personnel are limited.

Imports of pharmaceutical products in the first 6 months of 2016 reached \$1,282.6 million, increased 24.8% over the same period in 2015. The main import markets were still France and the United States (proprietary medicines) and China , India (cheap and generic drugs). Meanwhile, pharmaceutical exports in Vietnam only reached a low rate of only 5% of import value and 2.5% of the consumption value of the industry. The main export markets were: Germany, Russia, African countries and neighboring countries like Myanmar, Philippines, Cambodia, etc.

In the incomming time, Vietnam's pharmaceutical industry is forecasted to continue to grow at double digits but the trend is slowing down. In addition, with Vietnam's deep integration through trade agreements, domestic pharmaceutical companies will face greater competition from foreign companies due to the reduction of protection barriers, especially in the context that the sector's main driving force are state protection policies.

Most pharmaceutical companies had maintained good business performance with gross margins and high net profit in the period 2014-2015. Taking advantage of the scale, leading companies have been restructuring their sales systems, reducing their cost share to maximize profits, and developing OTC channels.



2. UTILIZE RESOURCES EFFECT, COMPLETE BUSINESS AND PRODUCTION 2016 PLAN

Consolidated business & production result:

In 2016, Traphaco completed the listed targets well. Basic indicators for business were:

Targets	plan 2016 (VND bn)	Done 2016 (VND bn)	Percentage compared with plan (%)	Compared with 2015 (%)
Total Consolidated Net Sales	2.100	1.998	95,14	101,23
Total sales of Traphaco				
<i>Production goods:</i>	1.500	1.511	100,73	112,88
<i>Import and export goods for consignment and service provision, other goods:</i>	260	188	72,30	56,87
<i>Sales from subsidiaries</i>	340	298	87,65	98,35
Consolidated profit after tax of shareholders of parent companies	210	210,595	100,23	116,37
Traphaco own profits	190	208,107	109,47	115,22

(*) In 2016, Traphaco's revenue was VND2,100 billion, but in October 2016, the company decided to convert purchase contract with Nam Duong into a entrusted contract, and in December 2016 we divested at THAPHACO. These activities reduced Traphaco's revenue by about VND100 billion, without affecting profit. Turnover plan was adjusted to VND2,000 billion. Turnover (excluding deductions) was 100%.



ANALIZE FINANCIAL REPORT

Revenue:

Revenue structure:

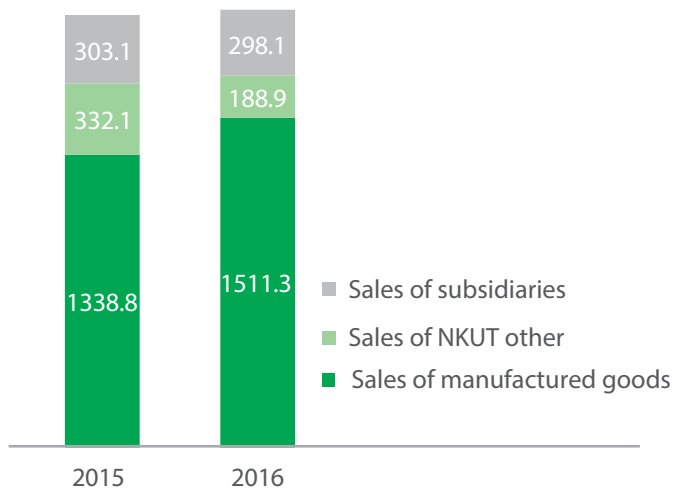
Revenue in 2016 grew by 1.5% over 2015, due to:

Revenue from exclusive production and distribution increased by 12.85% in comparison with 2015, with a high gross profit margin encouraged by companies.

Sales of import-export entrust goods grew by -43% as the Board of Directors decided to change the form of sales with Indonesian partner (XO milk) from trading to entrusting to minimize debt risks.

Consolidated revenue from Traphaco's subsidiaries in 2016 also fell 1.65% by the end of 2016, as Traphaco has withdrawn capital at Thai Nguyen Pharmaceutical Company and Daklak Pharmaceutical Company and both companies did not complete the turnover targets and fell in struggles in their core business because their supply to the ETC hospital group decline, despite they had attempted to grow their market turnover in OTC market.

Revenue structure



In 2016 revenue growth rate was not as high as expected but Traphaco still held the position of the second largest pharmaceutical company in Vietnam after Hau Giang Pharmacy.

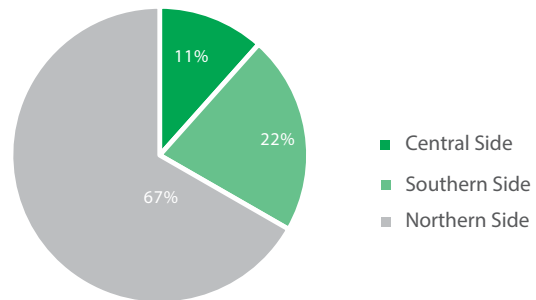
Revenue structure by region

The sales structure by region changed compared to 2015. Traditional market in the North Vietnam had the highest growth rate (17.6%), while the Central Vietnam had a modest growth rate (12.1%) and the Southside grew only 0.4%. The main cause was that in the Central and the South Vietnam, the sales of treatment sector decreased significantly, while the growth rate of free market did not compensate for this shortfall. From the end of 2015 and 2016, the related

companies had a lot of solutions to help growth for these two regions, so the growth rate of the Central market had improved actively but the Southern had not improved as expected yet. In 2017, the Southern market has still been the hot spot that Traphaco needs to take drastic measures to boost sales.

In 2016, revenue of the Northside still accounted for the largest shares of 66.7% of total revenue; that amount of the Central and South market was 11.6% and 21.7%, respectively.

Sales structure by region in 2016

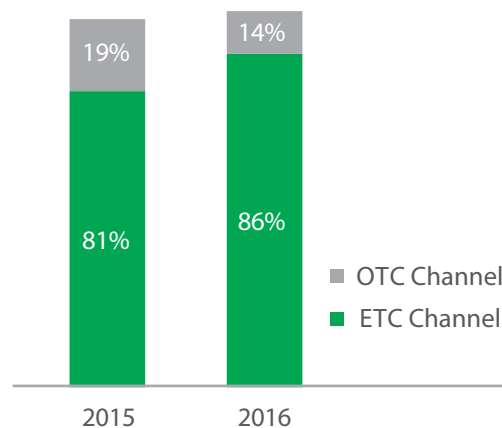


Sales by sales channel

In 2016, 86% of Traphaco's exclusive production and distribution revenues came from the OTC market. Total OTC revenue in 2016 increased by 20% compared to 2015. Sales of all regions increased from 14% to 20% (the OTC market in the Southside grew by 18%) as a direct result of good implementation of Traphaco on sales policy. ETC revenue fell 17% from 2015, which indicated the difficulty in developing treatment market in recent years.

OTC, in the next years, will still be the main market of Traphaco.

Sales by sales channel



Gross profit

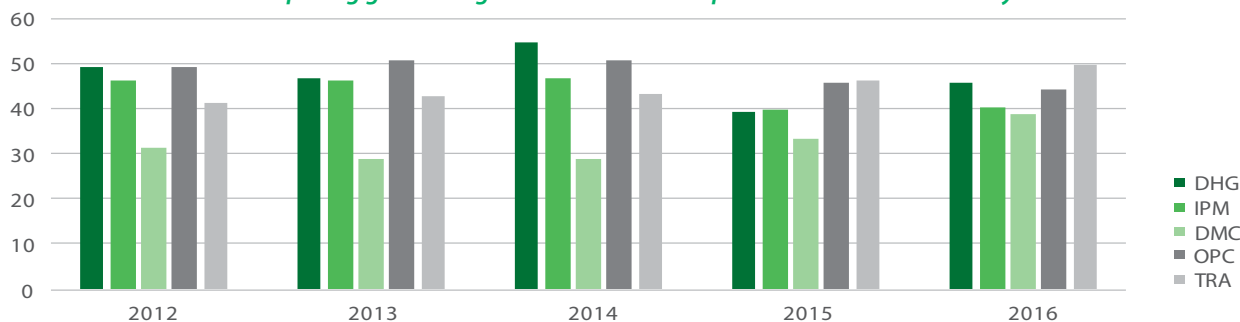
Gross profit margin of Traphacohas continued to improve steadily over years. The result is due to:

We have been focusing on manufacturing and maintaining a profitable product structure.

Traphaco's trademark, branding and products allows our sales force to assert the difference, keep the price level, focus on quality of service instead of price competition.

Gross profit of the company in 2016 was VND994.7 billion, accounting for 49.8% of revenue, higher than that of 2015 and tended to be higher than that of last year in the last 5 years.

Comparing gross margins with 5 listed companies in the same industry



Cost management

In 2016, the ratio of management expense per net revenue was 9.1%, higher than that of 2015 (8.2%).

About selling expenses, the ratio of sales cost per sales in 2016 was 23.2% higher than that of 2015 (21.8%).

It was caused mainly by:

- ✦ In 2016, Traphaco actively reduced revenue of entrusted export-import. That was a low price gross margin and did not contribute much to net profit of Traphaco (the proportion of management cost compared to turnover of goods produced and distributed in 2016 was 12.05%, that in 2015 was 12.06%; the percentage of sales cost compared to production and distribution goods revenue in 2016 and 2015 was 30.7% and 32.1%, respectively).
- ✦ Traphaco's sales policies have been increasingly aimed at the benefit of our guests. Customers have been increasingly adhering to the rules of us for maximum benefit.

Financial performance

Improving financial efficiency has been one of Traphaco's greatest successes in the last five years. The financial

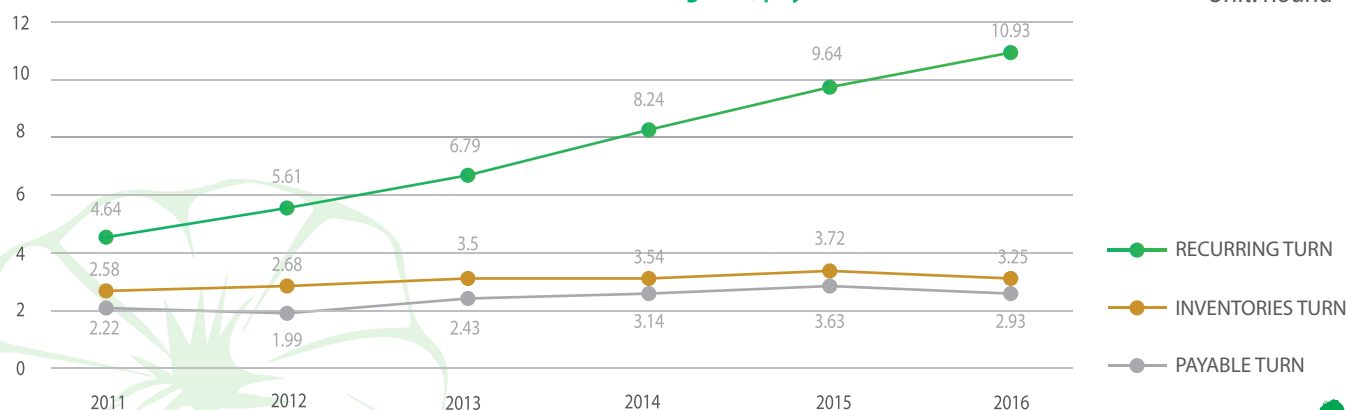
performance indicators of enterprises have been continuously improved over years, especially according to customer turnover index. The turnover to collect customers at the company in 2016 was 10.93 laps compared to 9.64 laps in 2015. Thus, with the policy of selling OTC products from 2014 up to now and paying right after receiving goods, money collecting and debt recovering were very effective, which helped us to secure financial sources, capital support for member companies.

Managing working capital.

- ✦ Inventory turnover in 2016 which was 3.7 rounds per 99 days unchanged compared to 2015
- ✦ Average money collecting days are 28 days, reduced 13 days compared to 2015, of which:
 - The average trading days of the business block is 27 days.
 - The average days of collecting the import-export office is 31 days.
- ✦ Total revenue was VND1.803 billion per VND1.812 billion of revenue (including VAT), which reached 99.5%.
- ✦ Closing debt balance was to VND138 billion, reduced 59 billion compared to the same period in 2015 (VND196.6 billion), of which the business debt balance at the end of the period is VND119 billion.

Recurring turn, payable turn

Unit: Round



Comparing financial performance with 5 other listed enterprises in the same industry

Target	DHG	DMC	IMP	OPC	TRA
Number of days to receive	57.37	83.96	82.23	45.63	33.39
Number of days to repay	45.63	54.00	43.53	28.93	124.37
Number of days to HTK	122.53	132.58	144.71	203.94	112.35
Revolution cycle	134.27	162.54	183.41	220.64	21.36
ROA	19.42	16.45	8.98	11.43	15.87
ROE	26.22	20.09	10.96	15.61	21.26
Dividend ratio	30%	15%	18%	20%	30%

In 2016, Traphaco still had most good financial indicators compared to other pharmaceutical companies on the HOSE, in particular: Traphaco's average days of good in inventory and customer acquisition days are among the best in the industry; our ROE stood only behind DHG PHARMA Corp; and Traphaco paid the highest dividend, at 30% (same as DHG)

BIGGEST ACTIVITIES OF TRAPHACO IN 2016:

Vietnam Pharmaceutical Factory Project:

Construction:

- By the end of March 2017, the Vietnam Pharmaceutical Factory Project basically completed all 11 construction items, including: Nose and Eyes Drop Workshop, Fluid Workshop, Tablet Warehouse, Operation Warehouse, Material Warehouse, Product Storage, Transportation Infrastructure, Fire Prevention System, Air Conditioning System, Sewage System and other supporting systems.
- The factory has also been granted permits related to infrastructure including permit for discharge, fire protection, water supply and drainage, etc. The construction works have been completed the set schedule.

Machinery and equipment:

- By the end of March 2017, the Vietnam Pharmaceutical Factory Project has basically completed importing, installing and testing the production line including: Automatic equipments for nasal sprays; Liquid medicine production line; Pills and gel cream line; RO water, distilled water and pure water treatment system; Supplying and installing pneumatic equipment; Water supply system; Met the set schedule.

GMP Profile:

- By 31/12/2016, we had completed GMP, GSP, GLP registration and examination documents, and submit them to the Drug Administration of Vietnam of the Ministry of Health.
- In April, 2017, the Drug Administration of Vietnam will conduct a GMP assessment at the factory. It is expected that by the end of April 2017, the factory will be granted GMP certification.

Application file:

- By the end of March 2017, 36 applications had been submitted for registration at the Vietnam Pharmaceutical Factory. The steering committee has directed closely the relevant departments to carry out registration procedures. Expected in 6 May 2017, the factory will be issued registration number.

Total investment:

- Following the Resolution No. 33/2016 / NQ-DHDCD on 30/03/2016, the Board of Director and the Board of Executive have implemented and completed procedures to increase the total investment of the project to VND477 billion.
- The total investment of the project has recently been approximately VND477 billion, equivalent to the total approved investment
- So far, the project has disbursed VND317 billion, equivalent to 70% of the value. It is expected that in 2017, the remaining 30% will be disbursed.

General assessment:



- ✦ The project is implemented in accordance with the approval of the general meeting of shareholders about the total investment and implementation time.
- ✦ The project will be put into commercial operation from March 2017 as scheduled.

ERP project:

- ✦ Following the Resolution No. 33/2016 / NQ-DHDCD dated on 30/03/2016, the Board of Executive selected a partner namely Global Enterprise Solutions Company Limited (GESO) to build the ERP system ingreating with DMS. This is also a partner to build DMS system for Traphaco.
- ✦ The ERP system has successfully integrated into the DMS, completing module Warehouse, Accounting, Planning and Purchase, and would be run company-wide from 01/01/2017.

Southern Market Development:

- ✦ Following the Resolution No. 33/2016 / NQ-DHDCD dated 30 March 2016, the General Director directly directed to develop the southern market, usually held online meetings with Ho Chi Minh City Branch and its suburbs to change method of deviding jobs to the southern suburbs.
- ✦ The company has assisted TDV and delivery staffs in southern provinces to reduce difficulties for staffswithin the transition period, as well as psychological peace of mind for workers.
- ✦ Coordination between departments and functional departments has improved; the awareness of managers and staff in the correct implementation of Traphaco's policies has increased. Most of the activities of the Southside Branch are in the right way of operating a good distribution system.
- ✦ In the last 6 months of 2016, under the direction of the General Director, there was an increase in Southern market (turnover increased by 12% compared to the first half of the year & 20% growth over the same period).
- ✦ With the current mode of operation, sales in the South area would grow well.

Contract with Nam Duong:

- ✦ Traphaco Joint Stock Company imports milk products from Nanum CNC (manufacturer: Namyang Dairy, Korea) under a three-party contract between Nanum CNC-TRAPHACO-Nam Duong and other direct trade contracts between Traphaco and Nanum and between Traphaco and Nam Duong.
- ✦ However, in 2016, after evaluating the risks and economic benefits, Traphaco converted the purchase contract with Nam Duong into an entrusted import contract, although turnover decreased about VND60 billion, but debt and risks associated with import activities were reduced from October 2016.

Divestment at Thai Nguyen Pharmaceutical and Medical Equipment Joint Stock Company (THAPHACO):

- ✦ The purpose to invest in THAPHACO previously was to achieve the goal of expanding TRAPHACO's distribution network in many provinces including Thai Nguyen province. However, since 2014, TRAPHACO has made strategic changes in its sales policy. At that time, the distribution of Traphaco products is not dependent on THAPHACO anymore, so the investment in THAPHACO was no longer as effective as before. Therefore, the Board of General Manager proposed to the Board of Directors to divest 100% of investment capital in THAPHACO to use capital in other business activities of TRAPHACO, and that was approved by the Board of Directors.
- ✦ Afterwards, Traphaco completed aucting shares of Traphaco in Thai Nguyen Pharmaceutical and Medical Equipment Joint Stock Company on 6/12/2016.

Amount collected:	VND19,498,113,777
Book value:	VND17,061,482,000.
Difference earned:	VND2,436,631,776.

- ✦ Until 31/12/2016, Traphaco completed the divestment at THAPHACO.

Developing Traphaco strategies for 2016-2020:

- ✦ Traphaco surveyed, selected and on 22/8/2016 signed a contract to develop the company's development strategy for 2017-2020 with the Institute of International Trade and Economics - Foreign Trade University Interior (iEIT).
- ✦ Traphaco decided to set up a project board consisting of members of the Board of Management and a number of officials involved.
- ✦ So far, we has completed the construction of the Traphaco Strategy for 2016-2020 and submitted it to the 2017 Annual General Meeting of Shareholders for approval.

Other administrative activities

The 3P payroll project

- ✦ Traphaco signed a consultancy contract to build 3Ps salary system with International Economics and Trade Institute - Hanoi Foreign Trade University (iEBT).
- ✦ General objective: To overcome the weaknesses and inadequacies of the current salary system, the salary system was developed based on the 3Ps method as the basis for the evaluation of human resource capacity, performance appraisal for goal setting, plan control, and paying for performance.
- ✦ Up to now, the project has been being implemented as planned and expected to run in the fourth quarter of 2017.

Green Plan Project

- ✦ Traphaco is the first pharmaceutical company in Vietnam to be the pioneer in the cultivation, harvesting and processing medicines according to GACP-WHO standard.
- ✦ Currently, there are 5 medicinal herbs namely Polyscias fruticosa, Prostrate knotweed, Actiso, Convolvulaceae and Planch are the main ingredients of Hoat Huyet Duong Nao, Boganic & Ampelop which are certified GACP-WHO.



Charter capital, dividends.

- Implementing the Resolution No. 33/2016 / NQ-ĐHĐCĐ ĐHĐCĐ dated 30/03/2016, Traphaco has:
 - Increased 40% of charter capital by stock bonus. Chartered capital increased by VND246 billion to VND345 billion.
 - Paid 30% dividend per year of charter capital, in cash. Expected to pay 20% in January 2017 & expected 10% in Q2 / 2017.

Income and benefits of employees.

- In 2016 the average income of workers increased by 10% compared to 2015 in accordance with the Resolution No. 33/2016 / NQ-DHDCĐ dated 30/03/2016.

Investment activities

- Established 02 new branches in Bac Giang province and Hung Yen province
- Adjusted the total investment capital of the project of pharmaceutical factory in Vietnam from VND420 billion to VND477 billion according to the General Meeting of Shareholders on 30/03/2016.

Quality management & production management activities:

Quality management activities:

- Product quality management activities have been strengthened and monitored closely from inputs - production - output - circulation.
- 100% products met expected quality before shipment.
- No products on the market have been withdrawn;
- Return and cancel rate was 0.01% (target 2016 ≤0.25%, 2015 0.18%)
- Maintained 100% validation of certificates: WHO GPs (GMP, GSP, GLP, GDP); ISO 9001: 2008; ISO 14001: 2004 and 5S;
- In November 2016, Quacert retained the ISO 9001: 2008 and ISO 14001: 2004 certificates.
- Certificates of GDP of Hoang Liet Warehouse, Phu Tho Branch, Bac Giang Branch, Hung Yen Branch were granted.

Production management activities:

- Hoang Liet factory strictly adheres to the production process and work process.
- 2016 the factory met schedule of manufacture and sufficient quantity, quality:
 - About output: 358 million units of product
 - About progress: Timely execution 1.556 Production orders / KH 1.569 Orders ~ 99%
 - Performance: Enough performance 1.555 Production orders / KH 1.569 Orders ~ 99%
 - Quality: Passed 1.564 production orders / KH 1.569 orders ~ 99.7%
- Use of plant, equipment and human resources

increased labor productivity and incomes for laborers, contributing to improve our production and business efficiency. As a result, labor productivity of 2016 saw an increase of 6.5% over 2015.

Brand building:

- We received major awards:
 - National Brand 2016.:
 - Gold prize National Quality Award 2016
 - Ranked No. 1 of Top 10 Prestigious Pharmaceutical Company of Vietnam 2016.
 - Top 40 Most Valuable Company Brands and Top 50 Best Vietnamese Listed Companies by Forbes Magazine.
 - Exhibiting Flag of Hanoi Typical Business.
 - Enterprise for employees.

- With these prestigious and honorable awards, Traphaco trademark has been gradually affirming the prestige of customers, attracting investors. According to IMS's report to the end of Q4 / 2016, Traphaco's market share accounted for 1% of Vietnam's total pharmaceutical market, ranking 12th out of 20 pharmaceutical companies. In the OTC market, Traphaco's market share was second in terms of revenue, up one place over the same period. In which, Hoat Huyet Duong Nao ranks number 1 in the neurological medicine; Boganic was No. 1 in the liver medicine; Tottri is No. 1 in hemorrhoids. Hoat Huyet Duong Nao and Boganic ranked top 10 OTC pharmaceuticals with most market revenue; Tottri products account for 25.6% of the market share of the related group.

Weaknesses:

Revenue did not achieved original plan:

- According to the plan in early 2016, the expected revenue of the company reached VND2,100 billion. In fact, revenue in 2016 according to audited data is VND2,005 billion accounting for 95% of the plan in early 2016.
- It was caused by October 2016, Traphaco decided to convert the purchase contract with Nam Duong into a contract of trust, and in December 2016 the company divested in Thai Nguyen Pharmaceutical & Medical Equipment JSC. These activities reduced Traphaco's revenue by about VND100 billion.

Nevertheless, Traphaco has exceeded our profit target, growing 17% over the same period, and has made new policy decisions to ensure our revenue targets set for 2017.

Failed to increase the ownership of Traphaco at Traphaco CNC:

- In 2016, the Board decided to increase the ownership of Traphaco Joint Stock Company at Traphaco High Tech Joint Stock Company (Traphaco CNC) – our subsidiary, Traphaco holds 51% of its charter capital
- The company has leased 02 consultancy units namely Bao Viet Securities Joint Stock Company and Viet Capital Securities Joint Stock Company to value and develop plans to increase the ownership ratio of Traphaco and Traphaco CNC, total cost is approximately VND270 million.
- The consultants completed the plan, however the Board

of Directors decided to suspend the project to wait more appropriate time.

CREATING SUSTAINABLE VALUE FOR EMPLOYERS

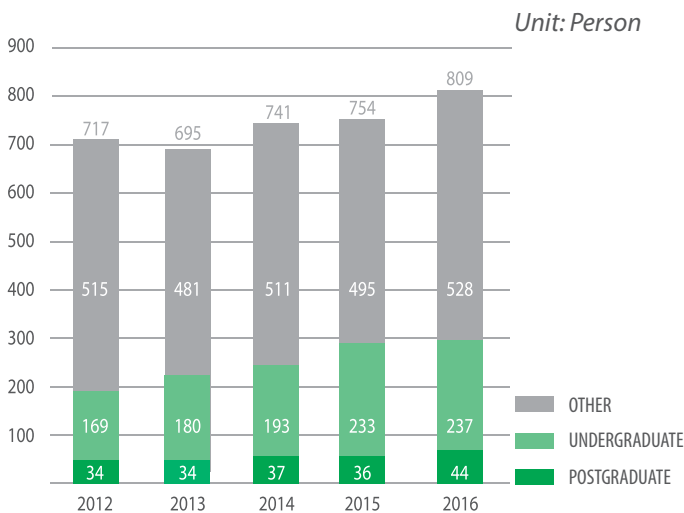
To achieve satisfactory results in 2016, we understood that it is a common effort of all employees of Traphaco Joint Stock Company. In the Traphaco sustainable development strategy from 2016 to 2020, the high level of workforce sharing the Traphaco culture is the key to the success of the strategy.

Human resources Traphaco:

By the end of 2016, Traphaco has 808 employees, an increase of 7% over 2015. Since 2016, we have implemented a policy of periodic assessment, the decision to sign a formal labor contract with collaborations who had achieved excellent results in the past five years, from 2011-2016.

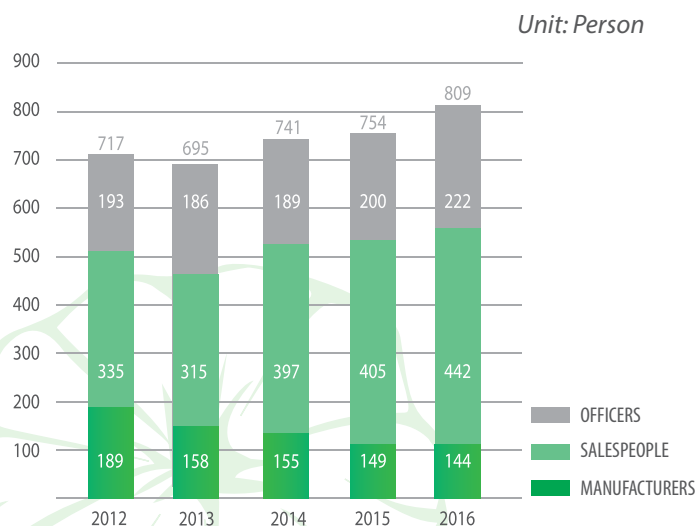
Of which, about graduation, after-graduate employees accounted for 5% of the total number of employees. Number of employees has university degree 30%, intermediate level 42% and primary level 23%.

Workforce structure of the company by level



According to the type of workforce, manufacturing bloc concluded 145 employees, accounting for 18%, sales bloc had 444 employees accounting for 55% and 220 employees belonged to office bloc, accounting for 27%.

Structure of manpower by type of labor



Welfare policy

With a desire to build a friendly and modern working environment, motivating workers, in 2016, Traphaco continued to maintain its welfare policies, set targets for increasing laborers' income by 5 to 10% over the same period of 2015. Thereby, employees were guaranteed to be gained salary that was not lower than the general level of the market, to compete and attract high quality human resources.

Salary and bonus regime

In 2016, average income of workers in Traphaco reached VND 19 million / person / month, a 10% increase compared to 2015. In the general context of the economy and growth of Traphaco, that was a great effort of the Board of Executive to ensure lives for employees.

At the same time, Traphaco maintained effective bonus policies after evaluating the completion of business results and quarterly KPIs.

Vacation visit policy

In 2016, Traphaco continued to apply the holiday visit policy including spring and summer vacation for employees. Through those visits, the employees were given more favorable conditions to get closer together, share the culture of Traphaco and recreate labor force to create a strong bonding of employees.

Annual health examination

We maintained annual health checks for employees. Using the medical services of prestigious facilities, Traphaco has been confident to ensure the health of employees and labor safety as well as strict standards of the pharmaceutical industry.

Human resource training and development policy

We understand that if a company wants to succeed, its high quality human resources is indispensable. In addition to the policy of attracting talents, Traphaco has maintained and implemented the policy of training and developing internal human resources.

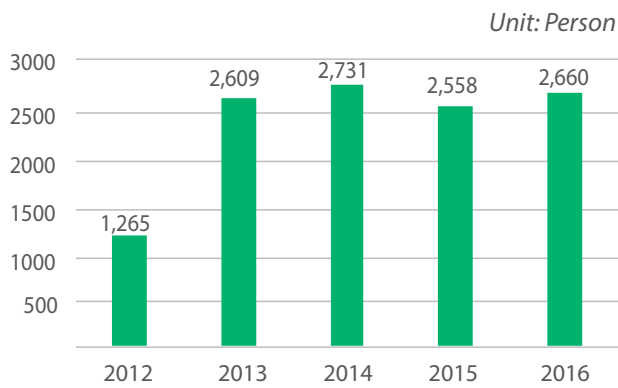
Every year, employees are always provided with conditions and requirements to participate in training courses of Traphaco. In 2016, the average training cost of Traphaco is VND2.67 million per person, a 40% increase compared to 2015. On average, a worker participates in 3.56 training courses per year.

These training courses are designed so that the employees of the professional position can update and meet the latest industry regulations, develop the necessary expertise and a variety of soft skills.





Number of people trained over the years



Implementing social responsibility of enterprises

Traphaco is well aware that an enterprise is not only aiming at pure development indicators but also contributing to building a sustainable social development.

In 2016, the Board of Executive directed closely to invest in community-based activities to be on point and effective, focusing on supporting the poor and policy beneficiaries, helping victims of natural disasters, gratitude for the beneficiaries, families of war invalids and martyrs, sponsoring community education activities.

Traphaco donated thousands of gifts, hundreds of drug dispensaries to poor households and policy families across the country.

At the same time, we also engaged employees through community activities. Hundreds of staff members of the company participated in the voluntary donations to flood victims, donate blood voluntarily fulfill Traphaco's commitment to corporate social responsibility, share Traphaco culture for the community.

IMPLEMENTATION OF INVESTMENT PROJECTS

Projects implemented in 2016:

- Investment in Vietnam Pharmaceutical Factory: The total investment of the project is VND 477 billion, disbursed VND 331 billion (up to December 31, 2016)
- Implementation of phase 1 of ERP project
- Investment in fixed assets for production: investment in the construction of branches, repair and renovation of production workshops, procurement of equipment in service of production and means of transport.

Investment costs

The total investment cost in 2016 is VND351.7 billion including the following items:

Project	Item	Amount
Pharmaceutical Manufacturing Factory of Vietnam	Investment in compensation for ground clearance and leveling	VND331 billion
	Investment in consultation fees and legal procedures	
	Investment in construction costs	
	Investment in cost of production equipment	
ERP project and fixed asset investment	Investment in implementation of ERP project phase 1	VND20.7 billion
	Investment in branch construction	
	Investment in workshop repairing and renovation	
	Investment in procurement of equipment for production and transport	
Total		VND351.7 billion





STRATEGIC DEVELOPMENT STRATEGY FOR TRAPHACO SUSTAINABLE FOR 2016-2020

On the basis of reviewing and evaluating the results achieved in the Strategy for the period of 2011-2015, the Board of Executive set up Traphaco Development Strategy for the following 5 years 2016-2020 as follows:

Assess the economic outlook for 2016-2020

Announce our Statement, Vision, Core Values

Overall objective until 2020

Locate strategic development priorities for the period

2016– 2020.

ECONOMIC PERSPECTIVE IN THE PERIOD 2017-2020

INTERNATIONAL BACKGROUND

- ♥ Influence power between groups namely G7, G20, BRICS has been redistributed worldwide which can be conflicting and potentially risky. Ethnic conflict whose core of conflict between civilizations deepened, led to widespread local wars.
- ♥ The world economy has continued to decline with no signs of recovery, fuel prices fluctuate fluctuations, potential risk of recession. The US economy has been growing steadily, Chinese economy has been a mystery, the Japanese economy, the EU has continued to stagnate.
- ♥ The process of globalization has been difficult, the trend of protectionism, populism has been rising, especially after Brexit and Mr. D. Trump was elected to be the 45th US President.
- ♥ The world entered the 4th industrial revolution: High technology, information technology, large data, smart connectivity and artificial intelligence became the driving force for the economies.
- ♥ Environment and health are being top priority issues in the world, and consumer trends for environmentally friendly products increase dramatically.
- ♥ Asia, especially South East Asia, has become an attractive destination for investors around the world.
- ♥ The ASEAN Economic Community officially came into operation in January 2016, creating new opportunities



and challenges for Vietnam. The biggest challenge was its same model homology developed but at a higher level than Vietnam.

BACKGROUND TO THE PHARMACEUTICAL MARKET

- The proportion of the population aged over 65 will increase rapidly with an increase of about 30%. Average demand for drugs is growing at over 5.3% per year, projected to reach \$1,355 billion (2018).
- The forecast for the period 2017 - 2020, the world's growth rate of drug consumption is expected to increase by 4% - 7%, of which the Asia-Pacific and Africa region will grow at a high rate. (8% - 11%), while the European and Japanese group had the lowest growth rate (1% - 4%).
- Invented medicines accounted for a large share proportion of drug spending in most countries, accounting for more than 52% of global drug consumption by 2018.
- The group of developing countries is booming, led by China, India, Russia and Brazil.
- Power are in the hands of 20 leading pharmaceutical corporations, occupying for about 60% market share.
- 20 most common diseases in developed countries have cost \$559 billion. Hepatitis drugs would grow by nearly 38%, while cardiovascular drugs, blood fats, antibiotics, anti-inflammatory, etc, would decrease slightly.
- Biotech is a new development trend of the world pharmaceutical industry with higher therapeutic efficacy, complexity and more expensive than usual drugs.
- Main drug classes: cardiovascular drugs, antibiotics, hypertension, hepatitis, tumors, diabetes.
- The tendency to use products derived from nature.
- China and India, which are two countries supplying functional foods and cosmetics, are tending to thrive.

DOMESTIC BACKGROUND

- Politics remains stable and is in the transition phase, but its system is facing strong demand for innovation and the risk of lagging and system bursting is showing, while purchasing power in the domestic market has declined markedly.
- The economy is growing slowly with the decrease of growth engines, there are many potential risks due to environmental incidents, high public debt, poor economic structure, waste and corruption have not been repel, which made trust of domestic people fell.
- The new government with its determination to build a constructive, serviceable and actionable administration is expected to change in the new stage.
- New generation FTAs, especially TPPs and the ASEAN Economic Community are both challenges and opportunities for Vietnam. The idea of protectionism, populism recently emerging recently makes it more



difficult for Vietnam to integrate.

- Vietnamese enterprises are entering the unequal competition in the field with their rivals in ASEAN, especially in Thailand and Malaysia.
- Policy tends to be more transparent, business environment is promised to improve.
- Population structure is forecasted to be elder, the rate of disease tends to increase markedly, especially diseases such as cardiovascular diseases, cancer, liver.

BACKGROUND OF PHARMACEUTICAL MARKET IN VIETNAM

Overview

- The size of the Vietnam's pharmaceutical market is about 74.4 trillion dong with growing speed is +16 per year (IMS, Vietnam Market Overview, II/2016). 5 key markets: Hanoi, Ho Chi Minh City, Da Nang, Hai Phong, Can Tho occupying for 67% market share.
- The market through drug channels accounted for 35.2% of market share, showing signs of saturation (increase 0% in Q2 / 2016); Drugs in the hospital increased sharply (26%), accounting for 64.8% market share.
- The market for imported drugs increased sharply in both quantity and value, with only 18.6% of the volume but 63.5% of the value.
- The domestic drug market tended to increase with high quantity (81.4%) although the value was still low (36.5%). The largest pharmaceutical companies in the industry today are mostly foreign-owned companies.
- Antibiotics, cardiovascular, and diabetes medicine are the three most consumed drugs. In 2014, nearly 11 million people in Vietnam have one of three types of diabetes, cancer, cardiovascular.
- Drug consumption per person in Vietnam reached \$34.1 in 2014 (\$153 worldwide)
- Vietnam is a source of good, abundant, untapped resources with an increase of 25% per year. While in 2014, 57% of pharmaceutical raw materials in Vietnam are imported from China, 16% of them was from India.



- ✦ Vietnam has 176 pharmaceuticals and pharmaceuticals manufacturing enterprises, 524 professional distributors, 86 medium and large enterprises, 136 joint-venture drug companies and over 52,000 pharmacy stores.
- ✦ The number of companies in the pharmaceutical industry has far exceeded the actual demand and caused serious fragmentation as well as waste of human resources, finance and competitiveness. Therefore, the trend of merging businesses in the industry, eliminating the small inefficient businesses are inevitably through two paths: 1) tight and strict management policy; 2) acquisition and merging.

Key success factors of the industry

Competitive factors have the greatest impact on the success of all member companies in the same industry (Key Factors of Competitive Success).

- ✦ Those factors can keep trusts of the professional doctors, pharmacists and pharmacies.
- ✦ Having good quality products, safe, effective use.
- ✦ Having prestige brand, trusted by consumers.
- ✦ Intellectual property and copyrights.
- ✦ Master supply chain, especially R&D capacity and wide and deep distribution system.
- ✦ Owning a knowledge-based management system,

information technology and creating value for partners and customers.

- ✦ Ability to understand consumer characteristics and timely adaptation to changing needs.

Competitive trends in the pharmaceutical industry

- ✦ M&A, mergers and acquisitions trends make up the supply chain (Imexpharm Duy Tan, Phano, etc).
- ✦ Competition is getting fiercer, especially in western medicine which is effected by FTAs.
- ✦ The number of pharmaceutical companies increases rapidly, competing strongly with the leader-led strategy.
- ✦ Trends in diversification in pharmaceutical production, such as western medicines, traditional medicines, cosmetics and functional foods.
- ✦ Some companies develop bio-medicine appeared (Nanogen).
- ✦ Small group of companies creates perturbation of the market
- ✦ Pharmaceutical companies compete for GMP-EU high standards, GMP-PICs.
- ✦ The competitive trend is highlighted by advanced technology based on information technology and strong distribution system.

Opportunities, challenges

OPPORTUNITIES	CHALLENGES
O1: Consumers tend to use products from nature which are friendly to environment and protect green health	T1: : Development strategy of each industry is unstable; its regulations do not encourage pioneering businesses.
O2: Opportunities from a new trend of linkage, strong development of distribution cooperation, the advantage for companies to control the distribution system.	T2: Chaotic from competitions because small companies have a chasing strategy (especially in traditional medicine).
O3: Opportunity for growth due to the large market capacity.	T3: Customers' requirements are increasingly high for each target group.
O4: Large aging population, polluted environment, increasing of disease percentage and spending on drug and functional foods.	T4: There have been no strong enough solutions to prevent counterfeit and fake goods.
O5: High growth rate of the industry whose average is 14.6% per year, the role and position of domestic pharmaceutical enterprises is increasing.	T5: Competition between large companies, many companies turn to invest in Eastern medicines.
O6: Opportunity to develop sources of domestic pharmaceutical materials.	T6: The tough competition of pharmaceutical companies in production technology and distribution system.
O7: Opportunities to apply information technology in all areas to create high capacity	T7: Vietnam's pharmaceutical raw material market depends on foreign countries, mainly China.



MISSION, VISION, CORE VALUES

Mission: Pioneer to create green pharmaceutical innovations to protect human health.

2020 vision: By 2020, we are the number one pharmaceutical company in Vietnam in terms of revenue growth, profitability and market capitalization.

Core Values: Pioneering - Creativity - Accountability - Identity

Pioneer: A leader in green value chain management, creativity and application of new technologies and knowledge.

Creativity: Creation of products and services of excellent quality bearing the Traphaco knowledge logo.

Responsibilities: Commitment and commitment fulfilling to responsibilities from society, shareholders, customers, partners and employees on the co-interest principle.

Identity: Cultural identity and people of Traphaco: Desire, passion, dedication.



OVERALL TARGET BY 2020

Being the number 1 pharmaceutical company in Vietnam in terms of revenue growth, profitability and market capitalization. Become the leading Green Label in Vietnam.

Market capitalization: VND10,000 billion. Total revenue: VND4,000 billion. Total profit: VND500 billion.

Our technology meets the highest standards in the pharmaceutical industry in Vietnam.

Modern management system based on integrated information technology platform.

Community in Traphaco is happy, satisfied with their lives and works to make Traphaco to be the best working environment in Vietnam.



ENTERPRISE STRATEGIES

Growth focused on the domestic market, especially Southside market.

Product diversification concentrates on balance of R&D capacity - Producing – Distributing to optimize the comparative advantage of Traphaco.

Supply chain modernization is based on advanced technology and modern management systems.

Alliances developing and trade links based on a broad, deep, solid distribution system.

Resource balancing, syncing, resonancing of value create competitive advantage based on core competence for sustainable development.

BASIC FINANCIAL STANDARDS

Annual growth rate	2016		2017		2018		2019		2020	
	Ratio	%	Ratio	%	Ratio	%	Ratio	%	Ratio	%
Revenue	2100	15%	2000	15%	2400	20%	3000	25%	4000	33%
Profit	210	18%	240	14%	300	25%	400	33%	500	25%
Market capitalization	4200	times Profit After Tax (PAT) 20			6000	times PAT 20 times			10000	times PAT 20 times

In 2017, Traphaco sets a revenue growth plan of 15% compared to 2016, but the total revenue of VND2000 billion was due to the fact that it excluded revenue from entrusted goods for Nam Duong Company due to changes in contract form and revenue of Thai Nguyen Pharmaceutical Company in 3 quarters, after divestment from Traphaco.



OBJECTIVES AND PLANS FOR 2017

In the context that the pharmaceutical market in general has many changes and strong competition, in order to maintain the growth momentum, finish the goals, the message of CEO in 2017 is: "Work performance" with the slogan **"Effectiveness is the goal - Determination is the solution"**. This is the fifth consecutive year Traphaco has built the message of the year aimed at improving the efficiency of business production to improving work performance in each department in general and each staff in particular.

KEY STANDARDS:

Key Indicators	Unit	Plan	Growth
Consolidated revenue (non VAT)	VND billion	2.000	3%
Consolidated profit (after tax)	VND billion	242	15,2%
Profit of parent company (after tax)	VND billion	223	
Labor increased compared to 2016	%	04	
Income of laborers increases compared to 2016	%	05-10	10

MAJOR ACTIVITIES OF TRAPHACO IN 2017:

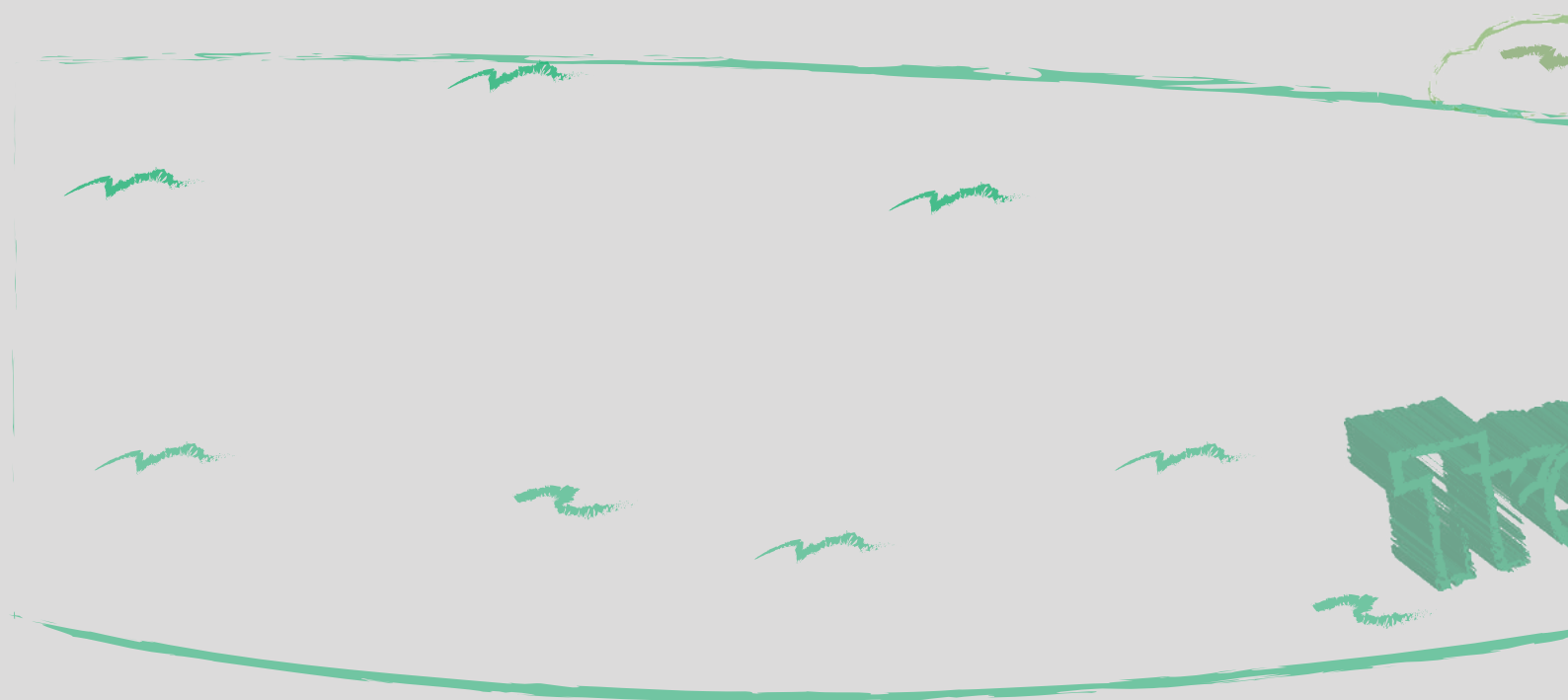
- ♥ Implementation of the Strategy over the period 2016-2020:
 - In 2017, the company implemented Traphaco strategy over the period 2016-2020 according to the approved results at the General Meeting of Shareholders.
 - During the meeting, Traphaco will set up a strategic development board including the Executive Board and relevant officials from the Strategy Development Unit.
- ♥ Vietnam Pharmaceutical Factory Project:
 - Traphaco will put the project of Vietnam Pharmaceutical Factory into commercial operation from Q3 of 2017 in accordance with the schedule, including receiving the GMP certificate and complete the registration of products at the new plant.
 - Its revenue in 2017 is expected to reach VND100 billion.
- ♥ Southern Market Development:
 - In 2017, Traphaco will continue to develop our market in the South with many comprehensive solutions such as promoting marketing in the Southern market, promoting and expanding distribution network.
 - Sales in the South will be expected to reach the target, about VND400 billion.
- ♥ Development of distribution products:
 - In 2017, Traphaco will continue to implement signed contracts to distribute products of Sandoz and head for distribution of functional food products of Natural Factors - Canada.
 - At the same time, we will continue to look for potential partners to negotiate, cooperate and distribute products in Vietnam.
- ♥ Building and expanding branch network:
 - In order to meet the increasing demand of the distribution network, implement the strategy and increase the competitiveness, Traphaco plans to establish 4 more branches in 2017: Thai Nguyen Branch, Yen Bai Branch Kien Giang and Hue Branch.
 - The BOD and the Board of Executive have coordinated to put these branches into operation as planned.
 - Traphaco also forecasts on what is the most important changes which will affect Traphaco's business and profitability in 2017.

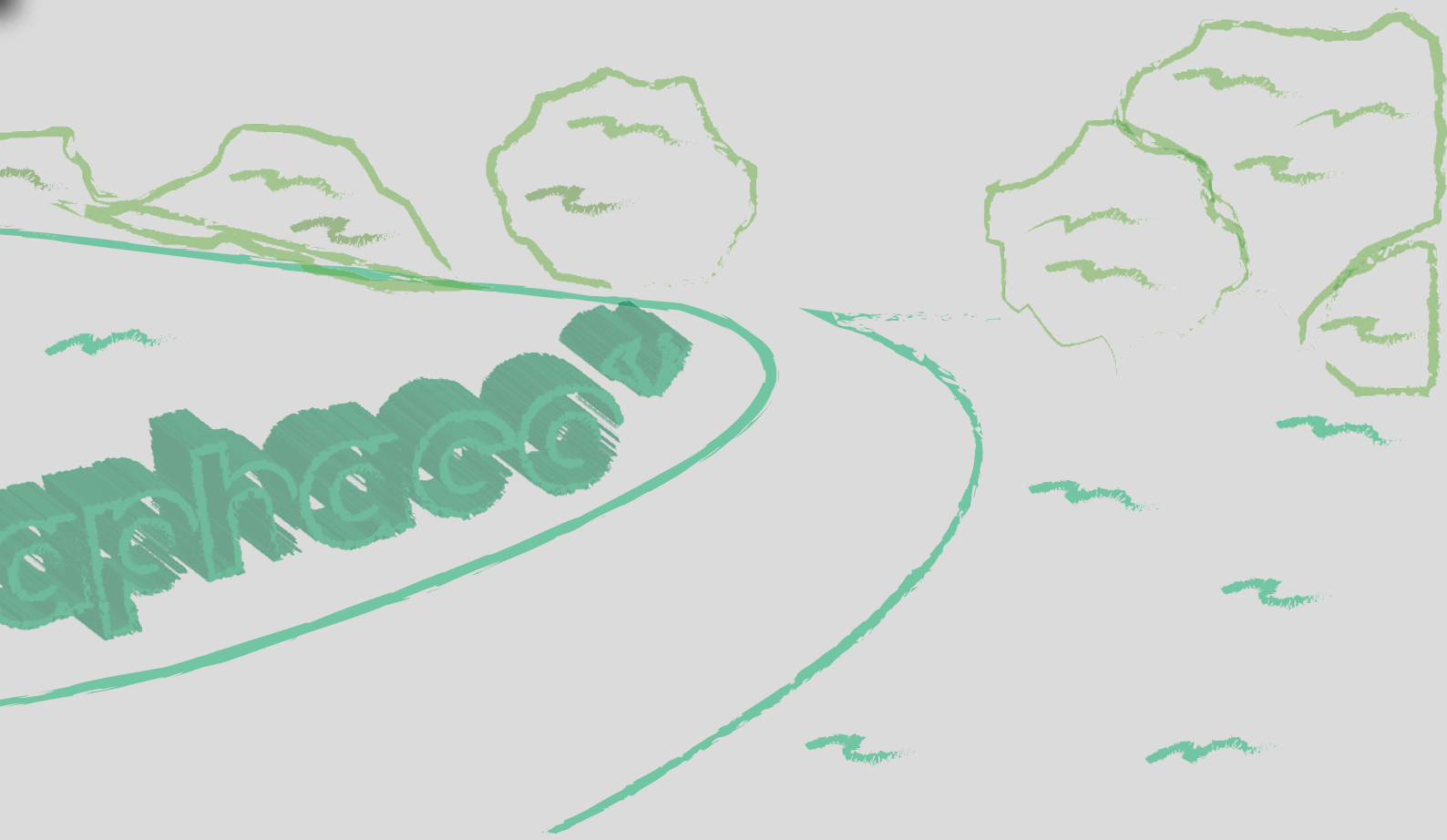


**TRAPHACO SAPA SINGLE MEMBER LIMITED LIABILITIES COMPANY
(TRAPHACO SAPA)**

**TRAPHACO CNC TECHNOLOGY JOINT STOCK COMPANY
(TRAPHACO CNC)**

**DAK LAK PHARMACEUTICALS AND MEDICAL EQUIPMENTS JOINT
STOCK COMPANY (BAMEPHARM)**





TRAPHACO SAPA

Traphaco Sapa is a subsidiary whose 100% capital is wholly owned by Traphaco Joint Stock Company, which is an important link in the Traphaco Green Value Chain to research and develop raw materials for stable production. It manufactures local products, health care oriented following the strategy of the parent company. Traphaco Sapa has achieved outstanding achievements in production and business: maintaining and developing pharmaceuticals according to GACP - WHO. In 2017, following the message of the General Director of Traphaco Joint Stock Company is "Work performance", Traphaco Sapa has set specific solutions to continuously reduce costs and improve labor productivity, quality. Improve the work process, meet the market demand through the completion of the plant and personnel, build the system to meet the conditions of the factory to produce raw materials from pharmaceutical materials in accordance with GMP standards. Thereby, Traphaco Sapa strives to complete the business plan in 2017 and contribute positively to the success of Traphaco in general and Traphaco Sapa in particular. "



Mr. Do Tien Sy

Director of Traphaco Sapa Single Member Limited Liabilities Company

INTRODUCTION TO TRAPHACO SAPA SINGLE MEMBER LIMITED LIABILITY COMPANY

Traphaco Sapa Co., Ltd was established on 07/08/2001, formerly a joint venture between Traphaco Joint Stock Company and Lao Cai Drugs and Vaccum. In 2009, it was transformed into Traphaco Sapa Single Member Limited Liability Company with 100% share capital of Traphaco Joint Stock Company. Traphaco Sapa's mission is to use green technology to produce medicines and health care products and services. Traphaco Sapa benefits for not only itself but also customers and community.

Business Sectors:

- ✔ Planting savories and medicinal herbs;
- ✔ Planting and processing medicinal herbs, agricultural and forestry products, food;
- ✔ Producing and selling pharmaceuticals, medical herbs, foodstuffs;
- ✔ Receiving and transferring technologies for raising, processing and producing medicinal herbs;
- ✔ Importing and exporting agricultural, forestry and chemical products;
- ✔ Exporting and importing pharmaceutical materials and raw materials for drug production;
- ✔ Manufacturing and trading alcohol, beverage, cosmetics;





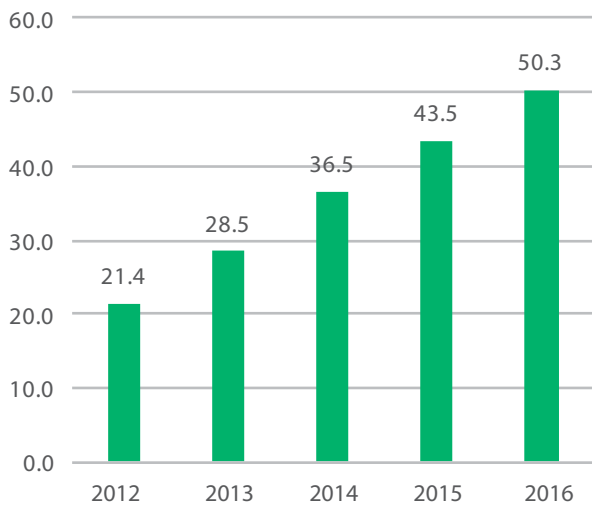
Notable achievements

- ♥ 2010: VIFOTEC Gold Cup Awards
- ♥ 2012: Science Technology Award KOVA
- ♥ 2013: Certificate of Merit of President of Lao Cai Province for outstanding achievements in science and technology development
- ♥ 2014: Become a Enterprise of Science and Technology.

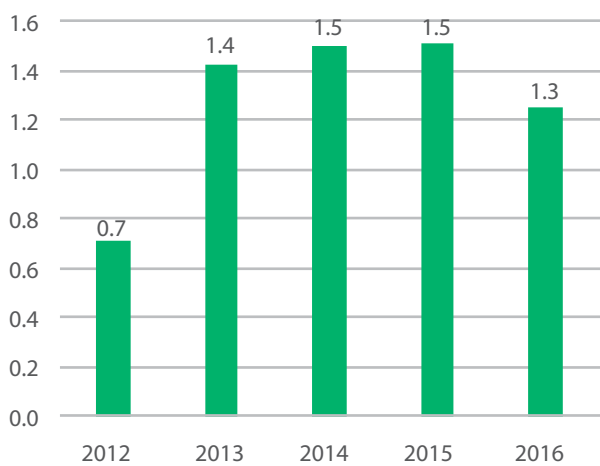
Featured Products

- ♥ Soft Balm Actiso Sapa
- ♥ Gynostemma pentaphyllum tea
- ♥ Vinegar tea

Total revenue Unit: VND billion



Profit after tax Unit: VND billion



Total revenue

Total revenue finished at VND50,294 billion in 2016, reaching 94% of plan, up 15% compared with 2015.

Profit

After-tax profit reached VND1.251 trillion, fulfilling 109% of the target set for 2016.

Size and structure of assets

- ♥ Thanks to the support of Traphaco Joint Stock Company, Traphaco Sapa increased its chartered capital to build a factory in Lao Cai, supply high-quality raw materials, support research and development of the production process, high raw materials and some new products, and install new lines, new machinery and equipment for production to improve product quality.
- ♥ Install new lines, machinery and equipment for production, improve product quality.

Company progress achieved in 2016

- ♥ Revenues increased by 15% over 2015
- ♥ Promoted sales of local and TRA products
- ♥ Was issued certificate of GDP of pharmaceutical materials and medicines at Lao Cai plant by Lao Cai Province Health Department.
- ♥ GDP certificate of medicine of Lao Cai factory (by Lao Cai Province Health Department) and Certificate of Food Hygiene and Safety issued by Department of hygiene and food hygiene

VND BILLION

59,732

TOTAL REVENUE

VND BILLION

2,216

PROFIT AFTER TAX

Business Orientation of 2017

Traphaco Sapa sets a target of 2017 with total revenue of VND59.732 billion, profit after tax of VND2.216 billion.

To achieve this business objective, the company focuses on deploying solutions:

Building GMP compliant factories

Trading in local products

- ♥ Sales are expected to reach VND10 billion, of which: the plot cut is VND2.5 billion, the deployment is VND7.5 billion, the profit is expected to reach 10%
- ♥ Build sales system:
 - Separate retail and wholesale system

- Build new sales channels through tourism companies and tour guides.
- Online sales nationwide system
- Promoting marketing through online marketing tools, leaflets, posters, participation in fairs, exhibitions, conferences

New product deployment

- ♥ Actiso Sapa mist spray
- ♥ Cultivation of Hoang Lien Son
- ♥ Hoang Lien Son honey
- ♥ High tea



BALANCE SHEET AS AT 31/12/2016

Unit: VND

ITEMS	Ending balance	Beginning balance
SHORT-TERM ASSETS	13,967,089,382	13,135,923,719
Cash and cash equivalents	1,891,681,599	1,378,254,746
Receivables	6,079,024,596	5,116,743,572
Inventories	4,576,862,037	5,782,350,073
Other short-term assets	1,419,521,150	858,575,328
LONG-TERM ASSETS	39,131,562,175	17,704,212,754
Fixed assets	25,145,051,220	16,427,848,635
Unrealized long-term assets	12,421,965,789	7,378,396,118
Long-term accounts receivable	491,157,110	491,157,110
Other long-term assets	1,073,388,056	785,207,009
TOTAL ASSETS	53,098,651,557	30,840,136,473
LIABILITIES	29,029,446,831	7,436,660,888
RESOURCES OWNERSHIP PROPERTY	24,069,204,726	23,403,475,585
TOTAL CAPITAL SOURCES	53,098,651,557	30,840,136,473

RESULTS OF BUSINESS OPERATIONS IN 2016

Unit: VND

INDICATORS	2016	2015
Net revenue from sales of goods and services supplying	50,294,316,021	43,513,959,559
Cost of sold goods	37,015,988,983	33,910,398,251
Gross profit from sales of goods and services supplying	13,278,327,038	9,603,561,308
Financial income	8,081,976	9,138,526
Financial expenses	665,131,598	
Selling expenses	2,932,473,964	2,452,150,293
Administration expenses	8,257,220,011	5,259,660,374
Net operating profit	1,431,583,441	1,495,567,616
Other income	495,000,000	289,406,794
Other expenses	487,454,628	39,200,000
Other profit	7,545,372	250,206,794
Gross profit before tax	1,439,128,813	1,745,774,410
Net profit after tax	1,251,284,838	1,516,272,155

TRAPHACO CNC



Traphaco High-technology Joint Stock Company (Traphaco CNC) is a subsidiary of Traphaco, which is an important link in the Traphaco green value chain, which makes the production of medicines from natural medicines. In 2016, following the strategic direction of the parent company, Traphaco CNC achieved remarkable achievements in production and business activities, maintaining high growth rate. In 2017, following the message of the General Director of Traphaco Joint Stock Company is the year "Work performance", Traphaco CNC has set specific solutions to constantly improve labor productivity, improve workflow to serve market demand. Thereby, Traphaco CNC strives to complete the business plan in 2017, contributing positively to the success of Traphaco in general and the company in particular. "

Ms. Ma Thi Hien

Director of Traphaco High Tech Joint Stock Company

INTRODUCTION ABOUT TRAPHACO HIGH TECHNOLOGY JOINT STOCK COMPANY

With the foresight of the "Way of green health", TRAPHACO CNC was formed to follow the mission of bringing green health to the community by using medicines derived from national factors. On 6 June 2006, the General Assembly of Shareholders decided to establish Traphaco High Technology Joint Stock Company. The company officially came into operation on 1 January 2007 under the business registration in the main fields are: Manufacturing and trading pharmaceuticals, pharmaceuticals, raw materials for medicine, food, cosmetics, chemicals, related items and medical equipment.

The company has invested in infrastructure, modern machinery and equipment according to GMP - WHO standards and attaches importance to the application of modern and advanced quality management systems such as ISO 9001: 2008, ISO 14001: 2015, 5S tools, KPI management, etc...





Typical achievement

- ♥ Labor Medal class III
- ♥ National Quality Gold Award 2014
- ♥ Many certificates of merit from Hung Yen People's Committee for its achievements in production and business, in the campaign of Vietnamese people to use Vietnamese products.

Total revenue

The total revenue reached VND324.6 billion, achieving 95.5% of the plan, increasing 0.5% compared to 2015.

The company did not complete its revenue target mainly due to its productive strength in output and stable (solid and soft finished product group) which reduced sales volume in the OTC market.

Profit

After-tax profit of Traphaco reached VND35.7 billion, up 4.4% over 2015.

Size and structure of assets

- ♥ As at 31/12/2016, total assets of the company were VND189.4 billion, an increase of 5.4% over 2015.
- ♥ In terms of structure, short term assets were VND107 billion, accounting for 56.5% of total assets, up 14.7% compared to 2015. In contrast, long-term assets were 82.4 billion, accounting for 43.5% of total assets, down 5% over 2015.

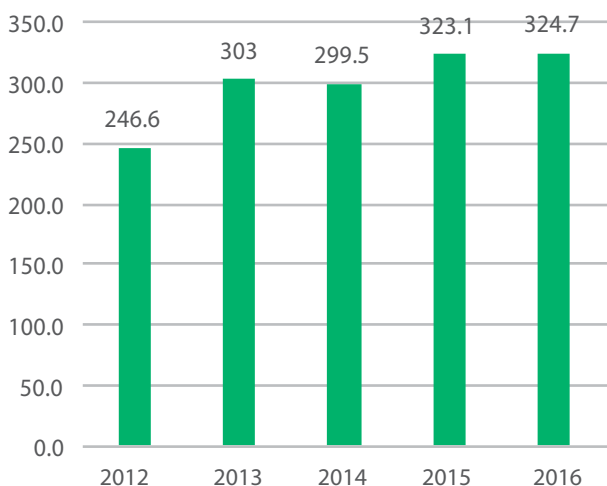
Financial resource

In 2016, the company has implemented well its financial management, enhancing corporate financial performance according to the company's charter and in accordance with the law; performed debt recovery well. The company was always paid in time by Traphaco to ensure sufficient payment solvency so 100% of payments to customers and internal payment has been paid according to the company's plan, and commitment of the company to pay off all loans of employees.

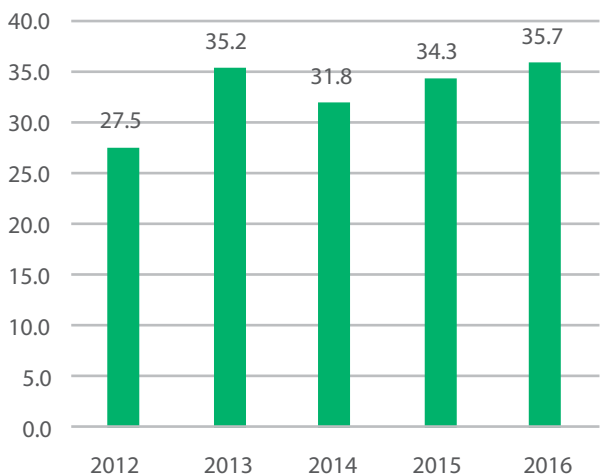
Company progress achieved in 2016

- ♥ Certified of the new version of the ISO 14001:2015
- ♥ Deployed workflow system to identify and improve the missing points of the investment system
- ♥ Upgraded the modern wastewater treatment system to improve the quality of wastewater treatment.

Total revenue Unit: VND billion



Profit after tax Unit: VND billion



VND BILLION

346

TOTAL REVENUE

VND BILLION

36,3

PROFIT AFTER TAX

Business Orientation Of 2017

The pharmaceutical industry is a business area with great potential for development, especially the demand for both raw materials and finished pharmaceutical products of Vietnam is still quite large. The domestic pharmaceutical market is the strongest growth market in Asia. Drug consumption per capita is \$40.

For companies producing medicinal products, they must meet the WHO guidelines for GACP, GMP, and GMP..

Traphaco CNC manufactures and distributes its own products to the corporation. Traphaco trademark is famous for many years in the pharmaceutical market. Traphaco currently holds a market share of 1.3% of the entire Vietnamese pharmaceutical market. In OTC market in Vietnam, Traphaco owns 43% market share and second in terms of revenue. The advantages are quite large impact as amended in the Law on bidding activities, regulations related to priority material sources, etc. These are expected advantages will bring many opportunities for Traphaco CNC to set business goals in 2017:

- ♦ Rate of profit on charter capital: 38.3% (2016: 37.7%).
- ♦ Revenue: VND346 billion, which grows by 6.6% over 2016 (2016: VND324.7 billion).
- ♦ Profit after tax: at least VND36.3 billion, which grows by 1.7% compared to 2016 (PAT 2016: VND35.7 billion)
- ♦ Average income: 5% increase over 2016

With the business orientation is to maintain the profit growth and sustainability, Traphaco CNC has solutions such as:

- ♦ On investment policy: Investing effectively in the soft chain with the expectation of meeting the demand for soft capsule products (especially soft capsule Boganic) of the market.
- ♦ About sponsorship policy: Continuing policy maintenance from sponsorship, demonstrating financial independence as well as financial capacity with partners, shareholders and other interested parties.
- ♦ About dividend policy: Continue to pay dividends in 2017 by 20% of charter capital. (Maintained from 2013).
- ♦ In addition, the company has had a number of other specific solutions such as top 10 products have positioned the market on the reliability of customers, stability, coverage as well as turnover, high profit through years. Furthermore, the company has diversified its products with plans to deploy two new products with turnover of VND2 billion and registered to convert some products to attract customers in different market segments to lead the business in the direction of sustainable development, and found ways to lower the cost of processing some materials to reduce product cost, etc. As a manufacturing enterprise, Traphaco CNC continues to make effective use of advanced production management methods to improve its production capacity.



BALANCE SHEET AS AT 31/12/2016 (ACCORDING TO THE FINANCIAL STATEMENT FOR 2016)

Unit of calculation: VND

ITEMS	2016	2015
SHORT-TERM ASSETS	107,030,346,049	93,317,266,304
Cash and cash equivalents	19,140,132,221	5,027,417,378
Short-term receivables	52,836,697,484	43,709,844,553
Inventories	34,627,204,840	44,580,004,373
Other current assets	426,311,504	-
LONG-TERM ASSETS	82,396,848,633	86,382,136,450
Fixed assets	77,888,607,465	83,856,570,391
Unfinished long-term assets	-	53,257,050
Other long-term assets	4,508,241,168	2,472,309,009
TOTAL ASSETS	189,427,194,682	179,699,402,754
LIABILITIES	45,445,699,250	47,693,367,071
OWNER'S EQUITY	143,981,495,432	132,006,035,683
TOTAL CAPITAL RESOURCES	189,427,194,682	179,699,402,754

RESULTS OF BUSINESS OPPORTUNITIES IN 2016 (FINANCIAL STATEMENTS 2016)

Unit of calculation: VND

ITEMS	2016	2015
Sales of goods and rendering of services	324,648,878,093	323,145,401,380
Cost of sold goods	211,282,314,835	205,611,714,646
Gross profit from sales of goods and rendering of services	113,366,563,258	117,533,686,734
Financial income	98,685,425	79,535,132
Financial expenses	794,042,435	1,434,685,261
Selling expenses	22,760,074,000	37,823,977,543
Management expenses	51,748,758,348	42,001,065,199
Other income	103,154,485	4,292,500
Other expenses	355,105,101	97,041,227
Gross profit before tax	37,910,423,284	36,260,745,136
Profit after tax of corporate income tax	35,700,197,442	34,267,419,295

BAMEPHARM



Dak Lak Pharmaceutical and Medical Equipment JSC (BAMEPHARM), which has had over 40 years of operation, specializes in distribution of Traphaco products in 02 provinces namely Dak Lak and Dak Nong. The company has sales network including more than 500 retail selling points with 20 branches in many districts and towns in various areas. It is a huge advantage of brand advantage, scale for distribution, financial capacity, human resources to expand the market share. By 2020, BAMEPHARM will be expected to become the No. 1 pharmaceutical distribution company in Tay Nguyen region of revenue and profit.

Ms. Nguyen Thi Kim Lien
Director of BAMEPHARM

INTRODUCTION OF DAK LAK PHARMACEUTICAL & MEDICAL EQUIPMENTS JOINT STOCK COMPANY

BAMEPHARM is the first pharmaceutical company in Dak Lak province with 40 years of experience in the pharmaceutical industry, currently occupying more than 50% of the market share in the province, with retail system having larger than 1000 points are distributed throughout 02 provinces namely Dak Lak and Dak Nong, covering all the communes in remote and rural areas.

The enterprise is being evaluated as a key enterprise in the province in business activities by supporting for the provincial health care in the prevention of natural disasters as well as social security.

Current business activities: Mainly distributing specialized products (agents) to local manufacturers and importers, including: Traphaco, Stada, DHG, etc.

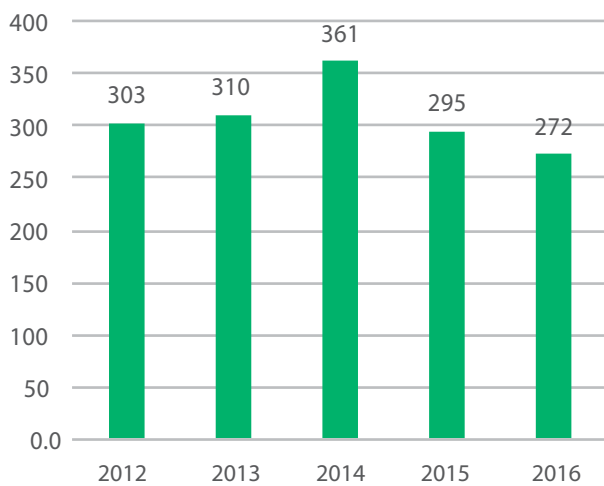
Business categories:

- ✦ Manufacturing human medicines, nutritious food products, medicines derived from medicinal herbs.
- ✦ Trading drugs, pharmaceuticals, vaccines-biological chemicals, chemicals and nutritional food products.
- ✦ Purchasing optical equipment, medical equipment, dentistry, hospital equipment.
- ✦ Repairing and maintaining services of specialized medical machinery and equipment.
- ✦ Low-price accommodations, commercial activities and services.
- ✦ Growing medicinal plants, processing medicinal herbs.
- ✦ Import and export of medicines, pharmaceuticals and medical equipments.

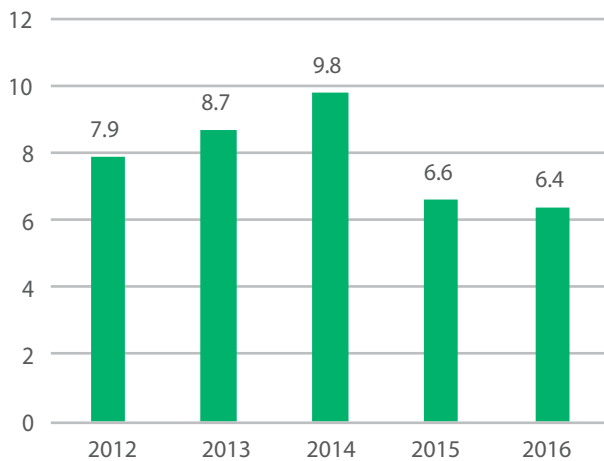




Total revenue Unit: VND billion



Profit after tax Unit: VND billion



Total revenue

- Total revenue of the company achieved VND272.48 billion, reaching 85.15% compared with the plan and 7.92% less over the same period.
- Sales of Traphaco products increased 30.37%, including processed products which increased 6.07% over the same period.

Profit

- After-tax profit reached VND6.3 billion, achieving 98% of the plan (97% compared to 2015).

Size and structure of assets

- As at 31 Decembmer 2016, total assets of the company were VND85.86 billion, a decrease of 10% compared to 2015.
- The equity of the same time was VND51.5 billion, an increase of 11% over 2015.

Financial resource

In 2016, the company continued to perform well its financial management, enhanced the financial performance of enterprises, recovered debts well and made no financial expenses.

Achievements in 2016:

- Bamepharm enhanced market competitiveness by OTC revenues and network system.
- Administration has been improving
- Financial activity has been increasingly healthy and open.

VND BILLION

320

TOTAL REVENUE

VND BILLION

6,5

PROFIT AFTER TAX

Business Orientation in 2017

Main indicators:

- ✔ Total revenue: VND320 billion (in which: Traphaco product group: VND36 billion)
- ✔ Profit after tax: VND6.5 billion
- ✔ Dividend: 10%
- ✔ Employee income: VND6 million per person each month
- ✔ Develop OTC market: Manage over 1000 customers with turnover of over VND1 million per month.

Solution:

- ✔ Speed up revenue growth through the selection of key products of the company with high quality, especially Traphaco's products to optimize the advantages of pharmacy distribution channel.
- ✔ Build up a professional distribution system, increase service quality, focus on proper delivery within 24 hours and customer care.
- ✔ Improve bidding ability, increase market share in treatment.
- ✔ Research and launch at least 5 products under Bamepharm brand.
- ✔ Locate and develop Bamepharm brand.



BALANCE SHEET AS AT 31/12/2016 (ACCORDING TO THE FINANCIAL STATEMENT FOR 2016)

Unit: VND

ITEMS	2016	2015
SHORT-TERM ASSETS	78,525,242,445	87,239,241,657
Cash and cash equivalents	19,280,060,909	32,842,361,682
Short-term financial investment	10,600,000,000	2,000,000,000
Short-term receivables	20,967,912,893	25,061,654,154
Inventories	27,401,114,825	26,954,903,123
Other current assets	276,153,818	380,322,698
LONG-TERM ASSETS	7,334,817,930	8,293,827,736
Fixed assets	6,781,620,657	7,408,653,481
Long-term unfinished assets	697,273	697,273
Long-term financial investment	500,000,000	761,976,982
Other long-term assets	52,500,000	122,500,000
TOTAL ASSETS	85,860,060,375	95,533,069,393
LIABILITIES	34,326,493,597	49,051,170,869
OWNER'S EQUITY	51,533,566,778	46,481,898,524
TOTAL CAPITAL SOURCES	85,860,060,375	95,533,069,393

RESULTS OF BUSINESS OPPORTUNITIES IN 2016 (FROM FINANCIAL STATEMENTS 2016)

Unit: VND

ITEMS	2016	2015
Net revenue from sales of goods and supplying services	272,488,145,251	295,937,075,325
Cost of sold goods	237,986,839,506	260,439,510,692
Financial income	1,659,574,222	1,260,247,075
Financial expenses	22,018,808	-
Selling expenses	20,843,125,518	20,611,292,491
Corporate management expenses	7,805,995,405	8,051,959,738
Other income	848,676,860	721,041,970
Other expenses	77,495,742	75,532,059
Profit before tax	8,260,921,355	8,740,069,391
Profit after tax	6,381,443,390	6,603,429,584



Traphaco's cultural identity and people are aspirations, passion, dedication for the belief of public health.

The Journey of Desiration



ORGANIZATION ADMINISTRATION

TRANSPARENT MANAGEMENT TO CREATE SUSTAINABLE TRUST



For Traphaco, self-administration is a tool to ensure long-term trust and coordination. It is also a method to measure health of a company to ensure sustainable development.

Improving the quality of corporate governance is an important key of Traphaco's strategy direction to build a strong governance system based on applying the best international practices combined with total strength. The ability of resources throughout the system to control and supervise activities of the company in a responsible, transparent and efficient way.

In 2016, Traphaco is stepping up the review and strengthening of the foundations for Corporate Governance issues including:

1

To adjust company rules in accordance with prevailing laws.

2

Establishing internal regulations towards the objectives of organization administration in accordance with prevailing laws

3

Strengthening training about organization administration following international standards with senior leaders in the whole system (parent company and subsidiaries).

4

Enhancing management ability through researching and applying administration criterion under the ASEAN and International Administration Scorecard and to ensure its compliance with international standards.

5

Linking sustainable development to all activities including organization administration.

6

The Board works effectively to enhance cohesion and interaction with the Board of Executive

7

Increasing the role of the Board of Inspection

8

Enhancing the role of the Board of Company Secretary

9

The activities of the subcommittees of the Board of Directors are consolidated and strengthened to support the Board in decision-making.

10

Promoting the coordination and interaction between departments to promote the effectiveness of organization administration within Traphaco.



OVERVIEW OF TRAPHACO ADMINISTRATION

In 2016, Traphaco implemented reviewing and improving capacity of the management system, aiming at main objectives: To reform the entire management system towards the best management practices in the market; to ensure the identity and core values of Traphaco are promoted; to optimize management tools to improve operational efficiency, increase working performance and connect interests of the individuals with the performance of the company.

GENERAL INTRODUCTION ABOUT ORGANIZATION ADMINISTRATION AND MANAGEMENT MODEL IN TRAPHACO

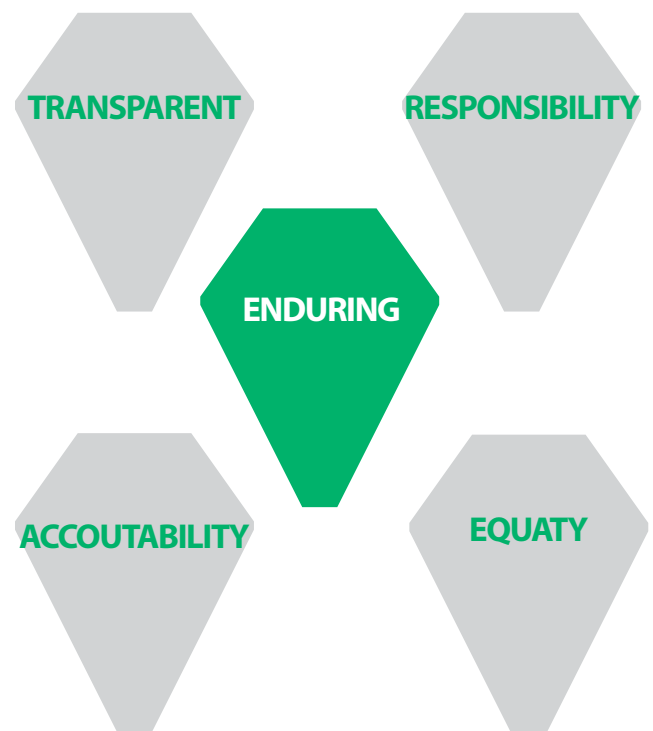
The role of administration with the development of TRAPHACO

Organization administration is determined by Traphaco as the core factor to ensure effective growth, sustainable development in long-term. In addition to building a strong administration structure on the basis of complying with Vietnamese law combining with the application of international practices in organization administration, Traphaco issued our internal management regulations aiming to create a united and consistent management mechanism to control and supervise the operation of the business in a professional, transparent and efficient way, which can contribute to the interests of shareholders and be suitable for the interests of stakeholders including customers, workers and the community.

Administrative principles at Traphaco

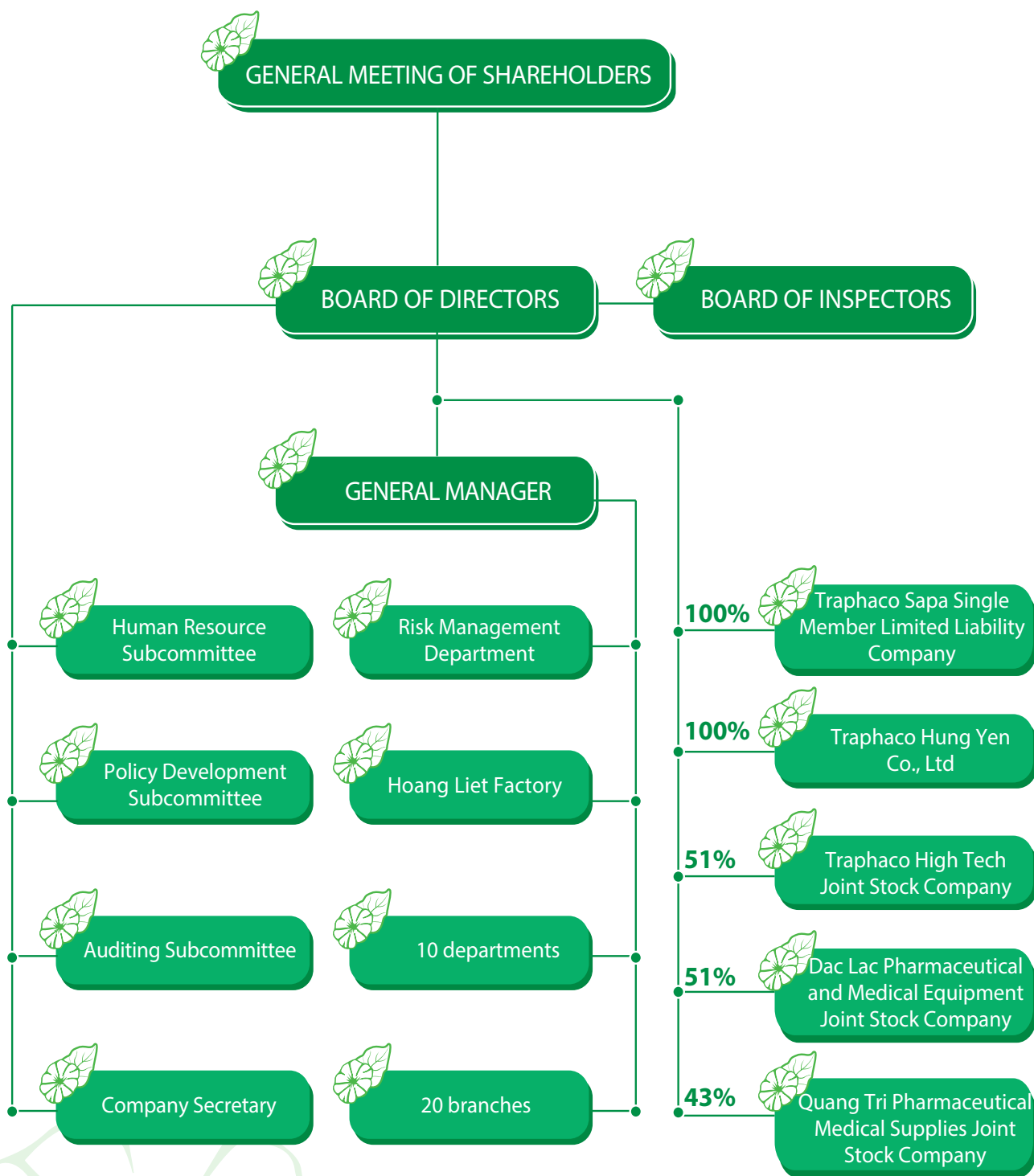
-  Ensuring effective administration structure
-  Ensuring shareholder rights and fair treatment among shareholders
-  Ensuring role and interests of the involved parties
-  Ensuring transparency in all activities of the enterprise
-  Ensuring that the Board of Directors and the Board of Inspectors lead and control the operation of the company effectively.

TRAPHACO's organization administration model is based on the following core values:



TRAPHACO'S ORGANIZATION ADMINISTRATION MODEL (31/12/2016)

Traphaco's corporate governance model is based on the best international practices and standards that ensure the full range of governance of the listed company, including the General Meeting of Shareholders, the Board of Directors (including sub-committees and the company secretary), the Board of Inspector, the General Director, related functional departments and the representatives to manage capital contribution of Traphaco in other companies that Traphaco contributed capital.



This enterprise governance model has been implemented to apply step by step at subsidiaries. During the implementation, Traphaco has regularly reviewed the effectiveness of operating the corporate governance model in order to make adjustments in accordance with the business practices of the company and its affiliates.

In general, the current enterprise governance structure clearly outlines the functions, leading to be the best routine in business management, to clarify duties and the relationship between Traphaco and its affiliates.

The management structure of Traphaco Company includes:

- : **The General Meeting of Shareholders** contains all shareholders with voting rights, which is Traphaco's highest decision-making authority.
- : **The Board of Inspectors** is responsible before the General Meeting of Shareholders for the task performance assigned by the General Meeting, to inspect the activities of the Board of Directors and the General Director in managing and operating Traphaco's business. The Board of Inspector operates independently from the Board of Directors and the General Director.
- : **The Board of Management** which is the management department of Traphaco, has the full rights on behalf of Traphaco to decide and exercise the rights and obligations of Traphaco which are not under the authority of the General Meeting of Shareholders.
- : **Subcommittees** assisting the Board of Directors: The Board sets up subcommittees to advise, support and assist the Board.
- : **Company Secretary:** The Company Secretary is in charge of supporting the Company's company governance effectively; Participating to hold meetings of the Board of Directors, Board of Inspector and General Meeting of Shareholders; Ensuring the formulation, compliance and periodical review of governance policies and practices; Providing financial information, copies of meeting reports of the Board of Directors and other information for members of the Board of Directors and members of the Board of Inspection, and performing other duties in accordance with the provisions of law, the Regulations of the Board of Executive and the company rules.
- : **The General Director and the Board of Operation** are responsible for managing and operating business activities of the company by devolving and decentralizing to the leaders of functional divisions to directly handle the work of the company and support those units in business operations.

Traphaco has reviewed and completed the standardized management model in line with international practices which clearly separated responsibilities between the parent company and subsidiaries in order to help those units to be more active in business organization, At the same time, it ensures the management mechanism throughout the company in order to improve the efficiency of corporate governance, professionalism and labor productivity, thereby contributing to business efficiency.

The relationship between the parent company Traphaco and its subsidiaries and associates

The relationship between the parent company and its subsidiaries and associates is governed by the Law on Enterprises, the Rules of Traphaco, the Contract Management Regulations, the transactions between Traphaco and related parties, Regulations about representatives of capital portions of Traphaco in other enterprises, other Traphaco's regulations and relevant provisions of law. Traphaco exercises our rights and obligations as a member, owner or shareholder in relation to our subsidiary companies in accordance with relevant provisions of applicable laws and regulations.

- ✦ The good governance model helps Traphaco to organize and operate efficient business operations and decentralize operations between Traphaco's subordinate levels. In Traphaco, we are always looking for solutions to create a link between operational levels and functional departments in supporting the implementation of business objectives, to achieve the common goals and ensure to maximize business targets.
- ✦ In order to have an effective year 2016, Traphaco maximized our intrinsic strength, especially the strength of the management system.

ORIENTATION OF TRAPHACO'S ADMINISTRATION IN 2017

The important milestone of 2017 will be the focus year for the governance projects aiming at:

- ✦ Fundamentally reforming the system and governance principles towards the best governance practices but ensure that the identity, culture, and core values of the Company are promoted;
- ✦ Applying advanced management technologies and tools to improve operational efficiency, maximize the role of staffs at all levels, and increase labor productivity at the same time, and attach the benefits of each individual to the quality of their work and the common interests of the organization;
- ✦ Enhancing corporate governance towards sustainable development.



BOARD OF DIRECTOR OF TRAPHACO JSC



MS. VU THI THUAN

CHAIRMAN OF THE BOARD OF DIRECTOR (BOD)

Born: 1956

Degree: Master of Pharmacy

Working time in Traphaco: 37 years

Management experience at Traphaco: 35 years

Work Profile

- ❖ January 1980 – January 1982: Technical Staff, Railway medicine production factory
- ❖ January 1982 – April 1989: Workshop supervisor, Deputy Director of the Railway medicine production factory.
- ❖ May 1989 – October 1993: Deputy Director of the Railway Pharmaceuticals Company, Chairwoman of the Company's Union.
- ❖ October 1993 – January 2000: Deputy Director of the Pharmaceuticals and Medical Equipment Company of the Ministry of Transportation, Chairwoman of the Company's Union.
- ❖ January 2000 – March 2003: Executive General Director, Deputy Chairwoman of the Board of Directors of Traphaco
- ❖ April 2003 – May 2010: Chairwoman of the Board of Directors of Traphaco, General Director of Traphaco, Party Chief of the Party Unit.
- ❖ May 2010 – April 2011: Chairwoman of the Board of Directors, General Director of Traphaco.
- ❖ April 2011 – present: Chairwoman of the Board of Directors



MR. NGUYEN ANH TUAN

DEPUTY CHAIRMAN OF THE BOD

Born: 1978

Degree: Bachelor of International Economics, Master of Law of International Business

Work profile:

- ❖ August 2006 – August 2015: Deputy Chief of SCIC
- ❖ September 2015- March 2016: Manager of Capital Investment Unit 3, SCIC
- ❖ March 2016 - now: Vice Chairman of TRAPHACO Joint Stock Company



MR. TRAN TUC MA

MEMBERS OF THE BOD

Born: 1965

Degree: Master of Pharmacy

Years with the company: 23 years 7 months

Management experience at the company: 18 years 9 months

Work Profile:

- ❖ March 1990 – August 1992: Staff at the Quality Test Institute
- ❖ September 1992 – December 1993: Staff at Railway medicine production factory
- ❖ January 1994 – April 1997: Staff at the Pharmaceuticals and Medical Equipment Company of the Ministry of Transportation.
- ❖ May 1997 – October 2000: Deputy Department Head of the Quality Assurance Department of the Pharmaceuticals and Medical Equipment Company of the Ministry of Transportation.
- ❖ November 2000 – February 2003: Head of Sales Department, Traphaco Joint Stock Company
- ❖ March 2003 - December 2004: Member of the Board of Directors, Head of Sales Department, Traphaco Joint Stock Company.
- ❖ January 2005 – March 2006: Member of the Board of Directors, Deputy Director in charge of Sales, Traphaco Joint Stock Company.
- ❖ April 2006 - May 2010: Member of the Board of Directors, Deputy General Director in charge of Sales, Traphaco Joint Stock Company.
- ❖ May 2010 - March 2011: Party Chief of the Party Unit, Member of the Board of Directors, Deputy General Director in charge of Sales, Traphaco Joint Stock Company.
- ❖ March 2011 – March 2016: Secretary of the Party Committee, Vice Chairman, General Director of Traphaco Joint Stock Company.
- ❖ April 2016 - now: Secretary of the Party Committee, Member of BOD, General Director of Traphaco Joint Stock Company.



MR. NGUYEN HONG HIEN
MEMBERS OF THE BOD

Born: 1974

Degree: Master of Laws, Bachelor of Business

Work profile:

- June 1998-October 2003: Deputy Secretary / Director, Manager of Aggregation Department of Ministry of Transportation
- October 2003 – February 2007: Spokesman of the Minister of Transport; Head of Communication Propaganda, Ministry of Transport
- March 2007 - present: Chief of Office, Head of General Planning Department; Head of Fourth Private Investment part; Deputy General Director of SCIC
- May 2008-December 2014: Member of the BOD of Vietnam - Oman Investment JSC
- May 2012-February 2016: Member of the BOD of Kim Lien Tourist JSC
- June 2012-November 2014: Member of the BOD of General Corporation of Electronic and Information Technology Vietnam
- June 2012 – June 2015: Chairman of Tourism Vietnam JSC in Hanoi
- April 2013-November 2014: Member of BOD of Chemical Joint Stock Company
- May 2013 - now: Member of Ha Noi Pharmaceutical Equipments Joint Stock Company
- May 2014-present: Vietnam Investment and Investment Consultant JSC
- December 2014 - now: Member of the BOD of FPT Telecom JSC



MR. MARCUS JOHN PITT
MEMBERS OF THE BOD

Born: 1971

Degree: Master in Management

Work profile:

- 1989-1995: Manager of Commercial Lending, National Bank of Australia, Melbourne
- 1995-1999: Manager of Regional Sales, Melbourne Sport Network
- 1999-2000: Director of Marketing Services, Monash University Sport, Melbourne
- 2000-2007: General Manager, responsible for strategy, business development and marketing, Monyx Pty Ltd, Melbourne
- 2007-2009: Leader of Advisory Board, Palladium Consulting Group (U.S. Boston), Asia Pacific Offe, Sydney
- 2010-2011: Member of Non-Executive Board, Soho Floridis International Pty Pharmacy Ltd, Sydney
- 2009-2014: General Manager of SOHO Global Health Group, Indonesia.
- 2013-2014: Member of Non-Executive Board, PT Ethica FreseniusKabi, Indonesia
- 2014 - present: Director to be in charge of Indonesia and South East Asia markets, Palladium Consulting Group (U.S. Boston), Asia Pacific Offi, South East Asia Offi, Singapore.



MR. CHRISTOPHER E. FREUND
MEMBERS OF THE BOD

Born: 1972

Degree: Bachelor of Psychology

Work profile:

- 1995 - June 1998: Investment Advisory Analyst, Templeton Asset Management, Ltd., Singapore.
- June 1998-2001: Vice President and Director of Investing Portfolio Management, Templeton Asset Management, Ltd., Singapore
- 2001 - present: Founder and General Director of Mekong Capital Consulting Limited Liability Company



MR. CHAD RYAN OVEL
MEMBERS OF THE BOD

Born: 1974

Degree: Master in Administration Major

Work profile:

- Before 2000: Director of International Fund for Nature Development
- 2000-2006: CEO of ScanCom Vietnam
- 2006-2013: CEO of AA Corporation
- 2013-present: General Director of Mekong Capital Consulting Co., Ltd.



BOARD OF EXECUTIVE, TRAPHACO JSC



ÔNG TRẦN TÚC MÃ
TỔNG GIÁM ĐỐC

Born: 1965

Degree: Master of Pharmacy

Work Profile:

- ❖ March 1990 – August 1992: Staff at the Quality Test Institute
- ❖ September 1992 – December 1993: Staff at Railway medicine production factory
- ❖ January 1994 – April 1997: Staff at the Pharmaceuticals and Medical Equipment Company of the Ministry of Transportation.
- ❖ May 1997 – October 2000: Deputy Department Head of the Quality Assurance Department of the Pharmaceuticals and Medical Equipment Company of the Ministry of Transportation.
- ❖ November 2000 – February 2003: Head of Sales Department, Traphaco Joint Stock Company
- ❖ March 2003 - December 2004: Member of the Board of Directors, Head of Sales Department, Traphaco Joint Stock Company.
- ❖ January 2005 – March 2006: Member of the Board of Directors, Deputy Director in charge of Sales, Traphaco Joint Stock Company.
- ❖ April 2006 - May 2010: Member of the Board of Directors, Deputy General Director in charge of Sales, Traphaco Joint Stock Company.
- ❖ May 2010 - March 2011: Party Chief of the Party Unit, Member of the Board of Directors, Deputy General Director in charge of Sales, Traphaco Joint Stock Company.
- ❖ March 2011 – March 2016: Secretary of the Party Committee, Vice Chairman, General Director of Traphaco Joint Stock Company.
- ❖ April 2016 - now: Secretary of the Party Committee, Member of BOD, General Director of Traphaco Joint Stock Company.



MS. NGUYEN THI LAN
DEPUTY GENERAL DIRECTOR

Born: 1967

Degree: Bachelor Degree in Pharmacy

Work profile:

- ❖ January 1993 – January 1994: Bachelor in Pharmacy, manager of production workshop, Gel workshop, Railway Pharmaceutical Workshop.
- ❖ February 1994 – November 2001: Manager of medical capsule production workshop, Officer of Engineer Department, Deputy Manager of Plan & Business Department of the Pharmaceuticals and Medical Equipment Company of the Ministry of Transportation.
- ❖ November 2001 – March 2011: Head of Planning and Procurement Department, Head of Planning Department, Traphaco Joint Stock Company.
- ❖ March 2011 – September 2014: Member of the Board of Director, Head of Planning Department, Traphaco Joint Stock Company.
- ❖ September 2014 – now: Deputy General Director, Traphaco Joint Stock Company.



MR. NGUYEN HUY VAN
DEPUTY GENERAL DIRECTOR

Born: 1967

Degree: Master of Pharmacy

Work profile

- ❖ 01 June 1994 – 30 June 1995: Sales staff at the Pharmaceuticals and Medical Equipment Company of the Ministry of Transportation.
- ❖ 01 July 1995 – 09 July 1996: Deputy Head of Marketing Department, Pharmaceuticals and Medical Equipment Company of the Ministry of Transportation.
- ❖ From 10 July 1996 to December 1999: Research and Development Department
- ❖ January 2000 – December 2004: Development Research Department, Board Member, Transportation Pharmaceutical Joint Stock Company (now is Traphaco Joint Stock Company)
- ❖ January 2005 – March 2006: Deputy Director of Research and Development Sector, Member of Board of Directors, Traphaco Joint Stock Company.
- ❖ April 2006 – March 2011: Deputy General Director, Member of BOD, Traphaco Joint Stock Company
- ❖ April 2011 – April 2015: Deputy General Director of Traphaco Joint Stock Company
- ❖ May 2015 - now: Deputy Secretary of the Party; Deputy General Director of Traphaco Joint Stock Company

**MR. NGUYEN VAN BUI****DEPUTY GENERAL DIRECTOR****Born:** 1963**Degree:** Bachelor of Pharmacy**Work profile:**

- ❖ March 1988 to December 1996: Bachelor of Pharmacy, Hai Hung Tuberculosis Hospital
- ❖ January 1997 to December 1997: Bachelor of Pharmacy, Hung Yen Center for Social Diseases
- ❖ January 2001 to December 2004: Director of Huu Nghi Pharmaceutical Company Limited
- ❖ December 2003-May 2004: Staff of Research and Development Department of Traphaco JSC.
- ❖ June 2004-December 2007: Staff of Traphaco's Sales Department.
- ❖ January 2008-June 2008: Marketing Officer at Traphaco Joint Stock Company
- ❖ July 2008-April 2011: Deputy Manager of Marketing Department of Traphaco JSC
- ❖ May 2011-July 2013: Manager of Sales Department at Traphaco JSC
- ❖ August 2013-January 2017: Director in charge of Business at Traphaco JSC
- ❖ February 2017 - now: Deputy General Director in charge of Sales at Traphaco JSC

**MR. DINH TRUNG KIEN****CHIEF ACCOUNTANT, HEAD OF FINANCE AND ACCOUNTING****Born:** 1973**Degree:** BA in Economics, MBA**Work Profile:**

- ❖ December 1994 – January 2005: Accounting & Finance Division, Traphaco JSC
- ❖ January 2005 – December 2007: Deputy Head of Finance and Accounting Division, Traphaco JSC.
- ❖ January 2008 - present: Chief Accountant, Head of Finance and Accounting Division, Traphaco JSC.



BOARD OF CONTROL OF TRAPHACO JOINT



MR. DUONG DUC HUNG

HEAD OF THE BOARD OF INSPECTION

Born: 1980

Degree: Master of Business Administration

Work profile:

- April 2003 – March 2013: Accountant in charge of debt, sales department of Traphaco Joint Stock Company
- April 2013 – August 2013: Accountant of Finance and Accounting Department, Traphaco Joint Stock Company
- August 2013 – March 2016: Head of risk management department of Traphaco Joint Stock Company
- April 2016 - now: Head of risk management department of Traphaco Joint Stock Company. Head of the Board of Inspection of Traphaco.



MS. NGUYEN THANH HOA

MEMBER

Born: 1983

Degree: Bachelor of Accounting, Master of Business Administration

Work profile:

- June 2006 - August 2006: Accounting Officer at Vietnam Airlines Corporation - Labor Export Center.
- October 2006 - May 2007: Accountant at Bank for Investment and Development of Vietnam - BIDV Hanoi Branch.
- June 2007 - June 2012: Finance and Accounting Specialist, State Capital Investment Corporation.
- 6/2012 - present: Risk Management Officer, State Capital Investment Corporation.



MS. DO THI KHANH VAN

MEMBER OF THE BOARD OF INSPECTION

Born: 1981

Degree: Bachelor of Corporate Finance, ACCA

Work profile:

- 2002 – 2003: Associate Auditor, Vietnam Accounting, Auditing and Consulting Company
- 2003 – 2006: Associate Auditor, then Senior Auditor, Ernst & Young Vietnam.
- 2006 – 2008: Deputy Head of Research Department, FPT Securities Joint Stock Company.
- 2008 – now: Senior Financial Consultant about Business Finance, Senior Investment Consultant at Mekong Capital Consultant Company Limited.
- April 2011 – present: Senior Associate at Mekong Capital, member of the Inspection Board, Traphaco joint stock company.



STOCK COMPANY OPERATION OF THE BOARD OF DIRECTORS

The Board of Directors played a leading role in directing the development of targets, strategies and business plans in 2016 focusing on implementing sustainable growth and development strategies, providing solutions to improve the efficiency in Corporate Governance and operation, strengthen internal cooperation to promote the overall strength of the company.

RIGHTS AND DUTIES OF THE BOARD OF DIRECTORS

According to the Law on Enterprises and the Regulations of Traphaco, Traphaco Joint Stock Company's Board of Directors is the governing body of the company and has full authority on behalf of the company to decide and exercise the rights and obligations of the companies which are out of control of General Assembly of Shareholders.

To perform the functions and duties of the Board of Directors, in 2016, the Board of Directors of Traphaco supervised and directed the work under its competence in the following areas:

- ✦ Managing the company and other senior personnel work of the company;
- ✦ Conducting development and approval of business plans and strategies of the company;
- ✦ Auditing financial statements of the company;
- ✦ Organizing the Annual General Meeting of Shareholders (General Meeting of Shareholders) and reporting to the

General Meeting of Shareholders on any issues within its authority as stipulated in the Regulations;

- ✦ Directing to handle specific matters under its authority according to the report of the General Director of the Company to promptly carry out daily business activities of the enterprise;
- ✦ Supervising the CEO and other Management Officers.

MEMBERSHIP STRUCTURE OF THE BOARD OF DIRECTORS

On 30 March 2016, Traphaco Joint Stock Company held the General Meeting of Shareholders for the term of 2016-2020. The Meeting elected new members of the Board for the term of 2016 - 2020.

The Board of Directors maintained its operations in accordance with the Regulations of the Company and the Board of Directors with the number of members of the Board of Directors is 07 (seven). The list of the Board of Directors as of 31 December 2016 consisted of the following persons:

MEMBERSHIP LIST IN THE PERIOD OF 2016 - 2020 (AS OF 31/12/2016)

Member of the Board	Title	Member of the Board	Shares Ownership Rate of voting rights at Traphaco	Title of Board of Director held in another organization
Ms. Vu Thi Thuan	Chairman of the Board	Non-executive	1,4% (Personal Ownership: 484,237 shares)	Chairman of the Board of Traphaco High Tech Joint Stock Company
Mr. Nguyen Anh Tuan	Deputy Chairman of the Board	Non-executive	12,50% (Representative of ownership of state capital: 4,138,440 shares)	
Mr Nguyen Hong Hien	Member of the Board	Non-Executive	12,50% (Representative of ownership of state capital: 4,138,440 shares)	Member of BOD of FPT Telecom Member of BOD of Hapharco JSC Member of BOD of Vietnam Investment & Investment Consultant JSC



Member of the Board	Title	Member of the Board	Shares Ownership Rate of voting rights at Traphaco	Title of Board of Director held in another organization
Mr. Tran Tuc Ma	Member of the Board	Executive	13,75% (Including: <ul style="list-style-type: none"> • Representatives of state capital ownership: 3,685,214 shares • Personal Ownership: 1,063,874 shares) 	Member of the BOD of Traphaco High Tech JSC
Mr. Chad Ryan Ovel	Member of the BOD	Non-executive	24,99 %	Member of the BOD of Nam Long Investment JSC Member of the BOD of ABA Joint Stock Company Member of the BOD of Wrap & Roll JSC
Mr. Christopher E. Freund	Member of the BOD	Non-executive		Member of the BOD of Mobile World Joint Stock Company Member of the BOD of F88 Investment Joint Stock Company Member of the Board of Directors of Vietnam Australia School (VAS) Member of the Board of Directors, Asia Chemical, ACC Member of the BOD of Pharmacity Member of the BOD of Pastuer Street
Mr. Marcus John Pitt	Member of the BOD	Independent	(Represented by Vietnam Azalea Fund Limited: 8,634,488 shares)	Director to be in charge of Indonesia and South East Asia - Palladium Consulting Group (U.S. Boston), Asia Pacific Offi, South East Asia Offi, Singapore

Following the guidance in Circular 121/2012 / TT-BTC dated 26 July 2012 of the Ministry of Finance on Corporate Governance applied to public companies, Traphaco's Board of Directors for the 2016-2020 term consists of 07 members, including 01 independent member and 5 non-executive members who are strategic and economic specialists with management experience in real corporations internal and external Vietnam. This helps to ensure the independence of the Board of Directors in its consideration, approval and decision-making on any matters the Board of Executive proposes.

ACTIVITIES OF THE BOARD OF DIRECTORS IN 2016

The Board met periodically to evaluate the performance and set out the development directions of Traphaco:

In accordance with the Law on Enterprises and Traphaco's Charter, in 2016, the Board of Directors would maintain to have meeting twice a quarter to talk, discuss, agree and promptly give instructions on operating business activities of the company. The Board of Directors held 8 meetings to implement the Business Plan 2016 and other related issues Traphaco and its subsidiaries.

The meeting of the Board ensures the implementation in accordance with the Regulations of Traphaco and the Law on Enterprise. The members of the Board seriously attended the meetings directly or by authorizing other members to attend and vote in accordance with the Charter of the company and the Board of Directors, as follows:

Meetings of the BOD:

Member of the Board of Directors	Title	Date of commencement/ termination of the Board of Directors	Number of meetings BOD attended	Meeting attendance rate	Reason not to attend
BMs. Vu Thi Thuan	Chairman of the BOD	The first date to be a member of the Board of Directors: 30/03/2016	08/08	100%	
Mr. Nguyen Anh Tuan	Vice Chairman of the Board of Directors	The first date to be a member of the Board of Directors: 30/03/2016	08/08	100%	
Mr. Nguyen Hong Hien	Member of the BOD	The first date to be a member of the Board of Directors: 30/08/2016	07/08	88%	
Mr. Tran Tuc Ma	Member of the BOD	The first date to be a member of the Board of Directors: 30/03/2016	08/08	100%	
Mr. Chad Ryan Ovel	Member of the BOD	The first date to be a member of the Board of Directors: 30/03/2016	08/08	100%	
Ông Christopher E. Freund	Member of the BOD	The first date to be a member of the Board of Directors: 30/03/2016	08/08	100%	
Mr. Marcus John Pitt	Member of the BOD	The first date to be a member of the Board of Directors: 30/03/2016	08/08	100%	
Ms. Nguyen Thi Lan	Member of the BOD	The first date to be a member of the Board of Directors: 30/03/2016	04/04	100%	
Mr. Nong Huu Duc	Member of the BOD	The first date to be a member of the Board of Directors: 30/03/2016	04/04	100%	
Mr. Le Tuan	Member of the BOD	The first date to be a member of the Board of Directors: 30/03/2016	04/04	100%	
Mr. Tran Manh Huu	Member of the BOD	The first date to be a member of the Board of Directors: 30/03/2016	03/04	75%	On a business trip
Mrs Tran Tue Tri	Member of the BOD	The first date to be a member of the Board of Directors: 30/03/2016	0/04	0	On a business trip

BOD meetings focused on solving key issues related to build business plans for 2016 and 2017, direct the development of the Business Strategy for the period of 2016-2020, Vision of 2025; To closely guide the implementation of the business plan and implement the Resolutions of the Annual General Meeting of Shareholders for the term of 2016-2020; Directed the construction of a Vietnamese pharmaceutical factory, strengthened the capacity of the Southern branch, completed the first Enterprise Resource Planning (ERP) project, directed the institutional capacity building and regulations. Refresh senior staffs managers of the company, investor relations activities, implementation of activities to celebrate the 44 years of establishment of the company, etc. Resolutions issued by the Board of Directors were important directions to help the Executive Board to carry out the business tasks of the company effective.



Resolutions of the Board of Directors issued in 2016:

The Board of Directors discussed and approved 99 decisions on the following issues:

- ♥ Corporate Governance: 15 decisions
- ♥ Property investment: 11 decisions
- ♥ Personnel appointment: 39 decisions
- ♥ Pharmaceutical Factory of Vietnam: 34 decisions

Number of Resolutions / Decisions	Date	Content
01/QĐ	05/01/2016	Temporary delivery the 2016 plan
02/NQ	06/01/2016	Temporary paying dividend in 2015
07/QĐ	17/2/2016	New deployment of financial management accounting software
08/QĐ	23/02/2016	Establishment of Traphaco Joint Stock Company in Bac Giang
09/QĐ	23/02/2016	Appointing Mr. Ha Anh Thang as Director of Traphaco Bac Giang Branch
15/QĐ	16/3/2016	Establishing a branch of Traphaco Joint Stock Company in Hung Yen province
16/QĐ	16/3/2016	Appointing Mr. Cao Trieu Phong as Director of Traphaco Hung Yen Branch
25/QĐ	22/03/2016	Appointing a representative of capital and Chairman of Traphaco Single Member Limited Company
27/QĐ	22/03/2016	Additional investment in producing, processing and extracting pharmaceutical materials factory for trading in Lao Cai from VND22 billion to VND32,350,770,796 - Traphaco Sapa
28/QĐ	04/01/2016	Delivery of salary unit price in 2016
34/QĐ	05/04/2016	Appointing Ms. Vu Thi Thuan as Chairman of Traphaco Corporation for the term 2016-2020
35/QĐ	05/04/2016	Appointing Mr. Nguyen Anh Tuan as Vice Chairman of Traphaco Corporation for the term of 2016-2020
36/QĐ	05/04/2016	Appointing Mr. Tran Tuc Ma as General Director of Traphaco Corporation for the term of 2016-2020
41/NQ	29/04/2016	Approving the implementation of the plan to issue additional shares to increase charter capital
42/QĐ	16/05/2016	Resignation of Director of Gia Lai Branch
44/QĐ	22/02/2016	Resignation of Binh Thuan branch director for Mr. Nguyen Huu Vuong, from 26/02/2016
46/QĐ	02/06/2016	Selecting auditing company for financial report 2016
52/QĐ	01/07/2016	Appointing Ms. Hoang Thi Ruoc as Deputy General Director of the company
53/QĐ	01/07/2016	Appointing Mr. Nguyen Huy Van as Deputy General Director of the company
54/QĐ	01/07/2016	Appointing Ms. Nguyen Thi Lan as Deputy General Director
55/QĐ	01/07/2016	Appointing Mr. Dinh Trung Kien as Chief Accountant
56/QĐ	01/07/2016	Appointing Mr. Nguyen Van Bui as Sales Manager
57/QĐ	01/07/2016	Appointing Nguyen Thi Hau as Production Manager
58/QĐ	01/07/2016	Appointing Mr. Nguyen Duy Vinh as Director of Export and Import

Number of Resolutions / Decisions	Date	Content
59/QĐ	01/07/2016	Appointing Mr. Nong Huu Duc as Director of Traphaco TP. Ho Chi Minh
60/QĐ	01/07/2016	Appointing Nguyen Mau Hoang Son as Director of Traphaco Central Vietnam Branch
61/QĐ	01/07/2016	Appointed Mr. Vu The Quan as Director of Nam Dinh Traphaco Branch
62/QĐ	01/07/2016	Appointed Mr. Thai Duc Luan as Director of Traphaco Nghe An Branch
63/QĐ	01/07/2016	Appointed Mr. Le Hong Quang as Director of Traphaco Thanh Hoa Branch
64/QĐ	01/07/2016	Appointed Mr. Tran Thai Chuong as Director of Traphaco Hai Phong Branch
65/QĐ	01/07/2016	Appointed Mr. Tran Khac Thanh as Director of Traphaco Quang Ninh Branch
66/QĐ	01/07/2016	Appointed Mr. Tran Van Binh as Director of Traphaco Hai Duong Branch
67/QĐ	01/07/2016	Appointed Mr. Pham Van Anh as Director of Traphaco Dong Nai Branch
68/QĐ	01/07/2016	Appointed Mr. Mai Hong Trieu as Director of Traphaco Vinh Long Branch
69/QĐ	01/07/2016	Appointed Mr. Nguyen Quang Toan as Director of Phu Tho Traphaco Branch
70/QĐ	01/07/2016	Appointed Nguyen Duc Duy as Director of Traphaco Tien Giang Branch
71/QĐ	01/07/2016	Appointed Mr. Nguyen Ngoc Bich as the Director of Traphaco Khanh Hoa Branch
72/QĐ	01/07/2016	Appointed Mr. Vo Quang Binh as Traphaco's Director of Quang Ngai Branch
73/QĐ	01/07/2016	Appointed Mr. Tran Trung Vinh as Director of Traphaco Can Tho Branch
74/QĐ	07/07/2016	Approval of winning bidder for package 12 supply and installation of air handling equipment for office + testing area, etc of Traphaco Hung Yen + TT
85/QĐ	19/09/2016	Appointed Mr. Pham Dinh Tuan as Director of Traphaco Binh Duong Branch from 01/07/2016
86/QĐ	19/09/2016	Appointed Mr. Cao Trieu Phong as Director of Traphaco Hung Yen Branch from 01/07/2016
87/QĐ	19/09/2016	Appointed Mr. Ha Anh Thang as Director of Traphaco Bac Giang Branch from 01/07/2016
88/QĐ	27/09/2016	Appointed Ms. Hoang Thi Ruoc as Director of Traphaco Hung Yen Co., Ltd, from 01/10/2016 to 30/04/2018
89/QĐ	02/11/2016	Approved the divestment of Traphaco at Thai Nguyen Pharmaceutical and Medical Equipment Joint Stock Company
90/QĐ	02/11/2016	Increased charter capital of Traphaco Hung Yen Co., Ltd from VND150 billion to VND250 billion
96/QĐ	16/12/2016	First advance payment of dividends in 2016
97/QĐ	23/12/2016	Delivery of the 2017 temporary plan
98/QĐ	23/12/2016	Delivery of plan of salary unit price and total salary fund in 2017
99/QĐ	26/12/2016	Receiving rights of Thai Nguyen land use
100/QĐ	30/12/2016	Delivery of investment plan for 2017
101/QĐ	30/12/2016	Delivery marketing budget allocation in 2017
102/QĐ	30/12/2016	Delivery of other planned targets in 2017
103/QĐ	30/12/2016	Approving the selection of advertising agency contractors in 2017

See the Corporate Governance Report for 2016 at www.traphaco.com.vn



Directing enterprise and senior personnel administration of the Company

The Board of Directors has consolidated the senior staffs of the Company, including the Chairman and the members of the Board of Directors, General Director, Deputy General Directors, Branch Directors and Functional Directors of the Company, and also consolidated senior staffs at companies that Traphaco wholly owns 100% of charter capital (Traphaco Hung Yen Co., Ltd). In addition, the BOD instructed to continue reviewing and finishing the system of internal regulations and regulations in order to unite the management mechanism of the company, improve the management capacity and management effectiveness in the whole system.

Auditing the financial statements of the Company:

Implementing the Resolution No. 33/2016 / NQ-DHDCD dated 30/3/2016 of the General Meeting of Shareholders for the 2016-2020 period relating to the approval of the list of independent audit units and authorizing the Board of Directors to select one auditing company according to the list approved by the General Meeting of Shareholders to audit and review the financial statements for 2016, based on the proposal of the General Director of the Company, the Board of Directors has considered and chose Ernst & Young Vietnam Co., Ltd. to be an independent auditor to audit the Company's financial statements for 2016. The Board of Directors also directs the implementation of financial statements in accordance with Vietnamese Accounting Standards (VAS) and publishing financial reports promptly to ensure the transparency of information to shareholders and partner.

The BOD performed well supervision and direction works of the General Director and the managers about running the business of the Company:

- Delivered quarterly KPIs and reports and comments about other results such as quarterly results and results each 6-month to the CEO.
- Supervised the implementation of production plan.
- Directed, supervised and assisted the General Director and other managers in implementing the resolutions of the General Meeting of Shareholders; other resolutions and decisions from the BOD.
- Provided information and submitted reports according to the current regulations of the State management agencies
- Directed Board of Executive to hold the General Meeting of Shareholders for the term of 2016-2020 on March 30th 2016.
- Directed the construction of the Vietnam Pharmaceutical

Factory following the schedule and submit the inspection registration documents to the Pharmaceutical Administration of Vietnam, which is expected to be on time for inspection and registration of products and officially put into operation in Q3 / 2017. Completed increasing charter capital of Traphaco Hung Yen Co., Ltd to VND250 billion

- Directed to increase the chartered capital by 40% by June 2016. In 2016, the market capitalization of TRA increased from VND2,600 billion to VND4,000 billion.
- Developed Southern market due to its good progress.
- Directed the implementation of ERP project phase 1 as planned.
- Directed the divestment at Thai Nguyen Pharmaceutical and Medical Equipment Joint Stock Company successfully.
- Directed the composing of the Regulation on remuneration.
- Directed the model of organization and personnel of Traphaco Hung Yen Co.
- Applying the procedure of paying the final dividend of 2015 to shareholders (10% of charter capital) and advance dividend for the first time in 2016 for shareholders (20% of charter capital).

DIRECTION OF OPERATION OF THE BOD IN 2017

2017 is a pivotal year in implementing the strategic plan for the period 2016 - 2020. In the spirit of resolving to overcome the common difficulties of the economy to fulfill our business mission, the Board of Management should actively implement actions in 2017 as follows:

- Organizing the Annual General Meeting of Shareholders 2017
- Completing the development of the 2016-2020 Strategy and Vision 2025, submitting to the General Meeting of Shareholders.
- Bringing the Vietnam Pharmaceutical Manufacturing Factory into operation in Q3 / 2017.
- Completing all managing positions of Traphaco Hung Yen Co.,
- Adjusting factory projects in Lao Cai, increased charter capital at Traphaco Sapa.
- Completing the appointment of personnel representative capital at subsidiaries.
- Promoting investor relations, administration, increasing transparency, and strengthening Corporate Governance in Traphaco with sustainable development issues that ensure long-term sustainability of the Company.



EVALUATION OF THE BOARD OF MANAGEMENT

In 2016, Traphaco Joint Stock Company achieved stable growth in revenue and profit, completed the plan of the General Meeting of Shareholders. Under the leadership and management of the General Director, the Board of Management has expressed the spirit of solidarity, dynamic, creative, dare to think, dare to do, professional and high responsibility in the work. With the efforts of the Board of Executive in implementing drastic strategic solutions, Traphaco Joint Stock Company has successfully fulfilled the targets and targets set by the General Meeting of Shareholders. This has been a remarkable result in the context of macroeconomics and pharmaceutical market still has many challenges, specifically:

- ❖ Completing business plan targets in 2016 approved by the General Meeting of Shareholders and the Board of Directors;
- ❖ Investing project of pharmaceutical factory in Vietnam to meet the plan to ensure the plant goes into operation on schedule in Q3 / 2017.
- ❖ Completing the integration of DMS sales software and financial accounting software to implement the ERP system in 2017.
- ❖ Promoting product development, increasing the number of products in drugstores.
- ❖ Ensuring employee income will be increased by 10% in 2016.
- ❖ Focusing on promoting the South and Central markets: Under the directly guidance of the General Director, the southern market has prospered (turnover increased by 12% compared to the first half of the year and increased by 20% over the same period). With this growth momentum, it is expected that the OTC market in the South will grow well in 2017.
- ❖ Distribution system: achieving good results, establishing two new branches: Bac Giang, Hung Yen, increasing from 22,000 to 23,000 customers, sales policy is complied with:
 - Ensuring retail price stability and fast payment.
 - ❖ Communications - Brand: The company has received major awards: National Brand in 2016, Gold prize National Quality Award, No. 1 of Top 10 Vietnam's most prestigious pharmaceutical brands in 2016, Top 40 brand name Vietnam's most valuable company voted by Forbes magazine. Traphaco trademark has been affirming to be stronger prestige for customers, attracting investors. According to the IMS report, by the end of Q2 / 2016, Traphaco's market share accounted for 1.3% of the total pharmaceutical market in Vietnam, ranking 12th out of 20 companies having largest sales in pharmaceutical market. In the OTC market, Traphaco's market share was 3.4% and finished second in revenue (only after Sanofi, Traphaco was second only to revenue, profit and capitalization market. Traphaco had 3 products in the top group, in which Hoat Huyet Duong Nao ranked number 1 in neurological medicine, Boganic ranked number 1 in the hepatobiliary drugs, Tottri ranks first in hemorrhoids. Hoat Huyet Duong Nao and Boganic are among the top 20 OTC pharmaceuticals having the most revenue in the market.
 - Directing seriously the resolutions and decisions of the Board.





ACTIVITIES OF THE SUBCOMMITTEES UNDER THE BOARD OF DIRECTORS

In order to improve the effectiveness of corporate governance in accordance with international standards, the Board has set up subcommittees comprising: Personnel and Remuneration Subcommittee, Audit Subcommittee, Development Policy Subcommittee to improve performance. Results in strategic direction, audit, financial management, risk, senior personnel and investment.

Functional	Composition	Task Force Subcommittee of 2016	Operational Direction 2017
PERSONNEL AND REMUNNERATIVE SUBCOMMITTEE			
<p>The Personnel and Remuneration Subcommittee is a part of the management structure of Traphaco Joint Stock Company, which was decided by the Board of Directors. The main function of the Subcommittee is:</p> <ul style="list-style-type: none"> Proposing about the size and composition of the Company's management system. Advising the Board on the appointment and dismissal of managerial positions and their salaries. Reviewing and advising the BOD on long-term human resource development plans, identifying, recruitment, training and teaching managers. Proposing regulations and budgets for salary and related regulations that are effective for the Company. 	<p>The Subcommittee works with 01 head independent member and 03 members of the Board and the General Director with ability and experience of human resources and salaries and promotion management to assist the BOD in providing development strategies as well as personnel policies to ensure the rights of workers.</p>	<p>The Human Resources and Remuneration Subcommittee held six meetings to discuss and advise the Board on issues such as:</p> <ul style="list-style-type: none"> Considering the need of two new management positions: Marketing Director and Deputy General Manager in charge of Financial Sector / Chief Financial Officer. Building HR and remuneration structure. Considering key personnel for Vietnam Pharmaceutical Manufacturing Factory. Proposed remuneration budget for 2017 and bases for budget allocation. Establishing 03 regulations about dealing with related persons; Appointment / dismissal of managers; Capital Representative at subsidiaries 	<p>Approving the regulations, proposing reward policies and wage unit prices.</p> <ul style="list-style-type: none"> Planning key management positions. An overview of HR policies. Evaluating the performance of the Board of Directors and development plans. Considering remuneration for the Board of Directors, the General Director and senior managers of Traphaco.
THE AUDIT SUBCOMMITTEE			
<p>The audit committee is a part of the administration structure of Traphaco Joint Stock Company, which was established by the Board of Management. The main function of the Subcommittee is:</p> <ul style="list-style-type: none"> Selecting independent auditors, evaluating their ability of independence, applying the criteria for consolidation of financial statements of subsidiaries and associated companies. Considering the effectiveness of risk management of Traphaco, the company's compliance with the law, company regulations, related administration regulations and internal management regulations, etc. 	<p>The subcommittee is composed of 01 Chairperson which is the Chairman and 02 Chairpeople which are member of the Board and SCIC's major shareholders with years of experience in audit and finance.</p>	<p>The audit committee reviewed and commented on the financial statements and audit reports of the company.</p> <ul style="list-style-type: none"> Participating with the Board of Executives on the company's audit letter of Ernst & Young company. Tracking construction progress of the company's new plants, Traphaco Sapa factory building project in Lao Cai. Visiting the cropping place of Green Plan, monitoring the value chain development. Monitoring the company's compliance with internal regulations, investment projects and major contracts in 2017, with the internal regulations of the Board of Directors. 	<ul style="list-style-type: none"> Monitoring the company's compliance with internal regulations, investment projects and major contracts in 2017, with the internal regulations of the Board of Directors. Evaluating quarterly, six-month and annual results of audited financial statements, Advising the Board on reviewing the development and approval of regulations related to business cost and effect. Monitoring and evaluating investment activities, asset purchasing: compliance with laws and internal regulations.

Functional	Composition	Task Force Subcommittee of 2016	Operational Direction 2017
PERSONNEL AND REMUNERATIVE SUBCOMMITTEE			
<p>The Personnel and Remuneration Subcommittee is a part of the management structure of Traphaco Joint Stock Company, which was decided by the Board of Directors. The main function of the Subcommittee is:</p> <ul style="list-style-type: none"> Proposing about the size and composition of the Company's management system. Advising the Board on the appointment and dismissal of managerial positions and their salaries. Reviewing and advising the BOD on long-term human resource development plans, identifying, recruitment, training and teaching managers. Proposing regulations and budgets for salary and related regulations that are effective for the Company. 	<p>The Subcommittee works with 01 head independent member and 03 members of the Board and the General Director with ability and experience of human resources and salaries and promotion management to assist the BOD in providing development strategies as well as personnel policies to ensure the rights of workers.</p>	<p>The Human Resources and Remuneration Subcommittee held six meetings to discuss and advise the Board on issues such as:</p> <ul style="list-style-type: none"> Considering the need of two new management positions: Marketing Director and Deputy General Manager in charge of Financial Sector / Chief Financial Officer. Building HR and remuneration structure. Considering key personnel for Vietnam Pharmaceutical Manufacturing Factory. Proposed remuneration budget for 2017 and bases for budget allocation. Establishing 03 regulations about dealing with related persons; Appointment / dismissal of managers; Capital Representative at subsidiaries 	<p>Approving the regulations, proposing reward policies and wage unit prices.</p> <ul style="list-style-type: none"> Planning key management positions. An overview of HR policies. Evaluating the performance of the Board of Directors and development plans. Considering remuneration for the Board of Directors, the General Director and senior managers of Traphaco.





In 2016, Traphaco was stepping up the review and strengthening of the foundations for Corporate Governance issues including:

COMPLIANCE WITH VIETNAM LAWS ABOUT CORPORATE GOVERNANCE AND INFORMATION DISCLOSURE

As one of the leading pharmaceutical companies in Vietnam, Traphaco strictly adheres to Corporate Governance frameworks in the Law on Enterprise and specific regulations governing corporate governance in the circular No. 121/2012 / TT-BTC of the Ministry of Finance on listing and listing supervision of the Ho Chi Minh City Stock Exchange.

In addition to building a Corporate Governance framework based on compliance with Vietnamese laws in combination with the application of international and regional practices in Corporate Governance, Traphaco has been developing and issuing our system of internal regulations aims to create a unified and consistent management mechanism to control and supervise Traphaco's operations professionally and transparently.

In 2016, Traphaco also reviewed and amended our Regulations in accordance with Circular 121/2012 / TT-BTC, Law on Enterprise 2014, Law on Securities.

Any other information relating to the management, business activities of enterprises and abnormal information are assured to disclosure by Traphaco within the time limit and ensure transparency with all the shareholders, investors and other related parties.

ENHANCING CORPORATE GOVERNANCE CAPACITY ON THE BEST PRACTICES OF THE INTERNATIONAL COMMUNICATIONS

With Traphaco, improving the quality of corporate governance is an important content in the development strategy to build a strong administration system based on applying the best international practices, comparing with strength of the sources in the whole system to control and supervise the operation of the business in a responsible, transparent and efficient way.

In 2016, Traphaco focused on research and adherence to the Corporate Governance Manual (OECD) to regularly update corporate governance practices internal and external Vietnam.

IMPLEMENTATION OF THE REGULATORY STANDARDS UNDER THE ASEAN MANAGEMENT TARGET

This was also the first year, Traphaco applied and compared pilotly the criterion under the ASEAN management scorecard with the Company's operations to improve management capacity and support members of the Board of Directors, Board of Management and Board of Inspector to understand and apply corporate governance scorecard principles related to shareholder rights, stakeholder roles, disclosure and transparency of the Board to help the company to grow sustainably in the long-term.

ENHANCING CAPABILITY OF MANAGEMENT FOR MEMBERS OF BOARDS, BOARD OF SUPERVISORS, BOARD OF DIRECTORS AND MANAGEMENT OFFICERS THROUGH TRAINING COURSES ON CORPORATE GOVERNANCE

Strengthening the training of corporate governance in line with international standards with senior leaders of the whole system is one of the key objectives of Traphaco. Therefore, in 2016, the Company held corporate governance training courses for senior leaders with the purpose of improving corporate governance knowledge and skills in accordance with the laws of Vietnam and International standards for members of the board of directors, board of CEO, board of inspection, and other managers in the Company and its subsidiaries.






ANALYSIS OF TRAPHACO'S GOVERNANCE SCORECARD BASED ON THE GOVERNANCE SCORECARD OF ASEAN REGIONAL

SECTION A. RIGHTS TO SHAREHOLDERS

 Perform well


 Perform not enough

 Not perform following the practices















Code	Status	Criteria until 2016	Evaluation
A.1.1	Pay dividends within 30 days after publication		Traphaco was performing well this practice, which was stated in the Annual Report
A.2.1	Amend the company regulations		Traphaco proceeded to consult the General Meeting of Shareholders on the amendment of the Company's Regulations at the congresses but had not included the amendment of the Company's regulations into the agenda
A.2.2	Enable the issuance of additional shares		Traphaco will collect shareholders' opinions by documents or submit to the General Meeting of Shareholders to approve the plan of additional issuance of shares at the congresses.
A.2.3	Transfer all or most of the Company's assets, resulting in the sale of		Traphaco did not happened this issue
A.3.1	Shareholders have the opportunity to show off by the content on the agenda, through the remuneration or any increase in remuneration for members of the Board of Directors does not control?		Traphaco was doing well on this practice
A.3.2	Shareholders have the right to control the right to nominate members of the BOD		Traphaco was doing well on this practice. The regulations on the nomination of candidates for the Board of Directors / Board of Inspectors had been announced on the Company's website before the General Meeting of Shareholders and voted before the election.
A.3.3	Shareholders have the right to vote for each member of the BOD		Traphaco followed this practice well: for the election agenda, the Board of Directors has an Electoral Regulations that clearly defines the voting rules for shareholders.
A.3.4	Does the company announce nominating and voting procedures to be used, announcing both of these procedures before the congress?		Traphaco successfully implemented that practice: Nomination and voting procedures are announced on the website before the congress
A.3.5	Minutes of the meeting noted that shareholders have the opportunity to ask questions and raise issues at AGM.		Reports of previous General Meeting of Shareholders noted the discussion with the shareholders, but have not reported the details of the questions and answers.
A.3.6	Meeting reports showed the questions of shareholders and corresponding answers.		Traphaco noted the questions in the discussion, but did not report details of shareholders' questions and corresponding responses in the report of the General Meeting of Shareholders before 2016.
A.3.7	The announcement of the results of the latest General Meeting of Shareholders includes the resolutions of the General Meeting of Shareholders		Traphaco always announce all resolutions approved by the General Meeting of Shareholders



 Perform well

 Perform not enough

 Not perform following the practices














Code	Status	Criteria until 2016	Evaluation
A.3.8	The company would announce the result of the vote including the number of for, against and blank votes for each draft of comments to the nearest General Meeting of Shareholders.		Traphaco stated the results of voting for each draft of comments of the nearest General Meeting of Shareholders
A.3.9	Did the company announce the list of board members attending the General Meeting of Shareholders?		Traphaco clearly stated the list of Board members to participate in the General Meeting of Shareholders
A.3.10	Did the Chairman of the Board attended the meeting?		Traphaco has performed these points well for many years, and senior executives of the Company, such as the Chairman, the General Director and the Chief Financial Officer, attend the congresses.
A.3.11	Did General Director attended the meeting.		
A.3.12	Did the manager of the audit committee attend the nearest General Meeting of Shareholders		
A.3.13	Did the company held the latest GSM in a convenient location		Traphaco has held congress for many years at the headquarter of the Company to facilitate any shareholders attending the meeting
A.3.14	Did the company allow voting for absence		The company allows absent voting through an authorized representative following the Company's regulations
A.3.15	All resolutions at the AGM are passed by votes, not by hand-showing.		Traphaco performed well this action.
A.3.16	The Company appoints an independent party to count the votes and supervise the vote counting process at the AGM		Traphaco made this point from the General Meeting of Shareholders for the term 2012-2020 with the participation of representatives of the State Capital Investment Corporation (SCIC) but has not included in the minutes of the meeting.
A.3.17	Voting results for all resolutions at the latest General Meeting of Shareholders are publicly available on the business day following the AGM.		Traphaco always complies with the Resolution and Report of Meeting and the Report of vote counting and notes them all on the website.
A.3.18	At least 21 days in advance of notice for all participating companies for all resolutions		Traphaco announced the documents and documents of the General Meeting 15 days before to the date of the General Meeting of Shareholders from the 2016 General Meeting of Shareholders.
A.3.19	The reports in the General Meeting of Shareholders provide sufficient information on the issue which should be approved in the Meeting.		Document of the General Meeting of Shareholders of Traphaco provided sufficient information and basis on issues to submit to the General Meeting of Shareholders for approval.
A.4.1	In the event of merger and consolidation which needs approval of the Meeting, the Board of Directors appoints an independent party to review the fairness of the transaction present		There has not happened in Traphaco beforehand.
A.5.1	The company has published policies and activities to encourage shareholders, especially holding shareholders to attend the Meeting and participate in other important decisions of the company.		Traphaco disclosed that issue in its annual report (about shareholder relations, policies on encouraging shareholders to exercise their rights, enabling shareholders to cast their votes).

SECTION B: FAIRLY TREATMENT WITH SHAREHOLDERS

 Perform well

 Perform not enough


 Not perform following the practices

Code	Status	Criteria until 2016	Evaluation
B.1.1	Each common stock of the company has one vote		Traphaco made this point
B.1.2	In case the company has more than one type of share, the company announces the corresponding voting rights for each type of shares.		Traphaco announced the content of "the company has only one type of common stock" in the announcement list, financial statements and annual reports.
B.2.1	Each adopted resolution contains only one content.		Traphaco included the content approved by the shareholders in a resolution of the General Meeting of Shareholders
B.2.2	Notice and translate documents of the General Meeting of Shareholders are and publish them on the same day as the documents of the General Meeting of Shareholders in Vietnamese since the Meeting in 2017.		Traphaco published the documents of the General Meeting of Shareholders in English on the same day as the documents of the General Meeting of Shareholders in Vietnamese since the GMS 2017
B.2.3	Provide profiles of the candidates for the board (including information such as age, degree, first appointment, experience, and positions held by the Board of Directors at other listed companies).		Traphaco has announced the candidate's profiles.
B.2.4	Documents show the list the audit companies to choose from		Traphaco performed this content well according to the General Meeting of Shareholders to approve the list of independent auditing companies.
B.2.5	The documents of the General Meeting of Shareholders explain the dividend policy.		Traphaco had a policy of dividing the dividend but not included in the documents of the General Meeting of Shareholders
B.2.6	The document of the GMS specifically announces the level of dividend payment.		Traphaco has stated the dividend rate
B.2.7	The Paper of Attorney for the General Meeting of Shareholders is provided		Traphaco performed well this content
B.3.1	The regulation of prohibiting members of the BOD and employees from gaining profit from the knowledge must not published outside		Traphaco performed well this content
B.3.2	Members of the BOD are required to report on their stock transactions within 3 working days.		Traphaco implemented this criterion in accordance with Circular 155/2015 / TT-BTC
B.4.1	Does the Company have a policy requiring board members to disclose relevant interests in transactions and any conflict of interest with the Company?		Traphaco regulated this content in the Company Resolution
B.4.2	The company requires a separate board of directors to review important transactions to determine that they are beneficial to the company and to its shareholders.		Traphaco needs to supply this Regulation





Traphaco needs to supply this Regulation in its Charter and Administration Regulations to comply with this criterion















 Perform well

 Perform not enough


 Not perform following the practices

Code	Status	Criteria until 2016	Evaluation
B.4.3	The company has a requirement that members of the Board of Directors with related interests are not		It was well implemented by Traphaco
B.4.4	The Company has a loan policy for members of the BOD, which prohibits that activity or ensure that the loans are made on a reasonable transaction basis at the market interest rates		Traphaco performed well this regulation.
B.5.1	Is there any GDBLQ that provides financial support to units that are not subsidiaries?		Traphaco does not have any financial support for a third party other than a subsidiary for the purpose of controlling or obtaining profits. This content has been clearly stated in the dealings with related parties on Page
B.5.2	The company affirms its fairness and transparency in dealing with third parties		Traphaco performed well this content










SECTION C. ROLE OF PARTIES WITH RELATED RIGHTS

Code	Status	Criteria until 2016	Evaluation
C.1.1	1 Provide regulations and enforce efforts to protect clients.		Traphaco announced this policy on Annual Report and the Sustainable Development Report.
C.1.2	The company explained the principle of selecting its suppliers.		Traphaco just mentioned the selection criterion of suppliers, not explained in detail the principle of selecting suppliers.
C.1.3	The company announced its policy of ensuring an environmental friendly value chain and towards for sustainable development.		Traphaco published this policy extensively on mass media channels and in the reports
C.1.4	The company has a clear policy of supporting the community.		Traphaco published that policy in its Sustainable Development Report
C.1.5	The company publicized the anti-corruption program and procedures.		Traphaco had anti-corruption programs but has not yet announced
C.1.6	The company has a policy to protect its creditors		Traphaco has not built this policy due to the new sales policy since 2014 to collect money immediately
C.1.7	Health and safety of customers		Traphaco published this policy on the Annual Report and the Sustainable Development Report.
C.1.8	Criteria for selection of suppliers		Traphaco announced this policy on the Annual Report and the Sustainable Development Report.
C.1.9	Environmentally friendly Value Chain		Traphaco published this policy extensively on mass media channels and in reports.
C.1.10	Interaction with the community		Traphaco presents very specifically and illustratively activities for the community
C.1.11	Anti-corruption program and process		Traphaco had anti-corruption programs but has not yet announced
C.1.12	Trader's rights		Traphaco has not developed this policy due to its new sale policy since 2014 for immediate collection










 Perform well

 Perform not enough

 Not perform following the practices

Code	Status	Criteria until 2016	Evaluation
C.1.13	The company has a section on social responsibility or the Sustainability Report		Traphaco performed well in this section
C.2.1	The company provides contact information on its website and the Annual Report for the related parties to be contacted for any questions or complaints.		Traphaco identified the contact point and the investor relations department on the Company's Annual Report and website
C.3.1	The company states the health, safety and welfare policies for its employees.		Traphaco has clearly stated this policy on the Annual Report and the Sustainable Development Report
C.3.2	The company publishes specific figures related to health, safety and well-being staff.		Traphaco did well and is fully covered that issue in the Sustainable Development Report
C.3.3	The company trains and develops programs for employees.		Traphaco fully disclosed in its annual report and sustainable development report
C.3.4	The company publishes specific data on training, training and development programs for staff.		Traphaco fully disclosed in its annual report and sustainable development report
C.3.5	The company has a policy of reward based on the performance of the company for a long term.		Traphaco did well and fully provided the salary and bonus policies for employees in the Sustainable Development Report
C.4.1	The company has procedures for employees to report violations in the company.		Traphaco did not implemented this content
C.4.2	The company has a policy to protect employees from alleged infringement within the company.		

SECTION D. INFORMATION DISCLOSURE & TRANSPARENCY












Code	Status	Criteria until 2016	Evaluation
D.1.1	Disclosure of ownership information: the name of the major shareholder holding 5% or more of shares		Traphaco implemented this content.
D.1.2	Disclosure of direct and indirect ownership of major shareholders		Traphaco made a very specific announcement in its Annual Report
D.1.3	Disclosure of ownership information: both the direct and indirect shareholders held by the members of the BOD		Traphaco made a very specific announcement in its Annual Report
D.1.4	Disclosure of ownership information: both direct and indirect shareholdings held by BOE		Traphaco made a very specific announcement in the Annual Report
D.1.5	Disclosure of detailed information on holding company, subsidiaries, associated companies and joint ventures		Traphaco made a very specific announcement in the Annual Report
D.2.1	The annual report discloses the Company's main risks		Traphaco made a very specific announcement in the Annual Report
D.2.2	Announced Annual Report: Company Goals		Traphaco made a very specific announcement in its Annual Report
D.2.3	Annual financial statements: Financial indicators, such as ROA, ROE, EPS, etc.		Traphaco made a very specific announcement in its Sustainable Development Report and Annual Report
D.2.4	Annual Report including: Non-financial indicators, such as market share or customer satisfaction index.		Traphaco made a very specific announcement in the Annual Report




 Perform well

 Perform not enough














 Not perform following the practices

Code	Status	Criteria until 2016	Evaluation
D.2.5	Annual report included: Dividend policy, detail of payment policy, expected dividend ratio		Traphaco made a very specific announcement in the Annual Report
D.2.6	Annual report included: Traphaco's misdemeanor policy		Traphaco did not build this policy
D.2.7	Annual Report included: The profiles of a member of the Board of Directors includes the following information: age, degree, first appointment date, relevant experience and positions in the Board of Directors that the member holds in other listed companies		Traphaco made full disclosure in its Annual Report
D.2.8	Annual Report included: Training programs for each member of the BOD during the assessment year		Traphaco made very specific disclosure in the Report of the Management of the Common Report 2016
D.2.9	Annual report included: Number of meetings of the BOD		Traphaco made full disclosure in its Annual Report
D.2.10	Annual Report included: Details of attendance of each member of the BOD meeting		Traphaco made a very specific announcement in the Corporate Governance chapter of the Annual Report for 2016
D.2.11	Annual report published: Details of remuneration of each member of the BOD		Traphaco announced the remuneration of each member of the Board of Directors in its Annual Report for 2016
D.2.12	Annual report included: Acknowledgment of the company on the fact that full regulations of Corporate Governance has been completed.		Traphaco announced the implementation of corporate governance regulations in the Annual Report / Management Report
D.3.3	Disclosing information on key transactions of related parties: nature and value of each important transaction between the company and related parties.		Traphaco specifically announced in its 2016 Corporate Governance Annual Report
D.3.1	Requesting the company to set policy for reviewing and approving the key transactions of related parties		Traphaco did not implemented this policy
D.3.2	Providing information on significant transactions with related parties: Name and relationship between the company and related parties		Traphaco specifically announced in its 2016 Corporate Governance Annual Report
D.4.1	Announcement of share transaction of internal shareholders		Traphaco announced it on details in the annual report of the company's chapter of Corporate Governance in 2016.
D.5.1	Announcement of auditing fee		Traphaco did not announced this content
D.5.2	Announcement of non-audit fees		
D.5.3	The company had non audit fees more than auditing fee or not		
D.6.1	Quarterly report		Traphaco published very fully
D.6.2	Company website		
D.6.3	Expert Opinion		
D.6.4	Information on media channels or press conference		Traphaco has been spreading business information extensively and regularly on the internet and mass media channels









 Perform well

 Perform not enough

 Not perform following the practices

Code	Status	Criteria until 2016	Evaluation
D.7.1	Financial statements are published within 120 days of the end of the fiscal year		Traphaco complied fully with this regulation.
D.7.2	Annual report is published within 120 days of the end of fiscal year		Traphaco fully disclosed this content.
D.7.3	Confirmation of responsibility for the preparation and fair presentation of consolidated financial statements from the BOD and related individuals		Traphaco fully disclosed that content
D.8	Website of the Company. The company has a website that publishes updates about:		
D.8.1	Business Operations		Provided full and up-to-date information
D.8.2	Current and previous financial statements		
D.8.3	3 Documents are provided in reports sent to analysts and media channels		Traphaco has not updated that information on its website
D.8.4	Ownership structure		
D.8.5	Shareholder structure		
D.8.6	Annual reports are downloadable		
D.8.7	Announcement and Documents of Annual and Extraordinary Meeting of Shareholders Meeting		Provide full and updated information regularly
D.8.8	Documents of Annual and Extraordinary Meeting of Shareholders		
D.8.9	Company Regulations		
D.9.1	Publishing contact details of the investor relations officer (telephone, fax and email)		

SECTION E. RESPONSIBILITIES OF THE BOARD OF DIRECTORS









Code	Status	Criteria until 2016	Evaluation
E.1.1	Announcement of Corporate Governance Policy, Board of Directors Regulations		Traphaco fully announced it on the Company's website
E.1.2	Declaring types of decisions adopted by the Board of Directors		Decisions were publicly available following the law
E.1.3	The roles and responsibilities of the BOD are clearly defined		Traphaco fully disclosed that in its Annual Report, Company Governance Regulations and Company Charter
E.1.4	The company makes a statement about vision and mission		Traphaco fully disclosed that in its Annual Report
E.1.5	BOD considered the vision and mission / strategy in the latest fiscal year		The BOD reviewed the strategy periodically
E.1.6	The BOD is involved in overseeing the implementation of the company strategies in the most recent year		Traphaco fully implemented this content
E.2.1	The company publishes the code of ethics		Traphaco did not have a code of ethics
E.2.2	The Company states that all members of the BOD, BOE and staffs are required to comply with the Code of Conduct.		



 Perform well

 Perform not enough

 Not perform following the practices

Code	Status	Criteria until 2016	Evaluation
E.2.3	The company states how to enforce and control compliance with the Code of Conduct		
E.2.4	The BOD has at least 50% of independent members		Traphaco did not meet this requirement. The Board of Directors of Traphaco has one independent member out of 07 members of the Board
E.2.5	Are independent members independent of the BOD and major shareholders?		Independent members of the Board of Directors of Traphaco guaranteed this requirement
E.2.6	The company has limited term limits for independent members of the board of directors for no more than nine years		Traphaco is in compliance with the Regulations which shows that the term of the Board of Directors are not more than 05 years
E.2.7	The company has set a policy: Each member of the independent or non-executive BOD is allowed to hold up to 5 positions of the Board at the same time in other listed companies.		Traphaco did not set this policy
E.2.8	The Company has independent members of the BOD holding a total of more than 5 positions in the BOM in other listed companies.		
E.2.9	The Company has a member of the BOD holding more than two positions in the Board of Directors in other listed companies outside the company.		
E.2.10	The company has a personnel subcommittee		Traphaco has a Personnel and Salary subcommittee
E.2.11	Members of the subcommittee are mostly independent members (over 50%)		Traphaco did not fulfilled this requirement due to the limited number of BOD members
E.2.12	The chairman of the subcommittee is a member of the Board		Traphaco performed well that content
E.2.13	The company publishes the roles, tasks, and charter of its personnel subcommittee		Traphaco fulfilled these requirements well in the Annual Report
E.2.14	The personnel committee meets at least twice a year		In 2016 the personnel and payroll committee held six meetings
E.2.15	Participation of members in the meetings of the personnel sub-committee is announced publicly		The content of the meetings of the Personnel Sub-group has been reported in the Annual Report, but the members' participation in the meeting have not been revealed in detail.
E.2.16	The company has a compensation committee		Traphaco has a Personnel and Salary subcommittee
E.2.17	Remuneration Subcommittee members are mostly independent members (more than 50%)		Traphaco did not fulfilled this requirement due to the limited number of BOD members
E.2.18	The Chairman of the Remuneration Committee is an independent member of the Board		Traphaco performed well this content
E.2.19	The company publishes the roles, duties, and operating rules of the remuneration sub-committee		Traphaco performed well this content
E.2.20	The compensation committee meets at least twice a year		In 2016 the staff and remuneration committee held six meetings
E.2.21	Disclosure of particulars for the meeting of the members of the remuneration sub-committee		The content of the meetings of the Personnel Subcommittee was reported in the Annual Report, but details of the members' participation in the meeting did not be disclosed.
E.2.22	The company has Audit Committee		Traphaco had an Audit Committee

 Perform well


 Perform not enough

 Not perform following the practices

Code	Status	Criteria until 2016	Evaluation
E.2.23	The audit committee consists of all non-executive board members with a majority of independent members		03 members of the audit committee are non-executive board members but not independent from the BOD
E.2.24	The chairman of the audit subcommittee is an independent member of the board of directors		Traphaco did not fulfilled this requirement due to the limited number of BOD members
E.2.25	The company has announced the operating regulation / governance structure / regulations of operation of the audit subcommittee		Traphaco published the functions and duties of the audit subcommittee in the Annual Report
E.2.26	Annual Report published biography, professional qualification of the members of the audit committee		Traphaco implemented this content in its Annual Report
E.2.27	There is at least one independent member of the subcommittee with accounting experiment		02 independent members of subcommittees had accounting certificate and professional auditors
E.2.28	The audit subcommittee meets at least four times a year		The audit committee held a meeting in the form of comment by documents
E.2.29	Participation of members in the meetings of the personnel sub-committee is announced publicly		The contents of the Audit Committee meetings have been reported in the Annual Report, but no details have been published about the attendance of the members of the meeting.
E.2.30	The audit committee is primarily responsible for making recommendations on the appointment and dismissal of independent auditors		Traphaco did not meet this requirement well, the main responsibility was belonged to the Board of Supervisors, the Audit Committee coordinated and advised the Board
E.3.1	BOD meetings are planned before the start of the financial year		The whole board meeting schedule was scheduled at the start of the financial year
E.3.2	Board members meet at least 6 times a year		In 2016, the Board of Directors of Traphaco carried out 8 meetings with the full participation of the Board members, which wasreported at theAnnual Report
E.3.3	Each member of the BOD participated in at least 75% of the total number of BOD meetings in the assessment year		
E.3.4	Does the company require a passing rate of approval of at least 2/3 of the BoD decisions?		Currently Traphaco was requiring for rates that are too high under the Law on Enterprise and the Regulation.
E.3.5	Having at least one meeting among non-executive members of the BOD without the presence of executive members during the assessment year.		Traphaco did not implement this regulation
E.3.6	Documents for the meetings are available for a minimum of 5 business days prior to the meeting		This content was included in the Traphaco Regulations and is performed well
E.3.7	The company secretary plays an important role in assisting the Board of Directors in carrying out		Traphaco's responsibilities as stated in the Company Regulation
E.3.8	The company secretary is trained in legal, accounting or corporate letter practices		The company's full-time secretary is trained in accounting, know the regulations of auditing and accounting, Law on Enterprises, Law on Securities, etc.
E.3.9	The company announces criterion for selecting a new member for the BOD		The criterion for selecting new members for the BOD are specified in the Regulations on the nomination of candidates for the Board of Directors and announced on the Company's website before the meeting.




 Perform well

 Perform not enough













 Not perform following the practices

Code	Status	Criteria until 2016	Evaluation
E.3.10	The company discloses the procedures used to appoint new board members		Traphaco set up a new member nomination procedure for the Board in the Regulations to nominate members of the Board of Directors and announced it on the Company's website before the meeting.
E.3.11	All positions of the Board of Directors must be re-elected at least once every 3 years		The term of office of each member of the Board of Directors in Traphaco is 05 years
E.3.12	The Company publishes remuneration policies and practices (fees, benefits, artifacts and other grants) to members of the Board of Directors and General Directors.		Traphaco announced it in its Annual Report
E.3.13	Remuneration structure of non-executive members of the BOD		
E.3.14	3.14 Shareholders and the Board of Directors approve the remuneration of the management		Remuneration of members of the Board of Directors was approved by the General Meeting of Shareholders
E.3.15	3.15 Non-executive independent members are entitled to purchase shares and bonus shares		In fact, the issuance of additional shares at Traphaco is for 02 issues objects: Employees and / or existing shareholders at the time of closing the list of shareholders
E.3.16	The company has its own internal audit function		
E.3.17	Declaring the identity of the head of the internal audit department or, in case of hiring outsourced services, the name of the independent service company		Traphaco did not have its own internal audit department
E.3.18	The appointment and dismissal of internal auditors must be through the Board of Inspectors		
E.3.19	The company discloses internal control procedures and risk management systems that the company is implementing		Traphaco had a risk management process and was announced in 2016, however, the company had no internal control process
E.3.20	The Annual Report announced that members of the BOD have reviewed the company's key controls and risk management systems.		Traphaco performed well this issue
E.3.21	The company discloses how to manage key risks		Traphaco classified risks, presents key risk management approaches and disclosed them in the Annual Report 2016.
E.3.22	The Annual Report presents statement of members of the Board of Directors or the Audit Committee on the adequacy of the internal controls of the company's risk management system		The Annual Report has not yet made this statement
E.4.1	Two different people assume the position of Chairman and CEO		Traphaco met this criteria
E.4.2	The Chairman is an independent member		Traphaco did not meet this criteria
E.4.3	The Chairman of the Board has been the CEO of the company for 3 years		Traphaco did not met this condition
E.4.4	Company discloses roles and responsibilities of the Chairman		Traphaco had the responsibilities of the Chairman in the Regulations of the company, the Regulations on the operation of the Board but not widely announced.
E.4.5	The company has non-executive directors who have professional experience in the company's core business		Independent members of the Board have expertise and experience in main fields of the Company

 Perform well

 Perform not enough

 Not perform following the practices

Code	Status	Criteria until 2016	Evaluation
E.4.6	The company announces the diversification policy of the BOD		<p>Traphaco's current members of the BOD are professionals in the main major of the company and other legal and financial sectors.</p> <p>Traphaco evaluated the performance of the Board of Directors and disclosed them in its annual report under specific headings. However, it is necessary to announce annual performance standards and procedures. In addition, the content of Section E.5 in 2017 should be contrasted and supplemented</p>
E.5.1	The company has an orientation program for new members of the BOD		
E.5.2	The Company has a policy of encouraging members of the Board to participate in continuously professional training		
E.5.3	The company announces how its members of the Board build the plan for the position of the CEO and Chairman.		
E.5.4	A member of the Board conducts an annual performance review for the CEO and Chairman		
E.5.5	The company conducts an annual performance review of the Board of Directors		
E.5.6	The company publishes an annual performance review process for the BOD		
E.5.7	The company declares the criteria used in the BOD evaluation		
E.5.8	The company conducts an annual performance review for each member of the Board		
E.5.9	The company publishes an annual performance review process for each member of the Board		
E.5.10	The company has announced the annual performance criteria for each member of the Board of Directors		
E.5.11	The Company conducts annual performance reviews for each subcommittee		

Evaluating the implementation according to the company management card of Traphaco JSC:

This is Traphaco's first year of implementing the ASEAN Scorecard of Corporate Governance in order to be closer to the regional corporate governance standards as well as to self-assess the company's corporate governance and promote the company's management, which can ensure the sustainable development of the enterprise.

This is Traphaco's first year of implementing the ASEAN Scorecard of Corporate Governance in order to be closer to the regional corporate governance standards as well as to self-assess the company's corporate governance and promote the company's management, which can ensure the sustainable development of the enterprise.

In addition, high scoring fields need to be paid more attention than the responsibilities of Board of Directors. A number of solutions need to be taken to improve the scorecard management and management competency ability of Traphaco Joint Stock Company as follows:

1. Complete and publish the English version of the Regulations of Traphaco, Management Regulations, Regulations on the Organization of the Board of Directors and other important internal regulations.
2. Deploy details of shareholder questions and answers of the Presidium at the Report of the Annual General Meeting of Shareholders 2017
3. Develop a roadmap for the required percentage of independent members in the Board required by the ASEAN Management Point and the Ministry of Finance's Circular 121/2012 / TT-BTC.
4. Continue to improve the drawbacks that were not performed well according to the practice and in the evaluation of the ASEAN Regional Scorecard.





REMUNERATION OF MEMBERS OF THE BOD AND BOI

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

- ♥ Remuneration for BoD Members: VND3,500,000,000
- ♥ Remuneration for the Board of Inspectors: VND 600,000,000

Payment principle:

The payment of monthly remuneration to members shall comply with the limits stipulated in the Board of Directors' Decision on the promulgation of regulations on remuneration, bonus and operating expenses for members of the Board of Directors, General Director and member of Board of Inspectors of Traphaco JSC.

Remuneration paid in 2016:

Based on the above remuneration criterion and the number of members of the Board of Directors, the Board of Inspectors in reality at each time in 2016, the remuneration situation for the members of the Board of Directors and the Board of Inspectors in 2016 in particular. as follows:

Unit: VND

Remuneration Amount for members of the BOD in 2016

Full name	Executive	Officer	Term of	Appointment/ dismissal	Monthly remuneration
Ms. Vu Thi Thuan	x		Term of 2011- 2016, 2016 - 2020	Appointment date 30/03/2016	86,000,000
Mr. Tran Tuc Ma		x	Term of 2011- 2016, 2016 - 2020		31,000,000
Mr. Nguyen Anh Tuan	x		Term of 2016 - 2020		36,000,000
Mr. Nguyen Hong Hien	x		Term of 2016 - 2020		31,000,000
Mr. Marcus John Pitt	x		Term of 2016 - 2020		88,000,000
Mr. Chad Ryan Ovel	x		Term of 2016 - 2020		52,000,000
Mr. Christopher E. Freund	x		Term of 2016 - 2020		21,000,000
Ms. Nguyen Thi Lan		x	Term of 2011- 2016	Leave the position 30/03/2016	73,000,000
Mr. Nong Huu Duc		x	Term of 2011- 2016		69,000,000
Mr. Le Tuan	x		Term of 2011- 2016		70,648,148
Mr. Tran Manh Huu	x		Term of 2011- 2016		18,877,315

The remuneration of Mr. Christopher E. Freund and Mr. Chad Ryan Ovel in 2016 are transferred to the Chairman.

Remuneration level for members of the Board of Inspection in 2016

Unit: VND

Full name	Term of	Appointment/ dismissal	Monthly remuneration
Mr. Duong Duc Hung	Term of 2016-2020	Appointed 30/03/2016	26,000,000
Do Thi Khanh Van	Term of 2011-2016, 2016-2020		10,800,000
Nguyen Thanh Hoa	Term of 2016-2020		10,000,000
Secretary	Term of 2016-2020		5,300,000
Pham Thi Thanh Duyen	Term of 2011-2016	Leave the position 30/03/2016	22,700,000
Nguyen Thi Luong Thanh	Term of 2011-2016		10,000,000

Trading of shares of internal shareholders

The person performing the transaction	Position / Relationship with internal people	Number of shares at the beginning of the period		Number of shares at the end of the period		Reason for increase or decrease
		Number	Percentage	Number	Percentage	
Ms. Nguyen Thi Bao Van	Daughter of the Chairman	70,000	0,28%	60,942	0,18%	Sell 26,470 shares from 08 March to 05 April 2016

TRANSACTIONS WITH RELATED PARTIES

Important transactions between Traphaco JSC and other related parties in 2016 including:

Unit: VND

Related parties	Transaction	Remuneration amount
Big shareholders		
State capital trading corporation (SCIC)	Dividend payment for the year 2016	26,404,488,000
Vietnam Azalea Fund Limited	Dividends in 2015 pay in 2016	18,502,476,000
Vietnam Holding Limited	Dividends paid in 2016	7,721,244,000
Subsidiaries		
Traphaco Sapa Single member limited liability company	Buy	29,210,576,542
	Sell	15,878,847,223
Traphaco High Tech Joint Stock Company	Buy	324,729,772,213
	Sell	22,974,562,440
	Dividend received	9,653,310,000
Dak Lak Pharmaceutical and Medical Equipment Company	Sales	27,706,951,521
	Dividends received	1,356,325,200
Thai Nguyen Medical Supplies Pharmaceutical Joint Stock Company	Buy	6,388,540,000
	Sell	37,298,055,384
	Dividend received	330,719,357
	The proceeds from the sale of the entire 51.01% of the shares are owned	19,498,113,7
Affiliate companies		
Quang Tri Medical Supplies Pharmaceutical Joint Stock Company	Sales	10,067,953,659
	Dividends received	125,710,000



SHARE INFORMATION AND RELATIONSHIP OF SHAREHOLDERS

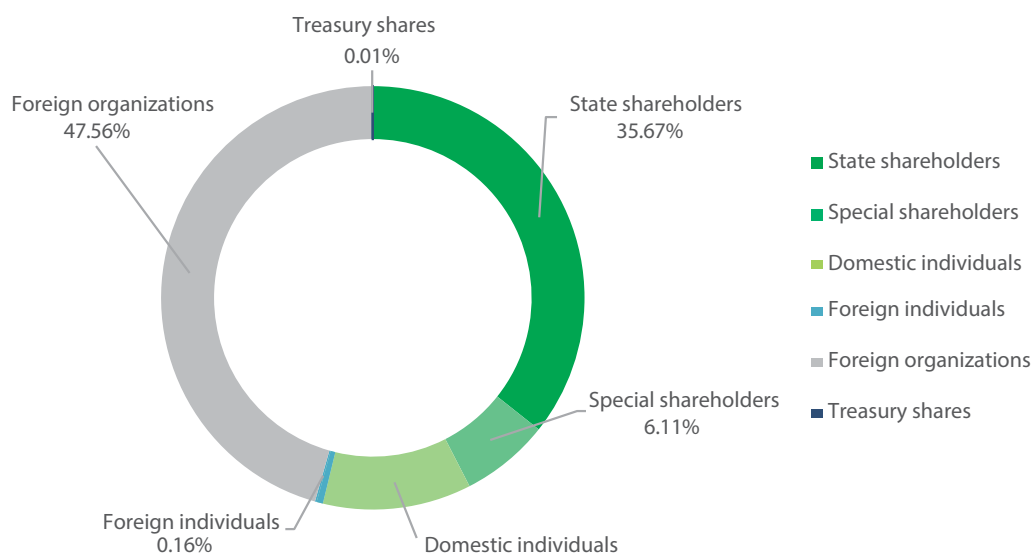


SHARES INFORMATION

TRA stock information (as of December 31, 2016)

Stock code	TRA
Chartered capital of the company	VND345.5 billion
Number of listed shares	34,545,516 shares
Type of stock	General
Number of outstanding shares (31/12/2016)	34,542,383 shares
Market capitalization (31/12/2016)	VND3,937.8 billion

Ownership structure



LIST OF SHAREHOLDERS SHARING OWNERS OVER 5% OF SHAREHOLDING CAPITAL OF THE COMPANY

Company name Business	Registration number	Address Number	shares	Percentage (%)
State Capital Investment Corporation	0101992921	No. 117 Tran Duy Hung Str, Trung Hoa Ward, Cau Giay District, Hanoi	12,322,094	35.67
Vietnam Azalea Fund Limited	CS6153	8th Floor, Capital Palace, 6 Thai Van Lung Str, District 1, Ho Chi Minh City	8,634,488	24.99
VIETNAM HOLDING LIMITED	CS1077	Collas Crill Corporate Services Limited, Willow House, Cricket Square, PO Box 709, Grand Cayman KY1 - 1107, Cayman Islands	3,603,247	10.43

SHAREHOLDER STRUCTURE BY 28 FEBRUARY 2017 – THE FINAL DAY FOR CREATING THE LIST

Subject	Restriction of transfer	Free transfer	Total	Ownership rate (%)
Special Shareholders	0	2,110,010	2,110,010	6.11%
Board of Directors		1,548,111	1,548,111	4.48%
Of which: - Domestic	0	1,548,111	1,548,111	4.48%
- Foreign	0	0	0	0
<i>(Not including the representatives of the organization)</i>				
Board of Management (not including members of the BOD)	0	456,502	456,502	1.32%
Board of Inspection	0	2,000	2,000	0,01%
Chief Accountant	0	46,155	46,155	0.13%
Authorized people of general public	0	57,242	57,242	0.17%
Treasury shares	443	2,690	3.133	0.01%
Other shareholders	5.560	32,426,713	32,432,373	93.88%
Domestic	5.560	15,940,912	15,946,472	46.16%
Personal	5.560	3,618,412	3,623,972	10.49%
Organization	0	12,322,500	12,322,500	35.67%
In which, the state:	0	12,322,094	12,322,094	35.67%
Foreign	0	16,485,901	16,485,901	47.72%
Individual	0	55,359	55,359	0.16%
Organization	0	16,430,542	16,430,542	47.56%
TOTAL:	5.560	34,539,513	34,545,516	100%



STATICS OF TRANSACTIONS

Trading stock price	Day	Price
Closing price at the end of the year	30/12/2016	VND114,000 per share
Highest price	07/10/2016	VND127,700 per share
Lowest price	02/02/2016	VND55,400 per share
Price fluctuation in the year		VND+24,000 (+ 26.7%)
Volume at the end of the year	31/12/2016	0
Highest	09/06/2016	144.390
Lowest	02/02/2016	7
Average daily trade		5.062

MARKET PERFORMANCE IN 2016

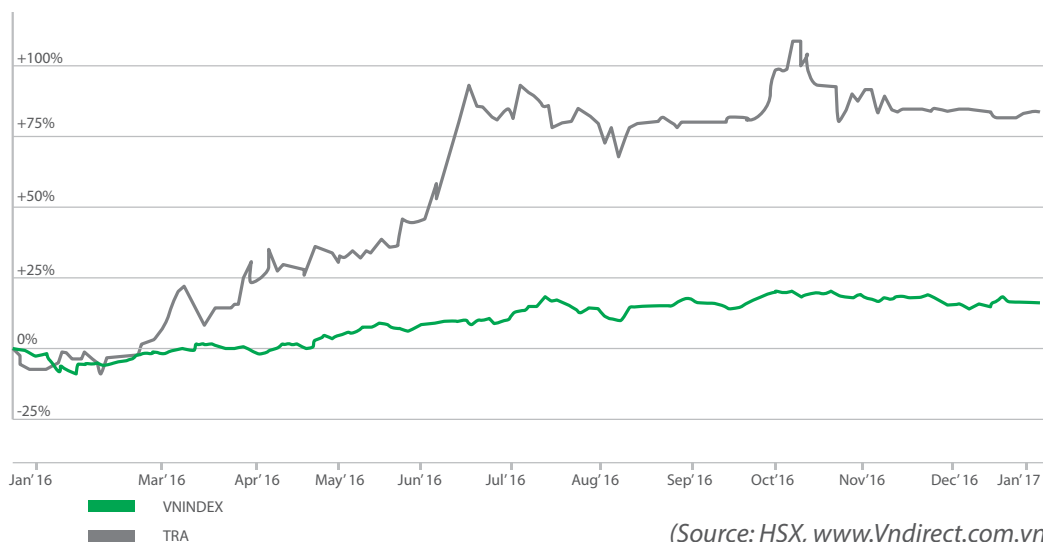
Chart of closing price of TRA shares from 01/01/2016 to 31/12/2016



(Source: HSX, www.Vndirect.com.vn)

Traphaco shares (TRA) price in 2016 fluctuated while its lowest price reached VND55,400, the highest price reached VND127,700, the difference was VND72,300, equivalent than 130.5%.

Chart compares the performance of TRA and VNINDEX from 01/01/2016 to 31/12/2016

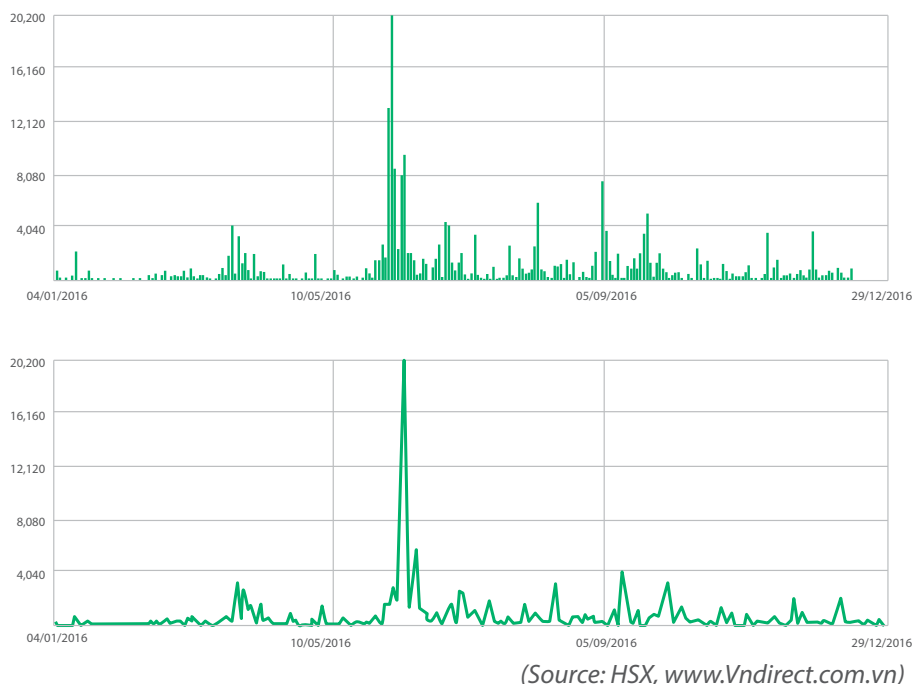


In the first quarter of 2016, Traphaco's shares (TRA) fluctuated in the same direction with the slightly downward trend of VN-Index. Since the second quarter of 2016, Traphaco (TRA) had surged over the growth of the general market, especially in the late second quarter and early third quarter, thanks to supporting information such as dividend payment of 10% and issuing bonus shares with rate of 10: 4.

In the second half of 2016, Traphaco (TRA) would continue to set and maintain high prices after breaking out of the mid-term accumulation range from mid-June 2016. Investors appreciated positive signals on business performance after the company recorded a profit of VND61 billion in the second quarter, increased 41.9% over the same period and rose sharply compared to the market forecast. At the same time, positive information about business operations next year with expected profit growth of at least 15% in 2017 also helped TRA to maintain its high prices in the fourth quarter.

By the end of 2016, TRA shares increased 83% compared to the beginning of the year, outperforming the general market (VN-Index increased 16%).

Volume and value chart of TRA shares



TRA shares were traded the most in Q2 / 2016, with the average trading volume of 6,986 shares. The most trading day was June 09, 2016 with a total trading volume of 144,390 shares with a total value of over VND20.2 billion.



BUYING SHARE CAPITAL INCREASING SESSION

In 2016, Traphaco Joint Stock Co (“Traphaco”) implemented 01 share issuance to increase its share capital from 10:4 rate (shareholder holding 10 existing shares would be rewarded 04 additional shares) as follows:

- ♥ Type of issued shares: **Common stock**
- ♥ Denomination: **VND10,000 / share**
- ♥ Number of shares issued: **9,869,083 shares**
- ♥ Total number of shares (31/12/2016): **34,545,516 shares**
- ♥ The current charter capital (31/12/2016): **VND345,455,160,000**

Charter capital increasing process

Issue date	Reason for capital increase	Charter capital before issuance	Capital increase	Charter capital after issuance
Sep 2006	Issued to existing shareholders	9,900,000,000	10,100,000,000	20,000,000,000
Mar 2007	Paid shares bonus for employees	20,000,000,000	800,000,000	20,800,000,000
Apr 2007	Paid dividend by shares	20,800,000,000	41,600,000,000	62,400,000,000
Nov 2007	Offered to existing shareholders, employees and IPO shares to the public	62,400,000,000	17,600,000,000	80,000,000,000
Dec 2008	Paid equity bonus for employees	80,000,000,000	1,585,200,000	81,585,200,000
Oct 2009	Issued to existing shareholders	81,585,200,000	20,396,300,000	101,981,500,000
Apr 2010	Issued to existing shareholders	101,981,500,000	20,395,790,000	122,377,290,000
Dec 2010	Issued to existing shareholders	123,398,240,000	1,020,950,000	123,398,240,000
Sep 2013	Issued to existing shareholders	123,398,240,000	123,336,090,000	246,764,330,000
Jul 2016	Issued to existing shareholders	246,764,330,000	98,690,830,000	345,455,160,000

HISTORY OF DETAILS

Traphaco always maintains the dividend payment ratio of 20-30% and make payment immediately after the decision of the Annual General Meeting of Shareholders and Board of Directors:

Dividend over years	Performance rate	Implementation time
2016	30% (VND 3,000 per share)	Starting from 18/01/2017 (20% in advance)
2015	(VND 3,000 per 01 share)	First session (20%): Starting on 10/03/2016 Session 2 (10%): Starting on 08 July,
2014	30% (3,000 VND / 01 share)	Starting from 11 May 2015
2013	20% (VND 2,000 per share)	First session (10%): Starting on 26/12/2013 Session 2 (10%): Starting on 06/03/2014
2012	20% (VND2,000 per share)	Starting from 20/12/2012
2011	20% (VND2,000 per share)	First session (10%): Starting from 12/01/2012 Session 2 (10%): Starting from 10/04/2012



**PRODUCTION OF AUTO EYE AND NOSE DROPS LINES AT
VIETNAM PHARMACEUTICAL MANUFACTURING FACTORY**



INVESTORS RELATIONSHIP

Shareholders are important related parties of the Company. The relationship between Traphaco and shareholders was specially noted by Traphaco. Investor relations of the Company have been done in a very flexible way to create the best conditions for the investors to update information of the Company in the form of:

- 1 The annual meeting of shareholders
- 2 To provide annual reports, financial information and other relevant information to shareholders, investors often on your business website, and to disclose information in accordance with regulations.
- 3 To hold to welcome investors, shareholders to take part in visiting to the head office, factory, material region, etc,
- 4 To answer questions and provide information to shareholders, investors via phone and email.
- 5 Willingness to welcome and coordinate inquiries as well as provide information directly when shareholders, investors visit business.
- 6 To listen and share issues contributing to the development of business from the investment, shareholders.

Traphaco has been actively built good relationships with state management agencies, customers, shareholders and Investors. In order to ensure increased shareholder rights, Traphaco always maintains its dividend payout ratio of 20-30% per year.

With the growth of Traphaco, in the past years there have been so many investors as the securities company, fund investing in and foreign countries, to visit and work at the company. From this exposure sessions, we understand the value of TRA stock code was not only in the results of business but also in the production activities that were the work we have done for the community, for the shareholders, customers and employees as well as the work we would do to help for the business to have sustainable development in the future.



2016

IR SOFTWARE

ON THE DIGITAL PLATFORM

In 2016 Traphaco launched Traphaco IR Trademark software which was compatible with many devices such as tablets, mobile phones, laptops, etc. The software was built on the IOS platform (Iphone, Ipad, etc) and Android (Galaxy Tab, Samsung, etc) with friendly interface and diverse features. Thereby, our shareholders, investors, customers and partners can read directly or download documents and reports as well as update the information in a timely manner.

JOURNEY OF DESIRATION



Visit website: www.traphaco.com.vn/ir

Download the investor relations software application at:

IOS: Enter the keyword "Traphaco IR"

Android: : Enter the keyword "Traphaco IR"



REPORT OF THE BOARD OF INSPECTION



MEMBER STAFF AND STRUCTURE OF BOARD OF INSPECTION

Member	Title	Number of Stock votes	Notes
Duong Duc Hung	Manager	840	Elected to the new term on 30 March 2016
Nguyen Thanh Hoa	Member	0	Elected to the new term on 30 March 2016
Do Khanh Van	Member	0	Elected to the new term on 30 March 2016
Pham Thi Thanh Duyen			End of term, on 30 March 2016
Luong Thi Thanh			End of the term, on 30 March 2016

ACTIVITIES OF THE BOARD OF INSPECTION

The Board of Inspection (BOI) consists of 03 members who are elected by the annual General Meeting of Shareholders(GMS) in order to implement monitoring activities and operating regulations of the company. BOI has the following main tasks:

Exercising the right to monitor the implementation of the Rules and Regulations of the annual GMS; Supervising financial activities; Monitoring of enforcement of BOD and BOE by laws. Enterprise Regulations and activities of the BOD. In 2016 fiscal year, the BOI with the BOD focused on recommending and supervising construction of corporate governance according to the best practices, strengthen solutions to follow rules, regulations and the implementation of resolution of the GMS and BOD and ensure the financial activity of the company is clear and transparent.

The sessions of the Control Board:

In 2016, the Supervisory Board held 07 meetings periodically as prescribed and attend all meetings of the BOD of Traphaco JSC. The main sessions of the BOI were:

Session	Attendance members	Main content
Session 1: Day 05/04/2016	3/3	Elected Head of BOI for the term 2016-2020, approved the contents of the work plan for 2016
Session 2: Day 21/06/2016	3/3	Unified "The regulation to organize and operate" and "allocation of remuneration" of BOI Proposed audit company namely Ernst & Young company to audit the company in 2016
Session 3: Day 16/07/2016	3/3	reviewed the implementation of the new sales policy of the company and Ho Chi Minh branch
Session 4: Day 23/08/2016	3/3	Verified 2016 mid-term financial statements
Session 5: Day 20/09/2016	3/3	Independent evaluation report on the content "on cooperation with the company Nam Duong" attached to the proposal. BOI collaborated with the Board of Risk Management to review the effectiveness of investments in Thai Nguyen. Reviewed and commented on a "draft regulation on the management of contracts, transactions between Traphaco and relevant people".

Meeting	Participants	Main content
Session 6: Day 10/01/2017		Review and evaluate “the contract dealings with related parties 2016”, review the monitoring mechanism “Contracts for dealing with related parties”
Session 7: Day 28/02/2017		Supervised the deployment and implementation of the resolutions of GMS 2016 about operating investment projects, implementation of production and business targets; Reviewed legal status, sequence, procedure for issuing the resolutions and from the Board of Directors under the provisions of the laws and the company; Verified financial reports in 2016; Exchanged, interviewed, participated to comments with the management positions in the company and audit companies

RESULTS OF MONITORING THE OPERATING PERFORMANCE OF THE RESOLUTION OF THE 2016’S GMS:

- The Company completed the appropriation of funds in accordance with regulations and made sure to pay the state budget in accordance with the laws;
- About paying dividends, the company paid 20% in advanced in cash in January 2017 & expected to pay 10% in cash in quarter II of 2017
- The company also issued bonus shares according to the rate of 10:4 following the right of the resolution of the GMS 2016..
- The company made a revenue of 2016 at VND1,998,334,220,190, reached 95.14% of the plan in 2016, rising 1.23 percent compared over the year 2015; profit after tax of parent company shareholders reached VND210,595,706,842, reached 100.28% of plan in 2016, increased 16.37% compared to the year 2015.
- Paid remuneration to the BOD and BOI: In 2016, the company paid for the members of the BOD and BOI following the regulations as well as norms approved by the GMS in 2016.
- Pharmaceutical factory investment project has been adjusted its investment to be increased to VND477 billion.
- The company resolution was adjusted in accordance with the resolution of the GMS in 2016.

- The company selected Ernst & Young company as an auditor’s report financial report in 2016.

THE MONITORING RESULTS TO THE BOD AND THE GENERAL DIRECTOR:

- After being elected at the General Meeting of Shareholders held on 30 March 2016, the Board of Directors operated stably with 7 members, of which 3 members were foreigners and 1 member was independent member. The Board held regular and extraordinary meetings in accordance with the Charter and company activities. The Board of Inspection evaluated the performance of the Board of Directors for the year in accordance with the law, the company’s Charter and corporate governance regulations, and closely followed all activities and development strategies of the Company with high responsibilities and abilities.
- The Board of Directors, Board of Executive shall make full report and disclosure of information in accordance with current laws.
- Members of the BOD who attended meetings of the Board of Directors could make comments according to the regulations.
- Subcommittees under the BOD organized meetings in accordance with the BOD’s operational regulations.
- The BOI agreed with the Report of the Board of Directors to submit to the Annual General Meeting of Shareholders for 2017.



RESULTS OF MONITORING ACTIVITIES AND FINANCIAL SITUATION OF THE COMPANY:

The company's results of operations

Major indicators:

Target resolution	Plan 2016 (billion)	Make 2016 (billion)	The rate compared with the plan (%)	Compared to 2015 (%)
Total consolidated revenue	2.100	1.998	95,14	101,23
Total sales of Traphaco				
Product:	1.500	1.511	100,73	112,88
Entrusted import and export goods entrusted and other provided products and services:	260	188	72,30	56,87
Revenue from subsidiaries	340	298	87,65	98,35
After-tax consolidated profit of parent company	210	210,595	100,23	116,37
Private profit of Traphaco	190	208,107	109,47	115,22
	(copper)	(copper)	(%)	(%)
Income of average labour	16.263.000	17.677.000	108,69	114,12
Pay to state budget		VND106,659,983,098		

Targets not yet reached:

Target Revenue: did not reach the plan, fall 5% over the 2016 plan. However produced goods reached 100.73% the plan, because in Oct 2016, the company decided to convert the sales contract with Nam Duong Company to be an entrusted contract and in December 2016 the company divested in Thai Nguyen Pharmaceutical & Medical Equipment JSC. These activities reduced about VND100 billion of sales of Traphaco.

Financial operations:

In 2016, the Company has not finalized the tax paying in 2014, 2015. It is expected in 2017, tax for 3 years 2014, 2015, and 2016 will be settled and paid.

Verification of financial statements for 2016:

- We reviewed, verified and agreed with the Consolidated Financial Reports and Private Financial Reports in 2016 of the company, which was audited by Ernst Ltd & Young Company. Financial report ended on 31 December 2016, six-month and quarterly financial reports and in 2016 indicated in an honest and reasonable way in all important sides about the financial situation, business results and status the company's cash flow.
- The company complied with the requirements of accounting standards, accounting regime as well as financial management regulations, accounting and taxation in the company. Finance reports in 2016 were correctly made and met the deadline.

COST OF OPERATION OF THE BOI:

Remuneration and operating expenses of the BOI in 2016 is implemented in accordance with the Resolution of the General Shareholder's Meeting on 30 March 2016

Details of transaction and remuneration articles mentioned above.

ASSESSMENT THE COORDINATION BETWEEN THE BOI AND THE BOARD OF DIRECTORS, BOARD OF GENERAL MANAGER AND SHAREHOLDERS:

- The Board of Directors and the Board of Executive worked closely together to create conditions for the Board of Inspection to fill their duties, providing full information about the business operation and financial position of the Company, reports of the GMS and other information upon request.
- The Board of Inspection, the Board of Directors and the Board of General Director shall work closely to timely solve any problems occurred in the inspection process of the BOI.
- Periodically, the BOI wrote reports and recommendations to the BOD and the Board of General Manager, which are recognized and implemented.
- In 2016 there was no request from the GMS, shareholder group or shareholders under clause 2 of article 114 of Law on Enterprise for the BOI about examining each specific issue of operation management of the company.

PROPOSAL:

- ♥ The BOD proposes the following comments for 2017:
- ♥ The Board of Directors and the Finance and Accounting Department coordinate the subsidiaries to construct working mechanism and reporting capacity to make monthly consolidated financial statements and financial management regulations in the parent company.
- ♥ The Finance and Accounting Department works more closely with the auditing and tax consulting unit to improve efficiency of finance and accounting work.
- ♥ The company finalizes the tax with related state departments more often to timely update and add state management in the field of finance and accounting.
- ♥ The company has a roadmap to apply ERP system in synchronization in the whole company.
- ♥ We will hire an independent auditor for the report of Pharmaceutical Factory in Vietnam.
- ♥ The BOI noted that the Company regularly updated the Regulations about related people and deals to be fit with Law on securities, Standards on Accounting, regulations on public information on the stock market and relevant laws. The company is required to have a monitoring mechanism complying with these regulations.

OPERATION PLAN OF THE BOI IN 2017:

- ♥ The BOI will continue to check and monitor following the functions and duties indicated in the Law on Enterprises and the Regulations of the company.
 - ♥ It will also supervise the BOD and the Board of General Director of the Company to implement the decisions of the General Meeting of Shareholders.
- Collaboration with the independent auditors to evaluate financial report and construction project report of Vietnamese Pharmaceutical Factory, as well as monitoring of the implementation of the suggested contents, comments of independent auditors.
- ♥ The BOI also evaluate business reports and Management Report of the BOD to submit to the GMS in 2018.
 - ♥ continuing to review the recommendations about any problem in the processes, regulations and business activities of the company.
 - ♥ Monitoring the compliance with procedures and regulations.
 - ♥ Supervising the deployment of new investment projects.



RISK MANAGEMENT



Standing in front of the opportunity and challenge of the domestic economy and the process of increasingly international economic integration which has had far-reaching impacts and are affecting results of business operation of the company, the need of enhancing risk management, minimizing risks underlying in the company is becoming more urgent.

In 2016, Traphaco JSC reinforced to build and improve risk-management systems, build the frame of legal risk management in the company, its subsidiaries and affiliate companies. At the same time Traphaco improved the construction of risk management process to identify, classify and assess the risks systematically to ensure that all risks be managed in time and efficiently, as well as identifying the key risks to focus, manage and strengthen policies, solutions, models to evaluate, control risks and minimize risks and the efficiency of business operations of the company, subsidiaries and affiliate companies. On the other hand, the company increased enhancing awareness and media channels, which has been a start for the risk management culture to all staffs of the company. With the purpose of ensuring that the Board of Directors, officers and employees of all departments and factories of the company, the subsidiaries always proactive in the identification of the risk elements in production and business operations and management continuously and daily.

Parallel with building legal framework for the risk management is comprehensive solutions to control risks from the company to the subsidiaries and the affiliate companies. With strategic objectives for long-term development namely "The way of Green health", in the last year, risks management activities helped to minimize potential risks and contributed to the implementation of the strategic objectives, and ensure the strong and sustainable development regularly, as well as tracking and identifying risk assessment to take solutions to prevent risks.

ORGANIZATION STRUCTURE OF RISK MANAGEMENT

The BOD Traphaco JSC established to create the Board of Risk Management, appointed the leader of the Board, provided the strategies, risk management policy to monitor risk management activities.

The General Manager of Traphaco decided the organizational structure, functions and tasks of to Board to be responsible in front of the Board of the Directors to implement of strategies, risk management policy; provide resources to meet the requirements of the risk management activities; to provide the regulations, risk management processes and monitoring to make sure the business activities of the company to be effective and safety, complying with the provisions of the law the company's internal regulations.

Board of Risk Management is directly under the Board Of Directors with the power of assisting and advising the General Director about risk management of the company and its subsidiaries.

RISK MANAGEMENT PROCESS

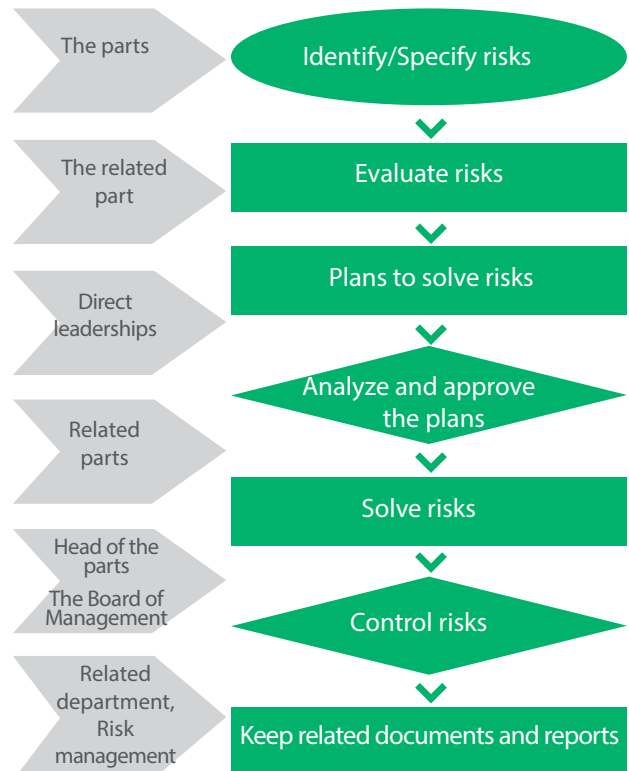
PURPOSE:

Prescribed united way for Risks Managemtn including risk identification, risk assessment and risk monitoring in accordance with ISO 9001, ISO 14001 and ensure all employees in the company will be full awareness and fully prevent operation risks in daily work.

SCOPE OF SUBJECT TO BE APPLIED

- ♥ Scope: Whole company
- ♥ Target group: Management, Departments, Workshop, other parts of the company.

RISK MANAGEMENT DIAGRAM:



MATRIX TO IDENTIFY THE LEVEL OF RISKS

Mức độ ảnh hưởng của rủi ro (A)		Khả năng xảy ra rủi ro (B)					
		Thang điểm	Rất ít xảy ra	Ít xảy ra	Có khả năng	Khả năng lớn	Khả năng rất lớn
			1	2	3	4	5
Rất nhỏ	1	①	②	③	④	⑤	
Nhỏ	2	②	④	⑥	⑧	⑩	
Trung bình	3	③	⑥	⑨	⑫	⑮	
Lớn	4	④	⑧	⑫	⑮	⑳	
Rất Lớn	5	⑤	⑩	⑮	⑳	㉕	

Risk severity (C) = Risk level (A) * Risk likelihood (B)

* C < 6: Low risk

* 6 ≤ C ≤ 9: Medium Risk

* C > 9: high risk

In the operation time, Traphaco Joint Stock Company always take the initiative in identifying, evaluating and suggesting solutions before the appearance of risk. We identify the key risks that need to be addressed comprehensive assessment of all types of risks affecting the results of business operations of the company and the subsidiaries, including new risks arising from changes in the regulatory environment, macroeconomics, competitions, and raw materials, inputs, etc to strengthen the measures to manage and reduce the risks that may occur to the company.



JURIDICAL

The legal system of Vietnam is in the process of changing and improving. In 2016, we provided the Law on Enterprise, Law on Insurance, new Law on Accounting, etc, and other circulars, decrees under the law.

There have been many changes. If the company does not update and timely apply changes, legal risk in the company will be increased due to improper implementation of regulations under the law. Specifically, legal risk in the enterprise administration, taxation, intellectual property, private sector of the pharmaceutical industry as the bidding of drugs into the hospital system. On the other hand, the company's understanding of the international law, the FTAs, TTP is quite limited which can lead to risk in the field of international trade, take advantage of the FTAs and TTP. Risk can appear in all stages of negotiation, signing and executing export-import contracts.

Legal risks will affect performance of the company's business causing adverse effects in the implementation of the company's strategic goals. Sales to the hospital system (ETC) will be difficult. In economic contract deals with domestic and foreign companies in risks of collapse and grievances at different levels can make both parties suffered into a loss of interest. Company profits are also affected by the corporate income's favorable tax from investing in building new plants.

MACROECONOMIC

Looking back on domestic and the world context, growth results in 2016 of domestic economic was estimated of an increase of 6.21% is a success because the world economy in 2016 had continued to grow at a low level for five consecutive years. Worldwide trade growth lower than expected demand, basic commodity prices continued to fall strongly. As of 1 January 2016, the State Bank officially applied flexible exchange rate mechanism. Flexible and tight currency policy remains close to a target of stabilizing inflationary. However, as the end of the year the factors increasing inflation appeared more and more, including recovery in energy prices and adjusting public service prices. Viet Nam was active in negotiating and signing new free trade agreements with partners. Joining the ASEAN community brings a lot to Vietnam favorable time but also created many challenges. Besides, the economy also face with many difficulties due to weather and complex environmental changes.

The slowdown of China's economic growth, fluctuation of world oil prices, global financial markets and Brexit are visual influences affecting the growth of our country.

Many signs of inflation are coming back. While inflation rises over 5%, nominal interest rate will have to be increased,

which can affect business production and financial markets to adversely impact on overall economic growth.

Inflation increases, the dollar exchange rate also increases will lead to risks in the operating environment of Traphaco Joint Stock Company. Then, the investment cost for the new plant will increase. Because the import price of machinery, the equipment, the drug production line and raw material price of imported inputs increased, but the output price of the company's output is forced to be stable due to the Ministry of Health's price management, the profit of the company will be effected at the same time. The company also have the increasingly risk of price and market share in the competition with foreign pharmaceutical enterprises.

COMPETITIVES AND CONTERFEIT GOODS

In the process of deep integration with the world economy, Vietnam participated in the establishment of 12 Free Trade Agreements (FTA) with 56 countries and economies in the world, of which there are 6 new generation FTAs, namely the Vietnam-EU Agreement and the TPP Agreement, Vietnam will be under pressure from freedom movement of goods, most of the tariff lines have to be fell to 0% in 2015, few others will be dropped by 2018.

Commodities from ASEAN countries flooded from the beginning 2015 when the internal market open freely. Besides, from the beginning of 2018, Vietnam must open the market completely under the WTO accession commitments, so competitive pressure with the company is very large.

In Vietnam, barriers to join the pharmaceutical industry are not high, therefore Traphaco is increasingly under intense competition from domestic and foreign pharmaceutical companies about types, quantities, formulation, quality, price of products. Products of Traphaco sold through the ETC system is increasingly difficult to compete on price (effected from Joint Circular 01/2012TTTLT-BYT-BTC).

Many cheap counterfeit goods appeared on the market, affecting Traphaco brand.

These are the risks that directly affect the business the company's revenue and market share to be at risk of shrinking, and the risk that the company's products are easily replaced by same types of products of competitors.

RAW MATERIAL SOURCES

Traphaco has had unstable supply of raw materials due to capacity and quality of suppliers are uneven. Commodity prices have fluctuated due to the impact of exchange rates, inflation and market scarcity.

Besides, the company will also face risks in the development of medicinal plant areas such as soil hazards, weather,



purchasing process and medicinal awareness of the employees. There have been risks for not following the contractual commitments of the medicine farmers, risks in storage of goods in stock like being damp, moldy, termites.

These risks directly affect the production process, which can lead to the lack of sales to the market which will lose market share and reduce revenue. On the other hand, it might affect productivity and quality amount, concentration, main active ingredients, stability and toxin of medicines in the planted area which will affect drug quality.

FINANCE

Currently Traphaco is a company with strong and secure financial ability with full assurance of financing for production and business activities, and the implementation of investment in project of pharmaceutical factory Vietnam is on schedule but besides, the company also face unexpected risks such as:

Exchange rate risk occurs for raw trades materials, finished products in foreign currency when the exchange rate changed. The company is mainly affected by change of USD exchange rate.

Risks from changing the selling price of raw materials and goods.

Interest rate risk arising from interest-bearing loans signed with credit institutions at floating rates and fixed interest rates.

Price risk of materials arising from investments in associates.

Risks from violating the compliance of the business unit's

cash management procedures.

Credit risk occurs when a customer or partner fails to meet contractual obligations resulting in financial loss to the Company.

Liquidity risk for a party does not guarantee sufficient capital to meet current and future financial obligations.

INFORMATION SECURITY

In today's globalized economy, information security is considered vital to businesses. Traphaco recognizes the importance of information security and the potential dangers of internal information leaks.

There are many risks of data security and network security coming from the simple text, causing businesses to fall into suddenly crisis information technology.

Besides, there are factors that can threaten the company effectively such as disgruntled employees, competitors, investors or hackers, but information security management problems by human and managing system are not be in operation. In addition to the immediate financial risks, the company faces the risk of permanently losing data or worse to lose them to its competitors. The risk also comes from end users.



LEGAL RISK MANAGEMENT

In order to minimize the risks, Traphaco Joint Stock Company has established a legal department under the risk management department to strengthen to coordinate with law firms to enhance legal risk management capacity and set up the management mechanism of the company. This can help Traphaco to be proactive in reviewing updated legal documents, research on information and knowledge in the field of international integration, and advantages from FTAs and TPP.

MACROECONOMIC ECONOMICS RISKS

To minimize the risks, Traphaco Joint Stock Company has set up a set of operational regulations, public control based on the strategic objectives of the business as well as the law to guide the entire staffs and employees to follow, as well as improving corporate governance.

We have built and developed a strong OTC sales system nationwide with more than 22,000 customers, applied high technology in Distribution System Administration (DMS), equipped tablet computers for sales staffs to update and analyze sales data accurately, helped the manager to make the right decisions in a timely manner when analyzing the data of each pharmacy without the reporting system of salesman.

We also invested in and applied the multi-functional ERP management software in the company, actively invested in and renovated the state of technological equipment in depth in order to raise the quality of products and diversify the form of product manufacture.

We created sustainable development of the GACP - WHO raw material area, ensured the achievement of the objectives of the Company's long-term "The way of Green Health", focusing on maximizing resources in the value chain: Product researching - Development of clean medicinal plant area - Manufacturing in the factory through good practicing GPs WHO with environmentally friendly technologies - Applying environmental management systems ISO 14001: 2004, ISO 9001: 2008, 5S Kaizen management tool of Japan - distribution system associated with social responsibility.

On the other hand, the company has actively selected the source of raw materials to meet the standards of origin and at the same time fulfilled other requirements such as sanitary, phytosanitary, technical barriers, etc, of the pharmaceutical industry.

The company also pays much attention to research new products, exploit the advantages and uniqueness of the products to renovate the production organization and promote the link between the production and the market, the application of biotechnology in science. We researched new products to create products having high quality and

distinctive, unique in formulation, effective treatment, safety for the user and ability to compete well with imported products.

We applied modern science and technology to business to improve the efficiency of the substance management system, increase working performance, good money management, decrease inventories, reduce bad debt, improve the efficiency of capital use, save and reduce costs.

From 2014 until now, the management of the company has always steadfastly strived to stabilize prices, fight against overflow of goods, implement the business philosophy of "Faith, co-interests and development together" through the organization of inspection, regular surveys and assessments are conducted at the Board of Risk Management in the provinces and across the country to increase customer support for company products and expand market share.

At the same time, the company has always improved the quality of human resources, especially skilled workers and high-level human resources. Annually, the company actively recruits and opens training courses to improve the skills and knowledge for its staffs in order to create quality human resources to meet the needs of the company. Every month, the departments evaluate performance according to the KPI system of Traphaco Joint Stock Company. Traphaco then has put all activities of the company in accordance with the objectives required by the leadership to improve the work performance, production and business, which can build corporate culture with its own identity.

COMPETITIVENESS RISK AND COUNTERFEIT GOODS MANAGEMENT

The company has succeeded in building an effective model of harmony between Traphaco-Pharmacies / Distributors / People through its own business principles: "Faith, co-interests, sharing benefits with partners, increasing cohesion". It can be said that 2016 is a spectacular breakthrough of Traphaco Joint Stock Company in the Vietnamese pharmaceutical market.

The company applied a new sales policy based on the point of co-benefits to bring more profit to customers, improve the business management capabilities of the business unit, develop and complete the strong sales system nationwide. We used DMS software in sales management to improve the quality of sales service and ensure delivery time less than 30 hours.

We also invested in building a new factory with advanced modern production line and GMP-WHO standard in order to raise the production capacity, diversify the dosage forms and diversify the products to produce high quality medicines in the Vietnamese pharmaceutical market.

We also built brand development strategy based on product quality. Traphaco brand not only confirmed the position of

the company on the list of 40 most valuable brands in Vietnam but also based on the belief and support of consumers for the company's products. The company promotes branding across media channels, social networking sites, PR programs, health consulting activities, and enhanced referrals through its sales staffs through drugstores to the consumers.

On the other hand, the company always pay attention to the protection of counterfeit goods and intellectual property rights to minimize the impact of this risks. So far, the company has owned 10 patent solution utilities and exclusive industrial designs, 3 trade names along with about 200 trademarks. Traphaco trademark is not only registered for protection in Vietnam but also registered in 10 countries around the world such as Japan, USA, Australia, Laos, Thailand, Singapore, Malaysia, Cambodia, China and Indonesia.

RISK MANAGEMENT OF RAW MATERIAL SOURCES

At the beginning of the year, the Company took the initiative in reviewing the capacity assessment and selection of qualified suppliers to sign raw material supply contracts for quality assurance of raw materials to meet quality standards as requested from Traphaco at a reasonable price. All raw materials are stored and preserved in warehouse systems following the GSP standard. We also developed plans to import raw materials to be close to the actual situation of business production of the company, seasonal and reduce inventory. Traphaco has developed a GACP quality planting area that produces raw clean materials for the good production of the company. With the combined model of 4 units: State - Farmer - Scientist - Enterprise in Greenplan project, and the Connection between Manufacturing - Processing - Business - Consumption, we created a breakthrough for enterprises on the supply of pharmaceutical materials. Staffs of the company made periodic plans to implement the GACP - WHO principles, standards applied to the planting, caring and collecting medicinal plants for farmers participating in the project so they understood thoroughly, committed for long term and had stable income.

At the same time, the company has issued some procedures for cultivation, harvesting, processing and preservation of pharmaceutical materials and investment resources, training and teaching costs for households to follow the clean growing process to limit possible risks.

MANAGEMENT OF FINANCIAL RISKS

The Company manages interest rate risk by maintaining a reasonable level of loans and competitive interest rates against the market to minimize financial costs.

To minimize the risk of share price, the price risk of the instrument arising from investments in associates, the Board of Directors always researches, calculates and cautions when approving investment decisions in associates. Investments in associates are held for the purpose of long term strategy.

The company always closely monitors the evolution of commodity prices in order to make decisions be appropriate to the fluctuation of commodities on the market, planning to purchase pharmaceutical materials in line with the harvest season to ensure pharmaceutical products to ensure that the source of goods is traded at reasonable prices and minimize the risk of changing selling prices of raw materials and goods from domestic and foreign sources.

On the other hand, the company also has a policy of compliance checking with the business management process of the business unit and resolutely handle violations if they are related to the stakeholders to avoid losing money of the company.

The company has a suitable credit policy and regularly monitors and evaluates the risk assessment that may occur to take preventive measures. At the same time, it is a policy to regularly monitor current liquidity requirements and expectation in the future to maintain enough cash reserves, loans and sufficient capital that the shareholders commit to contribute and apply for liquidity regulation in the short and long term. Current credit risk and liquidity risk of the company is at a safe level.

INFORMATION SECURE MANAGEMENT

Information security has been considered by the company as a management and business responsibility, not simply a technical element that has needed to be delivered to IT professionals or IT departments. Therefore, the company has adopted information security management systems.

The company's information security management system includes organizational structure, policies, planning activities, responsibilities, practices, procedures, information security methods and resources to secure information to ensure business continuous ability. In fact, all above issues are from human factor. When companies take lightly on this factor, no matter how much they invest in technology, the risks of information leakage can still occur and the impact on business and that is unavoidable.

The management of corporate information is not limited to the management of information processed online but may also be information in other forms such as information written on paper, electronic files, mailed, emailed or exchanged verbally.

The use of copyright will first of all enable the company to be protected against auditing by specialized agencies in the field of intellectual property and copyrights. More importantly, it is a long-term investment that the company can minimize the potential risks of information security.

In parallel with the overall IT system activities, raising awareness and the rate of technology application of end users, strict security procedures are also part of the company's strategy.





Sustainable Journey



SUSTAINABILITY REPORT

*Our sustainable Journey for health is Green:
Green value Chain - Green Material -
Green Technology - Green Products -
Green Services*

FACTS AND FIGURES

18/12

Salary paid for employees

20 Billion VND

For social activities

17 Years

Keeps working on social health' consulting

01

Boganic, Tottri - leading position in the market (IMS)

2.000 Tons

of medicinal herbs are used as a microbiological fertilizer to supply the medicinal plantations of Traphaco

12 Workshops

On pharmaceutical trends in Vietnam

200 Million VND/ha/annum

Average income of citizens

23.000

Customers nationwide

10 Years

Sponsored for Vietnam Young Generation Fund

TOP 10

SUSTAINABLE ENTERPRISES IN VIETNAM



REPORT OVERVIEW



Our approach to sustainability based on our long - term economic development target, in incorporated with sustainable social development and enviromental protection targets, all in all we aim at contributing to community development. This report reflects the key sustainable initiatives of Traphaco and our subsidiaves (here in after to as "Traphaco") refeed related to sustainablies initiatives in 2016

Our sustainable initiatives has been shared with our stakeholding to indentify their concerns as well as their interests. We keep evaluatiny these materialities in related with our current bussiness operations, our sustainable development strategy, to determine key sustainability factor, then to review and umprove the contens of 2016 sustainability report.

SCOPE OF THE REPORT



Traphaco

REPORTING PERIOD



January 1st 2016 -
December 31st 2016

REPORT STANDARDS



This report is prepared "inaccordance" to the criterias of reporting principles and standard disclo sures & guideline GRI G4



CONTACT



For futher questions and recommendations related to the sustainable development of Traphaco, please contact us at the following informaton

Ms. Dao Thuy Ha - Head of Marketing - The authorised spohewoment

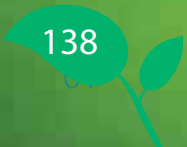
Address: Lane 15, Ngoc Hoi Street, Hoang Mai, Ha Noi

E-mail: marketing@traphaco.com.vn

Thank you very much for giving ideas and opinions which would facilitateour decision male of process to fullfil our mission



MESSAGE FROM CHAIRWOMAN



Traphaco's "Our green sustainable journey for health" strategy has a strong and long-lasting influence, confirming the company's viewpoint of development. By the Green Journey developed for nearly half a century of operation in Vietnam, Traphaco understands the need for cooperation of all related parties for the green environment, for public health, for the prosperity of the country.

Dear Shareholders, Investors, Customers, Partners, and Colleagues!

In recent years, Vietnam has become deeply involved in international integration. Vietnamese enterprises are facing great opportunities and challenges. In addition, we face many difficulties from the challenges of business competition to the unforeseen difficulties of political, social and environmental instability in some countries and regions, etc, especially the climate change due to environmental pollution, many natural disasters have occurred, followed by disease, famine, etc. COP 21 Conference in Paris with the participation of 190 countries, including Vietnam (2015), approved 17 UN sustainable development goals. This was an important world event to demonstrate the commitment of the world community to build a sustainable and stable future.

Ladies and gentlemen!

Traphaco's "way of green health" strategy has a strong and long-lasting influence, confirming the company's viewpoint of development. By the

Green Journey developed for nearly half a century of operation in Vietnam, Traphaco understands the need for cooperation of all related parties for the green environment, for public health, for the prosperity of the country.

To stride firmly on that path, for 45 years, we have invested continuously, starting from the foundation of the elite of traditional medicine and the large sources of herbal medicine of Vietnam to become the No. 1 pharmaceutical company in Vietnam. 45 years with the health of the Vietnamese, I want to call it "45 years for health beliefs" of Traphaco.

Beginning to build a green value chain very early, Traphaco's subsidiary, Traphaco Sapa, has been established in the early of 21st century (2002).

By 2014, Traphaco had also been the only company to be recognized by the Ministry of Health to have five medicinal herbs that are planted and harvested following GACP-WHO certificate, forming a sustainable source of raw material for the company.

Traphaco is also one of the few pharmaceutical enterprises to be active in the source of raw materials. Each year, domestic pharmaceutical sources account for 92% of the pharmaceutical resources used by Traphaco.

Traphaco's humanity has clearly been demonstrated in association with households, applying science and technology in growing medicinal plants to ensure the supply of clean and stable materials for production, creating jobs for thousands of local laborers. On the one hand, it contributes to sustainable eradication of poverty, on the other hand, this will contribute to the development of pharmaceutical industry in Vietnam in the green and sustainable direction. The establishment of the plantation site to maintain and sustainably develop the gene source of medicinal plants to participate in the protection of biodiversity. With a pioneering mission on the path of green health, protecting precious resources of Vietnam, the green value chain has been established by Traphaco.

THE GREEN MATERIAL

For human health, apart from material areas, many sustainable development goals have been achieved at Traphaco's plants, such as environmentally friendly technology, reducing CO2 emissions, saving electricity and water, reducing fossil fuel use, using energy from waste recycling, environmental protection, and so on.

THE GREEN TECHNOLOGY

Applying green technology to produce green products that are sustainable quality products that are responsible for consumers, Traphaco brand has been built and protected by quality products and quality or services. The application of science and technology, research and development is focused in the company, so the company's new products to the market always have high levels of knowledge, safety, effective treatment and meet the needs of community health care.

THE GREEN PRODUCTS

In addition to our business brand, Traphaco owns market-leading products such as Hoat Huyet Duong Nao - top brain products, braintonic Boganic - the market leader in liver medicine. They are most visible examples of Traphaco's human health efforts during the last 45 years.

THE GREEN SERVICE

While writing about 45 years for the belief in health to send to shareholders, I should mention the human factor - the workers are silently working hard to contribute to the development of The No. 1 drug company in Vietnam for nearly half a decade.

THE GREEN BELIEF

In Traphaco, human resource has always been considered as a driving force of development. Human resource development is considered a strategic investment, so laborers are always provided with sufficient material and morale resources as well as working conditions and advanced training. Here, we always attach importance to gender equality in order to promote the capacity of women in the development of the company. Many women have joined the leadership and management of the company, have passion for scientific research and have contributed positively and well to the development of the company. We are striving for making Traphaco be the place where laborers want to live, stick and commit.

Corporate culture is a solid foundation for all values for the enterprise to develop sustainably. Traphaco culture is a culture of cooperation and sharing, commitment and commitment. We not only share the guarantee of human well-being within the company's employees, but also try to fulfill the responsibility of the majority of people in our society through community via a lot of activities, such as excellent implementation of the obligation to pay the budget, environmental protection, sharing difficulties for people in disaster areas, contributing to poverty reduction, regional inequality reduction, giving information about.

Ladies and gentlemen!

THE PATH OF GREEN HEALTH

With a pioneering mission on the path of green health and community health, we have been involved in a green economy where companies develop on the basis of business performance combining with social responsibility and environmental protection. We have been, being and will continue to contribute to the achievement of the Millennium Development Goals for our sustainable development. To represent this commitment, Traphaco officially became a member of the Vietnam Business Council for Sustainable Development (VBCSD), which promotes the active role and strong support of the community, business co-operation for sustainable development in Vietnam.

For common prosperity, the achievement of Millennium Development Goals (MDGs) of the United Nations must have a positive impact on all of us. We wish we would join hands for a good future of us, of Vietnamese people and of all humanity. As an individual and in the position of leader, I realized that where we should put our effort first to make a good future is Traphaco, my colleagues, to the Vietnamese pharmaceutical market and beyond that to the Vietnamese people.

Chairwoman of the Board of Management



Excellent Doctor, Master. Vũ Thị Thuận



TYPICAL PROJECTS



**GREEN PLANT
"FOR BETTER
ENVIROMENT,
BETTER HEALTH
& BETTER
VIETNAM"**

In the current phase, Traphaco is on the path of sustainable development with a vision of a "Path of Green Health" throughout the value target chain - Green Value Chain: "Green Material - Green Technology - Green Products - Green Service".

With the goal of green materials, Traphaco focuses on efficient use, conservation, regeneration and development of natural resources. This does not only help the company take the initiative in terms of raw materials and lower costs but more importantly helps patients reduce the burden of treatment costs and creates high-income jobs for hundreds of farmers, ethnic minority people in remote areas.

The company is implementing the project "Researching and sustainable development of pharmaceutical resources Traphaco" called GreenPlan. After nearly 10 years of implementing the GreenPlan project, Traphaco has had a raw material area of over 36,000 hectares, of which 35,800 hectares of GACP-WHO harvested area; 87 hectares of GACP-WHO plantation area (Actiso, Ditch and Pinch). In 2016, the yield of controlled medicinal plantation / collection including GACP-WHO pharmaceuticals was 2,989 tonnes (accounting for 88.4% of total production demand); Total demand for production was 3,383 tonnes, including 75 kinds of pharmaceutical materials, 100% of raw materials were controlled to meet quality standards; Domestically-made medicines accounted for 91.3% of the total demand for domestically produced materia medica in 24 provinces from North to South Vietnam.

Traphaco is cooperating with more than 500 GACP-WHO / GACP-WHO households, and thousands of GACP-WHO controlled herbal growers / collectors. The company provides stable income for local growers / collectors and moreover, enriches the households in the raw material areas where the company is located with profits from VND8.6 million per hectare each month to VND16.6 million VND per hectare each month. According to the sustainable development strategy of Traphaco, the pharmaceutical farmers and staff of the company participating in the Green Value Chain are guaranteed to have "sustainable jobs".

At the same time, with the implementation of pharmaceutical production following the guidelines of the GACP-WHO, Traphaco aims to achieve a long-term goal of cultivating and harvesting quality medicinal plants in a respectful way, and support the preservation of medicinal plants and the environment in general.

From 2015, Traphaco Sapa became a member of the Ethical Trading Biodiversity Alliance (UEBT) with a commitment to promoting biodiversity conservation, respect for traditional knowledge, and ensuring equitable sharing of benefits. At the same time, it was affirmed that the production process of the company did not affect the pristine ecosystem, clean production and does not negatively affect the environment.

Traphaco demonstrates its social responsibility by committing to and demanding to commit to compliance with fair and ethical codes of conduct, business practices among suppliers, providers, contractors providing materials. It shows the production, demonstrates its core social responsibilities and morals, according to WHO. Through its request to partners on these issues, Traphaco acts as a facilitator of the Green Supply Chain.

In the future, beside ensuring the quality and quantity of raw material inputs to stabilize the production and trading of pharmaceutical products, the company will provide products to the domestic pharmaceutical market.





TOGETHER
FOR A
BETTER
FUTURE

Traphaco 
The green healthy way

THE TREND OF SUSTAINABLE DEVELOPMENT



“

Enterprises are key partners in realizing sustainable development goals. Companies can contribute to this process throughout their core businesses, and the UN calls for all companies in the world to assess their impacts, set out ambitious goals with strong determination and public their results transparently. ”

- Former UN Secretary Ban Ki-moon -

17 SUSTAINABLE DEVELOPMENT GOALS



- The goal of the Agenda to 2030 is to maintain sustainable economic growth in parallel with the progress of social justice and equity and the protection of the ecological environment. Managing and using resources effectively, actively responding to climate change. At the same time, ensure that every citizen has the full potential; Participation and equal enjoyment of the fruits of development; To build a peaceful, prosperous, inclusive, democratic, equitable, civilized and sustainable Vietnamese society.
- The 2030 Agenda for Sustainable Development of the United Nations was adopted at the Summit of the United Nations takes place September 25-27, 2015 in New York.
- At the meeting, Vietnam's leaders affirmed that Vietnam would support and commit to focus all necessary resources, mobilize all ministries, sectors, organizations, communities and people to successfully implement the Program Agenda 2030 and the objectives of sustainable development.
- The Agenda 2030 introduced a vision for a 15-year development period with 17 sustainable development goals and follow-up actions. Every country in the world will set sustainable development goals in line with the national context; At the same time, deciding how to integrate sustainable development goals and targets into the planning process and developing national development strategies and policies.
- The Action Plan of the Vietnam Agenda includes 115 objectives. Accordingly, Vietnam's sustainable development goals to 2030 include: ending all forms of poverty everywhere; To alleviate hunger, ensure food security, improve nutrition and promote sustainable agricultural development; Ensure access to sustainable, reliable and affordable energy sources for all; Ensure sustainable economic growth, comprehensive, continuous; Create full employment, productivity and good jobs for all; Strengthen the way to implement and promote global partners for sustainable development ...
- The main tasks to be implemented in 2017-2020 are to improve the institutional system of sustainable development and improve the effectiveness of State management on sustainable development of the country; Continue to improve the legal system, mechanisms and policies in the direction of adjustment, supplementation and issuance in order to ensure a sufficient legal framework for the implementation of the Action Plan and the objectives of sustainable development.
- Traphaco understands that to build a good future requires the efforts of all of us today, in which businesses act as an active element in realizing this future. And to do so, we also need to build a concrete roadmap to compensate for the shortages of resources that people have over-exploited in the past and in the present.



2017-2020 SUSTAINABLE DEVELOPMENT STRATEGY OF TRAPHACO INITIATIVES



Oriented with a specific roadmap built on the basis of an assessment of the activities undertaken during 2011-2016; Analyze Traphaco's impacts, influences and opportunities from the sustainable development trend, thus building the vision and development orientation for 2017-2020.

Mission, vision, core values

- ✦ Mission: Pioneering in manufacturing "green" medicine to protect people's health.
- ✦ Vision 2020: By 2020, Traphaco will rank No. 1 among Vietnamese pharmaceutical companies in terms of growth of revenue and profit and market capitalization.

Core values: Pioneer - Creativity - Responsibility - Identity

- ✦ Pioneer: Pioneer in managing green value chain, innovate and apply new knowledge and technologies.
- ✦ Creativity: Create products and services with perfect quality that bear Traphaco's intellectual uniqueness.
- ✦ Responsibilities: Commit and fulfill responsibilities to society, shareholders, clients, partners and employees on the principle of mutual benefit.
- ✦ Identity: Traphaco's identity of culture and people: Desire, passion, dedication.
- ✦ Green farmaceuticals: is produced on the basis of green supply chain from raw materials to clean production technology, distribution system, friendly service environment.

Targets

- ✦ Rank No. 1 among Vietnamese pharmaceutical companies in terms of growth of revenue and profit and market capitalization. Become the leading Green brand in Vietnam.
- ✦ Market capitalization: VND 10,000 billion. Total revenue: VND 4,000 billion. Total profit: VND 500 billion..

- ✦ Technology as the most advanced in Vietnam's pharmaceutical industry.
- ✦ Modern Management System based on information-integrated platform.
- ✦ Traphaco-ers are happy, satisfy with life and work, Traphaco's workplace is one of the best working environment in Vietnam.

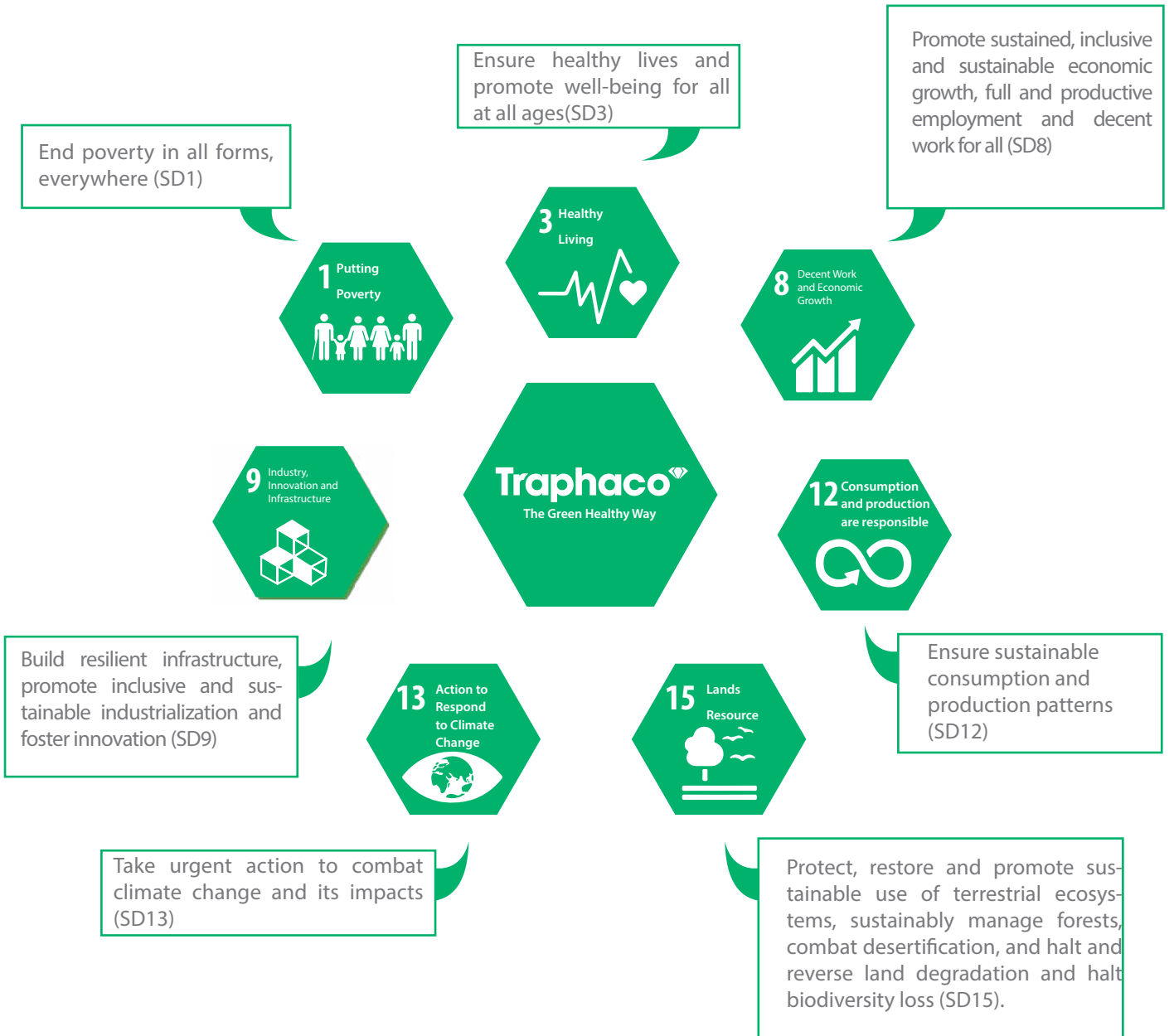
TRAPHACO'S SUSTAINABLE DEVELOPMENT MODEL

- ✦ Traphaco always links economic growth with environmental protection and social responsibility - these three factors play a fundamental role in the long-term success of Traphaco. In particular, the economic goals and product responsibility are two important factors of Traphaco because the implementation of this goal is a necessary condition for the implementation of social and environmental objectives.
- ✦ The implementation of economic objectives and product liability is combined with the implementation of other social and environmental objectives to ensure the balance between the interests of the parties involved in the current operation. , Towards the future and implementing the long-term and sustainable development strategy of Traphaco. The process of communicating with stakeholders helps us realize that with the assurance of economic growth, the benefits of social, community and environmental preservation have a role. Equally important for the sustainable development of Traphaco.



OBJECTIVES AND SOLUTIONS TO DEVELOP SUSTAINABLE DEVELOPMENT STRATEGY FOR SUSTAINABLE DEVELOPMENT IN THE 2017-2020 PERIOD

Among 17 United Nations sustainable development goals, Traphaco has selected and integrated sustainable development goals in its strategic orientation for sustainable development in the 2017-2020 period. Industries include:



SUSTAINABLE ECONOMIC GROWTH

GOAL 1 (SD8)

Promoting sustainable, effective and long-term economic growth; Create jobs and increase productivity for everyone

Optimizing the capacity, efficiency of corporate governance and the Green Value Chain. Improve business efficiency by business scale and improve productivity in Traphaco to improve efficiency and increase the value of Traphaco, becoming the leading Green Trademark in Vietnam.

To invest in research and development activities, especially researching and exploiting traditional medicine knowledge of Vietnamese people, using high quality medicinal herbs grown in Vietnam to create modern products for Domestic demand and export.

Improve operational efficiency through investing in the highest standards in the Vietnamese pharmaceutical industry in order to increase resource efficiency and to apply cleaner and more environmentally friendly technologies; Modern management system based on integrated information technology platform.

Building the best working environment in Vietnam; Ensure the salary, bonus, welfare for employees, create motivation to work and encourage creativity.

GOAL 2 (SD12)

Ensure consumption and production are responsible

GOAL 3 (SD9)

Building a solid infrastructure, accelerating industrialization, openness and sustainability, encouraging innovation.

SUSTAINABLE COMMUNITY CONTRIBUTION

GOAL 4 (SD1)

Putting poverty in all forms, everywhere

Pioneer in responding to the mobilization of Vietnamese priority use: use of Vietnamese materials, Vietnamese knowledge to serve health care.

Guide and transfer techniques of cultivation and development of medicinal plants in the localities to help increase income and stabilize the life of ethnic people and farmers in medicinal plantations.

GOAL 5 (SD3)

Ensure a healthy lifestyle and improve well-being for all ages

Contribute to the accessibility of drugs by the community through continuous innovation to improve product quality, labor productivity, optimize costs, create medicines to meet the needs of society.

SUSTAINABLE ENVIRONMENT PROTECTION

GOAL 6 (SD13)

Action to Respond to Climate Change

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

Empty bare land and bare hills with GACP-WHO medicinal plant growing areas.

GOAL 7 (SD15)

Protect, regenerate and encourage the sustainable use of terrestrial ecosystems, sustainable forest resource management, anti-desertification, soil erosion and biodiversity loss

Reduce activities that generate waste and environmental pollution, contribute to improving the environment and human health.

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

ACTION PLAN 2017

A priority assessment identifies goals that may directly affect Traphaco's operations

Set goals and KPIs to perform annually

Join and consult experts and forums to better understand the goals of sustainable development

Link and streamline current business activities closer to sustainable development goals

Make public commitments about commitment to the goals

SUSTAINABLE ECONOMIC GROWTH



SUSTAINABLE ECONOMIC GROWTH

- Promoting sustainable, effective and long-term economic growth; Create jobs and increase productivity for everyone.
- Optimizing the capacity, efficiency of corporate governance and the Green Value Chain
- Improve business efficiency by business scale and improve productivity in Traphaco to improve efficiency and increase the value of Traphaco, becoming the leading Green Trademark in Vietnam.
- To invest in research and development activities, especially researching and exploiting traditional medicine knowledge of Vietnamese people, using high quality medicinal herbs grown in Vietnam to create modern products for Domestic demand and export

BUILDING SOCIETY SUSTAINABLY



SUSTAINABLE COMMUNITY CONTRIBUTION

- Improve operational efficiency through investing in the highest standards in the Vietnamese pharmaceutical industry in order to increase resource efficiency and to apply cleaner and more environmentally friendly technologies; Modern management system based on integrated information technology platform.
- Building the best working environment in Vietnam; Ensure the salary, bonus, welfare for employees, create motivation to work and encourage creativity.
- Ensure consumption and production are responsible
- Pioneer in responding to the campaign of Vietnamese people to give priority to using Vietnamese goods: using Vietnamese materials, Vietnamese knowledge for health care
- Guide and transfer techniques of cultivation and development of medicinal plants in the localities to help increase income and stabilize the life of ethnic people and farmers in medicinal plantations.
- Ensure a healthy lifestyle and improve well-being for all ages

PROTECTING ENVIRONMENT SUSTAINABLY



SUSTAINABLE ENVIRONMENT PROTECTION

- Action to Respond to Climate Change: Carrying out the Carbon Footprint report of the parent company and member companies
- Empty bare land and bare hills with GACP-WHO medicinal plant growing areas
- Reduce activities that generate waste and environmental pollution, contribute to improving the environment and human health.
- Energy efficiency through the rational use of energy and natural resources
- Protect, regenerate and encourage the sustainable use of terrestrial ecosystems, sustainable forest resource management, anti-desertification, soil erosion and biodiversity loss.



Actiso planting area which meets GACP-WHO standard of Traphaco is in Sapa, Lao Cai





STAKEHOLDERS ENGAGEMENTS

We build and develop relationships based on long-term interests of the parties; This relationship is maintained based on the credibility, transparency and upholding the ethical standards of the business. "

DISCLOSURE

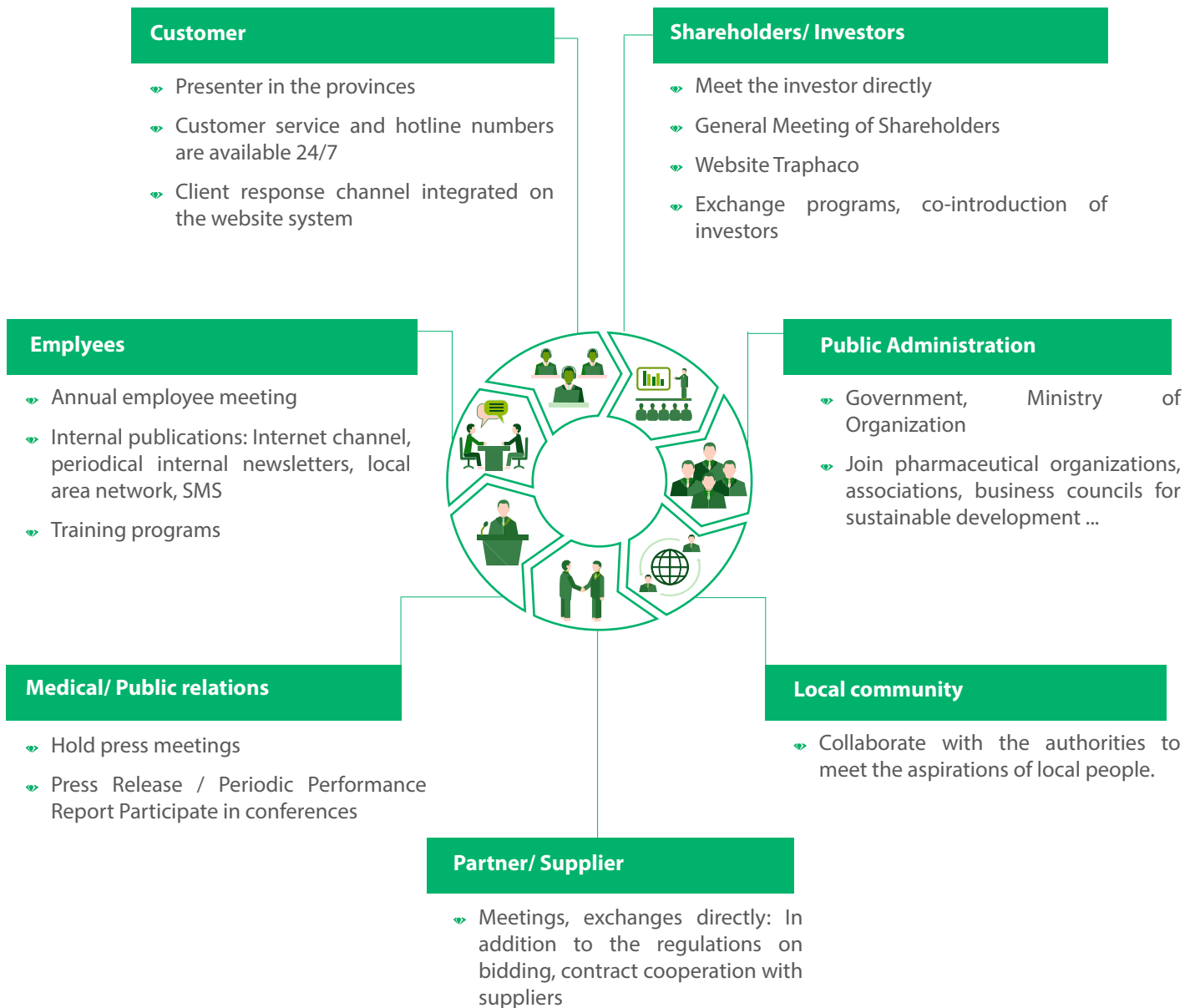
- ◆ We identify stakeholders based on the impacts of Traphaco's activities on them, or on individuals or organizations that have an impact on Traphaco's current operations. We build and develop relationships based on meeting long-term interests between the stakeholders; This relationship is maintained on the basis of trust, transparency and respect for the ethical standards of the business.
- ◆ We reach out to stakeholders through a variety of different sources of information in a way that is conducive to listening to each other's ideas and concerns for Traphaco's operations, especially corporate governance issues, economic growth, social and environmental contributions.
- ◆ The dialogue with the parties also helps Traphaco proactively identify trends and current issues as well as help Traphaco to objectively look at policies, reports and disclosures outside. we do it.

The 7 key stakeholders for Traphaco include:







STAKEHOLDERS ENGAGEMENTS OF TRAPHACO




For each target group, Traphaco uses different approaches to engage. Responses from the parties are paid attention, consideration, research and efforts to incorporate these responses into the policies and activities of the company.



STAKEHOLDERS ENGAGEMENT

STAKEHOLDERS	TRAPHACO'S MATERIALITY	TRAPHACO'S INITIATIVES	VALUES GENERATED
<p>Shareholders/ Investors</p> 	<ul style="list-style-type: none"> Ensure sustainable economic growth; Information transparency, ensuring the interests of investors; Corporate governance, market capitalization and market capitalization are all enhanced. Pay for the investor. 	<ul style="list-style-type: none"> Maintain the growth rate of revenue and profit. To implement transparent information disclosure policy and equal treatment to shareholders and investors. Completing the corporate governance model, perfecting the regulatory system throughout the company, implementing risk management, internal control, compliance monitoring, Improve performance. 	<ul style="list-style-type: none"> Achieve stable and stable growth in revenue and core business performance. Profit after tax of the parent company in 2016 grew by 17% over the same period of 2015. Ensure regular dividends to shareholders / investors: Dividend since the listing is maintained at 20% -30%. The market capitalization of Traphaco in 2016 reached more than VND4,000 billion compared with the end of 2015 reaching over VND2,000 billion
<p>Customer</p> 	<ul style="list-style-type: none"> Brand prestige of the business; Diverse products offer high therapeutic effect; Sales policy of co-interests; Attentive customer care 	<ul style="list-style-type: none"> Enhance Traphaco brand prestige through prestigious awards, strengthen the trust of customers. Research and development of high quality and effective treatment lines; Develop sales policies to ensure the interests of customers. Improve the quality of sales staff and enhance customer care activities. Applying information technology in drug distribution, creating favorable conditions for Vietnamese drug market to reach many consumers. 	<ul style="list-style-type: none"> Brand reputation is enhanced (Traphaco Top 40 Brand of Vietnam's Most Valuable Company, Vietnam's Most Prestigious Pharmaceutical Company); Provide customers with quality products and highly effective treatment. 18 years of continuous certification Vietnam high quality goods. Access to and direct care of more than 23,000 Customers across the country through modern administration systems. Invest in nearly 3% of sales of pharmacies for customer care.

STAKEHOLDERS	TRAPHACO'S MATERIALITY	TRAPHACO'S INITIATIVES	VALUES GENERATED
<p>Workers</p> 	<ul style="list-style-type: none"> Opportunity for training and promotion; Welfare policy ensures, increases the benefits for workers; Good working environment, enhanced cohesion of workers; Employee contributions are recognized. 	<ul style="list-style-type: none"> Build high qualified professional resources, attitudes, motivation to work hard, fulfill mission and value of Traphaco; To ensure welfare and welfare regimes for laborers; Encourage staff to participate in learning and training to improve their professional skills to better serve their needs. Continue to maintain and improve the quality of training programs for laborers Inviting employees to participate in community projects 	<ul style="list-style-type: none"> Total funds for welfare and welfare in 2016 is 15 billion VND. Pay 18/12 salary for employees in 2016. Pay 18/12 salary for employees in 2016. Organized 46,712 training hours with 3,707 training sessions for employees throughout the Company. Celebrate and reward 20 excellent staffs of the Company with a trip to Dubai
<p>Local community</p> 	<ul style="list-style-type: none"> Increase income, create jobs for local people. Consultant to improve public health care. Measures to protect the environment. 	<ul style="list-style-type: none"> Carry out social responsibility through the following activities: Development of medicinal plant growing areas in localities helps to ensure the family economy thereby promoting the local economy; poverty reduction; Grateful for the meritorious people; Invest in the younger generation. Consultant to improve public health through the organization of health care conferences nationwide. Protect the living environment of the community through the application of quality management systems. 	<ul style="list-style-type: none"> Investing nearly 20 billion VND for community activities in which the health care consultancy accounts for 80% Total operating budget (VND13 billion). Bring average income from 120 million - 200 million VND / ha to her people in the pharmaceutical plant of Traphaco.

STAKEHOLDERS	TRAPHACO'S MATERIALITY	TRAPHACO'S INITIATIVES	VALUES GENERATED
<p>Regulatory Authority</p> 	<ul style="list-style-type: none"> ♦ To implement the Government's guidelines. ♦ Observe the obligations to the state budget. ♦ Make responsible investments, research and development of green products. ♦ Solutions of enterprises to respond to climate change. 	<ul style="list-style-type: none"> ♦ Pioneered the implementation of the campaign of Vietnamese people to give priority to using Vietnamese products, contributing to increase the rate of using drugs produced in Vietnam with quality and promoting the pharmaceutical industry and Vietnam development. ♦ Develop green product lines to ensure healthy living for the community. ♦ Maintaining a quality management system that meets the GPs standards at Traphaco's manufacturing plants. 	<ul style="list-style-type: none"> ♦ Contributing nearly 1,000 billion VND to the state budget since the listing. ♦ Provide quality products, effective treatment for the community. For 18 consecutive years, the certificate of high quality Vietnamese goods. Celebration products were honored Top 10 most famous brand in Vietnam. ♦ Use thrifty and resource efficient.
<p>Press Agency</p> 	<ul style="list-style-type: none"> ♦ Transparency of financial information. ♦ Enhance the information exchanged with the press about the operation of the business. 	<ul style="list-style-type: none"> ♦ Closely connected with the press, ensuring that Traphaco's news activities are kept up-to-date and reflect honestly and objectively the stakeholders. ♦ Increasing the amount of information sent to the press through press releases, short stories, in-depth internal analytical articles sent to the targeted press. 	<ul style="list-style-type: none"> ♦ Strengthen exchanges and share information with the press by inviting journalists to participate in some programs organized by Traphaco or Traphaco. ♦ In 2016, there were more than 200 articles related to Traphaco on business activities, trademarks, sustainable development, community health consultation ...
<p>Partner / Supplier</p> 	<ul style="list-style-type: none"> ♦ Specific requirements for investment projects and social environment issues. ♦ Criteria for supply units for environmental and social responsibility. 	<ul style="list-style-type: none"> ♦ Include environmental and social responsibility in the terms of the contract with the main contractor. ♦ Prioritize the selection of suppliers that meet regulatory requirements, compliance with laws and processes that do not harm the social environment. 	<ul style="list-style-type: none"> ♦ Carry out supplier reviews on labor practices and the environment. ♦ Include environmental and social clauses in contracts with major contractors.

Traphaco

45 years
For the belief in health



Engagements Stakeholders



MATERIALITY IDENTIFICATION MATRIX

Traphaco interacts with stakeholders to actively capture their interest in sustainable development of Traphaco. We have devoted our efforts to taking action on the issues identified as critical

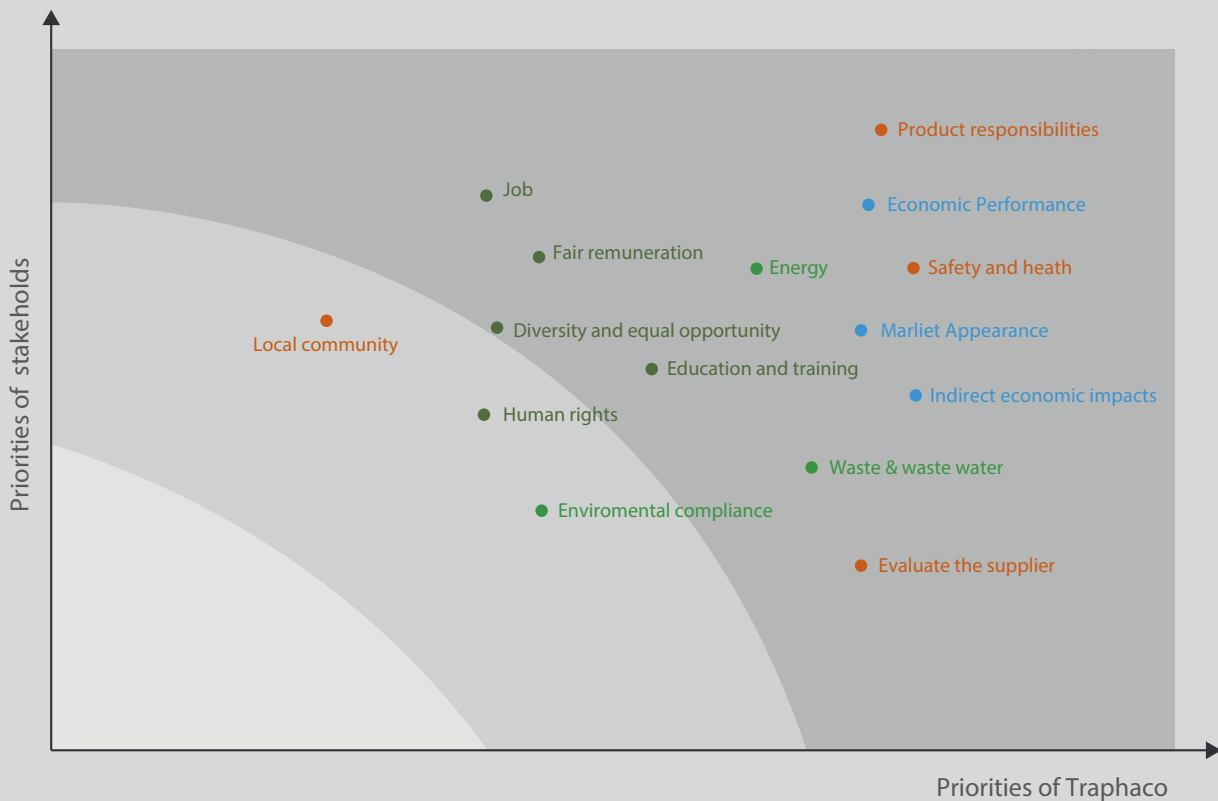
Traphaco has consulted experts in the field of sustainable development on key issues which Traphaco needs to consider and consider at the present time. At the same time, we also consider the opinions of employees through the review of proposals and comments raised through internal interaction channels.

The assessment of key issues for the business is based on the analysis of business strategy of the business, the analysis of press information and business environment of the industry. From there we select the key issues of interest. The importance and scope of the issues are further refined, analyzed and clarified in the discussion meetings with the relevant Divisions and submitted to senior management to determine the issues. Priority will be given in 2016.

MATERIALITY MATRIX

By evaluating the importance of the issues in terms of the level of interest of the parties and the extent of their impact on the business, Traphaco develops a "Critical Material Matrix" Determine priorities and allocate resources appropriately to best meet the expectations of the stakeholders as well as ensure the sustainable development of the business.

Traphaco's Critical Material Matrix



After consulting stakeholders and assessing stakeholder interest in key issues and reviewing the importance of issues to Traphaco's operations, we propose groups problem in the following:

ECONOMIC

- Economic Performance
- Market Appearance
- Indirect economic impacts

- Job
- Fair remuneration
- Diversity and equal opportunity
- Education and training
- Human rights
- Product responsibilities
- Safety and health
- Local community
- Evaluate the supplier

SOCIETY

ENVIRONMENT

- Energy
- Waste & waste water
- Environmental compliance

SUSTAINABLE ECONOMIC GROWTH



DISCLORURE MANAGEMENT APPROACH

Traphaco determines that a sustainable development strategy can only be achieved when the economic objective is secured, since only building a solid resource for the business itself can Traphaco provide lasting benefits. Customers, shareholders, employees and the community.

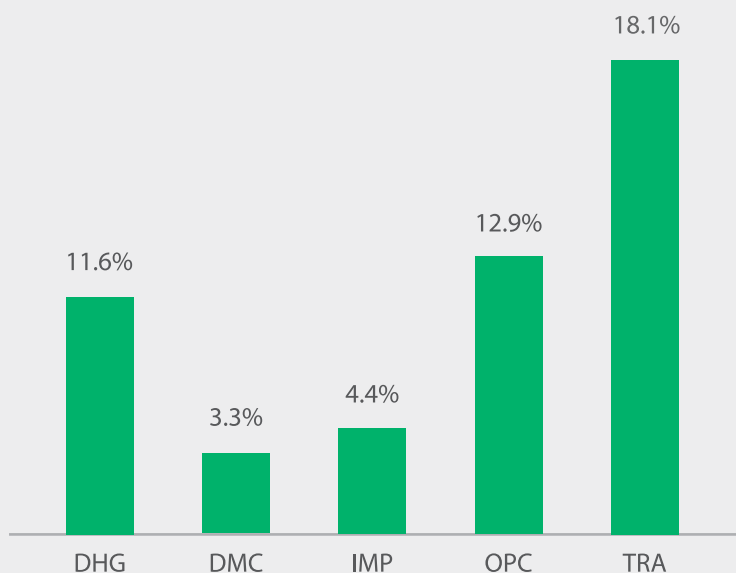
In order to ensure a stable economy, Traphaco ensures economic growth with total asset, revenue and profit ratios stable growth over the years; Maintain the leading market share of key products, bringing into play the advantages of the pharmaceutical distribution system's strongest; The ability to pay is always guaranteed

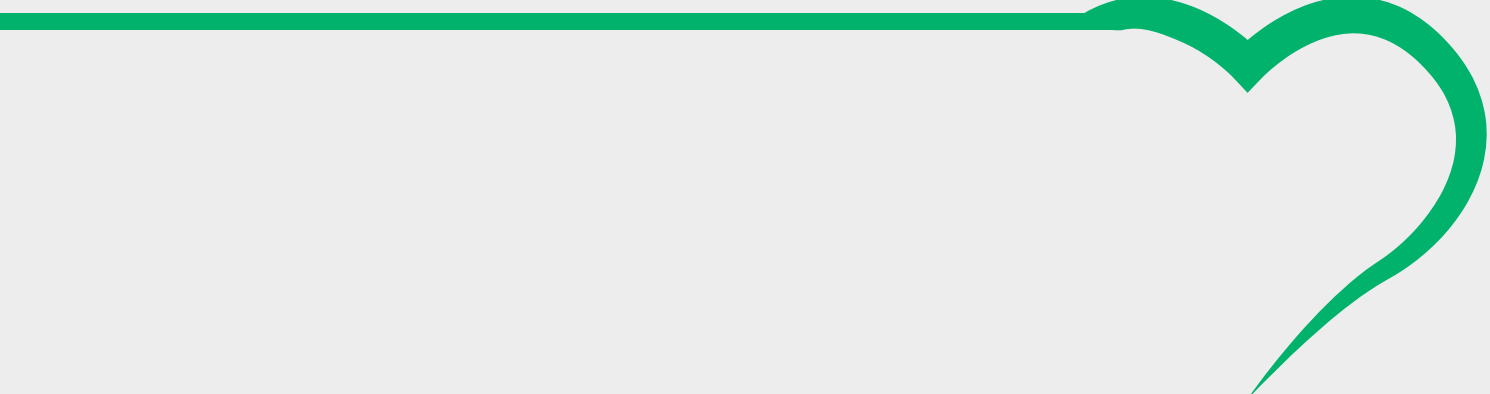
ENSURING EFFECTIVE, SUSTAINABLE GROWTH

From a business that ranks fifth among sales As of 2011, Traphaco has become the second largest listed pharmaceutical company in terms of revenue and profitability, complete value chain, strong brand name and nationwide distribution network. Branches, 02 distribution subsidiaries, direct sales to more than 23,000 retail customers.

Total consolidated revenue of the company in 2016 reached VND 2,005 billion, reaching 100% of the plan. After-tax profit reached VND228 billion, up 17% y / y.

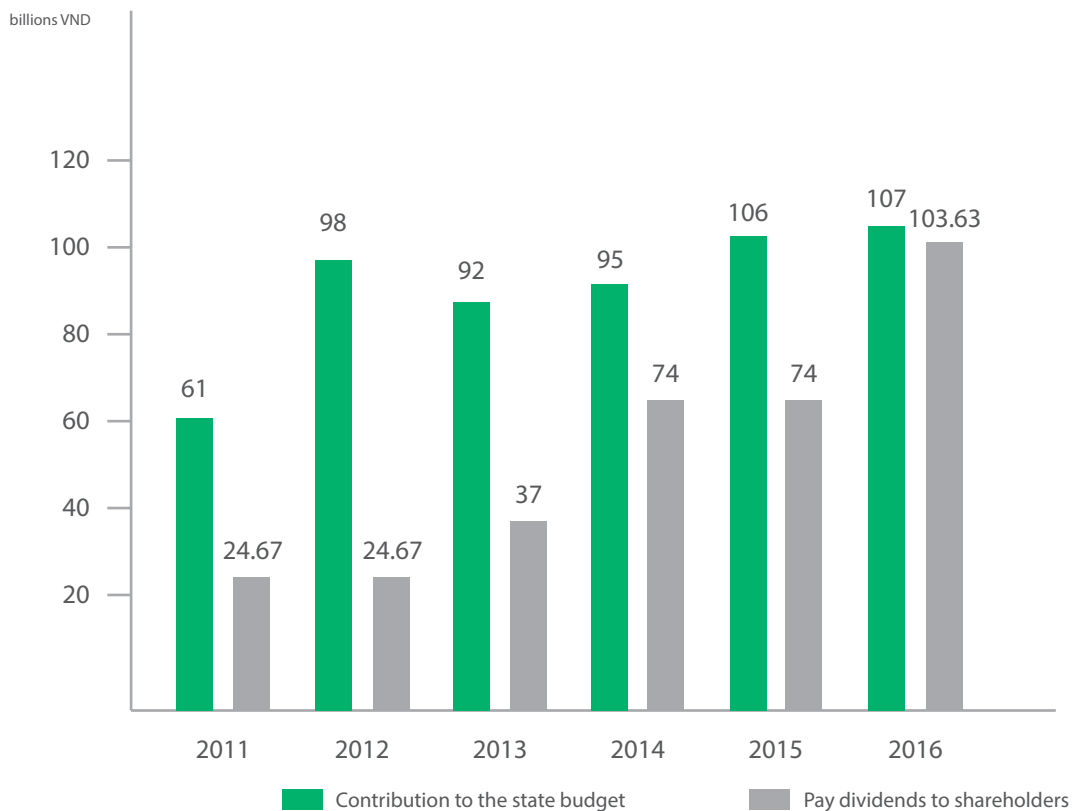
TRAPHACO has the fastest growth rate in 5 years





TRAPHACO IS FORBES CHANGED IN TOP 50 BEST LISTED ENTERPRISES IN VIETNAM
04 YEAR CONTINUES (2013, 2014, 2015, 2016)
LIST OF 50 BEST LISTING COMPANIES IN VIETNAM
BEING BUILDING ITS OBJECTIVES
NEWS ON LISTING ENTREPRENEURS EXCELLENT RESULTS AND HIGH PROFIT FOR INVESTORS. 50 LISTING COMPANIES WITH EXCELLENT BUSINESS RESULTS IN 12 SECTORS, OUR MARKETING POSITION IN THE MARKET.
RESULTS OF THE 50 BEST LISTED FIRST COMPANIES BASED ON THE RESULTS OF THE 5 POINTS: GROWTH RATE GROWTH RATE ON REVENUES, PROFITS, PROFITS IN ROC (CAPITAL), PROFIT IN OWNERSHIP CAPITAL ROE AND INCOME ON STOCK (EPS).

INDICATIVE COLLABORATORIES ON ECONOMY



Total dividends paid to shareholders of Traphaco 2011-2016 is 338 billion. In 2016, Traphaco maintains a dividend of 30%, equivalent to VND103.63 billion (an advance of 20% in January 2017), which is high compared to the average pharmaceutical market.

INVESTMENTS FOR COMMUNITY ACTIVITIES

The company's annual budget for community activities accounts for 1-3% of sales. In particular, community health counseling activities are given special attention. In addition, Traphaco is a charismatic organization that is dedicated to humanitarian, charitable, and benevolent activities with the desire to contribute to a better quality of life - happier. Philanthropic activities are an indispensable job and an enthusiastic response from leaders to employees..



CREATING JOB EDUCATION AND DEVELOPING LOCAL ECONOMY

Confirming the pioneering role of a leading pharmaceutical brand in sustainable development. Traphaco has guided and transferred technology to farmers in mountainous and remote areas to jointly develop and develop medicinal plantations. The pioneering development of medicinal plantation areas not only towards the sustainable development of Traphaco, creating competitive advantages in the domestic and international pharmaceutical market but also create jobs for Thousands of employees contribute to promoting local economic development.





45 years
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ESG EMBEDDED IN DAILY OPERATIONS OF ENTERPRISES

Disclosure management approach

At Traphaco, the leading motto of our investment strategy is to invest safely and effectively on the basis of ensuring the sustainable development of the Company, thereby ensuring the interests of shareholders, customers and Workers.

Traphaco focuses on the core business - the financial services sector with 90% of our equity portfolio focusing on the core businesses of insurance, investment and services. Finance - environmentally friendly professions. In the coming time, we continue to prioritize the development of the core business line - both to ensure the sustainable development

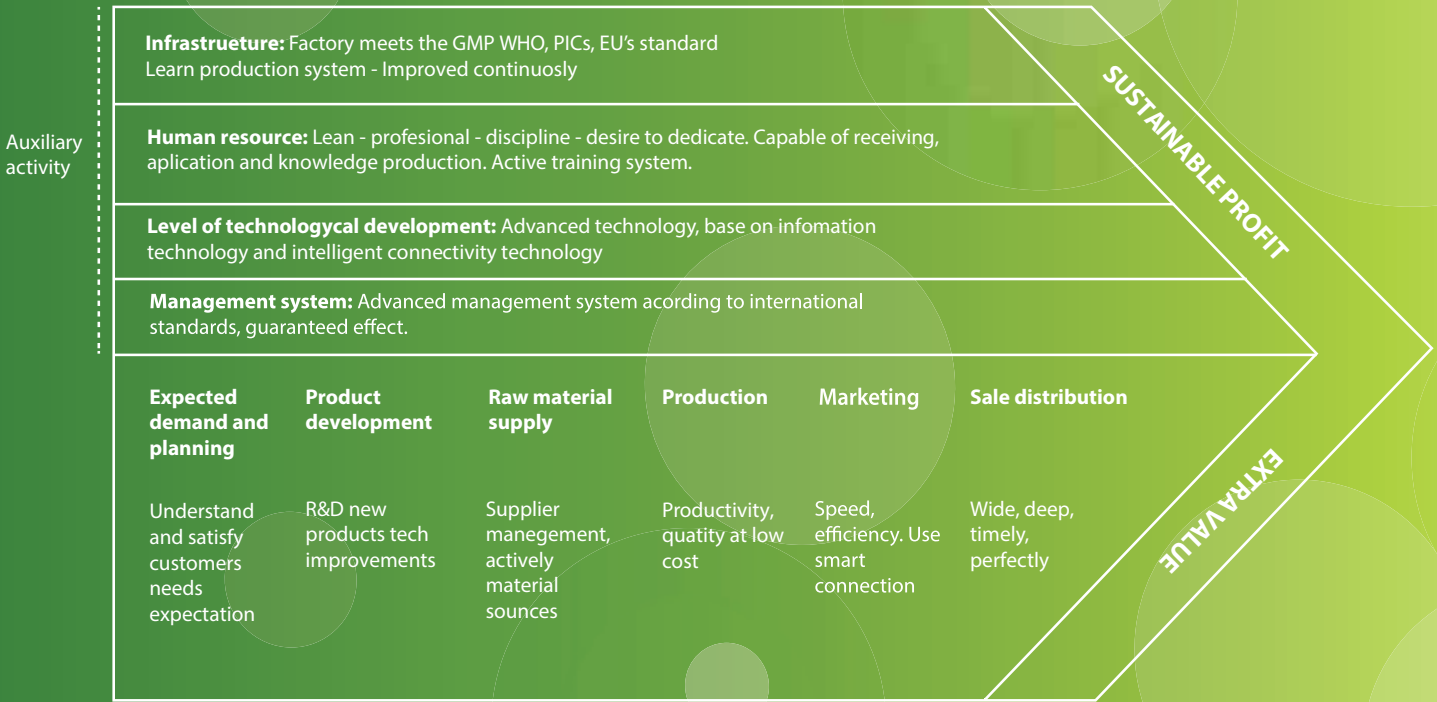
of Traphaco, and to contribute to the mitigation of harmful effects on the environment.

Building a sustainable value chain

As sustainability is concretized in Traphaco's objectives, sustainability factors are embedded in all business activities of the value chain from input supply to business and Outputs are considered in three aspects: socio-economic and environmental.



VALUE CHAIN OF TRAPHACO



SUSTAINABLE SUPPLY CHAIN

With a nationwide network, Traphaco uses products and services from hundreds of local and foreign suppliers. Ensuring sustainability is one of Traphaco's priorities in supply chain management.

We choose suppliers who are aware of environmental protection, ensure the interests of employees, have business ethics. Assessing the environmental, social and governance risks in the supply chain is not only important for Traphaco but also for our investors and customers.

Incorporating sustainable issues in procurement decisions helps us keep abreast of our sustainability goals, especially with regard to environmental issues.

ESGS ENGAGEMENT IN SUPPLIERS SELECTIONS

In 2016, we conducted a review of vendor selection methods to simplify the assessment process, including the evaluation criteria, the required documentation from the supplier.

Traphaco is evaluating new suppliers based on the criteria in the Supplier Selection Criteria. This set of criteria includes assessments of supply, quality, value added services, costs, improvements and sustainability.

For sustainability criteria including socio-economic-environmental assessments such as labor-related requirements, human rights, social impacts, environmental assurances bare...

Potential suppliers are also required to complete the "Supplier Self-Assessment" which covers issues related to labor standards, employee health and safety, business ethics and control of environmental issues.





**Creative Sustainable
Social Foundation**



SUSTAINABLE COMMUNITY DEVELOPMENT



As a unit manufacturing pharmaceutical business, Traphaco always "Taking the community benefit to start all activities". Therefore, Traphaco is committed to contributing to the sustainable and stable development of the company through enhancing the quality of life for workers, their family members, the community and the whole society

HUMAN RESOURCE DEVELOPMENT

HUMAN RESOURCES ARE GASES, WHICH ARE BIG POWER AND TARGETS OF ENTERPRISES

People with Traphaco are the driving force behind innovation and the key to success. Therefore, the human and human resources development has always been the core of the driving force of enterprise development during the 45 years of establishment, formation and development.

STRATEGY FOR HUMAN RESOURCES MANAGEMENT

TRAPHACO considers human resources to be the essence of the enterprise, training is the basic factor to meet the strategic objectives of the organization, the quality of employees is one of the most important competitive advantages of the enterprise, therefore Labor policies are paid special attention by the Company. Workers in Traphaco are always guaranteed material and spiritual income, always have a good working environment, always respected and have the opportunity to develop.

STRUCTURE OF LABOR FORCE AT TRAPHACO

- Up to 31/12/2016, the total number of employees is 809 cadres, Staff and 238 collaborators, an increase of 107% over the year 2015. The gender structure is also quite balanced when male laborers make up 50.9% and female workers account for 49.1%. The age structure has a large difference when the number of middle-aged workers (from 30 to 50 years old) has a solid professional level and many practical experiences make up 74.5%, young workforce Under age 30 accounts for 17.8% and veteran staff of over 50 years of age, experienced, longtime with Traphaco 7.4%.
- In terms of qualifications, the labor force with university and post-graduate degrees is 34.7%, an increase of 22% over 2015. With the increase in both quantity and quality of labor force, To meet Traphaco's business and sustainable development requirements, this is reflected in the growth of total revenue and profit of the Company in 2016 compared to 2015.

Labor structure according to criteria	Number staff	Rate / total number of Traphaco staff
Nation		
Viet Nam	809	100%
Foreign	0	0
Structure by ethnicity		
Glasses	798	98,64%
Ethnic minorities	11	1,36%
Sex		
Male	411	50,9%
Female	398	49,1%
Age		
Under the age of 30	144	17,8%
30-50 years old	604	74,5%
Over 50 years old	61	7,4%
Degree training		
Graduate	44	5,4%
University	237	29,3%
Other	528	65,2%
Block		
Business	444	54,9%
Manufacturing	145	17,9%
Office	220	27,2%

In 2016, Traphaco's exit rate is 4.2%, in which the rate of dismissal of men is higher than that of women. The over-50s tend to be the most stable, leaving the jobless rate low (0.4%), while the under-30s account for a job loss rate of 1.1% and the turnover rate of employees aged ranging from 30-50 years old is the highest (27%).

Statistical data		Age			Sex	
		<30	30-50	>50	Male	Female
The number of staff leaves the year 2016	Number (person)	09	22	03	23	11
	Rate (%)	26,5	64,7	8,8	67,6	32,4

GIVE ENTITLEMENT TO EMPLOYEES

Improve the quality of human resources - Build prices Long term treatment for workers

Sustainable human resource development is central to our long-term strategy. The company always has the policy of training and developing human resources to meet the change of technology, the increasing demand of customers and meet the needs of personal development. The company always encourages staffs to participate in learning and training in order to improve their professional skills to better serve their needs.

Forms of training are provided:

- Organizing training courses at the company: By company staff Train or hire outside experts for training. Funds paid by the company.

- Sending staff to external training courses: Company Send staff to take advanced training courses Professional courses, skills appropriate for each job position. Funds paid by the company.
- Regular training: Managers at all levels have Responsibility to train and train under staff To have the best skilled worker to do the job. Managers are always aware that training to improve their qualifications and staffs is an urgent matter and this is one of the important tasks in the work plan while maintaining normal training. bracelets.
- Self-study: Employees have the responsibility to self-study to improve their professional knowledge, skills and work skills to best meet the requirements of the job. Funding (if any) is paid by the individual.

Training results in 2016

No	Training course	Number of course	Number of students Practical	% Of total actual turns	Cost (VND)	% of total Cost of implementation
1	Training budget				2,361,137,578	
2	Number of trained people		3,707			
3	Number of training programs		83			
4	Average satisfaction level / total training set Medium has done		83		97,77%	
5	Training development team: CEO	1	3	0.08	20,250,000	0.86
6	Intermediate Management Training	14	278	7.50	111,470,000	4.72
7	Training business	26	2,193	59.16	1,722,850,578	72.97
8	Training NV office	35	759	20.47	436,727,000	18.50
9	Training of production staff	7	474	12.79	69,840,000	2.96

TRAINING COURSE FOR SENIOR LEADERS ON CORPORATE GOVERNANCE

Organizing Corporate Training Course for senior leaders of Traphaco.

For the purpose of enhancing corporate governance knowledge and skills in accordance with Vietnamese law and international standards for members of the Board of Directors, Board of Directors, Supervisory Board, and officers Another manager in the company, on 23 and 24/02/2017, Traphaco held training course "Corporate Governance".

The training course is designed with four subjects to provide practical and highly practical knowledge in corporate governance practice in Vietnam.

Topic 1: General Knowledge of Corporate Governance

Topic 2: International Standards and Practice in Corporate Governance

Topic 3: Current legal regulations on Corporate Governance in Vietnam

Topic 4: Discussion on issues relating to the Company

Attending the course is an opportunity for the Company's leaders and managers to come from functional departments / departments to share practical experiences in management, administration and exchange of ideas and views with the lecturers. About Corporate governance is considered from a variety of perspectives, thereby gaining a more comprehensive view of the practices at Traphaco.

The training course helps participants to understand the overview of corporate governance, roles and benefits of corporate governance for companies, especially listed firms such as Traphaco; Help students master the nature and the internal. To take the core responsibilities, powers, duties and duties of the General Meeting of Shareholders, appoint, dismiss and remuneration of the corporate governance and refer to international experience and practices at Vietnam applies the exercise of shareholders' rights.



FINDING AND RECOGNITIONING PERSONALITY, ENHANCING LIFE OF EMPLOYEES

Recruiting personnel and attracting talented people

In order to attract and maintain the human resources and recruitment activities of Traphaco publicly and transparently with full procedures and clear standards, ensuring fairness and prioritizing the development of internal human resources. . Traphaco always welcomes the dynamic, enthusiastic and aspiring candidates who are ready to take on the challenges of Traphaco's business and business environment.

In 2016, Traphaco recruits 91 new officers, equivalent to 168% of 2015, as follows:

Statistics		Age			Sex	
		<30	30-50	>50	Male	Female
Number of cadres Recruit years	Number (person)	55	35	1	57	34
	Rate (%)	60,4%	38,5%	1,1%	62,6%	37,4%

Equitable treatment for employees

Equal treatment of employees plays an important role in creating a good working environment, motivating employees, promoting their abilities and sticking to Traphaco. Activities in Traphaco's human resources policy are oriented toward the following main objectives:

It does not discriminate on the basis of gender, ethnicity, color, social composition, marital status, belief, religion, health status or the reason for establishment, accession and union activity under Regulation of labor law.

Pay fair compensation to employees on merit

Respect and listen to the opinions of employees. All employees have the right to contribute ideas to the construction and development of Traphaco.

Every employee has the same opportunity in recruiting, training and promotion.

In Traphaco, the number of female staff is 398, accounting for 49.1% of the workforce. To ensure fairness in all activities of the business; Take care of material life, As well as creating favorable conditions for female staff to participate in professional work, planning and appointment to leadership positions, the activities of "female staff" are always maintained.

To ensure that female cadres enjoy the State's regimes and welfare regimes such as taking leave, taking leave according to the regime and participating in the purchase of health insurance, social insurance, To enjoy the special care for female cadres, participate in corporate culture.

Traphaco encourages, facilitates time, work and money for female staff to participate fully in training, fostering, learning exchange experience in home and abroad.

Rate of female staff in Traphaco	49,1%
Rate of women recruited in 2016	37,4% (34 people)
Proportion of female employees holding managerial positions in 2016	4% (34 people)
The proportion of female officers holding senior management positions compared to the total number of senior managers of the Company	50% (03 people)
The proportion of female officers holding middle management positions compared to the average number of middle managers of the Company	43% (34 people)



Traphaco 2016's Women Football Tournament

MAKE THE VALUES OF LABOR CONTRIBUTORS

Traphaco understands that to organize can be successful and go to the destination should rely on the workforce with determination And consensus for common goals. Therefore, Traphaco always respects the contribution and dedication of the staff for the success of Traphaco. This is reflected in the compensation policy and good welfare to ensure the material but also the recognition of Traphaco commitment and commitment to the work of staff.

health of its employees through the provision of periodic health checks to employees, with a broader list of health care providers, increasing the maximum benefit to the worker labor. With the strength of products protecting customers against health risks, Traphaco regularly organizes consultancy programs with the participation of experts and doctors for internal customers and staff. To enhance the knowledge of health care and protection, especially for female workers.

PERORMANCE - BASED PAYMENT POLICY

Key Performance Indicator (KPI)

Key Performance Indicator continues to be applied and increasingly improved to improve efficiency in practice. Since its inception, this system has helped to align Traphaco's goals to each department and staff, contributing to improving business efficiency by equipping every individual in the team. Power and tools to help people understand Traphaco's expectations clearly, enabling individuals to operate effectively, to leverage their abilities and potential and to contribute to the success of Traphaco.

Develop and promulgate the Process "Establish KPI job objectives and evaluate the KPI implementation of the department" And evaluate the results of the monthly assessment. The KPI Board reviews the results of the quarterly, biannual, and one-year implementation of the department's work objectives to advise the Director General to make appropriate adjustments (if any).

Results of the performance evaluation under the KPI quarterly, annually used by Traphaco as a basis for salary adjustment, reward consideration and human resources development company. This policy ensures that employees are paid consistently, transparently and clearly in line with the nature of their work, work efficiency and effort, motivating them to work for the employees.

Results of the performance evaluation under the KPI quarterly, annually used by Traphaco as a basis for salary adjustment, reward consideration and human resources development company. This policy ensures that employees are paid consistently, transparently and clearly in line with the nature of their work, work efficiency and effort, motivating them to work for the employees.

Performance - based payment policy

In addition to salary paid to employees in the year including basic salary and salary based on work performance or contract salary, Traphaco also applies other remuneration policies to employees such as bonus for completion of production plan Quarterly, on the occasion of the establishment of Traphaco, Tet holidays;...

In 2016, Traphaco employees receive 18/12 salary. The average salary of employees increases by 10% compared to 2015.



Welfare policy

Welfare schemes for workers are always guaranteed: Gasoline, telephone; Milk warming regime; Special care regime

For female cadres; Resort mode; Bonus for holidays, Tet for employees; Give gifts to cadres who are children of wounded soldiers; Organizing gifts for children on the occasion of Mid-Autumn Festival, 01/6; Maintain the commendation ceremony for children and children who have academic achievements ... **The total fund for welfare and bonus in 2016 is 15 billion VND.**

Implement current labor law regulations, dialogue activities through annual employee conferences, trade unions, internal surveys to understand aspirations, as well as Share Traphaco's business direction, performance, alignment and harmonization of goals and motives with the organization's overall goals.

Employee health policy

In 2016, Traphaco continues to show its interest in the



In addition, in 2016, the Company set up a Project Board Salary scheme to build pay system by 3Ps method. This system will serve as a basis for assessing staff competence, assessing the performance of Traphaco's work for goal setting, plan control, and performance-based compensation. White; Motivate employees. It is expected that in 2017, the 3Ps payroll system will be officially put into practice. The payment of wages and bonuses under this method will be the system of advanced compensation, ensuring fairness, competition and transparency, creating motivation for laborers thereby increasing labor productivity and business efficiency of the Company.

Building Traphaco culture "Cooperation, sharing, commitment and commitment"

Emulation programs aimed at the implementation of the "five messages" have gradually become an expected and indispensable activity in Traphaco's annual activities. The emulation programs are aimed at breakthrough goals of the year such as: "Beyond yourself" - 2012; "Fighting waste for business development and employee benefits" - 2013; Traphaco towards customers - 2014; Develop corporate culture - 2015; "Job Performance - 2016". Through emulation programs, the goal is to set the goals of departments / departments and individuals in line with the company's overall goal of creating new values.

Apart from the emulation programs, Traphaco has tradition We pay attention to the laborers, not only by salary income, but also to the mental health care activities for all employees through the activities of the trade union movement, the youth union in the company. Competitions, cultural activities, as well as emulation programs bring a lot of value to the company and its employees. It is a chance for the company to revisit the values that Traphaco has, respecting the achievements of the previous generations. Cultural construction and development activities have helped to bring Traphaco's members closer, more committed and more committed to the company. This

adhesive helps Traphaco become a unified, solid future with the goal of becoming the No.1 Pharmaceutical Company in Vietnam.

MAKING LABOR IN ACTIVITIES OF ENTERPRISES

Incorporated in business operations - Each officer is one Brand ambassador

In 2016, Traphaco has promoted training programs on branding, introducing products to branches / regions, especially direct sales staff (presenting the pharmacist) to each Traphaco employee. Understand the values of the business, have full information exchanged with customers.

In addition to the in-depth training of information on Traphaco brand values and products are regularly updated on the tablet system of each pharmacist through DMS sales software. Other information is updated on the internal system of the enterprise: website (01 company website and 05 product website), 07 fanpage, internal network, SMS, internal newsletter (2 issues / Year), radio bulletin, ...

All contributions and feedbacks of employees and customers are recorded and promptly response to increase the Traphaco brand value for not only more than 23,000 customers nationwide but also the pride of each staff in the company.

COMMUNITIES DEVELOPMENT ACTIVITIES



In addition to taking care of the lives of employees, strictly implementing the requirements of environmental protection, sustainable development; Create jobs for her children by planting medicinal plants, the company is also a typical unit that actively sponsors humanitarian activities, charitable society, gratitude and the desire to contribute for a living. Better quality - happier, charitable social activities as a regular job indispensable and enthusiastically responded from leadership to staff. The company's annual community-based activities account for 1-3% of sales.

Specifically:

Content Sponsorship	Costs calculated until 31/12/2016
Free health advice and gifts for the elderly, women across the country <i>(17 years in a row)</i>	16 billion VND
Sponsorship / support programs for the disadvantaged elderly	2.5 billion VND
Sponsorship / support programs for children <i>(Of which 10 consecutive years sponsored the program "Spring for me")</i>	500 million VND
Other sponsorship programs <i>(Support for the people in the Central, medicine in free clinics, ...)</i>	1 billion VND
The total amount	20 billion VND



IMPLEMENTATION WORK CARE FOR COMMUNITY HEALTH CARE

With the responsibility of an active business Health care sector, over the past 17 years; TRAP HACO has pioneered and actively organized free health counseling, drug distribution and health lifestyle magazines for millions of members of The Elderly Club, Women's Union, Veterans, Red Crosses ... all over the country; Especially in rural areas, remote areas where people are very lack of information and medical care..

Every year, TRAPHACO has spent more than 10 billion VND for health promotion communication; In these programs, experienced doctors and pharmacists of Traphaco advise people on prevention and positive treatment of common diseases in the community; Advice on safe, reasonable, effective use of drugs. In order to well perform the work of community health consultancy, Traphaco organized and instructed to build a team of health consultants, maintaining more than 300 to 400 health care consultative meetings. male. In 2016, Traphaco has conducted 478 Conference - Consultative Conference on Health Promotion Communication nationwide

Traphaco's public health consultancy activities are closely coordinated and enthusiastic participation of the Elderly Association, Women's Union, Red Cross, Veterans Association, Retirement Association Nationwide; Has left the sentimental, bold sentiment expressed through many letters to thank the Company; The result of that continuous dedication has been recognized by the State and the social community through the title of "Top 10 Corporate Social Responsibility" awarded to Traphaco in 2011, 2013, 2015 - Typical enterprises in the pharmaceutical industry in Vietnam take the community benefit for the purpose of service.



UBND TỈNH TUYÊN GIANG
BAN AN NHIÊN HỮU NGHỊ TỈNH

Hàng hóa xã hội chủ nghĩa Việt Nam
Độc lập - Tự do - Hạnh phúc

Ky: [Signature]



Thư cảm ơn

Đoàn công tác tư vấn sức khỏe
từ Ủy ban TP TRAPHACO

Thưa Khew,

Thưa các thành viên
TPHACO.

7/8
Quê L
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Chào các anh chị
Thưa anh chị

BAN LIÊN LẠC HỮU NGHỊ
BAN LIÊN LẠC
HỮU TRỢ GIẢI

CỘNG HÒA XÃ HỘI CHỦ NGHĨA VIỆT NAM
Độc lập - Tự do - Hạnh phúc

Hà Nội, ngày 10/1/2017

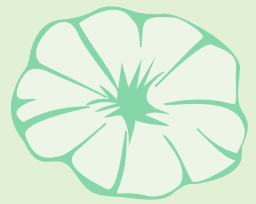
THƯ CẢM ƠN

Chúng tôi rất cảm ơn những cố gắng của Ban Liên lạc
vì công thức khai và biết ơn sâu sắc Công ty Cổ phần
TRAPHACO, đã quan tâm giúp đỡ Công ty về chi phí vận
chuyển và hàng hóa. Đó là một công việc rất
Cộng ty, là nguồn lực và công việc rất vất vả
Sống khỏe - Sống khỏe và sống có ích cho gia đình, xã
hội.

Nhiều dịp năm mới, chúng tôi xin chúc Ban Liên lạc
Công ty thêm cơ hội của Công ty mới khỏe, đạt
nhiều thành quả, góp phần phát triển sự nghiệp dân
sức và bảo vệ sức khỏe của người dân đất Việt.
Chúng tôi xin trân trọng cảm ơn.

KT. TRƯỞNG BAN
PHÓ TRƯỞNG BAN

17 consecutive years to actively consult for
community health care
300-400 meetings per year
More than VNĐ10 billion per year





EVALUATING EFFICIENT ACTIVITIES FOR THE COMMUNITY

Traphaco has been recognized by the organizations and the public as having a strong sense of social responsibility and a spirit of " Mutual affection, "- " Business - Entrepreneurs do good ".

In 2016, for the first time Traphaco participated in the enterprise assessment program through the Department of Solidarity Indices Corporate Sustainability Index (CSI). This is the initiative of the Vietnam Chamber of Commerce and Industry with The Board of Business for Sustainable Development of Vietnam aims to promote sustainability in the business community, building a measure of the value of enterprises based on the criteria for sustainable development. Traphaco is among the Top 10 Sustainable Businesses for Traphaco projects and activities, and Traphaco is also the only Pharmaceutical Company in the Top. 10

In addition, Traphaco has also been awarded the Top 10 Yellow Star Enterprises for many consecutive years Social responsibility, recognized as Traphaco Traphaco National Brand always affirms the Sustainable Brand with Full of criteria Quality - Creation - Pioneering capacity.



Chairman and Traphaco staff attended the workshop Carbon footprint - Measurement and reporting methodology organized by VietNam Holding Fund



Representatives of Traphaco attended the Vietnam Business Forum for Sustainable Development 2016 organized by Vietnam Chamber of Commerce and Industry (VCCI) and Vietnam Business Council for Sustainable Development.



Traphaco is a special sole sponsor of the Seminar "Sustainable Medicinal Drug Development" chaired by the Ministry of Health and the Nhan dan Newspaper.





SOURCES OF MATERIALS

With the strength of Eastern medicine, most of its raw materials are domestically produced (90%). The rest (10%) of raw materials used to produce medicines are imported directly from manufacturers or distributors of pharmaceutical ingredients with brand and prestige in the world such as: Univar - England, Roquette - France, Eastman-Estonia - USA, Merck - Germany ... Besides, the company also has many suppliers in Asian markets such as Korea, Japan, China, ... The demand for raw materials that Traphaco is using is about 23 tons a day, including pharmaceutical chemistry, pharmaceuticals, packaging, aluminum foil, PVC, Sign reduction of shrinkage, reduce the product does not match each year. The total quantity of Traphaco raw materials used to produce and pack products in 2016 is 2,415 tons, as follows:

Materials	Unit	Quantity
Production materials	Ton / year	2.415
Packing		
PVC	Tons / year	300,0
Aluminum paper	Tấn/năm	42,5
Box + carbox	Million sets / year	41,6
Plastic bottle 5ml	Million sets / year	3,7
Vase of plastic 10ml	Million sets / year	14,0
Vase of plastic 25ml	Million sets / year	0,3
Plastic bottle 100ml	Million sets / year	0,4

Materials	Unit	Quantity
Vial 250ml	Million sets per year	0,2
Plastic bottle 500ml	Million sets / year	2,7
Glass bottle 60ml	Million sets / year	4,0
Glass jar 100ml	Million sets / year	0,1
Tube	Million pieces / year	4,7
Aluminum bag	Million pieces / year	15,2
Saving	Million pieces / year	0,5
Glass tube 10ml	Million pieces / year	23,0

CONSUMPTION OF POWER RESOURCES, WATER

Table: utilities and saving solutions

Criteria	Usage per year	Expense / year (million VND)	Consumption / savings measure 2016
Total electricity consumption	2.686.080 KW	5.074	<ul style="list-style-type: none"> ❖ Using modern, technological lines, low energy consumption and no impact on the environment. ❖ Build awareness of electricity and water saving when used for laborers by means of training and propaganda. ❖ Appropriate placement of production shifts, reduced waste in operation of auxiliary systems. ❖ Limit the temperature of the air conditioning on hot days. ❖ Use inverter to automatically turn off for HVAC system. ● Total cost savings: 190,000,000 VND - Electricity savings per year: 185,000,000 VND - Savings of belt cost per year: VND 5,200,000. ❖ Use LED bulbs to replace Compact bulbs. ● Total annual cost savings: 29,600,000 VND - Cost of electricity saving per year: 17,050,000 VNĐ - The cost of buying a light bulb: 12,050,000 VNĐ
Electricity produced	2.570.229 KW		
Điện văn phòng	115.851 KW		

Criteria	Usage per year	Expense / year (million VND)	Consumption / savings measure 2016
Water	31.387 m3	404	<ul style="list-style-type: none"> ❖ Optimized cleaning procedures for: bottle rinsing, sanitizing of equipment, workshops with standard operating procedures. ❖ Reminders of shutting down, opening, proper use, and saving education. ❖ Manufacturing continuously to reduce the number of times for machine cleaning, the energy consumption of water and the source of sanitation. ❖ Utilizing wastewater from the RO system to cool the equipment. ● Annual cost of saving is VND18,720,000

EMISSIONS

- ❖ Emissions from the production process are mainly dust: treated Management through standardized air handling system (HVAC) QCVN 05: 2013 / BTNMT "National technical regulation on Ambient air quality".
- ❖ Technology of operation of the system:
 - When the system operates, it draws gas from the external environment Around the factory, pipeline gas into the treatment system (AHUs) include 3 levels of pre-filtering - intermediate - refining; Is a circulating system, ie gas is added For processing and then enter the production room is also a quantity. The equivalent gas is taken from the production room back Pipes to pass through the filter and are aspirated by the system Steam exhaust system.
- ❖ Laboratory set Hoods, Hoods have processing systems emissions.
 - Principle of operation: exhaust fans from hood hood According to toxic gas generated during the experiments At the hood hood pushed into the gas processing tower. At the tower, this air The solution is sprayed (dilute NaOH solution) Moved in the opposite direction to the airflow to absorb, Neutralize the gas. Next the air is cleaned Again by adsorption method on activated carbon Calculated before being discharged into the external environment..
- ❖ Emissions from generators: Use only generators In unexpected cases such as power failures electricity. To ensure energy savings, reduce emissions Gas, the company plans to actively schedule production scheduling As soon as there is a power outage notice..
- ❖ Waste generated from the air-conditioning system: Company Practice thrift with regulations on timing, timing Time off, minimum outdoor temperature, out into the room Peace closes ... to every department, every employee.
- ❖ Exhaust emissions from vehicles entering and exiting the factory (vehicles of officials, employees and transport vehicles supplying raw materials and goods of the establishment) shall be minimized and controlled by the following measures:

- Spray water to moisten the sugar on dry days.
- Disseminate and sign the regulations on safety and environment With all contractors / suppliers when entering the company job.
- Do not use the transportation facilities too Old, overtime time. All trucks must To be periodically checked up to the standards of the Registry About the level of environmental safety is allowed to operate And these facilities are regularly maintained.

WASTEWATER

- ❖ Daily-life waste water: To be collected and treated according to bio-technologies Study capacity of 50 m3 / day and night discharge to QCV 14: 2008 / BTNMT (B).
- ❖ Wastewater production: the total wastewater generated during the production process is collected in the industrial wastewater treatment system with a capacity of 30 m3 / day and night and the outputs are classified according to QCVN 40: 2011 / BTNMT (B) before discharged into the city's common sewer system.



Table: Analysis results of industrial wastewater samples.

Remarks: Industrial wastewater after treatment at the final discharge point of the system before being discharged to the environment at times during the year, the wastewater meets the criteria of QCVN 40: 2011 / BTNMT (B).

Analysis criterion	Unit	Sample 1	Sample 2	Sample 3	Sample 4	Allowed value (QCVN 40: 2011 / BTNMT, column B)
Collection date		07/03/2016	16/05/2016	17/08/2016	08/11/2016	
Return date		17/03/2016	24/05/2016	30/08/2016	22/11/2016	
pH	-	7,6	7,57	7,97	6,81	5,5 to 9
COD	mg/l	7,4	16,9	18,1	9,8	150
BOD5	mg/l	2,4	7,5	<0,84	<0,8	50
Suspended solids	mg/l	18	16	11	7	100
Ammonium (in N)	mg/l	0,06	0,47	0,63	<0,06	10
Total phosphorus (in P)	mg/l	0,08	0,09	0,07	0,11	6
Total nitrogen	mg/l	5,05	5,37	6,81	2,44	40
Arsenic	mg/l	<0,0016	<0,0016	<0,0016	<0,0016	0,1
Mercury	mg/l	<0,0005	<0,0005	<0,0005	<0,0005	0,01
Lead	mg/l	<0,0016	<0,0016	<0,0016	<0,0016	0,5
Cadimi	mg/l	<0,0008	<0,0008	<0,0008	<0,0008	0,1
Mg	mg/l	<0,0014	<0,0014	<0,0014	<0,0014	2
Zinc	mg/l	<0,0018	0,014	<0,013	<0,013	3
Nickel	mg/l	<0,014	<0,014	0,032	<0,014	0,5
Manganese	mg/l	<0,032	<0,032	<0,033	<0,033	1
Iron	mg/l	0,057	0,035	0,061	0,035	5
Sn*	mg/l	<0,0026	<0,0026	<0,0026	<0,0026	-
Total cyanide	mg/l	<0,0016	<0,0016	<0,0016	<0,0016	0,1
Total phenol	mg/l	<0,003	<0,003	<0,003	<0,003	0,5
Sunfua	mg/l	<0,022	<0,022	<0,022	<0,022	0,5
Fluoride	mg/l	0,17	0,31	0,25	0,25	10
Total mineral grease	mg/l	0,8	0,44	0,51	0,87	10
Coliform	bacteria per 100ml	23	70	150	230	5000

(Source: Report on environmental monitoring results of Hoang Liet Factory – 2016)

Table: Analysis results of domestic wastewater samples

Remarks: Domestic wastewater samples after treatment at the final discharge point of the system before being discharged into the environment at times in the year, the wastewater meets the criteria of QCVN 14: 2008 / BTNMT (B).

Analysis Criterion	Unit	Sample 1	Sample 2	Sample 3	Sample 4	Allowed value (QCVN 40: 2011 / BTNMT, column B)
Collection date		07/03/2016	16/05/2016	17/08/2016	08/11/2016	08/11/2016
Return date		17/03/2016	24/05/2016	30/08/2016	22/11/2016	22/11/2016
pH	-	7,12	7,24	7,08	6,98	5-9
BOD5	mg/l	10,8	13,5	27,5	28,7	50
Suspended solids (TSS)	mg/l	42	36	53	37	100
Total dissolved solids (TDS)	mg/l	215	448,1	307	285	1000
Sulfua (calculated according to H ₂ S)	mg/l	<0,022	<0,022	0,254	0,183	4
Ammonium (in N)	mg/l	3,59	0,06	8,41	3,18	10
Nitrate (NO ₃ ⁻) (in N)	mg/l	2,05	1,08	0,197	5,325	50
Vegetable oil and grease	mg/l	2,61	1,53	2,40	1,05	20
Total surfactants	mg/l	0,25	0,26	0,35	0,63	10
Phosphate (PO ₄ ³⁻) (in P)	mg/l	0,28	0,87	0,21	0,51	10
Total Coliform	bacteria per 100ml	460	4300	4300	4600	5000

(Source: Report on environmental monitoring results of Hoang Liet Factory - 2016)

RESULTS OF INSPECTION AND MEASUREMENT OF LABORATORY ENVIRONMENT

Microclimate conditions and physical factors "Noise, special physics" at the measuring locations are within the limits permitted by the Ministry of Health standard Labor 3733 / QD-BYT / 2002 of the Ministry of Health.

Table: Results of the measurement, test the working environment in 2016

Measurement and testing factors	Total number of samples	Sampling sample reach the standards	Samples did not reached the standards
Temperature	33	33	0
Moisture	33	33	0
Wind speed	33	33	0
Light	34	34	0
Overall noise level	28	28	0
Noise spectrum	10	10	0
Radiation	04	04	0
Dust full respiratory dust	26	26	0
CO ₂	27	27	0
CO	09	09	0
NO _x	09	09	0
SO ₂	09	09	0
NH ₃	03	03	0
H ₂ S	03	03	0
HCL	03	03	0
H ₂ SO ₄	03	03	0

- According to the results of the labor environment, the noise is in the range of 64.8 -84.5 dB, lower than the permitted standard of 85dB (Decision 3733/2002 / QD-BYT: Promulgating 21 standards Labor sanitation, 05 principles and 7 sanitation parameters).
- The results of external noise monitoring are below the recommended 70 dB noise level (QCVN 26: 2010 / BTNMT National Technical Regulation Noise).

Measurement location	Test results	
	Measure date: 16/05/2016	Measure date: 08/11/2016
North East Area	63.5	60.3
South East Area	60.1	64.5
North West Area	61.8	65.3
South West Area	60.9	67.7

REPORT ON SAFETY OF LABOR SAFETY

Statistical results of occupational health and safety management indicators.

- Occupational diseases: 0 cases
- Permanent Disability: 0 case
- Lost Time Accident: 0 case
- Lost Time Incident: 0 case
- Total number of accidents recorded (Recordable Incident): 0 cases

Observation, safety check

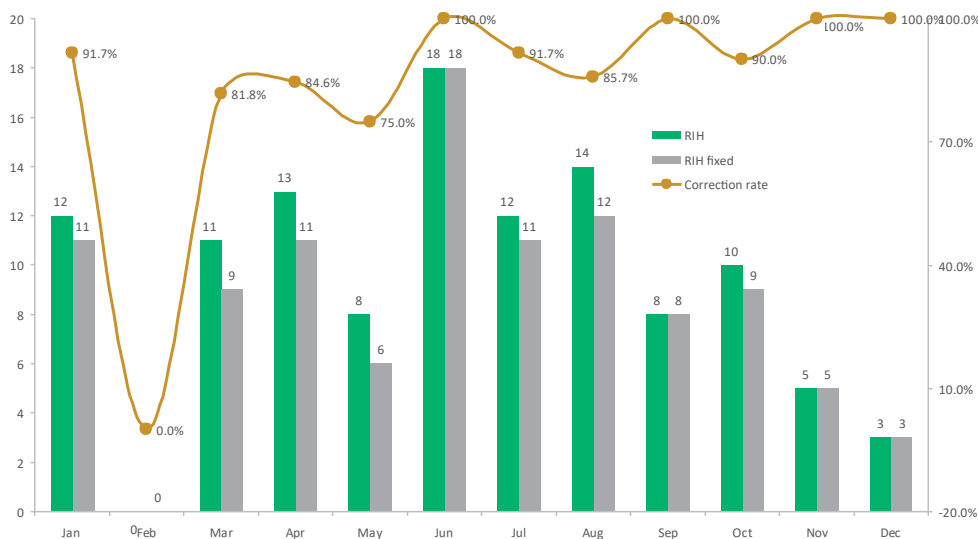
Carrying out monthly labor safety check at Hoang Liet factory:

- The number of hazards detected is: 114
- Number of hazards resolved on schedule: 103
- Number of items to be delayed: 11
- Item number unresolved: 0 items.
- Total number of bidders is provided regulations on OSH - FPF - Number of bidders: 11/11

Comment:

- The pace of solving safety problems is also speeding up and in pace: Average% of items to be handled monthly in 2016: 91%.
- Contractors comply with company regulations twelfth

Accreditation



Inspection

Content	Quantity	Device Name and Quantity
Inspection of equipment with strict safety requirements	16	Elevators (4 Units) Forklift trucks (2 units) Steamer, two-shell cooker, steam generator, compressed air (6 units) Refrigeration system (4 systems)
Industrial Gas System	2	Gas canteen system Gas research and development system
Ground resistance	4	Around the plant
Measurement of measuring equipment	5	Submeters Wind speed meter, hygrometer, thermometer Brightness meter Temperature sensor meter Engine rpm meter
Differential pressure gauge and manometer	206	Auxiliary system (70 pcs) Factory (115 units) Quality inspection (13 pcs) Research (8 pcs)

Comments: Equipment is fully tested on schedule, frequency

LABOR SAFETY AGREEMENT ON LABOR SAFETY

Employers and workers' collective representatives jointly enter into a collective bargaining agreement, stating the terms of occupational safety and hygiene as follows:

- Employers shall be fully equipped with labor protection means ensuring labor safety and hygiene and improving working conditions for laborers. Each year two sets of blouses, caps, masks, slippers, soap, gloves, ... depending on the characteristics of each type of work.
- The means to allocate labor protection must ensure quality standards and proper specifications suitable to users.
- Employers must regularly work out plans for labor accident and occupational disease prevention for laborers, measure and measure hazardous elements, have ventilation systems equipped with heat and internal fans. Workplace safety regulations.
- Employers must periodically inspect and repair machines, equipment, workshops and warehouses according to the labor safety and labor sanitation standards.
- The employee is fully instructed and must comply with the regulations on occupational safety and health and labor regulations of the Company.
- Employees must:
 - Maximum use of labor protection equipment according to job requirements.
 - Is obliged to preserve personal protective equipment, use and maintain safety equipment, workplace hygiene.
 - To strictly follow regulations on fire prevention and fighting and actively participate in overcoming the consequences of failures May happen.
- When recruiting and arranging labor, the employer must base on the health standards prescribed for each type of work, organize the training, guide and inform the employee about the regulations, Safe work practices, hygiene and accidental precautions need to be taken in the work of each worker.
- The employees must have a medical examination after being recruited and the company held a medical examination once a year.

SOLID WASTE:

- ❖ Recycled waste accounts for 80% of the company’s waste.
- ❖ Measures for waste management and recycling:
 - Classify at source, disseminate and comply with waste classification regulations in each division, department.
 - Place bin collectors at the place of emission, convenient for identification, storage.
 - Carries out regular transportation of conventional waste and recycling waste according to the company-wide regulations.
- ❖ Hazardous waste management measures:
 - Regular collection, sorting and storing of waste in separate containers, recognizing HWs in accordance with Circular 36/2015 / TT-BTNMT.
 - Regulations and instructions are disseminated to the entire staff of the company.
 - Sheltered shelter, walls, lock doors and warning signs in accordance with TCVN 6707: 2009.
 - Assign the task force to monitor and manage hazardous waste.

Name of waste	Volume (kg)	Treatment method	Treatment unit
Daily waste	8.920	Incineration	Urban Environmental One Member Limited Company Thanh Tri District - Hanoi City
Scrap: cotton, raw materials	38.500	Recycled	Tien Dung Investment Co., Ltd
Hazardous waste	1.024	Cleaning, Bury, Burning,	Urban Environmental and Industrial Joint Stock Company - Urenco10, transport and treat hazardous waste annually

COMPLIANCE WITH LAW.

The company adheres to, does not violate the environmental law and follows the guidance of the regulator drink.

- ❖ Confirmation of Completion of environmental protection works at the Hoang Liet manufacturing plant dated 26 May 2016 issued by Hanoi Natural Resources and Environment Department.
- ❖ Renewal of wastewater discharge permit into water basin: No. 375 / GP-UBND issued by People’s Committee of Hanoi on 15/08/2016
- Coordinate GPS Discharge Location: X1: 2318288; Y1: 0587659
- Discharge mode: Continuous
- Maximum discharge volume is 80 m3 / day.
- ❖ Maintain updating, evaluating the influence of legal documents on the company’s system.
- ❖ Systematize relevant legal documents that are constantly updated on the company intranet and inform the impact of the documents to the relevant departments.
- ❖ Identification of hazards, risk assessment in safety-environment management and inclusion in the training program, response exercises.
- In 2016, we conducted fire explosion training with fire brigades at Hoang Liet factory
- Self organise fire explosion training in Yen Ninh.

EFFICIENCY comes
from small things



**LET'S
SAVE
THE
WATER
TOGETHER**

Proper use of water resources means that you have been protecting the environment and contributing to the realization of Traphaco's sustainable development strategy.

INVESTING PRODUCTS TO THE COMMUNITY



Over the past years, with the development strategy “The Way to Green Health”, Traphaco has leveraged Vietnam’s bio-diversity advantage as well as the rich and long-standing traditional medicine to produce medical products from herbal plants. Traphaco is restless in the research and development of the Green supply chain: Ingredient – Technology – Product – Distribution service.

Traphaco has been producing most of the popular types of popular products today: Tablet pills, film coated pills, tablet pills, hard, soft, syrup, solution, Medicinal products, cereals, powders ... Applying strategies to diversify products to meet the maximum demand and users. Traphaco launches unique products in the market. Formulated, highly effective treatment, safe for the user To be able to compete with imported products. Every year the product is evaluated for overall quality, which is specified in the overall process of product quality assessment periodically issued by the company.

SOURCES, MATERIALS

Due to the particularity of domestic raw materials, the quality of inputs is dependent on objective conditions such as weather conditions, seasons, geographic location, as well as farmer production techniques. . However, compared to other traditional medicines, Traphaco has a dominant advantage in the supply area, including the Northern region’s weather advantage (suitable for growing and expanding one. Number of specific materials for traditional medicines) and convenience of transportation and procurement of raw materials. At present, Traphaco has 05 medicinal herbs (Actiso, Bitter Grass, Brassicas, Dendrobates, Chickens) which are recognized by the Ministry of Health as GACP-WHO standard. Boganic, brainwashing and Ampelop.

TRAPHACO BUSINESS OPPORTUNITY SUPPLY CHAIN SUPPLY CHAIN

Traphaco owns a sustainable value chain, from raw material to factory and distributes to the market. While other traditional medicines manufacturers in Vietnam have to import 90% of the pharmaceuticals, Traphaco has been at the forefront of developing the raw material area and is the first Vietnamese pharmaceutical company to supply 72% Its production bridge. The rest of the medicine is purchased and imported because some special medicinal plants must be planted in temperate zones. TRA’s raw material area covers 36,000 hectares of GACP-WHO certified area for 10 different medicinal herbs for the main product groups of the company. Traphaco is the enterprise with the highest production of GACP-WHO pharmaceutical products among self-growers in Vietnam.

Phần nguyên liệu dùng cho sản xuất thuốc Tân dược được nhập khẩu trực tiếp từ các nhà sản xuất hoặc phân phối nguyên liệu dược phẩm có thương hiệu và uy tín trên thế giới như: Univar - Anh, Roquette Pháp, Eastman-Estonia - Mỹ,

The ingredients used for the production of drugs are imported directly from manufacturers or distributors of pharmaceutical ingredients with the brand and prestige in the world such as Univar - England, Roquette France, Eastman-Estonia - USA , Merck - Germany ... In addition, the company also has many suppliers in Asian markets such as South Korea, Japan, China, ... Demand for raw materials that Traphaco is using about 23 tons per day, The raw materials used are contracted to use norms and registered to reduce shrinkage, reduce the product not suitable each year.

Besides the two manufacturing plants in Hanoi and Hung Yen with capacity expansion of 1 billion units a year, the company is building a new pharmaceutical factory in Hung Yen. The 46,000sqm facility is expected to be operational by the end of 2017 with a planned capacity of 1.2 billion units a year and create over 400 local jobs. The factories of Traphaco are invested, applying green technology, friendly to the environment, contributing to perfecting the green value chain that the company is pursuing. It is from raw materials, technology, production Products, supply by service are green.

In order for Traphaco’s products to reach consumers, Traphaco works directly with more than 23,000 retail pharmacists who act as a direct consumer consultant to help Traphaco reach its users. The fastest, most effective, especially in the business environment is competing in the retail segment. The strong strategy of distribution channel in both breadth and depth, applying the high technology management system since 2014 has brought about Traphaco’s proud achievements as a model for enterprises in The country as well as many foreign companies come and look forward to cooperate with the company.

Every year, the company receives a lot of letters Consumers around the country for activities Health care community. These are activities Direct interaction between the company and the consumer directly, both mean high social responsibility.

INTELLECTUAL PROPERTY AND BRAND INVESTMENT

Intellectual Property

Conscious that consumers’ rights to use protected products are responsible for helping users to identify and at the same time become loyal customers who carry out intellectual property activities. And until now the company owns 10 utility patents and exclusive industrial designs, 3 trade names, along with about 200 trademarks.

Traphaco trademark not only registered for protection in Vietnam is registered in 10 countries around the world such as Japan, USA, Australia, Laos, Thailand, Singapore, Malaysia, Cambodia, China and Indonesia. In 2016, for the 8th year in a row, Traphaco entered the “Top 10 most famous trademarks in Vietnam” granted by the Vietnam Intellectual Property Association.

Brand investment

Traphaco’s direction is to become the No. 1 pharmaceutical brand in Vietnam, a consumer-oriented business for the purpose of taking care of public health.

The company not only strive to meet the technical requirements, features, quality products but also create a trusting image and familiar to customers. Defining that goal, over the years, the Company has implemented many effective activities in the promotion and branding strategy. The budget for these activities accounts for 5% - 7% of annual revenue.

IN-DEPTH STUDY

The implementation of science in combination with practical, humanitarian science, pharmaceutical products manufactured by Traphaco is not only a result of ministerial and state-level scientific projects, but even medical remedies. Traditional medicine has been used for thousands of years, in parallel with modernization, Traphaco has confirmed the

effectiveness, safety and quality through the implementation of clinical research projects, Combined with major hospitals such as Central Traditional Medicine Hospital, K Hospital, Military Hospital 108, Bach Mai Hospital, etc

INVESTING SCIENCE TECHNOLOGY

With the slogan “Take science and technology centered, take the market for direction, get growth as a driving force, get quality to engage with customers,” strategy of industrialization and modernization of production process. Export as well as products are always expressed in the scientific and technological tasks of the Company. Currently, Traphaco is using production processes using modern technology in accordance with GMP - WHO, GLP, GSP, GDP, ISO 9001: 2015, ISO 14001: 2015 standards, 5S Kaizen tools. Japan, KPI management tools. R & D (R & D) is especially focused on the company. Over the years, Traphaco has invested significant human and labor resources R & D, which has brought the Traphaco brand to the leading position in the field of research and development of medicines from pharmaceuticals.

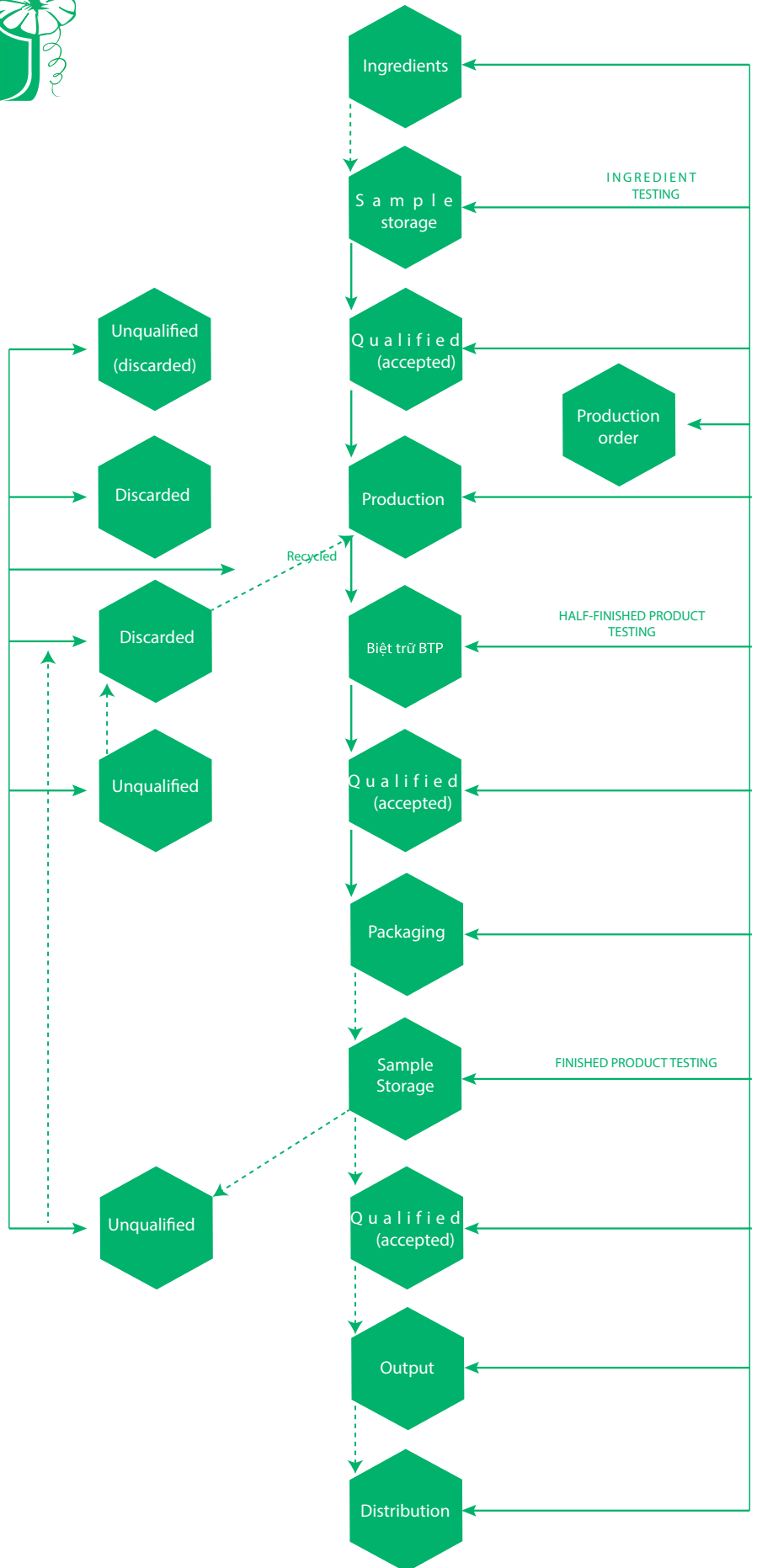




PROCESS OF QUALITY INSPECTION OF PRODUCTS AND SERVICES

Process of quality inspection of products and services Traphaco has established and implemented an effective quality management system from the production stage to the product distribution phase. Quality Management Systems are regularly updated and upgraded to meet international and regional standards such as WHO GMP / GLP / GSP (accredited by Vietnam Drug Administration) ISO 9001: 2015 (certified by Bureau Veritas). All Traphaco products have undergone a stringent inspection process, both in terms of quality and packaging, before being distributed to the market. The process of quality assurance of the company is shown in the following diagram:

In order to meet the requirements on the completeness, timeliness and accuracy of the testing work, the Company has invested in modern and appropriate analytical equipment, installed and arranged reasonably. All testing equipment is operated, calibrated / verified in accordance with the approved process.



CUSTOMER MANAGEMENT ACTIVITIES, SATISFACTION OF SATISFACTION, HANDLING AND COMPLAINTS OF THE PRODUCT

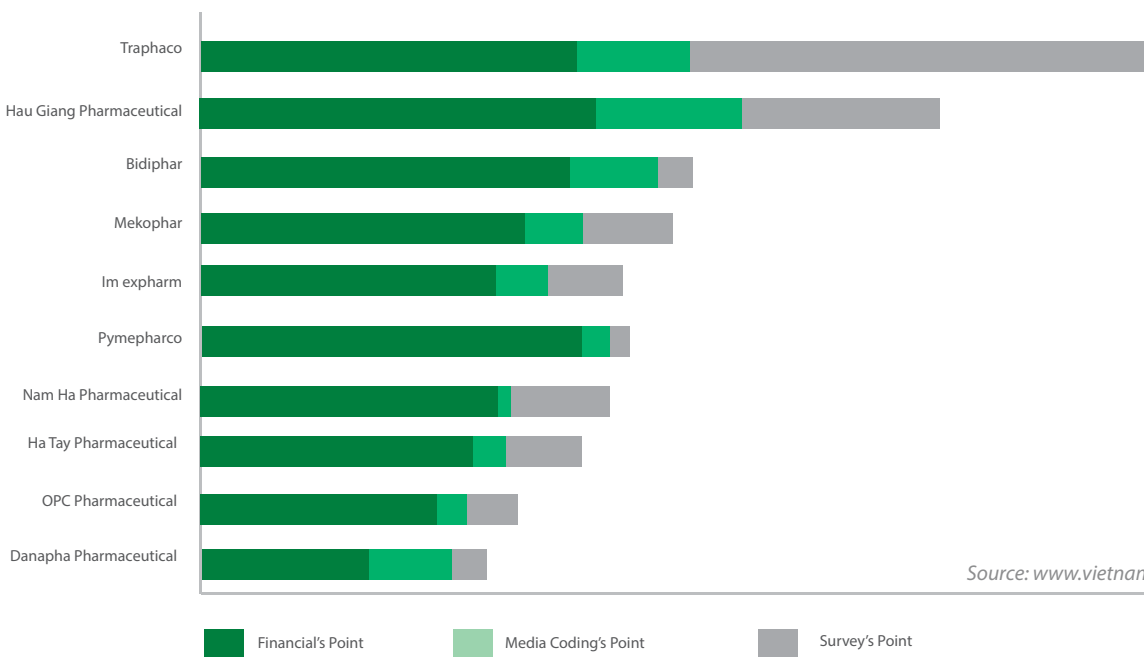
Since 2010, Traphaco has established a customer service department to manage the customer relationship. Data on customer information is controlled by decentralized management to ensure efficient production and business operations, timely customer care for customer data is strictly controlled.

- Measure the satisfaction of the customer Follow the Customer Satisfaction Process Every year on price, product quality, shape Product formulation, preferential policies, support, customer care, service attitude, delivery, accuracy of data when working with customers ... In 2016, 100% We are satisfied and very satisfied with the company's gratitude programs, over 95% of our customers rated it good, quality of service, 100% satisfied with quality of products ... (direct survey 1700 customers are pharmacists)
- Acknowledgment of complaint complaints is the responsibility of each Individuals working in Traphaco, which are regulated in Procedures for handling complaints and complaints issued by the Company. Not

just complaints about product complaints, company Always keep track of service complaints complaints, main clean...

- The company conducts a customer satisfaction review and support through its TNS independent monitoring system (10,000 surveyed clients / month) to timely address the shortcomings and improve customer satisfaction. Customer satisfaction.
- The company receives feedback from every customer from Direct consumer (on dosage, manual Drug use, treatment, drug combination ...), of the Pharmacy (policy, product price, GACP ...), or Of the doctors, galenic (medical information, point of sale Goods to guide patients), ... in many ways Mode: direct exchange, through the pharmacist, personnel Marketing Officer, or call the call center Customers, by mail, email, interact online on The website, fanpage ... Dependent complaints are questioned This type of processing immediately or dispatched full-time staff to resolve Timely or must report to competent authorities physical.
- Promptly disclose information when there is misunderstanding about product.

VIETNAM REPORTING JOINT STOCK COMPANY (VIETNAM REPORT), VIETNAM NETWORK ANNOUNCED TOP 10 PHARMACEUTICAL COMPANY VIETNAM PRESTIGIOUS 2016. UNDER INDEPENDENT RESEARCH, TRAPHACO IS PRESCRIPTIONS EVALUATION IS VIETNAM'S FIRST PHARMACEUTICAL COMPANY IN 2016 WITH RESULTS SURVEY PHARMACY / MEDICINES , **37,8%** % NUMBER OF PARTICIPATORS IN THE SURVEY (HIGH PERFORMANCE) SELECTED TRAPHACO WHEN AS QUESTION "IF YOU CHOOSE AN ONE OF THE BEST PHARMACEUTICAL COMPANY IN VIETNAM, WHICH COMPANY WILL YOU CHOOSE?"



Source: www.vietnamreport.net



GRI	Information Disclosure	Statement in the	Page
GENERAL STANDARD DISCLOSURE OVERVIEW			
Strategy & Analysis			
G4-1	Statement from the most senior decision-maker of the organization about the relevance of sustainability to the organization and its strategy	Message from the Chairman of the BOD	136
G4-2	Description of key impact, risks and opportunities	Sustainable Risk Management	126
G4-3	Name of organization	Overview of Traphaco	28
G4-4	Primary brands, products, and/or services	Overview of Traphaco	
G4-5	Location of organization's headquarters	Overview of Traphaco	
G4-6	The number of countries where organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability reporting	Overview of Traphaco	
G4-7	Nature of ownership and legal form	Corporate information	
G4-8	Markets server	Business lines and network	32
G4-9	Employess distributon	Overview of Traphaco	28
G4-10	Labor force statistics	Traphaco employees distribution	168
G4-11	Percentage of total employess covered by collective bargaining agreements	100% (for more infomation, refer to promoting workplace democracy)	171
G4-12	Describe the organization's supply chain	Engaging ESG in business activities	164
G4-13	Significant changes during the reporting period regarding size, structure, or ownership	Traphaco have no significant changes relating to these matters	
G4-14	Precautionary approach or principle is addressed by the organization	Sustainability Risk management	
G4-15	Externally developed economic, environmental and social charters, principles, or other initiatives the organization exposed	<ul style="list-style-type: none"> - Scoring community sponsorship projects matrix - Regulations Corporate Governance - Responsible Investment Prinples - Managing investment projects between Traphaco and stakeholders - Regulations on labor appointing, re-appointing and dismissing of Traphaco - Regulations on the representative of capital share of Traphaco - Risk management process - Evaluating and selecting suppliers of raw materials process - Customer satisfaction evaluation process - Labor safety inspection, supervision and measurement process 	
G4-16	List memberships of associations	<ul style="list-style-type: none"> - Associate of Sustainable Development Enterprise of Vietnam. - Associate of Small and Medium Enterprise of Hanoi. - Intellectual Property Association - Anti-counterfeiting Association - Vietnam Pharmaceutical Companies Association - Member of VCCI - Members of Vietnam Industry and trade - Member of Vietnam high quality products 	

GRI	Information Disclosure	Statement in the	Page
GENERAL STANDARD DISCLOSURE OVERVIEW			
Report boundaries			
G4-17	a. Related parties included in Consolidated financial reports or similar documents. b. Reports of parties not including in Consolidated financial reports or similar documents.	Consolidated Financial Report in "Traphaco 2016 Annual Report"	198
G4-18	Process for defining the report content and the Aspect Boundaries.	- Anti-counterfeiting Association	135
G4-19	List all the material aspects in the defining report content process.	- Vietnam Pharmaceutical Companies Association	158
G4-22	Reasons of information changing and explanation toward its effect	The 2016 annual report provides a detailed analysis of the issues related to Traphaco's Sustainable Development Strategy, Issues in Human Resources Development	
G4-23	Significant changes from previous reporting periods in the scope and aspect boundaries	- Members of Vietnam Industry and trade	
Stakeholders Engagement			
G4-24	List of stakeholder groups engaged by the organization	Traphaco Stakeholders	
G4-25	The basic for identification and selection of engaged stakeholders	Traphaco Stakeholders	152
G4-26	Organization's approach to stakeholder engagement	Stakeholders Engagement	
G4-27	Key topics and concerns that have been raised through stakeholder engagement, how the organization has responded (including through reporting)	Stakeholders Engagement in Traphaco policies and operations Materiality identification matrix	154
GRI Content Index			
G4-28	Period Reporting	Report Overview	
G4-29	The most recent reporting period	2017 (implementation of Sustainable development report 2016)	
G4-30	Reporting cycle	Annual	135
G4-31	Contact if available	Contact	
G4-32	The "inaccordance" option the organization has chosen	Report overview	
HIGHEST GOVERNANCE BODY'S COMPETENCIES AND PERFORMANCE EVALUATION			
ECONOMIC OBJECTIVES			
Economic efficiency			
DMA	General management approach disclosure	Disclosure on management approach	160
Economic Performance			
G4-EC1	Direct economic value generated and distributed	Assuring efficient, sustainable growth	160
FS	Commentary added about community investment program values and opportunities of organization's activities	Investing in community development	
G4-EC2	Climate change effect toward financial implications, risks, and opportunities of organization's activities	Challenges from climate change - Vietnam ranks 7 th globally for damage caused by climate change	
G4-EC3	Coverage of the organization's defined benefit plan obligation	Employees health care benefits	172
G4-EC4	Significant financial assistance received from government	Not applicable	

GRI	Information Disclosure	Statement in the	Page
GENERAL STANDARD DISCLOSURE OVERVIEW			
Market Presence			
Performance indicators			
G4-EC5	Ratio range of standard entry level wage compared to local minimum wage (key locations)	Effective work performance and payroll management system (KPI)	
G4-EC6	Proportion of native senior managements (key locations)	Nuturing talents and enhancing employee engagement	
Indirect Economic Impacts			
Performance indicators			
G4-EC7	Development and impacts of infrastructure and service investment for community benefit through business	Economic indirect contributions	162
G4-EC8	Significant indirect economic impacts	Economic indirect contributions	
Buying procedure			
Performance indicators			
G4-EC9	Prpportion of spending on local supplier at significant locations of operation	GreenPlan Project	140

GRI	Information Disclosure	Statement in the	Page
THE SPECIFIC CONTENT			
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Energy			
DMA	General management approach disclosure	Corporate govermnance tactics	
G4-EN1	Used materials counts per weight	Material resources	178
G4-EN2	Percentage of materials used that are recycled input materials	Reducing dependence on fossil energy forms project	
Performance indicators			
G4-EN3	Energy consumption with the organization	Electricity and water resources consumption	178
G4-EN4	Energy consumption outside the organization		
G4-EN6	Reduction of energy consumption	Typical project	140
G4-EN7	Energy redudation in production and service provision	Electricity and water resources consumption (Consumption / 2016 savings)	178
Water			
G4-EN8	Total water withdrawal by source	Electricity and water resources consumption	
Biodiversity			
G4-EN13	Habitats protected or restored		
Emmissions, waste and wastewater:			
G4-EN19	Initiavtive to reduce emission causing greenhouse effect and achieved reduction	Protected / Restored Living Environment: The Greenplan project develops medicinal plantations and the Reduction of Fossil Energy Dependency Project.	

GRI	Information Disclosure	Statement in the	Page
THE SPECIFIC CONTENT			
Waste and wastewater			
G4-EN22	Total wastewater flow in feature and destination	Wastewater	179
G4-EN23	Total waste weight by type and disposal methods	Solid waste	184
G4-EN25	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel convention 2 annex I, II, III, and VIII, and percentage of transported waste shipped internationally	Solid waste: (Table: Waste volume and solutions)	184
G4-EN26	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the organization's discharges of water and runoff	Wastewater	184
		Laws Compliance (Standardized wastewater and no violation of environmental sector)	179

GRI	Information Disclosure	Statement in the	Page
THE SPECIFIC CONTENT			
SOCIAL OBJECTIVES			
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DMA	General management approach disclosure	Disclosure on management approach	
Employment			
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Occupation health and safety			
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G4-LA7	Workers with high incidence or high risk of diseases related to their occupation	Collective labor agreement	183
G4-LA8	Health and safety topics covered in formal agreements with trade unions	Healthcare policy for employees	172
Training and education			
G4-LA9	Average hours of training per year per employee by gender and employee category	Improving quality of human resources - Developing long-term value for employee	169
G4-LA10	Programs for skills management and long-term academic that support the continued employability and assist employee in managing career endings	Improving quality of human resources - Developing long-term value for employee	
G4-LA11	Percentage of employees receiving evaluation of effectiveness performance and regular career progression	Efficient working management systems and pay-for-performance policy	172

GRI	Information Disclosure	Statement in the	Page
THE SPECIFIC CONTENT			
SOCIAL OBJECTIVES			
Diversity and Equal Opportunity			
G4-LA12	Composition of governance bodies and breakdown of employee category according to gender, age group, minority group membership, and other indicators of diversity	Traphaco employees distribution	168
Equal Remuneration for Women and Men			
G4-LA13	Ratio of basic salary of men to women by employee category	Employee equal treatment	171
Supplier assessment for labor practices			
G4-LA14	Percentage of new suppliers that were screened using labor practices criteria	Engaging ESG in business activities	
HUMAN RIGHTS			
Investment			
G4-HR1	Total number and percentage of significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	Engaging ESG in business activities	165
SOCIETY			
Local Communities			
G4-SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programs	Investing in community development	174
FS13	Access points in low-populated or economically disadvantaged people	Business lines and network	32
FS14	Initiatives to improve access to financial services for disadvantaged areas by type	Development of medicinal plantation areas, creating jobs and stable income for laborers	140
PRODUCT RESPONSIBILITY			
Supplier Assessment for Impacts on Society			
G4-SO9	Percentage of new suppliers that were screened using criteria for impacts on society	Engaging ESG in business activities	164
FS15	Policies for the fair design and sale of financial products and services		
Customer Health and Safety			
G4-PR1	Percentage of significant		186
Product and Service Labeling			
G4-PR3	Type of product and services information required by the organization's procedures for product and service information and labeling, and percentage of significant product and service categories subject to such information requirements	"Product liability"	186
G4-PR5	Result of surveys measuring customer satisfaction		





*Journey of transparency
Together to build the transparency,
consolidate our belief and ensure
sustainable development*

FINANCIAL REPORT

GENERAL INFORMATION



Traphaco Joint Stock Company (“the Company”) is a joint stock company which was transformed from a State-Owned Enterprise into a Joint Stock Company pursuant to Decision No. 2566/1999/QĐ-BGTVT dated 27 September 1999 issued by the Ministry of Transport and the Business Registration Certificate No. 058437 issued by the Department of Planning and Investment of Hanoi City 24 December 1999. The Company also received the subsequent amendments, with the latest is the 21st amendment, being granted by the Department of Planning and Investment of Hanoi on 23 August 2016.

The current principal activities of the Company during the year are to produce and trade pharmaceutical products, chemicals, medical supplies and equipment.

The Company’s head office is located at 75 Yen Ninh street, Quan Thanh ward, Ba Dinh district, Ha Noi, Viet Nam. The Company also has the following dependent units:

Name	Address
Head Office	75 Yen Ninh street, Quan Thanh ward, Ba Dinh district, Ha Noi, Viet Nam
Branch of Traphaco Joint Stock Company	Branch of Traphaco Joint Stock Company
Central Region 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
Quang Ninh Branch	Quang Ninh Province
Binh Thuan Branch	Binh Thuan Province
Quang Ngai Branch	Quang Ngai Province
Dong Nai Branch	Dong Nai Province
Khanh Hoa Branch	Khanh Hoa Province
Can Tho Branch	Can Tho City
Gia Lai Branch	Gia Lai Province
Hai Duong Branch	Hai Duong Province
Tien Giang Branch	Tien Giang Province
Phu Tho Branch	Phu Tho Province
Binh Duong Branch	Binh Duong Province
Bac Giang Branch	Bac Giang Province
Hung Yen Branch	Hung Yen Province



GENERAL INFORMATION (CONTINUED)

BOARD OF DIRECTORS

Members of the Board of Directors during the year and at the date of this report are:

Ms Vu Thi Thuan	Chairwoman	Appointed on 5 April 2016
Mr Nguyen Anh Tuan	Deputy Chairman	Appointed on 5 April 2016
Mr Tran Tuc Ma	Member	Appointed on 30 March 2016
Mr Nguyen Hong Hien	Member	Appointed on 30 March 2016
Mr Chad Ryan Ovel	Member	Appointed on 30 March 2016
Mr Christopher E.Freund	Member	Appointed on 30 March 2016
Mr Marcus John Pitt	Member	Appointed on 30 March 2016
Mr Nong Huu Duc	Member	Resigned on 30 March 2016
Mr Le Tuan	Member	Resigned on 30 March 2016
Ms Nguyen Thi Lan	Member	Resigned on 30 March 2016
Mr Tran Manh Huu	Member	Resigned on 30 March 2016
Ms Tran Tue Tri	Member	Resigned on 30 March 2016

BOARD OF SUPERVISION

Members of the Board of Supervision during the year and at the date of this report are:

Mr Duong Duc Hung	Head	Appointed on 5 April 2016
Ms Pham Thi Thanh Duyen	Head	Resigned on 30 March 2016
Ms Do Thi Khanh Van	Member	Appointed on 30 March 2016
Ms Nguyen Thanh Hoa	Member	Appointed on 30 March 2016
Ms Nguyen Thi Luong Thanh	Member	Resigned on 30 March 2016

MANAGEMENT

Members of the Management during the year and at the date of this report are:

Mr Tran Tuc Ma	General Director	
Mr Nguyen Huy Van	Deputy General Director	
Ms Nguyen Thi Lan	Deputy General Director	
Mr Nguyen Van Bui	Deputy General Director	Appointed on 7 February 2017
Ms Hoang Thi Ruoc	Deputy General Director	Resigned on 7 February 2017

LEGAL REPRESENTATIVE

The legal representative of the Company during the year and at the date of this report is Mr Tran Tuc Ma, General Director.

AUDITOR

The auditor of the Company is Ernst & Young Vietnam Limited.





Management of Traphaco Joint Stock Company (“the Company”) is pleased to present its report and the consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2016.

MANAGEMENT’S RESPONSIBILITY IN RESPECT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for the consolidated financial statements of each financial year which give a true and fair view of the consolidated financial position of the Company and its subsidiaries and of the consolidated results of its operations and its consolidated cash flows for the year. In preparing those consolidated financial statements, management 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; and
- prepare the consolidated financial statements on the going concern basis unless it is inappropriate to presume that the Company and its subsidiaries will continue its business.

Management is responsible for ensuring that proper accounting records are kept which disclose, with reasonable accuracy at any time, the consolidated financial position of the Company and its subsidiaries and to ensure that the accounting records comply with the applied accounting system. It is also responsible for safeguarding the assets of the Company and its subsidiaries and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Management confirmed that it has complied with the above requirements in preparing the accompanying consolidated financial statements.

STATEMENT BY MANAGEMENT

Management does hereby state that, in its opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Company as at 31 December 2016 and of the consolidated results of its operations and its consolidated cash flows for the year then ended in accordance with Vietnamese Accounting Standards, Vietnamese Enterprise Accounting System and the statutory requirements relevant to the preparation and presentation of consolidated financial statements.

For and on behalf of Management:



Tran Tuc Ma

General Director

13 March 2017

INDEPENDENT AUDITORS' REPORT



Reference: 61283515/ 18741598 - HN

To: *The shareholders of Traphaco Joint Stock Company*

We have audited the accompanying consolidated financial statements of Traphaco Joint Stock Company ("the Company") and its subsidiaries (collectively referred to as "the Company and its subsidiaries") as prepared on 13 March 2017 and set out on pages 6 to 43, which comprise the consolidated balance sheet as at 31 December 2016, the consolidated income statement and the consolidated cash flow statement for the year then ended and the notes thereto.

Management's responsibility

The Company's management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Vietnamese Accounting Standards, Vietnamese Enterprise Accounting System, and the statutory requirements relevant to the preparation and presentation of the consolidated financial statements, and for such internal control as management determines is necessary to enable the preparation and presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view, in all material respects, of the consolidated financial position of the Company and its subsidiaries as at 31 December 2016, and of the consolidated results of its operations and its consolidated cash flows for the year then ended in accordance with the Vietnamese Accounting Standards, Vietnamese Enterprise Accounting System and the statutory requirements relevant to the preparation and presentation of the consolidated financial statements.

Other Matter

The consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2015 were audited by another audit firm which expressed an unmodified opinion on those consolidated financial statements on 15 March 2016.

Ernst & Young Vietnam Limited

Tran Phu Son
Deputy General Director
Audit Practising Registration Certificate :
No. 0637-2013-004-1
Ha Noi, Viet Nam
13 March 2017

Trinh Xuan Hoa
Auditor
Audit Practising Registration Certificate:
No. 0154-2013-004-1



CONSOLIDATED BALANCE SHEET



as at 31 December 2016

Currency: VND

Code	ASSETS	Notes	Ending balance	Beginning balance (Reclassified)
100	A. CURRENT ASSETS		841,551,437,650	965,855,966,017
110	I. Cash and cash equivalents	4	204,507,406,466	345,097,768,053
111	1. Cash		133,772,157,528	89,495,341,186
112	2. Cash equivalents		70,735,248,938	255,602,426,867
120	II. Short-term investments	5	10,600,000,000	2,000,000,000
123	1. Held-to-maturity investments		10,600,000,000	2,000,000,000
130	III. Short-term receivables		291,660,937,803	297,577,688,871
131	1. Short-term trade receivables	6.1	143,073,288,265	228,504,056,025
132	2. Short-term advances to suppliers	6.2	118,237,712,608	54,710,524,507
136	3. Other short-term receivables	7	33,581,976,994	19,020,835,687
137	4. Provision for doubtful debts	6.3	(3,975,135,505)	(5,338,885,318)
139	5. Shortage of assets waiting for resolution		743,095,441	681,157,970
140	IV. Inventories	9	305,363,642,369	312,487,370,179
141	1. Inventories		306,310,595,273	313,185,417,222
149	2. Provision for obsolete inventories		(946,952,904)	(698,047,043)
150	V. Other current assets		29,419,451,012	8,693,138,914
151	1. Short-term prepaid expenses		4,472,494,856	1,869,609,753
152	2. Value-added tax deductible		24,844,014,403	6,743,458,585
153	3. Tax and other receivables from the State		102,941,753	80,070,576



CONSOLIDATED BALANCE SHEET (CONTINUED)

as at 31 December 2016

Currency: VND

Code	ASSETS	Notes	Ending balance	Beginning balance (Reclassified)
200	B. NON-CURRENT ASSETS		535,902,484,020	330,667,447,115
210	I. Long-term receivables		491,157,110	691,157,110
215	1. Long-term loan receivables		-	200,000,000
216	2. Other long-term receivables		491,157,110	491,157,110
220	II. Fixed assets		245,196,233,108	235,312,746,043
221	1. Tangible fixed assets	10	206,597,023,337	195,900,617,990
222	Cost		431,065,606,793	403,927,772,768
223	Accumulated depreciation		(224,468,583,456)	(208,027,154,778)
227	2. Intangible fixed assets	11	38,599,209,771	39,412,128,053
228	Cost		42,417,480,745	42,147,480,745
229	Accumulated amortisation		(3,818,270,974)	(2,735,352,692)
240	III. Long-term assets in progress		264,027,532,101	57,379,298,895
242	1. Construction in progress	12	264,027,532,101	57,379,298,895
250	IV. Long-term investments		4,807,068,649	5,122,476,148
252	1. Investments in associates, jointly controlled entities	13	4,307,068,649	4,360,499,166
253	2. Investment in other entities		500,000,000	509,417,661
254	3. Provision for long-term investments		-	(9,417,661)
255	4. Held-to-maturity investments		-	261,976,982
260	V. Other long-term assets		21,380,493,052	32,161,768,919
261	1. Long-term prepaid expenses		5,581,629,224	3,267,404,499
262	2. Deferred tax assets	28.3	2,074,610,558	1,244,171,195
269	3. Goodwill	14	13,724,253,270	27,650,193,225
270	TOTAL ASSETS		1,377,453,921,670	1,296,523,413,132



CONSOLIDATED BALANCE SHEET (CONTINUED)

as at 31 December 2016

Currency: VND

Code	RESOURCES	Notes	Ending balance	Beginning balance
300	C. LIABILITIES		362,690,618,296	329,667,417,867
310	I. Current liabilities		354,736,618,296	329,257,417,867
311	1. Short-term trade payables	15	150,998,376,320	203,655,173,212
312	2. Short-term advances from customers		418,593,156	564,818,018
313	3. Statutory obligations	16	28,796,161,940	32,475,782,743
314	4. Payables to employees		46,403,282,526	49,720,285,839
315	5. Short-term accrued expenses	17	42,557,455,369	13,551,471,691
318	6. Short-term unearned revenue		-	977,229,098
319	7. Other short-term payables	18	75,178,961,763	8,554,745,103
320	8. Short-term loan and finance lease obligations	19	7,185,526,651	14,630,000,000
322	9. Bonus and welfare fund		3,198,260,571	5,127,912,163
330	II. Non-current liabilities		7,954,000,000	410,000,000
337	1. Other long-term liabilities		90,000,000	110,000,000
338	2. Long-term loans and finance lease obligations	19	7,864,000,000	300,000,000
400	D. OWNERS' EQUITY		1,014,763,303,374	966,855,995,265
410	I. Capital		1,013,134,230,001	964,499,646,230
411	1. Share capital	20.1	345,455,160,000	246,764,330,000
411a	Shares with voting rights		345,455,160,000	246,764,330,000
411b	Preference shares		-	-
412	2. Share premium	20.1	153,747,160,000	153,747,160,000

CONSOLIDATED BALANCE SHEET (CONTINUED)

as at 31 December 2016

Currency: VND

Code	RESOURCES	Notes	Ending balance	Beginning balance
415	3. Treasury shares	20.1	(3,593,000)	(3,593,000)
417	4. Foreign exchange differences reserve	20.1	-	179,264
418	5. Investment and development fund	20.1	312,754,296,109	312,296,798,152
421	6. Undistributed earnings	20.1	115,512,018,350	166,416,575,824
421a	<i>Undistributed earnings by the end of prior year</i>		6,515,394,258	129,713,730,992
421b	<i>Undistributed earnings of current year</i>		108,996,624,092	36,702,844,832
429	7. Non-controlling interests	21	85,669,188,542	85,278,195,990
430	II. Other funds		1,629,073,373	2,356,349,035
431	1. Subsidised fund		-	445,676,486
432	2. Fund for fixed assets in use		1,629,073,373	1,910,672,549
440	TOTAL LIABILITIES AND OWNERS' EQUITY		1,377,453,921,670	1,296,523,413,132

Preparer
Nguyen Ngoc Thuy

13 March 2017

Chief Accountant
Dinh Trung Kien

General Director
Tran Tuc Ma





CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2016

Currency: VND

Code	ITEMS	Notes	Current year	Previous year
01	1. Revenue from sale of goods and rendering of services	23.1	2.005.540.489.832	1.976.972.983.547
02	2. Deductions	23.1	7.206.269.642	2.971.145.364
10	3. Net revenue from sale of goods and rendering of services [10 = 01 - 02]	23.1	1.998.334.220.190	1.974.001.838.183
11	4. Cost of goods sold and services rendered	24	1.003.653.137.637	1.064.756.821.256
20	5. Gross profit from sale of goods and rendering of services [20 = 10 - 11]		994.681.082.553	909.245.016.927
21	6. Finance income	23.2	15.386.853.067	9.007.106.749
22	7. Finance expenses	25	82.652.482.107	76.776.388.131
23	- <i>In which: Interest expense</i>		897.891.879	1.437.751.011
24	8. Shares of profit of associates	13	72.279.483	218.299.325
25	9. Selling expenses	26	464.180.865.225	429.904.857.118
26	10. General and administrative expenses	26	182.075.800.088	161.494.043.845
30	11. Operating profit [30 = 20 + 21 - 22 + 24 - 25 - 26]		281.231.067.683	250.295.133.907
31	12. Other income		4.763.920.160	6.918.481.328

B02-DN/HN

CONSOLIDATED INCOME STATEMENT (CONTINUED)

for the year ended 31 December 2016

Currency: VND

Code	ITEMS	Notes	Current year	Previous year
32	13. Other expenses		2,815,617,224	2,585,860,540
40	14. Other profit [40 = 31 - 32]		1,948,302,936	4,332,620,788
50	15. Accounting profit before tax [50 = 30 + 40]		283,179,370,619	254,627,754,695
51	16. Current corporate income tax expense	28.2	55,783,717,002	51,153,500,149
52	17. Deferred tax income	28.3	(830,439,363)	(193,167,476)
60	18. Net profit after tax [60 = 50 - 51 - 52]		228,226,092,980	203,667,422,022
61	19. Net profit after tax attributable to shareholders of the parent		210,595,706,839	180,966,893,829
62	20. Net profit after tax attributable to non-controlling interests	21	17,630,386,141	22,700,528,193
70	21. Basic earnings per share	30	6,097	4,725
	22. Diluted earnings per share	30	6,097	4,725



Preparer
 Nguyen Ngoc Thuy

13 March 2017



Chief Accountant
 Dinh Trung Kien




General Director
 Tran Tuc Ma



CONSOLIDATED CASH FLOW STATEMENT



for the year ended 31 December 2016

Currency: VND

Code	ITEMS	Notes	Current year	Previous year
	I. CASH FLOWS FROM OPERATING ACTIVITIES			
01	Profit before tax		283,179,370,619	254,627,754,695
	<i>Adjustments for:</i>			
02	Depreciation of fixed assets and amortisation of intangible fixed assets (including amortization of goodwill)		35,256,425,683	28,953,572,688
03	Provisions		(933,418,554)	1,164,660,349
04	Foreign exchange losses arisen from revaluation of monetary accounts denominated in foreign currency		974,185,589	1,652,969,861
05	Profits from investing activities		(12,994,884,053)	(7,783,234,295)
06	Interest expense	25	897,891,879	1,437,751,011
08	Operating profit before changes in working capital		306,379,571,163	280,053,474,309
09	Increase in receivables		(32,823,232,430)	(50,824,927,899)
10	Increase in inventories		(204,026,652)	(47,808,535,930)
11	(Decrease)/increase in payables		(2,892,501,412)	78,947,304,844
12	(Increase)/decrease in prepaid expenses		(5,062,420,407)	1,474,431,816
14	Interest paid		(1,190,491,879)	(1,521,503,386)
15	Corporate income tax paid	16	(60,095,417,752)	(53,716,459,435)
16	Other cash inflows from operating activities		26,539,759	3,679,931,731
17	Other cash outflows from operating activities		(21,579,171,742)	(18,519,548,725)
20	Net cash flows from operating activities		182,558,848,648	191,764,167,325

CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

for the year ended 31 December 2016

Currency: VND

Code	ITEMS	Notes	Current year	Previous year
	II. CASH FLOWS FROM INVESTING ACTIVITIES			
21	Purchase, construction of fixed assets and other long-term assets		(251.372.831.174)	(51.671.671.999)
22	Proceeds from disposals of fixed assets and other long-term assets		128.636.364	127.272.730
23	Loans to other entities and payments for purchase of debt instruments of other entities		(10.600.000.000)	(2.261.976.982)
24	Collections from borrowers and proceeds from sale of debt instruments of other entities		2.261.976.982	1.788.845.000
26	Proceeds from sale of investments in other entities (net of cash hold by entity being disposed)		12.360.516.160	-
27	Interest and dividends received		8.126.345.025	7.584.240.957
30	Net cash flows used in investing activities		(239.095.356.643)	(44.433.290.294)
	III. CASH FLOWS FROM FINANCING ACTIVITIES			
33	Drawdown of borrowings		17.142.726.651	300.000.000
34	Repayment of borrowings		(17.023.200.000)	(20.807.749.427)
36	Dividends paid, profit distributed to equity holders of the parent and non-controlling interests		(84.173.380.243)	(73.894.370.000)
40	Net cash flows used in financing activities		(84.053.853.592)	(94.402.119.427)
50	Net (decrease)/increase in cash for the year		(140.590.361.587)	52.928.757.604
60	Cash and cash equivalents at the beginning of the year		345.097.768.053	292.169.010.449
61	Impact of exchange rate fluctuation		-	-
70	Cash and cash equivalents at the end of the year	4	204.507.406.466	345.097.768.053

Preparer
Nguyen Ngoc Thuy

13 March 2017

Chief Accountant
Dinh Trung Kien



General Director
Tran Tuc Ma





NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at 31 December 2016 and for the year then ended

1. CORPORATE INFORMATION

Traphaco Joint Stock Company ("the Company") is a joint stock company which was transformed from a State-Owned Enterprise into a Joint Stock Company pursuant to Decision No. 2566/1999/QĐ/BGTVT dated 27 September 1999 issued by the Ministry of Transport and the Business Registration Certificate No. 058437 issued by the Department of Planning and Investment of Hanoi City on 24 December 1999. The Company also received the subsequent amendments, with the latest is the 21st amendment, being granted by the Department of Planning and Investment of Hanoi on 23 August 2016.

The current principal activities of the Company during the year are to produce and trade pharmaceutical products, chemicals, medical supplies and equipment.

The Company's normal course of business cycle is 12 months.

The Company's head office is located at 75 Yen Ninh street, Quan Thanh ward, Ba Dinh district, Ha Noi, Viet Nam. The Company also has the following dependent units:

Tên đơn vị	Địa chỉ
Head Office	75 Yen Ninh street, Quan Thanh ward, Ba Dinh district, Ha Noi, Viet Nam
Branch of Traphaco Joint Stock Company	Ho Chi Minh City
Central Region 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
Quang Ninh Branch	Quang Ninh Province
Binh Thuan Branch	Binh Thuan Province
Quang Ngai Branch	Quang Ngai Province
Dong Nai Branch	Dong Nai Province
Khanh Hoa Branch	Khanh Hoa Province
Can Tho Branch	Can Tho City
Gia Lai Branch	Gia Lai Province
Hai Duong Branch	Hai Duong Province
Tien Giang Branch	Tien Giang Province
Phu Tho Branch	Phu Tho Province
Binh Duong Branch	Binh Duong Province
Bac Giang Branch	Bac Giang Province
Hung Yen Branch	Hung Yen Province

The number of the Company and its subsidiaries' employees as at 31 December 2016 is 1,426 (31 December 2015: 1,520).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

as at 31 December 2016 and for the year then ended

Corporate structure

As at 31 December 2016, the Company has 4 subsidiaries. Details on these subsidiaries and the Company's ownership interest in its subsidiaries are as follows:

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

As at 31 December 2015, the Company had an investment in a subsidiary namely Thai Nguyen Pharmaceutical and Medical Equipment Joint Stock Company and held 51% of equity interest in this company. In accordance with Decision No 89/QĐ-HĐQT issued by the Board of the Directors of the Company dated 2 November 2011, the Company has completed the disposal of the investment in this subsidiary on 19 December 2016 and Thai Nguyen Pharmaceutical and Medical Equipment Joint Stock Company is no longer a subsidiary of the Company from that date

2. BASIS OF PREPARATION

2.1. Accounting standards and system

The consolidated financial statements of the Company and its subsidiaries expressed in Vietnam dong ("VND"), are prepared in accordance with the Vietnamese Enterprise Accounting System and Vietnamese Accounting Standard issued by the Ministry of Finance as per:

- Decision No. 149/2001/QĐ-BTC dated 31 December 2001 on the Issuance and Promulgation of Four Vietnamese Accounting Standards (Series 1);
- Decision No. 165/2002/QĐ-BTC dated 31 December 2002 on the Issuance and Promulgation of Six Vietnamese Accounting Standards (Series 2);
- Decision No. 234/2003/QĐ-BTC dated 30 December 2003 on the Issuance and Promulgation of Six Vietnamese Accounting Standards (Series 3);
- Decision No. 12/2005/QĐ-BTC dated 15 February 2005 on the Issuance and Promulgation of Six Vietnamese Accounting Standards (Series 4); and
- Decision No. 100/2005/QĐ-BTC dated 28 December 2005 on the Issuance and Promulgation of Four Vietnamese Accounting Standards (Series 5).



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

as at 31 December 2016 and for the year then ended

2. BASIS OF PREPARATION (CONTINUED)

Accordingly, the accompanying consolidated financial statements, including their utilisation are not designed for those who are not informed about Vietnam's accounting principles, procedures and practices and furthermore are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries other than Vietnam.

2.2. Applied accounting documentation system

The applied accounting documentation system of the Company and its subsidiaries is the General Journal system.

2.3. Fiscal year

The Company's fiscal year applicable for the preparation of its consolidated financial statements starts on 1 January and ends on 31 December.

2.4. Accounting currency

The consolidated financial statements are prepared in VND which is also the Company's accounting currency.

2.5. 2.5 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries for the year ended 31 December 2016.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtained control, and continued to be consolidated until the date that such control ceases.

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

All intra-company balances, income and expenses and unrealised gains or losses resulting from intra-company transactions are eliminated in full.

Non - controlling interests represent the portion of profit or loss and net assets in the subsidiaries not held by the Company and are presented separately in the consolidated income statement and within equity in the consolidated balance sheet, separately from parent shareholders' equity.

Impact of change in the ownership interest of a subsidiary, without a loss of control, is recorded in retained earning.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted by the Company and its subsidiaries in preparation of the consolidated financial statements are consistent with those followed in the preparation of the Company's annual consolidated financial statements for the year ended 31 December 2015.

3.1. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash at 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.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

as at 31 December 2016 and for the year then ended

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2. Inventories

Inventories are stated at the lower of cost incurred in bringing each product to its present location and condition, and net realisable value.

Net realisable value ("NRV") represents the estimated selling price in the ordinary course of business less the estimated costs to complete and the estimated costs necessary to make the sale.

The perpetual method is used to record inventories, which are valued as follows:

Raw materials and goods	Cost of purchase on a weighted average basis
Finished goods and work-in process	cost of direct materials and labour plus attributable manufacturing overheads based on the normal operating capacity on a weighted average basis.

Provision for obsolete inventories

An inventory provision is created for the estimated loss arising due to the impairment of value (through diminution, damage, obsolescence, etc.) of raw materials, finished goods, and other inventories owned by the Company and its subsidiaries, based on appropriate evidence of impairment available at the balance sheet date.

Increases and decreases to the provision balance are recorded into the cost of goods sold account in the consolidated income statement.

3.3. Receivables

Receivables are presented in the consolidated financial statements at the carrying amounts due from customers and other debtors, after provision for doubtful debts.

The provision for doubtful debts represents amounts of outstanding receivables of the Company and its subsidiaries at the balance sheet date which are doubtful of being recovered and made in accordance with the guidance under Circular 228/2009/TT-BTC issued by Ministry of Finance on 7 December 2009 ("Circular 228"). Increases and decreases to the provision balance are recorded as general and administrative expense in the consolidated income statement.

3.4. Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation.

The cost of a tangible fixed asset comprises of its purchase price and any directly attributable costs of bringing the tangible fixed asset to working condition for its intended use. Expenditures for additions, improvements and renewals are added to the carrying amount of the assets and expenditures for maintenance and repairs are charged to the consolidated income statement as incurred.

When tangible fixed assets are sold or retired, any gain or loss resulting from their disposal (the difference between the net disposal proceeds and the carrying amount) is included in the consolidated income statement.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

as at 31 December 2016 and for the year then ended

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5. Intangible fixed assets

Intangible assets are stated at cost less accumulated amortisation.

The cost of an intangible fixed asset comprises of its purchase price and any directly attributable costs of preparing the intangible fixed asset for its intended use. Expenditures for additions, improvements are added to the carrying amount of the assets and other expenditures are charged to the consolidated income statement as incurred.

When intangible fixed assets are sold or retired, any gain or loss resulting from their disposal (the difference between the net disposal proceeds and the carrying amount) is included in the consolidated income statement.

Land use rights

Land use rights comprise the indefinite land use rights and the prepayment for the land lease contracts which are effective prior to 2003 and for which, land use right certificates have been issued. These land use rights are recorded as intangible fixed assets according to Circular No.45/2013/TT-BTC issued by the Ministry of Finance on 25 April 2013 guiding the management, use and depreciation of fixed assets.

3.6. Depreciation and amortisation

Depreciation of tangible fixed assets and amortisation of intangible assets are calculated on a straight-line basis over the estimated useful life of each asset as follows:

Buildings and structures	5 - 35 years
Equipment, management tools	2 - 12 years
Means of transportation	3 - 10 years
Machinery and equipment	3 - 10 years
Definite land use rights	30 - 50 years
Site clearance expenses	32 years
Computer software	3 years

Indefinite land use rights are not amortised.

3.7. Borrowing costs

Borrowing costs consist of interest and other costs that the Company and its subsidiaries incur in connection with the borrowing of funds. Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily take a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective asset.

3.8. Prepaid expenses

Prepaid expenses are reported as short-term or long-term prepaid expenses on the consolidated balance sheet and amortised over the period for which the amounts are paid or the period in which economic benefits are generated in relation to these expenses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

as at 31 December 2016 and for the year then ended

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9. Business combinations and goodwill

Business combinations are accounted for using the purchase method. The cost of a business combination is measured as the fair value of assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange plus any costs directly attributable to the business combination. Identifiable assets and liabilities and contingent liabilities assumed in a business combination are measured initially at fair values at the date of business combination.

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost the business combination over the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. If the cost of a business combination is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the consolidated income statement. After initial recognition, goodwill is measured at cost less any accumulated amortization. Goodwill is amortized from eight (8) to ten (10) years on a straight-line basis. The parent company conducts the periodical review for impairment of goodwill of investment in subsidiaries. If there are indicators of impairment loss incurred is higher than the yearly allocated amount of goodwill on the straight-line basis, the higher amount will be recorded in the consolidated income statement.

3.10. Investments

Investments in associate

The Company's investments in its associates are accounted for using the equity method of accounting. An associate is an entity in which the Company has significant influence that is neither subsidiaries nor joint ventures. The Company generally deems it has significant influence if it has over 20% of the voting rights.

Under the equity method, the investment is carried in the consolidated balance sheet at cost plus post acquisition changes in the Company's share of net assets of the associates. Goodwill arising on acquisition of the associate is included in the carrying amount of the investment. Goodwill is not amortised and subject to annual review for impairment. The consolidated income statement reflects the share of the post-acquisition results of operations of the associates.

The share of post-acquisition profit/(loss) of the associates is presented on face of the consolidated income statement and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends received or receivable from associates reduces the carrying amount of the investment.

The financial statements of the associates are prepared for the same reporting period and use the same accounting policies as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Company.

Investments in other entities

Investments in other entities are stated at their acquisition costs.

Provision for diminution in value of the held-for-trading securities and investments in other entities

Provision is made for any diminution in value of the investments in other entities at the balance sheet date in accordance with the guidance under Circular No. 228/2009/TT-BTC issued by Ministry of Finance on 7 December 2009 ("Circular 228") and Circular No. 89/2013/TT-BTC issued by the Ministry of Finance on 28 June 2013 amending, supplementing Circular 228. Increases or decreases to the provision balance are recorded as finance expense in the consolidated income statement.

Held-to-maturity investments

Held-to-maturity investments are stated at their acquisition costs. After initial recognition, held-to-maturity investments are measured at recoverable amount. Any impairment loss incurred is recognised as expense in the consolidated financial statements and deducted against the value of such investments.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

as at 31 December 2016 and for the year then ended

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.11. Payables and accruals

Payables and accruals are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Company and its subsidiaries.

3.12. Foreign currency transactions

Transactions in currencies other than the Company and its subsidiaries' reporting currency of VND are recorded at the actual transaction exchange rates at transaction dates which are determined as follows:

- Transactions resulting in receivables are recorded at the buying exchange rates of the commercial banks designated for collection;
- Transactions resulting in liabilities are recorded at the selling exchange rates of the commercial banks designated for payment; and;
- Payments for assets or expenses without liabilities initially being recognised is recorded at the buying exchange rates of the commercial banks that process these payments.

At the end of the year, monetary balances denominated in foreign currencies are translated at the actual exchange rates at the balance sheet dates which are determined as follows:

- Monetary assets are translated at buying exchange rate of the commercial bank where the Company and its subsidiaries conduct transactions regularly; and;
- Monetary liabilities are translated at selling exchange rate of the commercial bank where the Company and its subsidiaries conduct transactions regularly.

All foreign exchange differences incurred during the year and arising from the revaluation of monetary accounts denominated in foreign currency at year-end are taken to the consolidated income statement.

3.13. Treasury shares

Own equity instruments which are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss upon purchase, sale, issue or cancellation of the Company's own equity instruments.

3.14. Appropriation of net profits

Net profit after tax is available for appropriation to shareholders after approval in the annual general meeting, and after making appropriation to reserve funds in accordance with the Charters of the Company and its subsidiaries and Vietnam's regulatory requirements.

The Company and its subsidiaries maintains the following reserve funds which are appropriated from net profits of the Company and its subsidiaries as proposed by the Board of Directors and subject to approval by shareholders at the annual general meetings.

Investment and development fund

This fund is set aside for use in the Company and its subsidiaries' expansion of its operation or of in-depth investments.

Bonus and welfare fund

This fund is set aside for the purpose of pecuniary rewarding and encouraging, common benefits and improvement of the employees' benefits, and presented as a liability on the consolidated balance sheet.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

as at 31 December 2016 and for the year then ended

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.15. Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and its subsidiaries and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, excluding trade discount, rebate and sales return. The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually upon the delivery of the goods.

Rendering of services

Revenue is recognised when services are rendered and completed.

Dividends

Income is recognised when the Company and its subsidiaries' entitlement as investors to receive the dividend is established.

Interest

Revenue is recognised as the interest accrues (taking into account the effective yield on the asset) unless collectability is in doubt.

3.16. Taxation

Current income tax

Current income tax assets and liabilities for the current and prior years 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 as at the consolidated balance sheet date.

Current income tax is charged or credited to the consolidated income statement, except when it relates to items recognised directly to equity, in which case the current income tax is also dealt with in equity.

Current income tax assets and liabilities are offset when there is a legally enforceable right for the Company and its subsidiaries to off-set current tax assets against current tax liabilities and when the Company and its subsidiaries intends to settle its current tax assets and liabilities on a net basis.

Deferred tax

Deferred tax is provided using the liability method on temporary differences at the consolidated balance sheet date between the tax base of assets and liabilities and their carrying amount for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the related transaction affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporarily differences associated with investments in subsidiaries and associates, and interests in joint ventures where timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carried forward unused tax credit and unused tax losses, to the extent that it is probable that taxable profit will be available against which deductible temporary differences, carried forward unused tax credit and unused tax losses can be utilised, except:



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

as at 31 December 2016 and for the year then ended

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.16. Taxation (continued)

Deferred tax (continued)

- where the deferred tax asset in respect of deductible temporary difference which arises from the initial recognition of an asset or liability which at the time of the related transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporarily differences associated with investments in subsidiaries, associates, and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Previously unrecognised deferred tax assets are re-assessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset realised or the liability is settled based on tax rates and tax laws that have been enacted at the consolidated balance sheet date.

Deferred tax is charged or credited to the consolidated income statement, except when it relates to items recognised directly to equity, in which case the deferred tax is also dealt with in the equity account.

Deferred tax assets and liabilities are offset when there is a legally enforceable right for the Company and its subsidiaries to off-set current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority on:

- either the same taxable entity; or
- when the Company and its subsidiaries intend either settle current tax liabilities and assets on a net basis or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

as at 31 December 2016 and for the year then ended

4. CASH AND CASH EQUIVALENTS

Currency: VND

	Ending balance	Beginning balance
Cash on hand	7,980,049,932	4,451,307,873
Cash at banks	125,792,107,596	85,044,033,313
Cash equivalents (*)	70,735,248,938	255,602,426,867
TOTAL	204,507,406,466	345,097,768,053

(*) Cash equivalents as at 31 Dec 2016 comprised bank deposits in VND with terms of less than 3 months and earn interest at the rate of 4.3% - 4.8% per annum (as at 31 December 2015: 4.3 - 5.0% per annum).

5. SHORT-TERM INVESTMENTS

Currency: VND

	Ending balance		Beginning balance	
	Cost	Carrying value	Cost	Carrying value
Term deposits (*)	10,600,000,000	10,600,000,000	2,000,000,000	2,000,000,000
TOTAL	10,600,000,000	10,600,000,000	2,000,000,000	2,000,000,000

(*) Term deposits as at 31 December 2016 comprised bank deposits in VND with terms from 3 months to less than 1 year and earn interest at the rate of 5.3% per annum (as at 31 December 2015: 5% per annum).

6. TRADE RECEIVABLES AND ADVANCES TO SUPPLIERS

6.1. Short-term trade receivables

Currency: VND

	Ending balance	Beginning balance
Short-term trade receivables	139,472,425,750	225,935,904,507
<i>Nam Duong Investment JSC</i>	18,182,478,125	91,446,980,689
<i>Other customers</i>	121,289,947,625	134,488,923,818
Short-term trade receivables from related parties (Note 29)	3,600,862,515	2,568,151,518
TOTAL	143,073,288,265	228,504,056,025
Provision for short-term trade receivables	(3,825,135,505)	(5,338,885,318)



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

as at 31 December 2016 and for the year then ended

6. TRADE RECEIVABLES AND ADVANCES TO SUPPLIERS (CONTINUED)

6.2. Short-term advances to suppliers

Currency: VND

	Ending balance	Beginning balance
Dong Do Investment, Construction and Development JSC	14,006,788,839	2,600,000,000
Hop Phat Trading and Production JSC	17,688,528,643	-
Cello Vietnam Co. Ltd	12,293,014,880	-
Others	74,249,380,246	52,110,524,507
TOTAL	118,237,712,608	54,710,524,507

6.3. Provision for doubtful short-term receivables

Currency: VND

	Current year	Previous year
Beginning balance	5,338,885,318	4,235,806,586
Provision created during the year	1,671,378,378	1,150,360,476
Decrease due to the disposal of subsidiary (Note 1)	(181,425,398)	-
Utilisation during the year	(2,853,702,793)	(47,281,744)
Ending balance	3,975,135,505	5,338,885,318

7. OTHER SHORT - TERM RECEIVABLES

Currency: VND

	Ending balance		Beginning balance	
	Amount	Provision	Amount	Provision
Advances to employees	6,639,545,246	(150,000,000)	2,291,173,737	-
Deposits and mortgages	7,947,343,545	-	2,110,067,717	-
Interest receivables	298,282,872	-	1,336,730,123	-
Advance of utilisation of bonus and welfare fund	10,498,365,568	-	9,893,124,767	-
Other receivables	8,198,439,763	-	3,389,739,343	-
TOTAL	33,581,976,994	(150,000,000)	19,020,835,687	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

as at 31 December 2016 and for the year then ended

8. BAD DEBTS

Currency: VND

	Ending balance		Beginning balance	
	Cost	Recoverable amount	Cost	Recoverable amount
Overdue receivables which are appeared to be irrecoverable	6,778,026,524	2,802,891,019	7,150,710,067	1,811,824,749
TOTAL	6,778,026,524	2,802,891,019	7,150,710,067	1,811,824,749

9. INVENTORIES

Currency: VND

	Ending balance		Beginning balance	
	Cost	Provision	Cost	Provision
Raw materials	133,876,282,225	(927,414,547)	130,274,256,106	(612,591,552)
Tools and supplies	588,589,571	-	254,796,553	-
Work in process	28,597,152,688	-	25,286,759,880	-
Finished goods	87,594,003,283	(19,538,357)	93,785,390,977	-
Merchandise	52,217,873,264	-	47,196,988,860	(85,455,491)
Goods in transit	3,436,694,242	-	3,965,572,722	-
Goods on consignment	-	-	12,421,652,124	-
TOTAL	306,310,595,273	(946,952,904)	313,185,417,222	(698,047,043)

Movements of provision for obsolete inventories:

Currency: VND

	Current year	Previous year
Beginning balance	698,047,043	433,601,103
Provision created during the year	841,047,445	264,445,940
Utilisation during the year	(592,141,584)	-
Ending balance	946,952,904	698,047,043



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

as at 31 December 2016 and for the year then ended

Đơn vị tính: VND

10. TANGIBLE FIXED ASSETS

	Buildings, structures	Machinery and equipment	Means of transportation	Office equipment	Others	Total
Cost:						
Beginning balance	168,238,618,047	162,914,517,754	55,917,669,558	13,204,229,455	3,652,737,954	403,927,772,768
- New purchase	1,780,726,778	14,793,683,362	5,178,386,633	2,330,144,800	-	24,082,941,573
- Transfer from construction in progress	15,484,743,794	4,898,000,293	-	-	-	20,382,744,087
- Other increase	319,598,182	-	-	-	-	319,598,182
- Disposal	(176,409,700)	(4,300,206,809)	(1,065,221,350)	(285,684,791)	(361,280,909)	(6,188,803,559)
- Decrease due to the disposal of subsidiary (Note 1)	(5,437,023,133)	(4,541,198,627)	(1,480,424,498)	-	-	(11,458,646,258)
Ending balance	180,210,253,968	173,764,795,973	58,550,410,343	15,248,689,464	3,291,457,045	431,065,606,793
<i>In which: Fully depreciated</i>	23,751,201,080	34,269,350,836	13,052,373,612	8,452,345,715	1,960,389,801	81,485,661,044
Accumulated depreciation:						
Beginning balance	67,727,417,340	96,773,344,139	29,738,839,727	10,533,679,955	3,253,873,617	208,027,154,778
- Depreciation for the year	7,192,189,868	16,885,953,219	4,933,560,482	874,934,884	130,439,149	30,017,077,602
- Disposal	(137,311,604)	(1,589,298,158)	(921,252,354)	(266,276,500)	(323,089,010)	(3,237,227,626)
- Decrease due to the disposal of subsidiary (Note 1)	(4,835,027,099)	(4,472,689,777)	(1,030,704,422)	-	-	(10,338,421,298)
Ending balance	69,947,268,505	107,597,309,423	32,720,443,433	11,142,338,339	3,061,223,756	224,468,583,456
Net carrying amount						
Beginning balance	100,511,200,707	66,141,173,615	26,178,829,831	2,652,286,450	417,127,387	195,900,617,990
Ending balance	110,262,985,463	66,167,486,550	25,829,966,910	4,106,351,125	230,233,289	206,597,023,337

(*) Certain machinery and equipment belong to the pharmaceutical material extraction production line of TraphacoSapa One Member Company Ltd., a subsidiary of the Company are used as collateral to secure a long term loan as presented in Note 19.3.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

as at 31 December 2016 and for the year then ended

11. INTANGIBLE FIXED ASSETS

Currency: VND

	Indefinite land use rights	Definite land use rights	Site clearance expenses	Computer software	Total
Cost:					
Beginning balance	33,373,954,266	416,291,335	4,972,028,674	3,385,206,470	42,147,480,745
New purchase	-	-	-	310,000,000	310,000,000
Decrease due to the disposal of subsidiary (Note 1)	-	-	-	(40,000,000)	(40,000,000)
Ending balance	33,373,954,266	416,291,335	4,972,028,674	3,655,206,470	42,417,480,745
In which: Fully amortised	-	-	-	255,316,470	255,316,470
Accumulated amortization:					
Beginning balance	-	52,060,269	1,281,851,118	1,401,441,305	2,735,352,692
Amortisation for the year	-	8,906,678	155,375,892	958,635,712	1,122,918,282
Decrease due to the disposal of subsidiary (Note 1)	-	-	-	(40,000,000)	(40,000,000)
Ending balance	-	60,966,947	1,437,227,010	2,320,077,017	3,818,270,974
Net carrying amount:					
Beginning balance	33,373,954,266	364,231,066	3,690,177,556	1,983,765,165	39,412,128,053
Ending balance	33,373,954,266	355,324,388	3,534,801,664	1,335,129,453	38,599,209,771



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

as at 31 December 2016 and for the year then ended

12. CONSTRUCTION IN PROGRESS

Currency: VND

	Ending balance	Beginning balance
Traphaco Hung Yen Pharmaceutical Factory project(*)	242,347,149,268	45,515,964,726
Dong Pho Moi Pharmaceutical Factory project	12,421,965,789	7,209,646,118
Can Tho Office project	2,479,653,636	2,479,653,636
ERP software project	5,033,916,043	-
Others	1,744,847,365	2,174,034,415
TOTAL	264,027,532,101	57,379,298,895

(*) This represents construction costs for the investment of Traphaco Hung Yen Pharmaceutical Factory project in the 4.6-hectare land in Tan Quang commune, Van Lam district, Hung Yen province. A total estimated investment cost of this project is VND 477 billion.

13. INVESTMENT IN ASSOCIATE

Đơn vị tính: VND

Name	Ending balance		Beginning balance	
	Equity interest (%)	Voting rights (%)	Equity interest (%)	Voting rights (%)
Quang Tri Pharmaceutical Medical and Equipment Joint Stock Company	43%	43%	43%	43%

Quang Tri Pharmaceutical and Medical Equipment Joint Stock Company is a joint-stock company incorporated in pursuant to the Business Registration Certificate No. 3200042637 issued by the Department of Planning and Investment of Quang Tri province on 6 October 1998. This Company's head office is located at 185 Le Duan street, No 2 ward, Dong Ha city, Quang Tri province and its principal activities are to produce and trade pharmaceutical products.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

as at 31 December 2016 and for the year then ended

12. CONSTRUCTION IN PROGRESS (CONTINUED)

Details of investment in associate are as follows:

Currency: VND

	Quang Tri Pharmaceutical Medical Equipment Joint Stock Company
Cost:	
Beginning balance	3,576,498,999
Ending balance	3,576,498,999
Accumulated share in post-acquisition profit of the associate:	
Beginning balance	784,000,167
Share in post-acquisition profit of the associate	72,279,483
Dividends received for the year	(125,710,000)
Ending balance	730,569,650
Net carrying amount:	
Beginning balance	4,360,499,166
Ending balance	4,307,068,649

(*) The Company could not obtain the necessary information to evaluate the fair value of shares held in the associate as these shares are not listed on the stock exchanges.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

as at 31 December 2016 and for the year then ended

14. GOODWILL

Currency: VND

	Goodwill for TraphacoSapa One Member Company Ltd	Goodwill for Thai Nguyen Pharmaceutical and Medical Equipment Joint Stock Company	Goodwill for Traphaco Hi-tech Joint Stock Company	Total
Cost:				
Beginning balance	1,467,939,358	12,135,476,481	28,205,187,022	41,808,602,861
- Decrease due to the disposal of subsidiary (Note 1)	-	(12,135,476,481)	-	(12,135,476,481)
Ending balance	1,467,939,358	-	28,205,187,022	29,673,126,380
Accumulated amortisation:				
Beginning balance	1,192,700,730	1,213,547,648	11,752,161,258	14,158,409,636
- Amortization for the year	183,492,420	1,112,418,677	2,820,518,702	4,116,429,799
- Decrease due to the disposal of subsidiary (Note 1)	-	(2,325,966,325)	-	(2,325,966,325)
Ending balance	1,376,193,150	-	14,572,679,960	15,948,873,110
Net carrying amount:				
Beginning balance	275,238,628	10,921,928,833	16,453,025,764	27,650,193,225
Ending balance	91,746,208	-	13,632,507,062	13,724,253,270

15. SHORT-TERM TRADE PAYABLES

Currency: VND

	Ending balance		Beginning balance	
	Amount	Payable amount	Amount	Payable amount
Nanum CNC Company Limited	18,530,008,296	18,530,008,296	114,916,711,576	114,916,711,576
Others	132,468,368,024	132,468,368,024	88,738,461,636	88,738,461,636
TOTAL	150,998,376,320	150,998,376,320	203,655,173,212	203,655,173,212

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

as at 31 December 2016 and for the year then ended

16. STATUTORY OBLIGATIONS

Currency: VND

	Beginning balance	Payable for the year	Payment during the year	Decrease due to the disposal of subsidiary	Ending balance
Corporate income tax	28,154,255,309	56,473,731,072	(60,095,417,752)	(359,973,694)	24,172,594,935
Personal income tax	3,564,813,535	15,574,571,721	(15,633,985,427)	(1,108,734)	3,504,291,095
Value added tax	746,320,117	46,298,984,033	(45,374,185,809)	(552,259,871)	1,118,858,470
Other taxes	10,393,782	10,649,901,548	(10,283,595,001)	(376,282,889)	417,440
TOTAL	32,475,782,743	128,997,188,374	(131,387,183,989)	(1,289,625,188)	28,796,161,940

17. SHORT-TERM ACCRUED EXPENSES

Currency: VND

	Ending balance	Beginning balance
Sales discounts payable to customers	20,607,463,461	2,272,254,551
Expenses for market survey	3,889,809,000	5,057,104,000
Advertisement expenses	3,333,348,366	-
Allowance for freelancers	3,928,898,687	870,151,935
Bonus for employees	-	2,000,000,000
Other accruals	10,797,935,855	3,351,961,205
TOTAL	42,557,455,369	13,551,471,691

18. OTHER PAYABLES

Currency: VND

	Ending balance	Beginning balance
Remuneration for the Board of Management and the Board of Supervision	970,226,012	1,588,256,651
Dividend payables	70,283,753,278	667,723,278
Trade union fee	585,739,646	751,324,549
Others	3,339,242,827	5,547,440,625
TOTAL	75,178,961,763	8,554,745,103



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

as at 31 December 2016 and for the year then ended

19. LOANS AND FINANCE LEASES

Currency: VND

	Beginning balance		During the year		Ending balance	
	Amount	Amount payable	Increase	Decrease	Amount	Amount payable
Short-term loans	14,630,000,000	14,630,000,000	9,578,726,651	(17,023,200,000)	,185,526,651	7,185,526,651
Short-term loan from bank	-	-	5,612,726,651	(2,000,000,000)	3,612,726,651	3,612,726,651
Short-term loan from others	14,630,000,000	14,630,000,000	2,000,000,000	(14,630,000,000)	2,000,000,000	2,000,000,000
Current portion of long-term loans	-	-	1,966,000,000	(393,200,000)	1,572,800,000	1,572,800,000
Long-term loans	300,000,000	300,000,000	9,530,000,000	(1,966,000,000)	7,864,000,000	7,864,000,000
Loans from banks	300,000,000	300,000,000	9,530,000,000	(1,966,000,000)	7,864,000,000	7,864,000,000
TOTAL	14,930,000,000	14,930,000,000	19,108,726,651	(18,989,200,000)	15,049,526,651	15,049,526,651

19.1. Short-term loans from bank

Details of the short-term loans from bank are as follows

Khoản vay	Ending balance (VND)	Principal and interest payment term	Interest rate	Description of collateral
Vietnam Joint Stock Commercial Bank for Industry and Trade - Yen Bai Branch	3,612,726,651	Term of each withdrawal is within 10 months and the final withdrawal will be repayable on 24 April 2017. Interest is paid on a monthly basis.	9%/year	Un-secured
TOTAL	3,612,726,651			

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

as at 31 December 2016 and for the year then ended

19. LOANS AND FINANCE LEASES (CONTINUED)

19.2. Short-term loans from others

Loans	Ending balance (VND)	Kỳ hạn trả gốc và lãi	Lãi suất	Hình thức
Ms Vu Mai Huong	1,000,000,000	Term of the loan is 12 months and will be repayable on 28 October 2017. Interest is paid on quarterly basis.	7,8%/year	Un-secured
Mr Dao Quoc Cuong	1,000,000,000	Term of the loan is 12 months and will be repayable on 28 October 2017. Interest is paid on quarterly basis.	7,8%/year	Un-secured
TOTAL:	2,000,000,000			

19.3. Long-term loan from banks

Details of the long-term loans from banks are as follows:

Bank	Ending balance (VND)	Principal and interest re-payment term	Interest rate	Description of collateral
Vietnam Joint Stock Commercial Bank for Industry and Trade - Yen Bai Branch	9,436,800,000	Principal is repayable within 25 quarters with the first payment is at 26 November 2016. Interest is paid monthly.	Interest for the first twelve months is 7.5% annum and then will be adjusted upon bank's notice	Certain machinery and equipment of Dong Pho Moi pharmaceutical factory project.
TOTAL	9,436,800,000			
<i>In which:</i>				
- Current portion of long-term loan	1,572,800,000			
- Long-term loan	7,864,000,000			



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

as at 31 December 2016 and for the year then ended

Currency: VND

	Share capital	Share premium	Treasury shares	Foreign exchange differences reserve	Investment and development fund	Undistributed earnings	Total
Previous year:							
Ending balance	246,764,330,000	153,747,160,000	(3,593,000)	179,264	257,064,405,248	129,713,730,991	787,286,212,503
- Net profit for the year	-	-	-	-	-	180,966,893,829	180,966,893,829
- Dividends declared	-	-	-	-	-	(74,019,900,000)	(74,019,900,000)
- Appropriation of investment and development fund	-	-	-	-	55,232,392,904	(55,232,392,904)	-
- Appropriation of bonus and welfare fund	-	-	-	-	-	(14,011,756,092)	(14,011,756,092)
- Bonus for Executive Board	-	-	-	-	-	(1,000,000,000)	(1,000,000,000)
Beginning balance	246,764,330,000	153,747,160,000	(3,593,000)	179,264	312,296,798,152	166,416,575,824	879,221,450,240
Current year:							
Beginning balance	246,764,330,000	153,747,160,000	(3,593,000)	179,264	312,296,798,152	166,416,575,824	879,221,450,240
- Increase in share capital from investment and development fund (*)	98,690,830,000	-	-	-	(98,690,830,000)	-	-
- Profit for the year	-	-	-	-	-	210,595,706,839	210,595,706,839
- Dividends declared(**)	-	-	-	-	-	(143,104,666,000)	(143,104,666,000)
- Appropriation of investment and development fund (**)	-	-	-	-	99,148,327,957	(99,148,327,957)	-
- Appropriation of bonus and welfare fund(**)	-	-	-	-	-	(17,756,663,452)	(17,756,663,452)
- Bonus for Executive Board (**)	-	-	-	-	-	(2,279,715,787)	(2,279,715,787)
- Other increase/(decrease)	-	-	-	(179,264)	-	789,108,883	788,929,619
Ending balance	345,455,160,000	153,747,160,000	(3,593,000)	-	312,754,296,109	115,512,018,350	927,465,041,459

(*) In accordance with the Resolution of the Annual General Meeting dated 30 March 2016, the Company had issued 9,869,083 additional shares using fund from Investment and Development fund.

(**) Dividends and funds were declared and appropriated from 2015's profit in accordance with the Resolution of the Annual General Meeting dated 30 March 2016. In addition, the Company has also declared interim dividend make provisionally advance for dividend from profit for the year ended 31 December 2016 with the rate of 2,000 VND/share in accordance with Resolution No 96/2016/NQ-HDQT of the Board of Directors dated 16 December 2016.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

as at 31 December 2016 and for the year then ended

20. OWNERS' EQUITY (CONTINUED)

20.2. Details of owners' shares capital

Currency: VND

	Ending balance			Beginning balance		
	Total	Ordinary shares	Preferred shares	Total	Ordinary shares	Preferred shares
State Capital and Investment Corporation	123,215,630,000	123,215,630,000	-	88,014,960,000	88,014,960,000	-
Vietnam Azalea Fund Limited	86,341,160,000	86,341,160,000	-	61,674,920,000	61,674,920,000	-
Vietnam Holding Limited	36,030,920,000	36,030,920,000	-	25,737,480,000	25,737,480,000	-
Other shareholders	99,867,450,000	99,867,450,000	-	71,336,970,000	71,336,970,000	-
TOTAL	345,455,160,000	345,455,160,000	-	246,764,230,000	246,764,230,000	-

20.3. Capital transactions with owners and distribution of dividends, profits

Currency: VND

	Current year	Previous year
Contributed capital		
Beginning balance	246,764,330,000	246,764,330,000
Increase in the period (Note 20.1)	98,690,830,000	-
Ending balance	345,455,160,000	246,764,330,000
Dividends declared		
Dividends for 2016 (interim payment): VND 2,000 per share	69,084,766,000	-
Dividends for 2015: VND 3,000 per share	74,019,900,000	-
Dividends for 2014: VND 3,000 per share	-	74,019,900,000
Dividends paid	74,147,994,000	73,894,730,000



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

as at 31 December 2016 and for the year then ended

20. OWNERS' EQUITY (CONTINUED)

20.4. Shares

Currency: VND

	Ending balance		Beginning balance	
	No of share	Amount (VND)	No of share	Amount (VND)
Shares registered for issuance	34,545,516	345,455,160,000	24,676,433	246,764,330,000
Ordinary shares	34,545,516	345,455,160,000	24,676,433	246,764,330,000
Preferred shares	-	-	-	-
Treasury shares	(3,133)	(3,593,000)	(3,133)	(3,593,000)
Ordinary shares	(3,133)	(3,593,000)	(3,133)	(3,593,000)
Preferred shares	-	-	-	-
Shares in circulation	34,542,383	345,451,567,000	24,673,300	246,760,737,000
Ordinary shares	34,542,383	345,451,567,000	24,673,300	246,760,737,000
Preferred shares	-	-	-	-

The par value of share in circulation during the year is VND10,000/share.

21. NON-CONTROLLING INTERESTS

Currency: VND

	Current year	Previous year
Beginning balance	85,278,195,990	82,161,782,918
Profit for the year	17,630,386,141	22,700,528,193
Decrease due to the disposal of subsidiary (Note 1)	(4,141,153,062)	-
Increase due to the transfer from associate to subsidiary	-	3,320,229,173
Appropriation of bonus and welfare fund	(2,766,087,100)	(2,268,746,770)
Dividends declared	(10,569,035,243)	(20,635,597,524)
Bonus for Executive Board	(269,070,213)	-
Other increase	505,952,029	-
Ending balance	85,669,188,542	85,278,195,990

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

as at 31 December 2016 and for the year then ended

22. OFF BALANCE SHEET ITEMS

Đơn vị tính: VND

ITEM	Ending balance	Beginning balance
1. Foreign Currency- US Dollar (USD)	4,507	55,542
2. Bad debts written-off (VND)	2,560,552,240	-

23. REVENUE

23.1. Revenue from sale of goods and rendering of services

Currency: VND

	Current year	Previous year (Reclassified)
Gross revenue	2,005,540,489,832	1,976,972,983,547
Of which:		
<i>Sale of goods</i>	1,518,524,099,069	1,317,142,334,639
<i>Sale of merchandise</i>	486,248,932,040	658,890,841,023
<i>Rendering of services</i>	767,458,723	939,807,885
Less:	(7,206,269,642)	(2,971,145,364)
<i>Sales return</i>	(7,060,998,572)	(2,826,680,729)
<i>Sales discount</i>	(136,220,500)	(144,464,635)
<i>Special consumption tax</i>	(9,050,570)	-
Net revenue	1,998,334,220,190	1,974,001,838,183
Of which:		
<i>Sale to others</i>	1,988,266,266,531	1,960,841,495,232
<i>Sale to related parties (Note 29)</i>	10,067,953,659	13,160,342,951



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

as at 31 December 2016 and for the year then ended

23. REVENUE (CONTINUED)

23.2. Finance income

Currency: VND

	Current year	Previous year
Interest income	7,546,056,258	8,053,306,489
Foreign exchange gains	1,053,781,434	92,214,011
Interest from credit sales, discount earned from early payments	193,515,341	-
Gain from disposal of subsidiary	5,376,548,312	-
Others	1,216,951,722	861,586,249
TOTAL	15,386,853,067	9,007,106,749

24. COST OF GOODS SOLD AND SERVICES RENDERED

Currency: VND

	Current year	Previous year (Reclassified)
Cost of finished goods sold	555,316,370,581	466,769,892,125
Cost of merchandise sold	448,287,791,546	597,065,720,677
Cost of services rendered	48,975,510	921,208,454
TOTAL	1,003,653,137,637	1,064,756,821,256

25. FINANCE EXPENSES

Currency: VND

	Current year	Previous year
Early settlement discounts	80,539,058,350	69,328,325,272
Interest expense	897,891,879	1,437,751,011
Foreign exchange losses	1,215,531,878	6,000,894,187
Others	-	9,417,661
TOTAL	82,652,482,107	76,776,388,131

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

as at 31 December 2016 and for the year then ended

26. SELLING EXPENSES AND GENERAL AND ADMINISTRATIVE EXPENSES

Currency: VND

	Current year	Previous year (Reclassified)
Selling expenses incurred during the year	464,180,865,225	429,904,857,118
- Labour costs	119,917,957,703	123,358,348,564
- Allowance for freelancers	64,463,152,994	60,065,014,349
- Sales discounts	65,050,946,112	39,578,926,233
- Advertising expenses	102,628,574,000	83,073,425,882
- Depreciation and amortisation of fixed assets	6,093,052,092	5,904,669,290
- Expenses for external services	27,778,622,334	30,173,790,608
- Others	78,248,559,990	87,750,682,192
General and administrative expenses incurred during the year	182,075,800,088	161,494,043,845
- Labour costs	103,086,181,710	99,111,060,891
- Depreciation and amortisation of fixed assets	4,571,093,303	4,701,118,217
- Expenses for external services	17,122,238,788	13,554,315,168
- Others	57,296,286,287	44,127,549,569
TOTAL	646,256,665,313	591,398,900,963

27. PRODUCTION AND OPERATING COSTS

Currency: VND

	Current year	Previous year
Raw materials	525,049,133,299	469,791,674,737
Labour costs	311,125,018,709	337,197,246,584
Depreciation of fixed assets	31,139,995,884	28,953,572,688
Expenses for external services	112,223,313,918	153,936,853,211
Others	219,154,579,199	177,150,341,068
TOTAL	1,198,692,041,009	1,167,029,688,288



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

as at 31 December 2016 and for the year then ended

28. CORPORATE INCOME TAX

The statutory corporate income tax ("CIT") applicable to the Company and its subsidiaries is 20% of taxable profits, except for the following entities:

- TraphacoSapa One Member Company Ltd.: CIT is 10% of profits from planting and processing activities of pharmaceutical materials, agriculture, forestry products and food at Sapa town, Sapa district, Lao Cai province; and
- Traphaco Hi-tech Joint Stock Company: CIT is 10% of profits from producing pharmaceutical products qualified for GMP international standard for 15 years starting from 2007. This company is also entitled to an exemption from CIT for 4 years from 2007 to 2010 and a 50% reduction of the applicable CIT tax rate for 9 years from 2011 to 2019.

The tax returns filed by the Company and its subsidiaries are subject to examination by the tax authorities. As the application of tax laws and regulations is susceptible to varying interpretations, the amounts reported in the consolidated financial statements could change at a later date upon final determination by the tax authorities.

28.1. CIT expenses

Currency: VND

	Current year	Previous year
Current CIT expenses	55,783,717,002	51,153,500,149
Deferred tax income	(830,439,363)	(193,167,476)
TOTAL	54,953,277,639	50,960,332,673

28.2. Current tax

The current CIT payable is based on taxable profit for the current year. The taxable profit of the Company and its subsidiaries for the year differs from the profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or deductible. The Company and its subsidiaries' liability for current tax is calculated using tax rates that have been enacted by the consolidated balance sheet date.

Reconciliation between CIT expense and the accounting profit multiplied by CIT rate is presented below:

Currency: VND

	Current year	Previous year
Accounting profit before tax	283,179,370,619	254,627,754,695
CIT expense at CIT rates applicable for the Company and its subsidiaries	50,627,729,064	49,644,286,431
<i>Adjustments to increase</i>		
Non-deductible expenses	981,959,630	805,286,310
Provision for doubtful receivables	494,622,537	-
Allowance for non-executive members of the Board of Directors	642,516,481	252,232,030
Depreciation expenses exceeding allowable cap	24,949,567	27,377,071
Effects of the elimination of intra-group transactions for consolidation purpose	2,807,778,873	-
Under accruals of CIT expense in previous years	214,718,051	918,538,697
<i>Adjustments to decrease</i>		
Income from business activities not subject to CIT	(10,500,000)	(10,924,050)
Effects of the elimination of intra-group transactions for consolidation purpose	-	(483,296,340)
Others	(57,201)	-
CIT expense	55,783,717,002	51,153,500,149

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

as at 31 December 2016 and for the year then ended

28. CORPORATE INCOME TAX (CONTINUED)

28.3. Deferred tax

The following are the deferred tax assets and deferred tax liabilities recognised by the Company and its subsidiaries, and the movements thereon, during the current and previous year:

Currency: VND

	Consolidated balance sheet		Consolidated income statement	
	Ending balance	Beginning balance	Current year	Previous year
Deferred tax assets				
Effects of the elimination of intra-group transactions for consolidation purpose	2,074,610,558	1,244,171,195	830,439,363	14,899,370
	2,074,610,558	1,244,171,195	830,439,363	14,899,370
Net deferred tax income credited to consolidated income statement			830,439,363	14,899,370

29. TRANSACTIONS WITH RELATED PARTIES

Significant transactions of the Company and its subsidiaries with related parties during the current and previous year were as follows:

Currency: VND

Related party	Relationship	Transactions	Current year	Previous year
Quang Tri Pharmaceutical and Medical Equipment JSC	Associate	Sales of goods	10,067,953,659	13,160,342,951
		Dividends received	125,710,000	-

Terms and conditions of transactions with related parties:

The sales to and purchases of goods from related parties are made based on the contractual agreement.

Outstanding balances as at 31 December 2016 are unsecured, interest free and will be settled in cash. For the year ended 31 December 2016, the Company has not made any provision for doubtful debts relating to amounts owed by related parties (31 December 2015: VND 0). This assessment is undertaken each financial year through the examination of the financial position of the related party.

Amounts due to and due from related parties at the balance sheet dates were as follows:

Currency: VND

Related party	Relationship	Transactions	Ending balance	Beginning balance
Short-term trade receivables (Note 6.1)				
Quang Tri Pharmaceutical and Medical Equipment JSC	Associate	Sales of goods	3,600,862,515	2,568,151,518
			3,600,862,515	2,568,151,518

Remuneration to members of the Board of Directors and Management during the year:

Currency: VND

	Current year	Previous year
Salaries and bonus	9,008,718,576	6,707,873,169
TOTAL	9,008,718,576	6,707,873,169



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

as at 31 December 2016 and for the year then ended

30. EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing net profit after tax attributable to ordinary shareholders of the Company (after adjusting for the bonus and welfare fund) by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit after tax attributable to ordinary equity holders of the Company (after adjusting for interest on the convertible preference shares) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

The following reflects the income and share data used in the basic and diluted earnings per share computations.

Currency: VND

	Current year	Previous year (Restated)
Accounting profit after tax	210,595,706,839	180,966,893,829
Distribution to Bonus and welfare fund (*)	-	(17,756,663,452)
Net profit after tax attributable to ordinary equity holders	210,595,706,839	163,210,230,377
Weighted average number of ordinary shares (excluding treasury shares) for basic earnings per share (**)	34,542,383	34,542,383
Weighted average number of ordinary shares (excluding treasury shares) adjusted for the effect of dilution	34,542,383	34,542,383
Earnings per share		
- Basic	6,097	4,725
- Diluted	6,097	4,725

(*) Net profit used to compute earnings per share for the year ended 31 December 2015 was adjusted to decrease in comparison with the net profit used to compute earnings per share as disclosed in the consolidated financial statement for the year ended 31 December 2015. Adjusted amount represents an actual distribution to Bonus and welfare funds from the parent company in accordance with the Resolution of the Annual General Meetings on 30 March 2016.

Net profit used to compute earnings per share for 2016 was not adjusted due to the fact that the appropriation of bonus and welfare funds from current year's profit has not yet been approved as the Resolution of the Annual General Meetings is not yet available.

(**) The Company also restated the weighted average number of ordinary shares (excluding treasury shares) to calculate earnings per share for the year ended 31 December 2015 due to the effect from bonus shares issued during year ended 31 December 2016.

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

as at 31 December 2016 and for the year then ended

31. SEGMENT INFORMATION

The principal activities of the Company are to produce and trade pharmaceutical products and related services. Besides, the business activities of the Company are carried out in the territory of Vietnam and accordingly, the Company has not prepared reports for operating and geographical segment.

32. COMMITMENTS AND CONTINGENCIES

Operating lease commitment

The minimum lease commitment as at the balance sheet date under the operating lease agreements of the Company and its subsidiaries are as follows:

Currency: VND

	Ending balance	Beginning balance
Less than 1 year	4,306,356,022	4,366,257,696
From 1 - 5 years	13,324,588,112	10,626,431,709
More than 5 years	32,833,325,905	26,255,367,762
	50,464,270,039	41,248,057,167

33. RESTATEMENT AND RECLASSIFICATION OF CORRESPONDING FIGURES

Certain corresponding figures as at 31 December 2015 were reclassified to reflect the presentation of the current year's consolidated financial statements. Details are as below:

Currency: VND

Code	ITEMS	31 December 2015 (As previously presented)	Reclassification	31 December 2015 (Reclassified)
132	Short-term advances to suppliers	38,410,524,507	16,300,000,000	54,710,524,507
212	Long-term advances to suppliers	16,300,000,000	(16,300,000,000)	-

In addition, the Company has also reclassified certain detail items under the accounts: Revenue from sale of goods and rendering of services and cost of goods sold and services rendered, Selling expenses and service rendered and restated earnings per share figure for the year ended 31 December 2015 as presented in Note 23.1, 24, 26 and 30.

34. EVENTS AFTER THE BALANCE SHEET DATE

There has not been any matter or circumstance that has arisen since the balance sheet date that requires adjustment or disclosure in the consolidated financial statements of the Company and its subsidiaries.



Preparer
Nguyen Ngoc Thuy
13 March 2017



Chief Accountant
Dinh Trung Kien




General Director
Tran Tuc Ma





**PRODUCTION OF AUTO EYE AND NOSE DROPS LINES AT
VIETNAM PHARMACEUTICAL MANUFACTURING FACTORY**