



**Traphaco** 

THE WAY OF  
**GREEN**

*Health*



ANNUAL REPORT

**2012**

TRAPHACO JOINT STOCK COMPANY

# Traphaco

## THE WAY OF GREEN HEALTH



“One of industries making the significant contribution to the prosperity of the nation economy must be mentioned pharmaceutical sector. In current, Vietnam pharmaceutical industry includes synthetic chemicals and drugs and prepared natural medicines. Understanding of threats and opportunities of pharmaceutical industry, and Traphaco’s directions as well, in August 2009, GreenPlan project is boosting with the initial aim as “Research to develop the sustainable supply of herbal ingredients for Traphaco”.”

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TRAPHACO  
and the strategy of Green HealthMEDICINAL HERBAL  
PLANTS AND FUNGUSES

4,000 species

The 19<sup>th</sup> century was the century of science and technology, with inventions that led to breakthrough development of developed European countries, Japan and the U.S. The 20<sup>th</sup> century witnessed the revolution of information technology, with the birth of the internet, which removed all information borders, created opportunities for the whole world, and spurred the robust growth of countries like China, India and emerging countries.

The 21<sup>st</sup> century with all its unpredictable elements of climate change and natural resources diminution, shows signs of the eco crisis and its direct impacts the global economy. The world currently has to deal with 5 major issues: Population, energy, food, natural resources and ecosystem (5 global challenges) and Green economy is the smart choice to triumph over the crisis and remains the fundamental for the green revolution of the 21<sup>st</sup> century.

According to UNEP (United Nations Environment Program), Green economy not only provides happiness for the people, equality for the society, but also significantly reduces environmental and eco crisis risks.

To have an idea about Green economy, it is the combination of 3 elements: Economic - Social - Environmental. Green Economy is sustainable, meaning all activities (in the economy) generate profit or beneficial value, towards the development of human community (especially culture). At the same time, these activities are environmental friendly. When the 3 elements are balanced, sustainability is achieved. The objective of Green Economy is to create jobs, ensure sustainable economic development and prevent environmental pollution, global warming, resource exhaustion and environment depreciation.

The popular definition of Green Economy includes 4 aspects of the economy: Agriculture, industry, service and knowledge based on the common denominator of green materials, green technology, green service and many other factors. These factors have low emissions, effective usage of resource and are geared toward social equality. Developing a Green economy is an effective way to achieve sustainable development.

In all industries that constitute an economy, it is impossible to leave out the pharmaceutical industry. The pharmaceutical industry in Vietnam is currently faced the option of using synthesized active ingredients or developing medicines from herbal ingredients.

Furthermore, the advantage of having a biological diversity (ranked 3<sup>rd</sup> in the world) with over 4,000 medicinal herbal plants and funguses, many endemic plants are expected to form new medicines, as well as the global trend of being close to nature, are the factors, which form a solid foundation for the development of a pharmaceutical industry in Vietnam. In addition, Vietnam's pharmaceuticals industry developed on the basis of using domestic materials, conformable with the psychological of the Vietnamese people is a development that is sustainable, environmental friendly, closely connected with the development of a green economy. This is also the key element of green health.

Presented with the opportunities and challenges of the Vietnamese pharmaceuticals industry in general and of TRAPHACO in particular, in August 2009, TRAPHACO's GreenPlan Project was launched with the initial goal of "Sustainable development of TRAPHACO's pharmaceutical ingredient resources".

After over 3 years of implementation, after hundreds of surveys on pharmaceutical ingredients in cities and provinces throughout the country and abroad, with thousands of working hours with partners, farmers, universities, research institutes and labs, the project has gained results of significant economical and social values, promoting and directing the pharmaceutical market towards sustainable and preservative development. Particularly, the Project does not only fit into TRAPHACO framework as intended by the initial objective. With a remarkable widespread, the GreenPlan project has connected with many agencies both inside and outside the pharmaceuticals sector, from local to central level, both domestically and internationally, with the aim to realize the strategy of economic development, healthcare safeguarding and environmental protection.



Through building the farming area of herbal pharmaceutical ingredients in compliance with the instructions of the World Health Organization (GACP - WHO), the company not only creates a clean and high quality supply of inputs for the medicine manufacturing factories, but also establishes pharmaceutical production models connecting business with people, creating stable jobs and income for hundreds of households. This is the business model which includes low-income people that are of interest to many countries and often viewed as challenges to businesses.

Up until now, the company has established close relationship with the people. Over 100 ha of land have been planted with polyscias fruticosa in many cities and provinces throughout the country such as Nam Dinh, Thai Binh, Phu Tho, Ha Tay, Dak Nong, Dak Lak; over 50 ha of land have been planted with artichokes in Sapa, Bac Ha - Lao Cai, Muong La - Son La, Sin Ho - Lai Chau; over 10 ha of Molluginaceae are planned for harvest in Tay Ninh, Long An as well as the farming and harvest areas for many other herbal pharmaceutical ingredients such as angelicas, gagneps, gingers, dioscorea persimilis, red fallopia multiflora, ampelops, have been planned and are generating stable jobs and income for over 1,000 farmers. Developing farming and harvesting areas of herbal pharmaceutical ingredients not only creates jobs and income for the people but also establishes a stable supply of raw materials both in terms of quality and quantity for the company. The farming and harvesting procedures were researched and implemented in an environmental friendly manner such as using rare earth do minimize inorganic fertilizer, rotational cultivation to limit the using chemicals - crop protection products, selecting the farming areas with clean soil, water and good irrigation condition to ensure a safe supply of pharmaceutical ingredients. Of the 3,000 tons of pharmaceutical ingredients consumed by the company each year, 100% are of known origins and 90% are sourced domestically. In addition to providing a high quality, stable quantity supply of pharmaceutical ingredients for the company, the GreenPlan project also receives and utilizes local knowledge, traditional experience of using small plants for medicinal purposes,

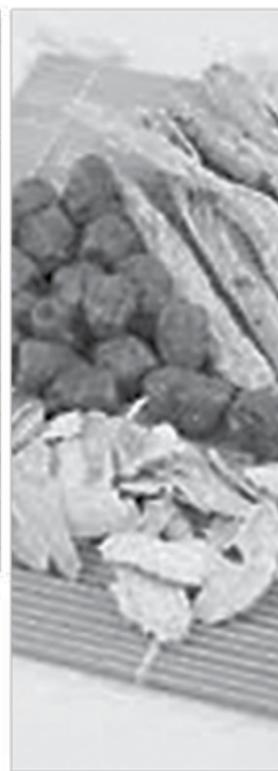
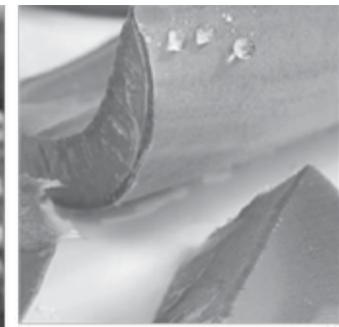
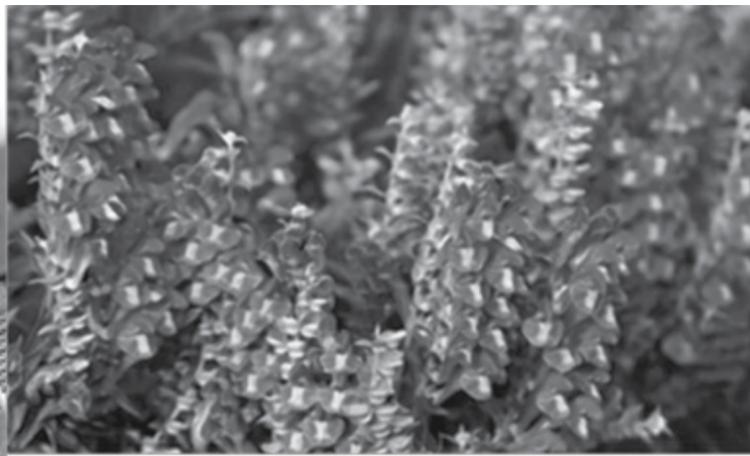
collaborates with scientists to screen and identify formulae for advanced treatment effects.

Combined the green technology in extraction and dosage form (the technology that minimizes negative effects on the environment) with optimized processes to limit energy usage (electricity, coal) and the use of organic solvents. Since 2010, by applying microwave vacuum drying technology to herbal extracts, the company has lessened electricity consumption by 18 times compared to normal drying technology. Researches on pharmaceutical extraction to reduce extraction time and minimize the usage of organic solvent not only saves energy, cuts costs but also enhances the quality of the product by maximizing the extraction of the active ingredients and ensure the product's safety.

With the strategic objective to uphold the leading position in research and development of medicine and healthcare products made from herbal ingredients, the company has focused on research and development of products from herbal ingredients. In 2011 - 2012, in addition to over dozens of local-level projects which study medicines made from herbal ingredients, at the same time the company also worked on 2 State-level projects to utilize and develop the genetic codes of rare medicinal plants called dioscorea persimilis and coix lachryma jobi and complete the production process of the soft capsuled Cebraton. Furthermore, the company was also granted funds from the World Bank in the Vietnam's innovation day (VID 2011) for the project of in-depth botany and chemistry research of Dioscorea, a rare Vietnamese medicinal plant.

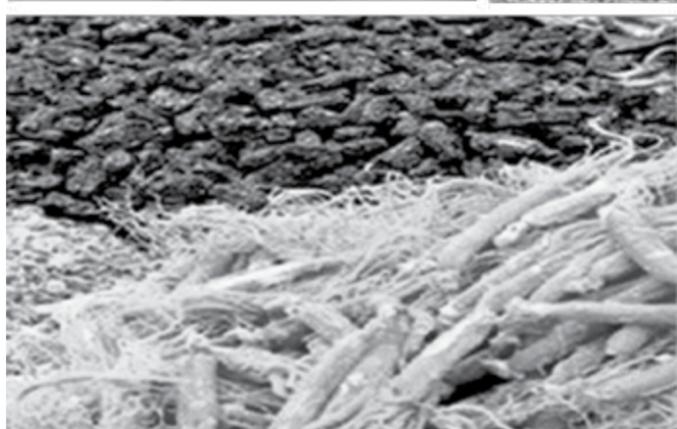
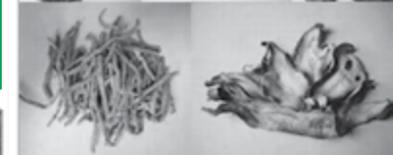
By the end of 2012, the company's total revenue was VND1,477 billion, in which revenues from in-house manufactured pharmaceutical products accounted for 56% (up 28% compared to 2011). These achievements are proofs of the effective TRAPHACO green health strategy, while at the same time confirm the company's view on sustainable development: **"For the green environment, for the people's health, for the country's prosperity"**.





# Humble ... **beginning**

Just like human beings, each being was brought to life for a different reason and mission. Some missions are simple and humble. But some are great and glorious. TRAPHACO started from a humble beginning with a simple initial mission, over time, guided by destiny, that mission has taken a clearer shape and illuminated more brightly.



**"UNWAVERING AT FORTY"** - At forty years of age, one is resolute in his chosen course. TRAPHACO, having turned 40 years old, will leverage on the high level of alignment within the company and the trust of the community to continue overcome challenges and stay resolute in its strategic direction: **Maintain the No. 1 position in traditional medicine and the leading position in the pharmaceutical industry of Vietnam; A profitable enterprise with corporate social responsibilities".**



**" TRAPHACO has gone through a 40 years journey of establishment and development. Through all the ups and downs, challenges and difficulties, over the past 40 years, TRAPHACO continuously grew and outstandingly fulfilled its missions in each stage of development."**

Dear valued shareholders and customers,  
Investors and employees,

At the 40<sup>th</sup> anniversary ceremony of the Company (28 November 2012), TRAPHACO was honored to receive the First Class Labor Medal, the highest recognition of the State which further illuminated the aura of a Heroic Enterprise.

Dear readers,

2012 marked another difficult year for the economy in Vietnam, which was raged with deflation and dragged down further by "bad debts" and "high inventories". Many enterprises and businesses were eliminated during this challenging time. Given the circumstances, TRAPHACO still maintained the title "National Brand" and the strong growth to achieve VND1,400 billion in revenue and VND116 billion in net profit. Those impressive figures portrayed a sustainable and energetic TRAPHACO. They also conveyed the strength of organizational unity and enhanced management capabilities. Above all, the results highlighted a humane corporate culture and a loved brand - **Traphaco**

Dear readers,

Not only having achieved the business targets of 2012, TRAPHACO also scaled up through M&A activities. TRAPHACO now has 3 subsidiaries, 1 affiliated company and 4 newly launched distribution branches. All the subsidiaries exceeded revenue and net profit targets: TRAPHACO Sapa completed planning for Artichoke farming area and developed Angelica farming area with "clean technology"; TRAPHACO CNC perfected the environment-friendly and high productivity production line. The distribution network was expanded and strengthened with the inclusion of new branches and subsidiaries. The completed value chain served as the foundation for TRAPHACO to ensure stability and achieve business growth. This strategic value of TRAPHACO has been highly acknowledged by the investors.

Dear readers,

In hardship, the Company's corporate culture: "Cooperation, sharing, commitment and honoring commitment" shined through.

The achievements of TRAPHACO over the past year were the result of creative labor and dedication by the employees; the wisdom, flexibility and strong leadership of the Board of Directors; the fearless execution of the Management Team; the constructive and responsible cooperation of shareholders, particularly institutional shareholders; the cooperation for mutual success of clients and customers; and the support and accommodation of regulatory authorities.

On this occasion, on behalf of the Board of Directors, I sincerely thank the precious contribution of all our stakeholders and wish you continue to partner with TRAPHACO in the road of sustainable development.

Dear readers,

2013 is going to be another difficult year which requires us to be more creative and determined to turn challenges into new opportunities. TRAPHACO, having been trialed and trained through hardships and difficulties, will assertively break through the current difficulties to achieve 2013 targets of VND1,800 billion in revenue and VND147 billion in net profit.

We, together with our stakeholders, are proud of TRAPHACO's past accomplishments and firm in our belief that TRAPHACO will continue to succeed. Because TRAPHACO is on the right course to realize the aspiration of its time: "TRAPHACO - The way of green health".

We appreciate your ideas and look forward to your cooperation and sharing.

Sincerely,

Chairwoman of the Board of Directors.

**Vu Thi Thuan, MSc.**



*Assigned ...*  
**MISSIONS**

When B-52s pounded areas around the Hanoi city that had been creating a tense atmosphere , on 28<sup>th</sup> November 1972, the medicine manufacturing workshop of the Railway Health Authority established with the mission to produce serum, infused fluid and distilled water for the Railway Hospital during the American War. Just when war was stopped, livings were came back peace, workshop tried to find the specific way to survive. The workshop went through primary difficulties to grow up the railway pharmaceutical enterprise with official abbreviation name as Raphaco of 60 staffs.





COMPANY OVERVIEW

Company name : CÔNG TY CỔ PHẦN TRAPHACO  
 English name : TRAPHACO JOINT STOCK COMPANY  
 Shortened name : TRAPHACO  
 Investment Capital : VND123,398,240,000  
 Head office's address : 75 Yen Ninh Street, Ba Dinh District, Hanoi, Vietnam  
 Tel : (84.4) 3683 0751  
 Fax : (84.4) 3681 5097  
 Website : www.traphaco.com.vn

Business Registration Certificate: Business Registration Certificate For Joint Stock Company No. 0100108656 issued first by Hanoi Department of Planning and Investment on 24/12/1999 and last updated 07<sup>th</sup> August 2012.



SCOPE OF BUSINESS

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



## VISION TO THE YEAR 2020

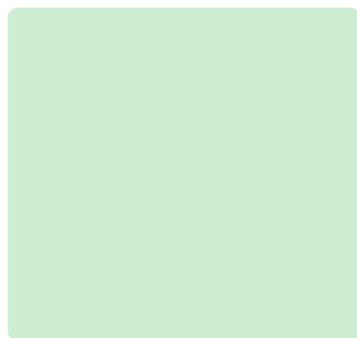
Become a strong economic corporation involved in trading and providing health care products and services and owned the capacity in researching and developing natural hi-tech products.

## MISSION

- Provides and contributes to society the products and services which are modern yet enriched with traditional values, with the sole intention of improving the quality of life.
- Always be customers' satisfaction-oriented, creates meaningful jobs and provides employees with career-advancement opportunities.
- Increases shareholders' value and maximizes other interests for investors.

## CORE VALUES

- The quality of the products and services is decisive to the existence of the Enterprise.
- The added values for society, customers, employees and shareholders are the goals and drivers for a sustainable development.
- Creative labor is fundamental to development.
- Cooperative relationships, sharing, commitments and honoring commitments are the foundations of the corporate culture.
- Modern and traditional are the unique characteristics of TRAPHACO.



## Key milestones of 2012

### 40<sup>th</sup> YEAR ESTABLISHMENT AND RECEIVING THE FIRST GRADE LABOR MEDAL



40<sup>th</sup> year anniversary of establishment ((28/11/1972-28/11/2012) and ceremony to honorably receive "The first grade Labor Medal".

On 30<sup>th</sup> April 2012, TRAPHACO honorably received International Quality Award "The Arch of Europe" in the Federal Republic of Germany.



### INTERNATIONAL QUALITY AWARD THE ARCH OF EUROPE

### TRAPHACO - TOP 10 ENTERPRISES FOR THE CORPORATE COMMUNITY



Acknowledge TRAPHACO's contribution to community, in Event for charity "Whole country sharing hands for community health care", TRAPHACO was honored "TOP 10 ENTERPRISES FOR THE CORPORATE COMMUNITY".

"Top 100 Trusted & Used Products - Services in 2012" for brand of cerebral product - Cebraton by nationwide consumers.



### HOAT HUYET DUONG NAO TOP 100 TRUSTED AND USED PRODUCTS-SERVICES

### TRAPHACO - HONORLY TO RECEIVE THE AWARD "VIETNAM VALUE 2012" AWARDED BY THE NATIONAL BRAND ASSEMBLY



On 7<sup>th</sup> January 2013, TRAPHACO was honored to receive the award "Vietnam Value 2012" representing for Chemical Cosmetics and Pharmaceuticals Sector.

Pursuant to Decision No. 262/QĐ-TTg dated 30/01/2013 of Prime Minister of granting this honorable Award "Vietnam Value 2012".



### TRAPHACO WAS HONORLY RANKED IN 10 LEADING ENTERPRISES AWARDED GOLD AWARDS



## 1972

- 1972 : The establishment of the medicine manufacturing workshop of the Railway Health Authority.
- 1993 : The railway pharmaceutical enterprise (TRAPHACO).
- 1998 : Set up the manufacturing factory in Phu Thuong - First GMP - certified manufacturing in the North.
- 2000 : The Founding General Shareholders Meeting. TRAPHACO became one of the first pharmaceutical companies to be equitized.

## 2001 ~ 2006

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

## > 2007 ~ 2009

- 2007 : Successfully conducted the IPO. The IPO attracted the participation of strategy shareholders, who are reputable investment funds such as Vietnam Azalea Fund Limited. . . The joint-venture traditional medicine manufacturing factory in Van Lam - Hung Yen was certified with GMP accreditation.
- 2008 : The company was granted ISO 14001-2004 by Quacert and in October was granted the 5S good practice certificate. On 26<sup>th</sup> November 2008, the company's TRA stock symbol became officially listed on the Ho Chi Minh Stock Exchange (HoSE).
- 2009 : Marked the 10<sup>th</sup> anniversary of being equitized. Traphaco was recognized as the No. 1 pharmaceutical brand in Vietnam.

## > 2009 ~ 2012

- Introduced Traphaco Sapa Single Member Limited Liabilities Company in Lao Cai, of which TRAPHACO owned 100%.
- 2010 : Traphaco proudly received the Labor Hero title, was the only one enterprise to receive the Wipo award from the World Intellectual Property Organization. Won 3<sup>rd</sup> prize for corporate social responsibilities to the environment.
- 2011 : Traphaco proudly won the Top 10 enterprise for corporate social responsibilities. TRAPHACO owned 50.96% of Traphaco CNC.
- 2012 : 40<sup>th</sup> year anniversary of establishment and receiving "The first grade Labor Medal" TRAPHACO owns a 51% stake in DakLak pharmaceutical Medical Equipment JSC.

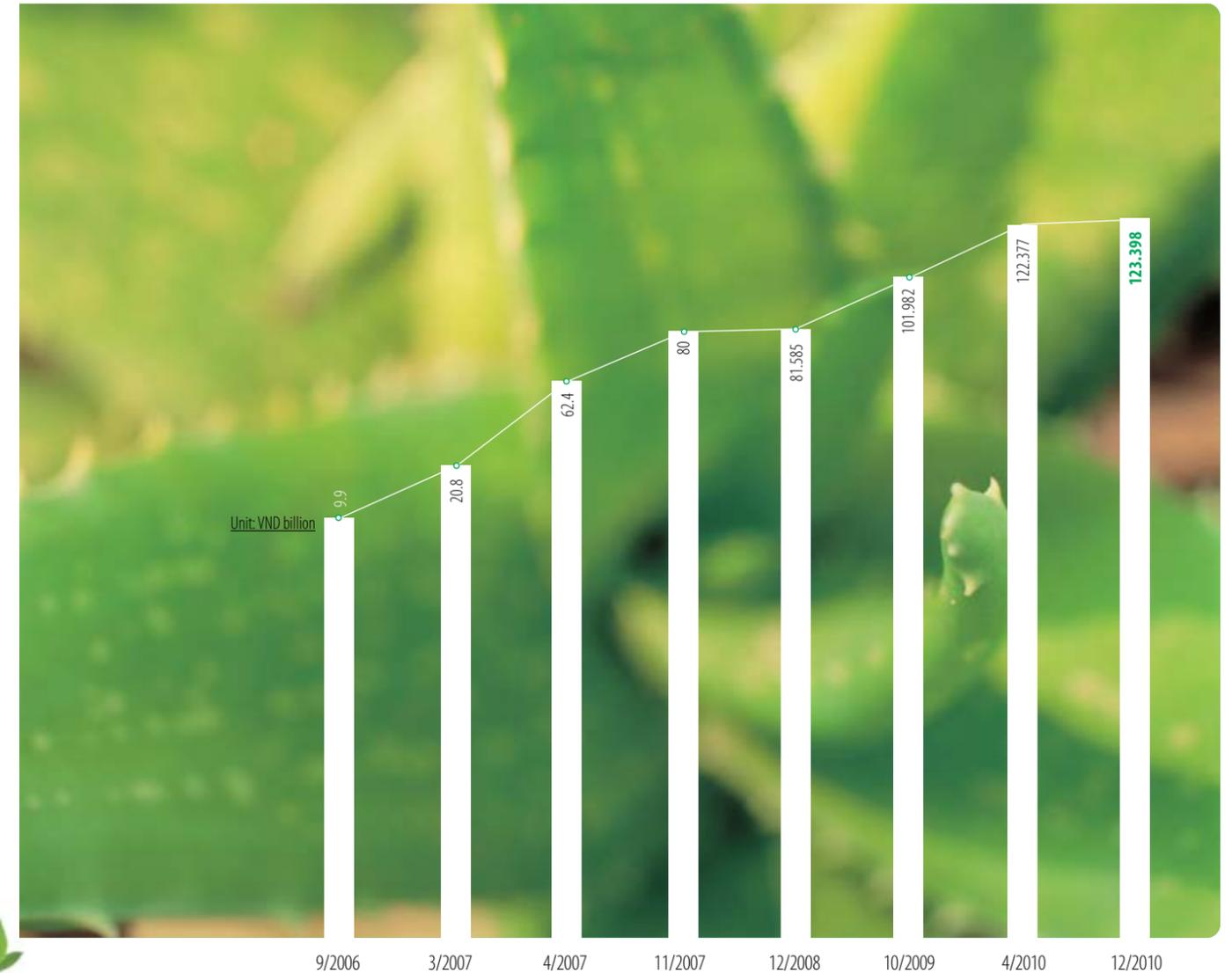
# 123.4 VND billion

## CHARTERED CAPITAL IN 2012

Since establishment of Medicine production Group of the Railway Health Service in 1972, the Company conducted tens of times of charter capital increases to bring the charter capital to VND 123,398,240,000 (as at 30 December 2010) from the initial little capital. That shows that the way TRAPHACO choosed is the right one to bring the famous brand in pharmaceutical sector, especially in business of natural herb products in Vietnam.

Unit: 1,000 VND

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





"THE FIRST GRADE LABOR MEDAL"  
AWARDED FOR THE CORPORATION.



AWARDED THE VIETNAM  
NATIONAL VALUE IN 2012.



"THE SECOND GRADE LABOR MEDAL"  
AWARDED FOR LABOR UNION.



THE TITLE  
"LABOR HERO"



THE BEST  
ANNUAL REPORTS



THE AWARD  
"VIETNAM'S GOLD STAR"

Year	Title
2005	Received the recognition "Enterprise for women's progress" - the Kovalevskaia award for the female science workers of Traphaco
1998 - 2011	Awarded "High quality Vietnam products" in continuous 14 years by clients' selection.
2003 - 2011	Won the award "Vietnam's Gold Star" (in the TOP 100 consecutively throughout the period 2008 - 2011).
2007	"The Second - Class Labor Medal" from the President of the Socialist Republic of Vietnam in 2007. "The Third - Class Labor Medal" from the President of the Socialist Republic of Vietnam granted to the Company's union. The only pharmaceutical company which received the "Techmart Gold Cup".
2008	Gold cup for the most recognized TRAPHACO brand.
2009	Was recognized with "the Most Recognized Pharmaceutical Brand in Vietnam"
2010	Won the title "Labor Hero". Won the award for corporate social responsibilities. Received the WIPO award from the World Intellectual Property Organization.
2011	Received the campaign medal for typical Communist Party Branch Among the top 10 enterprises for Corporate Social Responsibilities. Leading brand in Vietnam. Vifotec's first prize for Boganic . Was named one of the Best Annual Reports. Received the highest rating (AAA) in the Annual report on Credit Rating Index 2011 for Vietnam.
2012	The honorable the First Grade Labor Medal awarded for the corporation by the State President The honorable the Second Grade Labor Medal awarded for the corporation Labor Union by the State President. Achieved the National Quality Gold Award in 2012. Honored the National Brand "VIETNAM VALUE 2012".



THE MOST RECOGNIZED PHARMACEUTICAL  
BRAND IN VIETNAM



THE WIPO AWARD FROM THE WORLD  
INTELLECTUAL PROPERTY ORGANIZATION



AMONG THE TOP 10 ENTERPRISES FOR  
CORPORATE SOCIAL RESPONSIBILITIES

AWARDS IN 2012

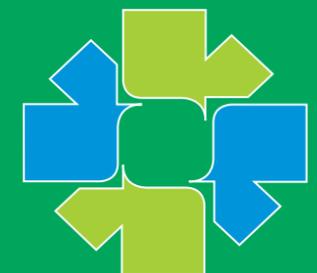
"THE FIRST GRADE LABOR MEDAL"  
AWARDED FOR THE CORPORATION



"THE SECOND GRADE LABOR MEDAL"  
AWARDED FOR LABOR UNION



AWARDED THE VIETNAM NATIONAL  
VALUE IN 2012



**Vietnam Value**  
Vietnam Value

Highlighted products

Highlighted products  
**HOAT HUYET DUONG NAO – Cebraton**  
*The leading, famous brands*



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

**Indication:**

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

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

**Indications:**

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

**BOGANIC - Vifotec's first prize**

**BOGANIC**  
For enhancing detoxification  
and protection liver



THE CAPITAL'S FAVORITE  
VIETNAMESE PRODUCT

**BRIGHT EYE PILL**  
*Eye tonic from herbs*



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

**Indications:** Eyestrains, Dimeyes, Retinitis, Infammation, Amblyopia, Optic atrophy.

**Ingredients:** Ampelopsis Cantoniensis extract, Excipients

**Actions:**

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

**Indications:** Gastric ulcer, duodenal ulcer.

**Ampelop**

SOLE CERTIFICATE  
ON USEFUL SOLUTION  
AMPELOP - Healing the  
gastro-duodenal ulcers.



FAMILY'S SECRET FORMULA

**tottrj**

FOR EFFECTIVELY MANAGING AND PREVENTING  
**ACUTE HEMORRHOIDS**



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

**Indication:**

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

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

**Indications:**

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

**TOTTIM  
EXTRA**

For preventing and  
treating cardiovascular diseases



**Siro ho  
METHORPHAN**



For the effective  
control of coughs

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

**Indications:**

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

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

**Indications:**

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

**AbFUCO**

Preventing and treatment for osteoporosis



**Didicera**  
THE FAMOUS LOCAL MEDICINE FORMULA



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

**Indications:**

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

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

**Actions:**

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

**Indications:**

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

**FORMENTON**  
Modernizing traditional medicine





*Elevated position...*  
**ELEVATED VISION**

With a vision beyond its time, with the wisdom, high level of alignment and determination of the Company's leaders, TRAPHACO was the first pharmaceutical company in Vietnam to be equitized with 45% state-ownership. The market mechanism was released, the people's brain power was most utilized. Stay resolute in the chosen course, develop Traditional medicine, and develop the way of green health.



# Risk MANAGEMENT

CATEGORIES OF RISKS      IMPLICATIONS OF RISKS      MECHANISM TO MITIGATE RISKS

## LEGAL

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

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

A number of significant regulatory changes in the pharmaceutical industry were made effective all at the same time.

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

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

The legal department of the company is responsible for thoroughly monitoring, researching and regularly updating on legal documents, industry regulations that are relevant to business activities.

Responsible staffs regularly seek advice from law experts and legal consultants about specific subject matter issues.

## MACROECONOMIC

In 2013, although the macro-instability factors have been reduced, forecasts still indicate a low level of economic growth. The two imminent risks in the economy are inflation and bad debts in the banking system.

The world economy has started to show signs of recovery. The major economies such as U.S., Japan and China kicked off stimulus programs. However, economic forecasts show that the recovery of the world economy remains weak. The stimulus programs are not significant enough to revive growth while posing risk of inflation.

Rising inflation will cause the Company's input costs, such as electricity, water, gasoline, raw materials, and interest expenses... to increase immediately. Meanwhile, the prices of the Company's products cannot increase accordingly due to the State's price control mechanism applied to the pharmaceutical industry.

Weak growth in the domestic and global economies will also reduce the consumption of TRAPHACO's products.

The bad debts problem, if not solved thoroughly and exhaustively, will cause the banks to be more cautious in their lending activities, as a result the Company's financial liquidity and payment flexibility will be affected.

Relevant departments within Trophaco regularly gets updated on the latest economic news and forecasts.

Closely manage inventories, enhance coordination between sales and production, and continuously improve inventory planning capabilities.

Thoroughly implement optimization of working capital, expedite collection of receivables and reduce day receivables.

Employ a flexible strategy in structuring the product mix to maximize net profit. Maintain good relationships with banks and financial institutions to ensure liquidity and payment flexibility.

Utilize domestic supplies; restrict transactions that involve foreign currencies.

RISKS      IMPLICATIONS OF RISKS      MECHANISM TO MITIGATE RISKS

## INPUT MATERIALS

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

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

For several main ingredients, there is fierce competition to secure the supply with other traditional medicine manufacturers of similar products. As such, it might lead to higher prices for those raw materials or scarcity of certain materials.

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

Understocking and being unable to fulfill the demand of the customers in a timely fashion could lead to losing market opportunities, and subsequently losing market share.

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

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

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

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

## COMPETITION AND COUNTERFEITED PRODUCTS

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

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

Trophaco is also faced with fierce competition from Chinese rational medicine manufacturers.

A number of Trophaco's products are easily to make counterfeits.

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

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

The counterfeited products, which can be found everywhere, especially in rural provinces, can reduce the revenue and potentially undermine the credibility of the company's products.

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

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

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

The company always proactively and thoroughly registers for intellectual property and patent protection, at the same time, aggressively requests legal intervention from the authorities when counterfeited products and fakes are identified.

## RECEIVABLES

Although receivable days have been improved over the years and currently at the industry's average, the company's financial resources are still being usurped by certain customers through long standing loans or overdue loans.

Reduces the business and working capital efficiency.

Can incur losses of assets if overdue debts turn bad.

The provision for bad debts can directly lower net profit.

Receivables monitoring is conducted frequently: analysis of loan periods, days of collection, customers' update and assessment...in order to have remedial actions in a timely fashion.

Being disciplined and persistent in collecting receivables.

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

Set up Customers Loyalty Clubs

# Report on BUSINESS PERFORMANCE

## 1. REPORT ON BUSINESS PERFORMANCE

Indicators	Target	Actual (not incl.VAT)	Actual (Incl. VAT)	% to target	Growth Compared to 2011
Revenue (incl. VAT)	1,330 bil	1,400 bil	1,477 bil	111%	31.5%
In-house manufactured products:	1,000 bil	985 bil	1,047 bil	105%	24%
Trading products:	330 bil	415 bil	430 bil	130%	54%
Net profit after tax:	130 bil	116 bil	-	89%	31%
Distribution of net profit after tax	Advanced payment of 2012 dividend of 20% of chartered capital: 24,673,382,000 VND				
Acquisitions of shares in provincial pharmaceutical distributors	<ul style="list-style-type: none"> <li>Successfully acquired 51% of Dak Lak Pharmaceuticals and Medical Equipments joint stock company through a tender offer.</li> <li>Successfully acquired 42.91% stake in Quang Tri Pharmaceuticals and Medical Equipments joint stock company.</li> </ul>				
Average income of employees: increase by 15%, ensure sufficient employment jobs for employees	Average income increased by 15% compared to 2011, ensure sufficient employment jobs for employees				
Compensation of the Board of Directors and Supervisory Board	Total compensation: 3,200,000,000 VND In which: <ul style="list-style-type: none"> <li>Board of Directors : 2,650,000,000 VND</li> <li>Supervisory Board: 550,000,000 VND</li> </ul>				

Of the key performance indicators, the net profit after tax did not meet target although revenue exceeded target because of the downward accounting adjustment at the consolidated level. This adjustment was made for the unrealized profit in the inventories that Traphaco purchased from Traphaco CNC but were still outstanding as of 31 December 2012.



2012 was another difficult and turbulent year for Vietnam's economy. With the relentless efforts of the Board of Directors, management team and the entire staffs, with a tradition of 40 years constantly overcoming difficulties and challenges, continuing the success of 2011, TRAPHACO has achieved and exceeded all targets.

VU THI THUAN  
Chairwoman of the Board of Directors.



## 2. BUSINESS PERFORMANCES OF SUBSIDIARIES

Indicators	Revenue (bil)		Net Profit (bil)		% growth	
	2011	2012	2011	2012	Revenue	Net Profit
Companies						
TRAPHACO CNC	270	247	29	27	-9%	-6.9%
DBM	269	303	5.5	8	13%	45%
Quang Tri	44	75	0.1	1.2	70%	120%
Sapa	10	21	0.5	0.7	110%	140%

Revenue and net profit of TRAPHACO CNC did not meet target because of the inventory reduction at TRAPHACO

**3. PRODUCTION MANAGEMENT:** Effectively utilized the capacity of Hoang Liet and Van Lam factories.

### HOANG LIET FACTORY

- Organized the production process efficiently to improve productivity and as a result in 2012 productivity increased by 11.8%, compared to 2011.
- Invested over VND 8 billion for automation and synchronization of production lines, reduced manual labor in labeling, batching and packaging.
- Implemented cost saving and waste reduction: Reduced material shrinkage in production process by 5.7%, reduced electricity consumption per unit by 10.8% compared to 2011.

### VAN LAM FACTORY

- Perfected the production lines and technological system with the intention to increase productivity and ensure sufficient supply of outputs for sales.
- In a year during which TRAPHACO prioritized reducing inventories, TRAPHACO CNC's revenue declined (since CNC's revenue depended on the orders by TRAPHACO).



## 4. QUALITY CONTROL

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

## 5. FINANCIAL INVESTMENT ACTIVITIES

**Acquisition of Dak Lak Pharmaceutical and Medical Equipment joint stock company (DBM):** Acquired 51% of ownership through 2 rounds of share purchases with total investment amount of VND 16.3 billion.

- Round 1:** On 11<sup>th</sup> May 2012, TRAPHACO reached an agreement to purchase 317,104 shares (equivalent to 24.5% of chartered capital) of DBM.
- Round 2:** On 10<sup>th</sup> Oct 2012 TRAPHACO completed the tender offer to acquire a total of 660,136 shares (equivalent to 51% of chartered capital) of DBM according to document numbered 3114/UBCK-QLPH dated 29/08/2012 by the State Securities Commission.

**Acquired Quang Tri Pharmaceutical and Medical Equipment joint stock Company:** On 30<sup>th</sup> Oct 2012, TRAPHACO reached an agreement to acquire 12,571 shares (equivalent to 42.9% of chartered capital) of Quang Tri Pharmaceutical and Medical Equipment joint stock company with the total investment amount of VND 4.4 billion.

### Project TRAPHACO Hung Yen limited liabilities company

The Board of Directors approved the plan to compensate and clear 50,077 m<sup>2</sup> for the project to construct TRAPHACO Hung Yen with the total investment of VND28 billion. During 2012, the company completed

compensation and land transfer of 22,916 m<sup>2</sup> with total deployed capital of VND 17.8 billion.

### Develop plan and timeline to increase the ownership at TRAPHACO CNC:

In executing on the business plan for 2012 approved by the Annual General Shareholder Meeting, the Board of Directors set up an advisory committee to develop the plan to increase ownership at TRAPHACO CNC. The advisory committee signed advisory contracts with two securities firms, which were Bao Viet Securities and Vndirect Securities, to perform valuation reports on TRAPHACO CNC and propose acquisition plans.

**Capital expenditure for the construction of new branches:** Constructed office facility for the branch in Hai Duong, acquired land for branches in Dong Nai and Can Tho.

### Plan to raise chartered capital:

In executing the Board resolution numbered 37/NQ - HDQT dated 31<sup>st</sup> May 2012, the company's Board of Directors approved the plan to sell new shares to existing shareholders at a ratio of 1:1 to increase the chartered capital. However the plan was not approved by the shareholder assembly (in the form of seeking shareholders' opinion through documents).



## 6. RESEARCH & DEVELOPMENT AND LAUNCHED NEW PRODUCTS

Researched over 20 new products. Built marketing plans to launch to market 6 new products. Revenue from new products reached VND 76.5 billion, a 14% growth from 2011 (accounting for 7% of total revenue).



On 26<sup>th</sup> November, 2012, TRAPHACO has celebrated 40<sup>th</sup> anniversary of establishment and received: The honorable the First Grade Labor Medal awarded for the corporation by the State President. The honorable the Second Grade Labor Medal awarded for the corporation Labor Union by the State President. The Third Grade Labor Medal awarded for 2 individuals gaining excellent achievements.

### 7. DEVELOPMENT DISTRIBUTION NETWORK

Following full effective operation at 10 branches established, the corporation has additionally set up new 4 provincial branches in Can Tho, Khanh Hoa, Gia Lai and Quang Ninh which run smoothly, manage actively and capture local market shares.

Opening ceremonies were held at Khanh Hoa, Quang Ninh.

Customer relationship management project (CRM): Increased the activities

for customer clubs, managed relationships with 10,000 customers nationwide. By 2012, Traphaco had 14 fully operational branches, achieving the goal of controlling the distribution network and increasing working capital turnovers.

Applying selling management and debt control softwares in Sales Department help to strengthen distribution network, reduce inventory level and control bad debts.

### 8. BRAND AND CORPORATE CULTURE BUILDING:

#### Promoting and strengthening the brand

Promoting and strengthening the brand continued to promote and strengthen the brand, maintained the title "The most recognizable Pharmaceutical brand in Vietnam". In 2012, Traphaco was acknowledged with the following notable prizes:

- International quality Award "The Arch of Europe" in Frankfurt - German state.
- Received Gold award of National quality.
- As one of 54 enterprise brands selected and honorly received the award "Vietnam Value 2012" awarded by the National Brand Assembly.
- Received "High quality Vietnamese products in 2012" award.

- "TOP 50 enterprises operating the most effectively".
- "Top 100 Trusted & Used Products - Services in 2012" for brand of cerebral product - Cebraton by nationwide consumers.
- Received "integration and development" award for enterprise.

Direct brand promotion toward consumers through healthcare consultation activities for the elderly, women and professional associations. In 2012, events were organized at 374 associations across the country with diferent healthcare themes, particularly the free consultation and testing sessions for osteoporosis sponsored by AbFUCO made a great impression and were highly appreciated by customers.



## Corporate CULTURE

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



In 2012, to ensure the business growth rate under macro economic difficult conditions, the Communist Party Branch has launched the movement "Getting over our-selves" with the aim: "Breakthrough thinking - Action solidary - Mutual objectives" that was completely supported by labours.



### 9. INVESTOR RELATIONS

Traphaco completed all procedures required by relevant authorities: The State Securities Commission and the Ho Chi Minh Stock Exchange (HoSE), Vietnam securities depository (VSD) to accommodate shareholders to register their shares in a timely manner.

Supporting to adjust shares information for 55 securities holders. Register to release 102,095 shares in the ESOP from restricted shares

to fully transferable for 211 holders since 2009 as excellent employees (Period from 20<sup>th</sup> December 2010 until 20<sup>th</sup> December 2012) and registering effective date on the Ho Chi Minh Stock Exchange.

The corporate attached great priority to communication and proactively met with shareholders and investors, provided sufficient information and responded to the investors' interest in Traphaco, reliably, accurately

and timely disclosed information, contributing to building a reputable image for the TRA stock.

To foster effective communication, the Company provides extensive information through forums, securities investment magazine, investment Bridge and at investment seminars.

## *Assessment of activities by* **THE BOARD OF DIRECTORS AND THE BOARD OF MANAGEMENT**



**Traphaco**

TRAPHACO brand continued to be built and strengthened as “The No. 1 pharmaceutical brand in Vietnam”.

The Board of Directors maintained a meeting schedule of once per month, held extraordinary meetings to discuss urgent issues, delegated responsibilities to each member. During 2012, the Board of Directors had 12 regular meetings and 2 extraordinary meetings.

During the past year, the Board of Directors and management team strictly adhered to the company's strategic development directions and plans approved by the Board of Directors; stabilized the organization, managed all aspects of the operation; outstandingly achieved the quarterly, 6 months and full year business targets.

In 2012, the highest priority of the management team is financial efficiency; shortening receivable days, reducing inventories, as a result although interest rates remained high and there were more significant investments than in 2011, the company still maintained a very healthy financial situation.

TRAPHACO brand was built and strengthened as “the No.1 pharmaceutical brand in Vietnam”.

In addition to completing the tasks assigned by the Annual Shareholder Meeting, the Board of Directors also conducted research and analysis to develop new business strategies as well as major projects which aim at long term and sustainable development of the company.

- Approved the plan to compensate and clear land for the construction of the new factory TRAPHACO Hung Yen
- Acquired shares of Dak Lak and Quang Tri pharmaceutical companies.
- Expedited the expansion of the distribution network through setting up more provincial branches throughout the country. The company decided to purchase 3 properties to build the facilities for the branches in Vinh Long, Dong Nai, and Can Tho.

#### Governance activities

- Set up advisory committee to develop the plan to increase the company's chartered capital.
- Circulated the company's governance guidelines with revised contents in compliance with new regulations by the State Securities Commission of Vietnam.
- Reviewed, adjusted and revised the company's Charter and business certificate based on the resolution of 2012 Annual Shareholder Meeting
- Coordinated with the Supervisory Board to supervise the activities of the management team. Listened to the inputs and contributions of the Supervisory Board regarding management activities
- Suggested solutions to macro issues such as exchange rate, inflation, corporate income taxes and medicine price control regulations by the State authorities.

# Directions for BUSINESS ACTIVITIES IN 2013

It is forecasted that the business outlooks for 2013 are not significantly improved as compared to 2012. There will be signs of recovery in the latter half of the year, which will help improve the growth figure of 2013, compared to 2012 but by not much (around 5.2 - 5.3%).

## COMMON CHARACTERISTICS

### FAVORABLE FACTORS

The company has maintained a high growth rate (on average of 25%) over the past years.

The company's brand and products are trusted and preferred by customers.

In terms of product mix, 70% of the company's revenue was contributed by traditional medicines, which are made from Vietnam-grown raw materials. That reaffirms the

uniqueness in the development strategy, at the same time ensures a reliable supply of stable price and quality.

The company is in a sound financial standing.

The production facility has enough capacity to support a high growth rate, at the same time the quality assurance system and the production

management system have been perfected through many years of continuous quality and productivity improvement.

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

Received full support from the State Capital Investment Corporation in strategic development.

### DIFFICULTIES

Stay committed to high growth targets for revenue and net profit in an environment of reduced spending.

Pharmaceutical companies are still going through a difficult period, ensuring financial safety is a challenging issue in 2013.

Securing funds and financing from banks for the company's major projects is not easy.

## DIRECTIONS FOR BUSINESS ACTIVITIES IN 2013

### TARGETS

Invest in and develop the enterprise's resources: human, material and financial resources. Seize the opportunities, utilize the advantages, and overcome the difficulties, maintain and expand domestic and oversea markets for old and new products. Strengthen and promote the brand, maintain as the most recognizable pharmaceutical brand in Vietnam. Maintain the high growth rates in both revenue and net profit and step-by-step increase the value of the enterprise (both tangible and intangible values) as a foundation for fulfilling the strategy from now until 2015.

## Business activities

VND **1,800** bil

in revenue (excl. VAT), achieving a 27.9% growth compared to 2012, in which

- Revenue from manufactured products and exclusive distribution: VND1,200 bil (an increase of 21.8% compared to 2012).
- Revenue from trading products: VND370 bil.
- Revenue from subsidiaries: VND230 bil
- Net profit after tax: VND147 bil, an increase of 26.7% compared to 2012.
- Average income per employee: Increase by 10%, ensure full time employment for all employees.
- Meet all payment obligations to the State budget
- Review and consider increasing the number of members of the Board of Directors to better fit with the expanded scope of the enterprise.
- Review and propose changes to the Charter and governance guidelines in compliance with Decree 121/2012/TT-BTC, dated 26 July 2012 of the Ministry of Finance.
- Investment Plan for 2013

Total investment budget for 2013: VND123,000,000,000 bil with the following investment items:

- + Continued investment in Hoang Liet factory
- + Continued investment in the distribution network
- + Investment for the construction of a new pharmaceutical factory
- + Other investments

### Investment activities - financial management

Expand the scope of the enterprise through acquiring majority stakes in pharmaceutical companies in a number of provinces, through which strengthen TRAPHACO's market position, increase competitiveness and create opportunities for significant growth in revenue.

Regarding the intention to increase ownership at TRAPHACO CNC: Delegate the Board of Directors to review, decide and execute the plan to acquire more shares of TRAPHACO CNC Joint Stock Company.

Continue compensation and land clearance, complete paperwork with the People's Committee of Hung Yen, Investments and Planning Authority, Natural Resources and Environment Authority to complete land transfer for Van Lam - Hung Yen Project. Develop the plan to build the new factory in Van Lam.

Complete leveling and fence construction for the transferred land and develop plan for the first phase of construction for the new factory.

### Expansion of the distribution network

Maintain the 14 existing branches. Continue to strengthen the distribution network to proactively drive business activities, enhance competitiveness of the enterprise in the market

Identify and engage in M&A activities with provincial pharmaceutical companies.

Maximize utilization of the distribution channel in the North.

Set up 03 new branches, continue to complete the infrastructure of new branches to maximize utilization.

Proceed with the capital raise to expand the scope of the enterprise:

#### Shares issuance plan:

- Shares issued to existing shareholders at a ratio of 2:1 at VND20,000 per share.
- Shares bonus to existing shareholders at a ratio of 2:1

#### Plan to use the proceeds from the capital raise for:

- Continued investments in Hoang Liet factory.
- Further investment in the construction of project TRAPHACO Hung Yen Limited Liabilities Company and the distribution network.
- The remaining amount is to bolster working capital.

Implement CRM (customer relation management) project with intermediate customers.

Build and develop the distribution network in the South.

Proactively promote export activities to ASEAN countries (Laos, Myanmar, and Cambodia) and Eastern Europe (Ukraine) but ensure financial safety.

# Report of the SUPERVISORY BOARD



## Research and Development of new products

Strive to maintain the market shares of traditional products. Put into production and launch to market at least 06 new products. Revenue from new products account for at least 7% of total revenue from manufactured products (VND88 billion).

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

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

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

Research on new technology and new trends in the global pharmaceutical industry to serve as directions for building the new factory, research and develop specific products which are suitable for the new factory.

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

## Brand building and corporate culture

Build, promote and strengthen the brand: Continue to promote and strengthen the brand, maintain the title "The most recognizable Pharmaceutical brand in Vietnam".

Focus on developing the strategy "TRAPHACO - the way of green health".

Continue to engage in IR activities to increase the value of the stock TRA.

Continue to build Traphaco's corporate culture: "Cooperation, sharing, commitment and honoring commitment".

Organize learning session and internal contest for 2013: "Waste reduction for the development of the enterprise and welfare of the employees", which aims at reducing waste in three areas: opportunities, resources and time.

## Enhance the effectiveness of the Board of Directors through increased activities of the Board of Directors and sub-committees.

Fully comply with the code of conducts between the Board of Directors and the Board of Management, between the Board of Directors and the Supervisory Board.

Develop guidelines for managing subsidiaries and affiliated companies.

Implement a monthly accounting system with monthly

management reports from subsidiaries and affiliated companies, eventually implement quarterly consolidated reports.

Fully comply with the regulations and guidelines of the State Securities Commission regarding information disclosure, continue to be a profitable enterprise.

Dear valued Shareholders of TRAPHACO joint stock company

In the role of the Supervisory Board, we have reviewed the 2012 consolidated financial reports and the 2012 financial report for the parent company which were audited by Deloitte. Based on the work of the auditor and other reports of the company, we have formed an independent view on these financial reports.

### According to:

- Enterprise Law No. 60/2005/QH11, approved by the National Assembly of the Socialist Republic of Vietnam on November 29 2005;
- Charter of TRAPHACO joint stock company;
- Governance guidelines of TRAPHACO joint stock company;
- Resolutions of TRAPHACO's Annual Shareholders Meeting, held on March 24, 2012;
- Guidelines and Working Agenda of the Supervisory Board in 2012

The Supervisory Board would like to report our 2012 activities as follows:

## I. FINDINGS FROM SUPERVISORY ACTIVITIES:

In 2012, the Supervisory Board carried out the tasks related to the examining, monitoring business management and operation in 2012 of the Board of Directors and the Board of Management. We examined the reasonableness and legality of all business operation of the company in the past year, reviewed the report on business performance by the Board of Directors to be submitted at the Annual Shareholders Meeting.

The Supervisory Board worked closely with the Board of Management to study, examine the existing practice, the compliance of related departments and the operation of different functions in the company. These procedures included site-visits, examining the data records, the implementation of functional departments, discussions and interviews with managers at different levels,

discussions with the auditing company to ensure their job is being carried out thoroughly and carefully. Examining the management procedure of investment projects, sales process and distributor management procedures, the advertising and customer service activities, the raw material supply chain management.

In addition, we also participated in or carried out the following working sessions:

- Organized meetings of the Supervisory Board: 8 sessions.
- Worked with and interviewed the following departments of the Company: Board of Directors, Branches, Planning department, Accounting department, auditor: 17 sessions.
- The Supervisory Board participated in all Meetings of the Board of Management: 14 sessions.

## II. FINDINGS AFTER EXAMINATION OF THE COMPANY'S OPERATION AND FINANCIAL HEALTH:

### 1. OPERATION RESULTS:

#### Key targets:

No.	Indicators	Target	Actual	% of Target	Growth from 2011
1	Total revenue (Incl. VAT)	1,330 billion	1,477 billion	111%	31.5%
	In-house manufactured products:	1,000 billion	1,047 billion	105%	24%
	Trading products:	330 billion	430 billion	130%	54%
2	Net profit after tax:	130 billion	116 billion (Excluding minority interest)	89%	31%
3	Average income of employees	Up 15%. Ensure full time employment for all employee	Up 15%. Ensure full time employment for all employee	100%	15%
4	Pay dividend	Dividends were paid with the rate of 20% per year calculating on chartered capital.			

#### HIGHLIGHTED ACHIEVEMENTS IN 2012:

- Exceeded revenue target for 2012.
- Acquired shares of 02 pharmaceutical companies:
  - Dak Lak Pharmaceuticals and Medical Equipments joint stock company: TRAPHACO successfully acquired 51% of chartered capital.
  - Quang Tri Pharmaceuticals and Medical Equipments joint stock company: TRAPHACO successfully acquired 42.91% of chartered capital.
- New manufacturing factory project in Van Lam: completed compensation and land transfer of 22,916 m<sup>2</sup>/50,077 m<sup>2</sup> at the project to build a new factory under TRAPHACO Hung Yen limited liabilities company, currently leveling the ground at the site.
- Set up 4 new branches.
- Reduced inventory, cut costs, reduced receivable days.
- Won major awards: The Labor Medal First Class, International Quality Award, National Quality Gold Prize...

#### UNACHIEVED TARGETS IN 2012

- Profit after tax: Did not achieve target, while still grew by 31% compared to 2011.
- Increase charter capital: Completed seeking shareholders' opinion but was not successful.

### 2. FINANCIAL ACTIVITIES

The Supervisory Board concluded that the independent auditor, Deloitte, had done a good job auditing the 2012 financial reports of the company. After reviewing and verifying, the Supervisory Board agreed with the 2012 consolidated financial Report and 2012 financial report of the parent company, which were audited by Deloitte. The

Financial report for the period ended on December 31 2012, the 6-month financial report and Quarterly reports in 2012 reflect truthfully and reasonably all key aspects regarding the financial health, business achievements and cash flow of TRAPHACO and related companies.

The company fully complied with

all accounting standards and rules, as well as other existing financial management, accounting and tax regulations in conducting its financial and accounting activities; finalized its accounting books and prepared financial reports adequately on quarterly, semi-annually and annual basis, ensuring accuracy, authenticity, legality and timeliness of the reports.

## III. FINDINGS FROM SUPERVISING THE BOARD OF DIRECTORS AND THE BOARD OF MANAGEMENT

The Supervisory Board attended fully all meetings of the Board of Directors on quarterly basis and as requested in order to be updated with the latest business performance of TRAPHACO and provided inputs to the Board of Directors and Board of Management in achieving the targets approved by the general shareholders meeting in March 2012.

The Supervisory Board reviewed the regulatory compliance of the Board of Directors and Board of Management in process of making decisions, investments... Compliance to State laws, chartered capital, Board of Directors' code of conduct and the company's guidelines.

The Supervisory Board viewed that during 2012 the Board of Directors and Board of Management fulfilled their accountabilities according to Enterprise Law, Securities Law, the company's Charter, resolutions by the annual shareholder meeting, resolutions by the Board of Directors and other relevant guidelines.

## IV. ASSESSMENTS OF COORDINATION BETWEEN THE SUPERVISORY BOARD AND THE BOARD OF DIRECTORS, THE BOARD OF MANAGEMENT AND SHAREHOLDERS.

- In 2012, the Board of Directors and the Board of Management worked closely with the Supervisory Board, providing sufficient information and accommodating the Supervisory Board in fulfilling its accountabilities.

- In 2012, there was no request from the general shareholder assembly or from any particular group of shareholders or any shareholder according to Clause 2, Article 79 of the Enterprise Laws for the Supervisory Board to review/examine any particular issue in the management and operation of the company.

## V. CONCLUSIONS AND RECOMMENDATIONS

### 1. CONCLUSIONS

The Board of Directors and Board of Management executed and achieved almost all of targets set out by the Resolutions of the Annual Shareholder Meeting in March 2012 and the Resolutions by the Board of Directors (except the net profit target). The company showed much improvement in its investment strategies, management activities and

financial policies, further validating TRAPHACO's credibility among investors for its professionalism, effectiveness and transparency.

The company's activities during the last year fully complied with the Enterprise Laws, Securities Law, the company's Charter and relevant guidelines and regulations. The company's information disclosure

activities complied with relevant regulations applied to listed companies. The company contributed adequately and significantly to the State budget through meeting its tax obligations, continued to build and promote the TRAPHACO brand in the community, maintaining the title: The famous brand in the pharmaceutical industry of Vietnam.

### 2. RECOMMENDATIONS

Deloitte Vietnam Limited Liabilities Company audited the company's financial books during 2012 and verified the independence and professionalism of the company's financial results. The Supervisory Board proposed the general shareholder assembly to select Deloitte Vietnam Limited Liabilities Company to be the auditor for the

fiscal year ending 31 December 2013.

The Supervisory Board proposed the company to develop supervisory guidelines for subsidiaries and affiliated companies.

The Board of Management and the Finance Department coordinated with the subsidiaries to prepare

for having monthly consolidated financial reports within 2013.

The Supervisory Board would like to thank the Board of Directors, Board of Management and various departments within the company for your support and accommodations within 2012, which empowered the Supervisory Board to fulfill its accountabilities.

We would like to express our appreciation to the shareholders for your trust and support during 2012 and in the future.

Sincerely!

On behalf of the Supervisory Board  
Head of Supervisory Board

PHAM THI THANH DUYEN

## SHAREHOLDER STRUCTURE (As of 22 Feb 2013)

Shareholders	Number of shareholders	Number of shares	Total par value (VND)	Ownership (%)
<b>DOMESTIC</b>	946	6,795,840	67,958,400,000	55.08%
Institutional	31	4,400,974	44,009,740,000	35.7%
<i>Of which: State ownership</i>	1	4,400,748	44,007,480,000	35.66%
Individuals	914	2,391,733	23,917,330,000	19.38%
<i>Of which:</i>				
- Board of Directors, Supervisory Board, Board of Management, Chief Accountant	8	749,775	7,497,750,000	6.08%
- Employees	322	1,376,575	13,765,750,000	11.2%
- Outside shareholders	584	265,383	2,653,830,000	2.1%
Treasury shares	1	3,133	31,330,000	0.03%
<b>FOREIGN</b>	34	5,543,984	55,439,840,000	44.92%
Foreign institutional	21	5,536,108	55,361,080,000	44.86%
Foreign individual	13	7,876	78,760,000	0.06%
<b>TOTAL</b>	<b>980</b>	<b>12,339,824</b>	<b>123,398,240,000</b>	<b>100.00%</b>

(Source: List of shareholders of TRAPHACO joint stock company recorded as of 22 Feb 2013)

## LIST OF SHAREHOLDERS WITH OWNERSHIP OF ABOVE 5%

(As of 22 Feb 2013)

Shareholder	Identification number/ Business Certificate number	Address	Number of shares	Ownership (%)
STATE CAPITAL INVESTMENT CORP. - SCIC.	0101992921	117 Tran Duy Hung street, Cau Giay district, Hanoi.	4,400,748	35.66%
VIETNAM AZALEA FUND LIMITED	CS6153	8 <sup>th</sup> Floor Capital Place, 06 Thai Van Lung, District 1, Ho Chi Minh City	3,083,746	24.99%
VIETNAM HOLDING LIMITED	CS1077	Card Corporate Services Ltd., Second Floor, Zephyr House, 122 Mary PO Box 709 GT, George Town, Grand Cayman, Cayman Islands	1,189,764	9.64%
<b>TOTAL</b>			<b>8,674,258</b>	<b>70.29%</b>

(Source: List of shareholders of TRAPHACO joint stock company recorded as of 22 Feb 2013)





“ 2012 BECAME THE SECOND YEAR THAT TRAPHACO CONTINUED TO ACHIEVE THE HIGH GROWTH RATE IN BOTH REVENUE AND NET PROFIT THAT WAS HIGH COMPARED TO OTHER INDUSTRY PEERS LISTED ON THE STOCK EXCHANGE ”

TRAN TUC MA  
 General Director



# Report of the **BOARD** of **GENERAL DIRECTIONS**

**116** billion VND  
 is the profit after tax

In 2012, although TRAPHACO has not reached the goal in the plan, The Company continued to achieve a higher growth rate of 31% that exceeded its targets with higher rate of 32% comparing with its one in 2011. The growth rate of the revenue from manufactured products was higher than its target set up to achieve 25%.

Total assets as of 31 Dec 2012  
amounted to

969 billion VND

As such, 2012 was the 2<sup>nd</sup> consecutive year in which TRAPHACO boasted the highest revenue and net profit growth among listed pharmaceutical companies on the Vietnamese stock exchange. At the same time, with earnings per share (EPS) of VND 9,432, TRA has the highest EPS among pharmaceutical stocks and one of the highest among all listed stocks on the exchange.



### REVENUE BY SEGMENTS

Revenue generating business activities are included in two segments

- In-house manufactured products (incl. traditional and western medicine)
- Trading products (Licensed imports, ingredients and raw materials, exclusive distributions)

#### Traditional medicine

According to official statistics, TRAPHACO maintains the No.1 position in the traditional medicine segment and leaves its nearest competitors further and further behind. Market share and brand equity of Traphaco are particularly high in the North. Data from Euromonitor even showed that TRAPHACO accounted for almost 30% market share of mainstream traditional medicines.

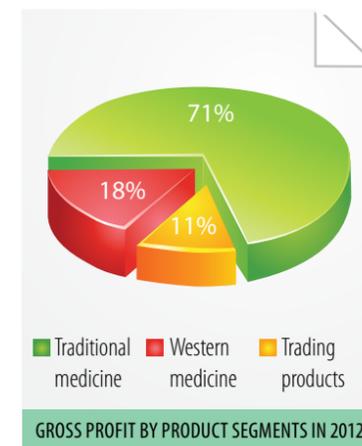
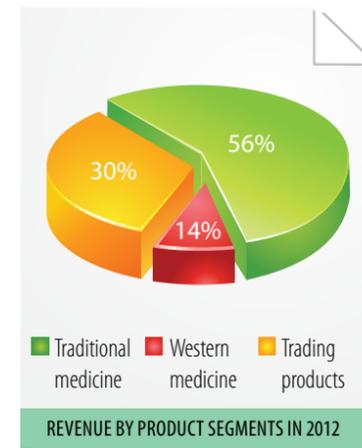
In 2012, traditional medicines accounted for 56% of revenue and contributed 71% of gross profit.

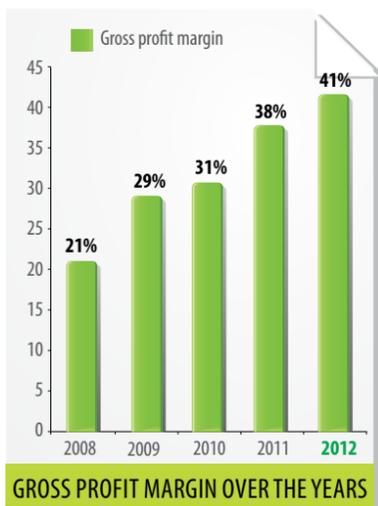
Revenue from traditional medicines grew by 28%, higher than the overall growth rate of in-house manufactured products. This figure further confirms that traditional medicine continues to be the center of the revenue structure and the development direction of the company. The advantages of traditional medicine include reliance on domestic raw materials, lessened dependence on imported materials and favorable treatment by the State and industry regulators.

TRAPHACO's flagship products maintained good growth momentum. Although during 2012 there were more and more similar products to TRAPHACO's two strategic products, Hoat Huyet Duong Nao and Boganic, these two still enjoyed strong growths. This development attests that TRAPHACO's quality and brand have firmly established themselves in the medicine consumption habit of Vietnamese.

#### Modern medicine

Modern medicine contributed 14% of revenue and 18% of gross profit. While contribution to gross profit remained the same, the proportion of this segment in total revenue continued to decline compared to last year. It is because TRAPHACO decided not to maintain the growth of this segment and only focus on modern products with high profit margin and less dependence on imported materials.





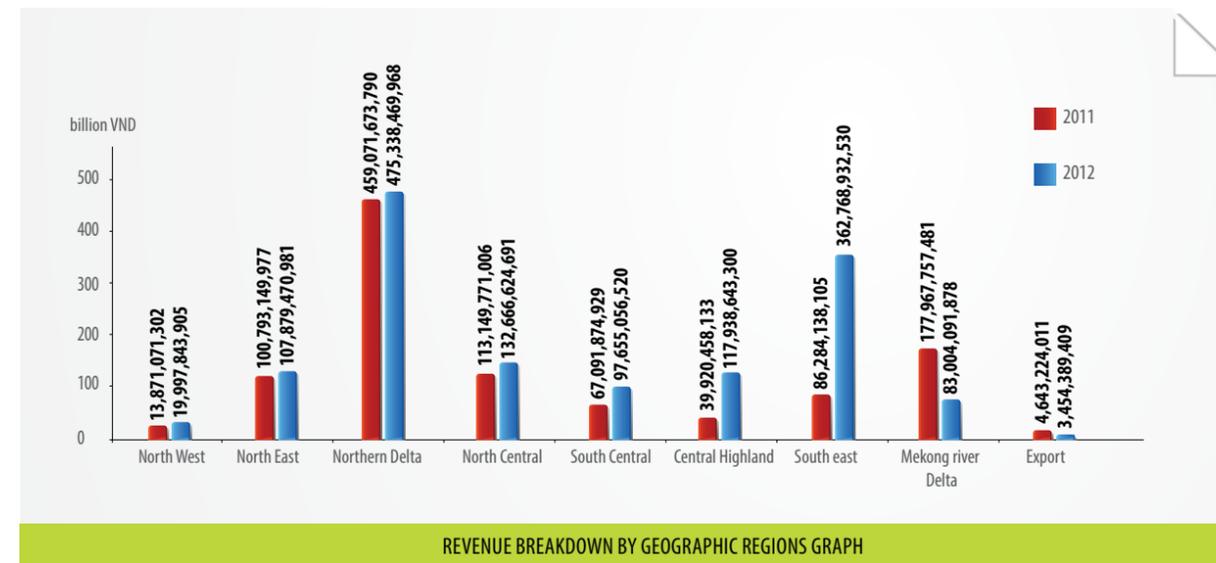
**TRADING PRODUCTS**

In 2012 TRAPHACO recorded a major jump in revenue from trading products, by almost 50%, and this segment now accounted for 30% of total revenue. Revenue from tradition products jumped mainly because of the consolidation of Dak Lak Pharmaceuticals in Q4/2012 with additional trading revenue of VND88 billion. Contribution to gross profit also increased compared to 2011 and accounted for 11% of the company's total gross profit. The gross margin of the trading business improved because in 2012 TRAPHACO started exclusive distribution of several products made by reputable international and regional pharmaceutical companies at high profit margin. At the same time, high gross profit margin at Dak Lak (16%) was also another contributing factor to the jump in gross profit from trading.

In the coming years, TRAPHACO will continue consolidating revenue from Dak Lak and push the sales of products on exclusive distribution. As a result, revenue from trading will account for a growing portion of total revenue and gross profit in the near future.

**REVENUE BREAKDOWN BY GEOGRAPHIC REGIONS**

2012 was another difficult year for the overall economy and for the pharmaceutical industry in particularly. With the effort and determination of the entire staffs to exceed targets, the company had achieved an impressive growth rate of over 31% compared to 2011. The majority of revenue in 2012 came from domestic market, export revenue contributed only marginally. Currently the company has 14 branches located in major provinces and cities, 03 subsidiaries, 01 affiliated company and a nationwide distribution network, which are the foundation for the extraordinary revenue growth and at the same time affirm the company's market leading position. Sales were generated mostly from 2 key geographic regions: Northern Delta and South East regions. These are the regions with high population density, relatively higher income level and medicine consumption demand. In 2012, the company recorded breakthrough growth in the South East region from 8.1% in 2011 to 25.9% in 2012. This number confirmed the right strategy employed by the management team to expand the market in the South. By October 2012, Dak Lak Pharmaceuticals and Medical Equipments joint stock company officially became a subsidiary of TRAPHACO. The acquisition of Dak Lak will contribute to revenue growth in the Central Highland region.



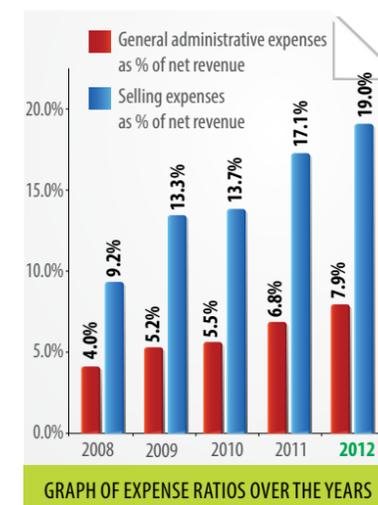
**SPECIFIC BUSINESS RESULTS ARE AS FOLLOWS:**

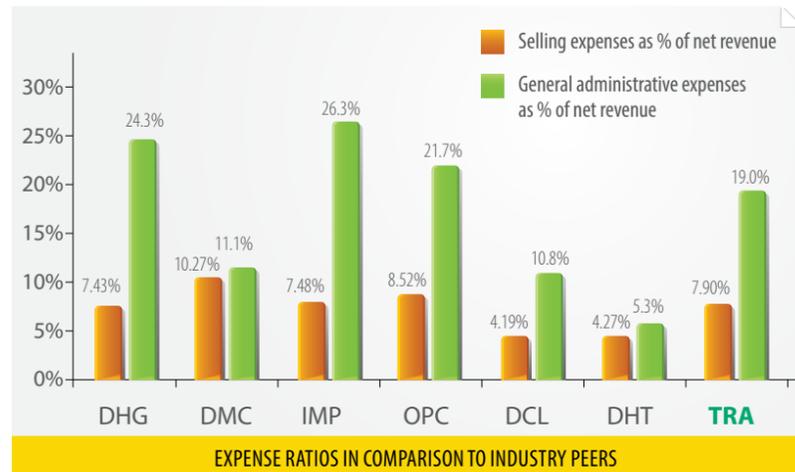
Net revenue achieved VND1,400 billion, in which revenue from in-house manufactured products accounted for 75% and amounted to VND1,000 billion.

Gross profit came at VND579billion, representing 41.3% of revenue, which is the highest level of gross profit margin to date. This result reflected optimal capacity utilization of GMP-certified manufacturing facilities and the company's economies of scale.

In 2012, selling expenses amounted to VND266 billion, representing 19% of revenue. Selling expense ratio is higher than the previous years and also higher than the average level of tier-2 pharmaceutical companies but at the average level of pharmaceutical companies with similar revenue and net profit (above 20%). Higher level of selling expenses is because in 2012, TRAPHACO had to push the sales of new products while at the same time maintained selling expenses for old products in order to achieve revenue growth in a market environment of reduced demand. However, TRAPHACO's selling expenses ratio is at an appropriate level for the long term development of the pharmaceutical industry in Vietnam in general and for the company's uniqueness/differentiation strategy in particular.

General administrative expenses reached VND111 billion, accounting for 7.9% of revenue. Administrative expense ratio as a percentage of revenue showed a sharp increase compared to recent years and was at a high level compared to industry's average. Rising administrative expense was because within 2012 TRAPHACO conducted a number of expansion activities such as opening 4 branches and consolidating management at subsidiaries (Dak Lak and Quang Tri). Last year was also the first year that TRAPHACO consolidated business activities with TRAPHACO CNC. However, higher-than-industry's average administrative expense ratio also raised the flag and required the company to pay attention to waste reduction and improving management efficiencies in the near future.





Given the above mentioned revenue and expenses, the company's pre-tax profit amounted to VND174 billion. Profit after tax achieved VND116 billion. Net profit after tax, although boasted an impressive growth rate, still only achieved 90% of full year target. There were two reasons for net profit to not achieve the target:

- 2012 was the first year of full consolidation with TRAPHACO CNC and reporting consolidation with Dak Lak Pharmaceuticals. There were several downward adjustments in net profit due to unsold inventories and goodwill amortization which were not forecasted at the beginning of the year.
- A number of administrative expenses overran as a result of many expansion activities happened all within one year.

#### FINANCIAL STRUCTURE AS REFLECTED THROUGH THE BALANCE SHEET

Total equity and liabilities by 31 December 2012 amounted to VND969 billion, in which total shareholders' equity amounted to VND451 billion, liabilities reached VND456 billion. As such, equity and liabilities both accounted for 47% of total shareholders' equity and liabilities, implying no significant change from the same period in 2011.

On the assets side, short term assets came at VND719 billion and long term assets reached VND250 billion, meaning no significant change from 2011.



Profit before tax reached

# 174 billion VND

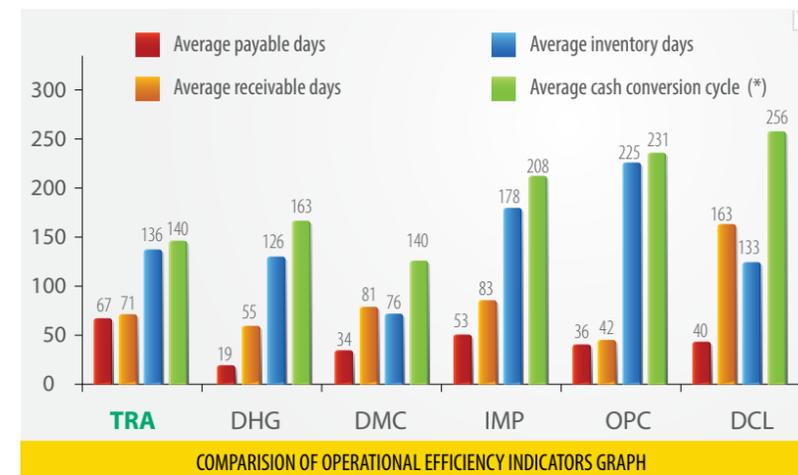


#### Assessments of Operational Efficiency

The company's inventory turnover in 2012 was 2.9 times and showed significant improvement from 2011 (2 times), which was the first year of consolidated reporting with TRAPHACO CNC. This result proved that the company had forecasted more accurately the inventory level, more proactive in planning production and selling of outputs, in line with the general trends of the overall economy. Inventory turnover at TRAPHACO during the two years 2011 and 2012 were much lower than the previous years because since the end of 2011, the inventory balance of TRAPHACO CNC was consolidated into TRAPHACO's balance sheet, therefore the inventory figures in the past 2 years measured the combined inventory positions of the two companies. The inventory turnover figures over the past 2 years reflected more accurately the efficiency of inventory management and also the long term trend at TRAPHACO.

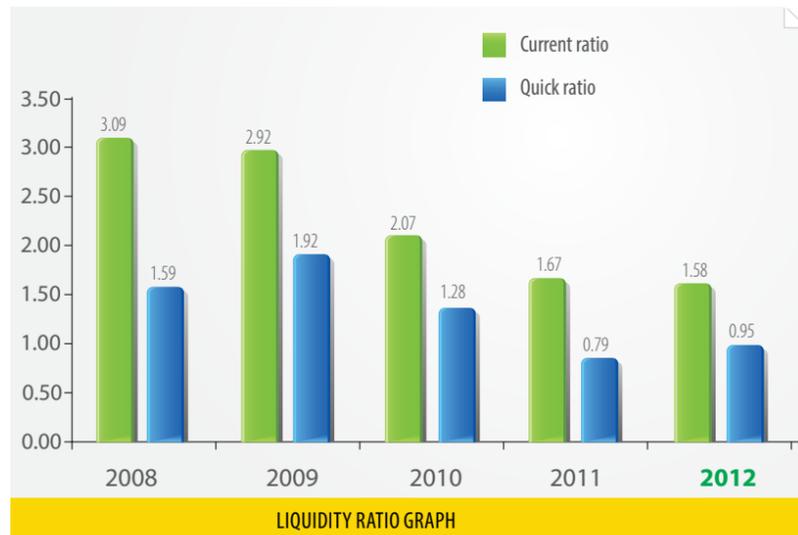
Over the recent years, there has been a mismatch between receivable and payable turnover, implying the fact that TRAPHACO's working capital has been usurped by certain business partners. This is also the norm at other pharmaceutical companies since almost all of them sell to hospitals and treatment facilities - receivable days at these customers are high - or sell to provincial distributors, resulting in high receivables or large working capital.

This mismatch at TRAPHACO has been improved as the company opens more provincial branches to better manage receivable and collect debts in a more timely fashion.



(\*) Cash conversion cycle equals Average inventory days plus Average receivable days minus Average payable days.

If compared to the 5 leading pharmaceutical companies, TRAPHACO proved to be more effective in managing its working capital, based on two important indicators which are inventory turnover and receivable turn over. TRAPHACO's inventory turnover only ranked behind DHG and DMC. Receivable turnover of TRAPHACO is also within the range of the top 5 companies. Regarding the overall efficiency of working capital management, cash conversion cycle of TRAPHACO in 2012 was 140 days, only behind DMC and better than all other listed pharmaceutical companies.



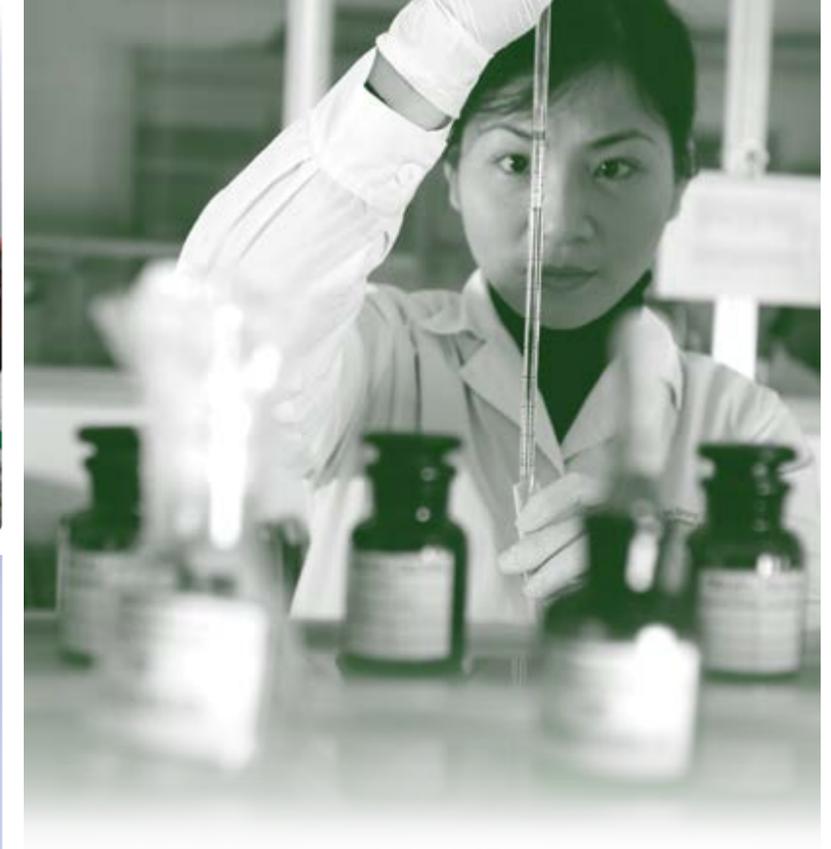
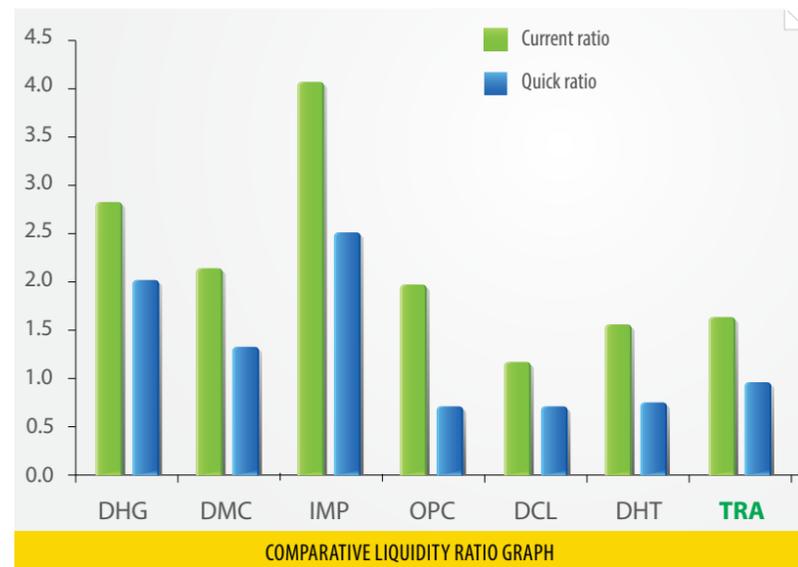
Assessment of liquidity ratio

TRAPHACO's liquidity ratios before 2011 were always greater than 2 and at a high level, these ratios showed the company has a strong ability to meet its short term debt obligations, ensuring financial safety and flexibility in paying customers. Since 2011, TRAPHACO's liquidity ratios declined significantly. The reason was that over the past 2 years, TRAPHACO enjoyed high revenue growth (over 30%) but did not raise any new equity; rather the company financed its growth through short term loans and maximizing working capital.

Comparative analysis with other industry peers showed that for the two indicators, current ratio and quick ration, TRAPHACO was among the weaker companies.

Although the liquidity ratios were still at a safe level, their lower-than-industry's average rankings emphasized the need to raise capital.

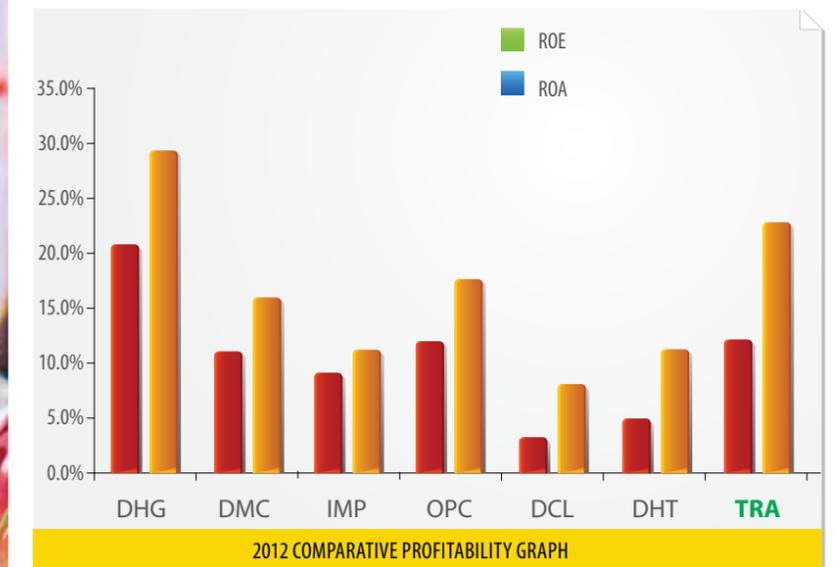
Moreover, TRAPHACO's quick ratio, although had improved as compared to 2011, was still smaller than 1. This situation needs to be improved in order to enhance the ability to repay short term debts.

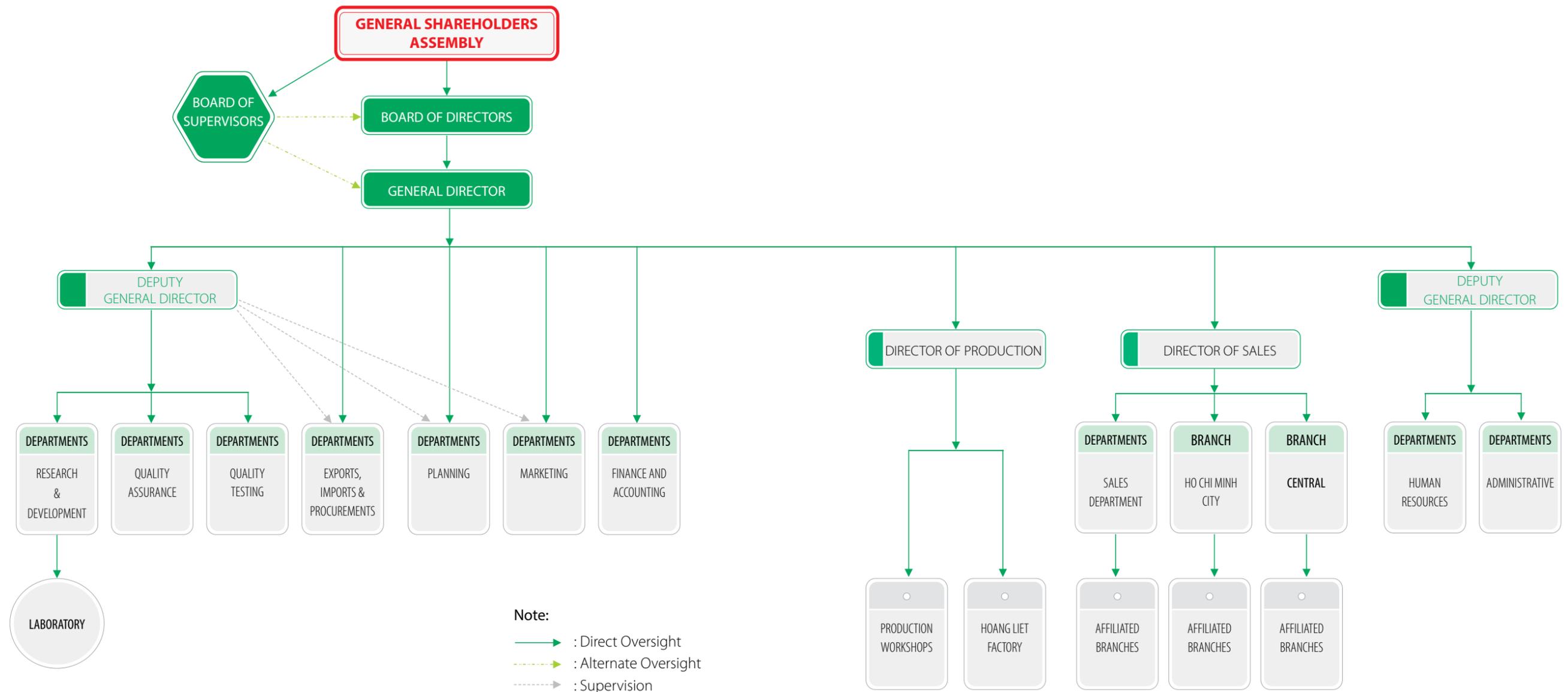


Assessment of Profitability

Return on equity (ROE) of Traphaco was 25.8% in 2012, increasing by 3.8% from 2011. This figure showed that TRAPHACO achieved both business profitability and growth during the same period.

In comparing ROA and ROE of similar industry players, TRAPHACO only ranked below DHG and fared much better than other companies. This proved TRAPHACO's ability to effectively manage expenses and financial resources.





**BOARD OF DIRECTORS: 5 members**

- Ms. Vu Thi Thuan: Chairwoman of the Board
- Mr. Tran Tuc Ma: Deputy Chairman of the Board
- Mr. Nong Huu Duc: Member of the Board
- Ms. Nguyen Thi Lan: Member of the Board
- Mr. Le Tuan: Member of the Board

**BOARD OF SUPERVISORS : 3 members**

- Ms. Pham Thi Thanh Duyen: Chairwoman of the Board
- Ms. Tran Thi Ngoc Lan: Member of the Board
- Ms. Do Khanh Van: Member of the Board

**EXECUTIVE DIRECTORS: 02 members**

- Ms. Nguyen Thi Hau: Director of production
- Mr. Bui Khanh Tung: Director of sales

**MANAGEMENT TEAM: 03 members**

- Mr. Tran Tuc Ma: General Director
- Mr. Nguyen Huy Van: Deputy General Director
- Ms. Hoang Thi Ruoc: Deputy General Director

**HOANG LIET FACTORY:**

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

**BRANCHES: 14 branches (More over 2 branches comparing with the last year 2011)**

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

**SUBSIDIARIES: 5 subsidiaries**

- TRAPHACO SAPA SINGLE MEMBER LIMITED LIABILITIES COMPANY (100%)
- TRAPHACO LIMITED COMPANY (100%)
- TRAPHACO HIGH-TECHNOLOGY JOINT STOCK COMPANY (51%)
- DAKLAK PHARMACEUTICAL MEDICAL EQUIPMENT J.S.C (51%)
- QUANG TRI PHARMACEUTICAL MEDICAL EQUIPMENT JOINT STOCK COMPANY (43%).



**VU THI THUAN**

Chairwoman of the Board  
Born in 1956  
Education: Master of Pharmacy

Years with the company: 33 years  
Management experience at the company: 31 years

Working Experience:  
01/1980-01/1982: Technical staff, Medicine Production Workshop  
01/1982-04/1989: Manager, Deputy Head of Railway Medicine Production Workshop  
5/1989-10/1993: Deputy Director, Railway Medicine Production Workshop, Chairperson of Labor Union  
10/1993 - 3/2000 Deputy Director, Medical Ingredients and Equipment Company of the Ministry of Communications and Transport (TRAPHACO), Chairperson of Labor Union.  
3/2000 - 3/2003: Executive director, Deputy President of TRAPHACO Joint Stock Company.  
4/2003 - 5/2010: Chairwoman, General Director of TRAPHACO Joint Stock Company.  
5/2010 - 4/2011: Chairwoman, Chief Executive of TRAPHACO Joint Stock Company.  
4/2011-now: Chairwoman of TRAPHACO Joint Stock Company.

Notable awards:  
Title "National Emulated Fighter"  
Certificate Third Class Labor Medal.  
Title "Excellent Doctor"  
02 Certificates of Merit from the Prime Minister  
WIPO Prize.  
Merit Certificate from the National organizations:  
Head of the female science team who won the Kovalevskaia award.  
Emulated Fighter Award of the Transportation industry for 10 consecutive years 2001-2010.  
Notable Vietnamese Businessman.  
Notable Vietnamese Businesswoman (Golden Rose), Businesswoman who follows the teaching of Uncle Ho, Businesswoman for a cultural career.  
Many merit certificates from Ministry of Transportation, Ministry of Health, Vietnam Labor Union, Labor Union of the Ministry of Transportation.



**TRAN TUC MA**

Vice Chairman of the Board of Directors cum General Director  
Born: 1965  
Degree: Master of Pharmacy

Years with the company: 20 years 7 months  
Management experience at the company: 15 years and 9 months

Working Experience:  
03/1990-08/1992: Staff of National Institute of Drug Quality Control  
09/1992-12/1993: Staff of Hanoi Railway Medicine production Enterprise  
01/1994-04/1997: Staff of Pharmaceutical and medical material and equipments Company  
05/1997-12/1999: Deputy Manager, Quality Control Department, Pharmaceutical and medical material and equipments Company  
01/2000 - 02/2003: Sales Manager of Traphaco Joint Stock Company.  
03/2003-12/2004: Sales Manager, Member Board of Management.  
01/2005-03/2006: Deputy Director in charge of sales, Member Board of Management.  
04/2006 - 05/2010: Deputy General Director in charge of sales, Member Board of Management.  
05/2010 - 4/2011: Deputy General Director in charge of sales, Member Board of Management.  
4/2011- now: Deputy Chairman, General Director.

Notable awards:  
Certificate Third Class Labor Medal.  
Title "Excellent Doctor"  
Certificates of Merit from the Prime Minister  
Merit Certificates of the National Communist Party organizations  
Merit Certificate of Vietnam labor union.  
Title "Emulated Fighter" of the Transportation industry for consecutive years 2004-2006.  
Many merit certificates from Ministry of Transportation, Ministry of Health, Labor Union of the Ministry of Transportation.



**NGUYEN THI LAN**

Member of the Board of Directors, Head of Planning Department  
Born: 1967  
Education: Bachelor of Pharmacy

Years with the company: 20 years and 3 months  
Management experience at the company: 17 years

Working Experience:  
01/1993 - 12/1994: Bachelor of Pharmacy, staff of Cream production workshop, Railway Medicine production Enterprise.  
01/1994 - 12/1995: Bachelor of Pharmacy, staff of Cream production workshop, Pharmaceutical and medical material and equipments Company.  
01/1996 - 12/1997: Manager of liquid production workshop, Pharmaceutical and medical material and equipments Company.  
01/1998 - 12/1999: Deputy Head of Planning Department, Pharmaceutical and medical material and equipments Company.  
01/2000-10/2000: Deputy Head of Planning Department, Traphaco Joint Stock Company  
11/200 - 12/2006: Head of Supplying and Planning Department, Traphaco Joint Stock Company  
01/2007 - 4/2011: Head of Planning Department, Traphaco Joint Stock Company  
4/2011-now: Member of Board of Management, Head of Planning Department

Notable awards:  
Title "Emulated Fighter" of the Transportation industry for 10 consecutive years 2004-2006.  
Many merit certificates from Ministry of Transportation, Ministry of Health, Vietnam Labor Union.



**NONG HUU DUC**

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

Years with the company: 18 years  
Management experience at the company: 11 years

Working Experience:  
1994 - 2000: Salesman, Pharmaceutical and medical material and equipments Company.  
2000 - 2001: Staff, R& D department, Traphaco Joint Stock Company  
2001 - 2002: Sales Manager in Ho Chi Minh City, Traphaco Joint Stock Company  
2002 - 2008: Director of Ho Chi Minh Branch  
2008-Now: Member of Board of Management, Director of Ho Chi Minh Branch

Notable awards:  
Title "Emulated Fighter" of the Ministry of Transportation from 2004 - 2006.  
Many merit certificates from the Ministry of Transportation, Ministry of Health and Labor Union of the Ministry of Transportation.



**LE TUAN**

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

Working Experience:  
2007 - 2009: Analytic specialist, Macquarie Group, New York office, United States.  
2009 - 4/2011: Senior Associate Mekong Capital  
4/2011 - Now: Senior Associate Mekong Capital, Member of the Board of Management, Human resource and organization.

year  
**Profile of  
 the Board of Supervision**



**PHAM THI THANH DUYEN**

Chairwoman of the Board of Supervisors  
 Department Head, Administration Department  
 Born: 1974  
 Education: Master of Pharmacy, Bachelor of Economics

Years with the company: 15 years  
 Management experience at the company: 11 years

Working Experience:  
 03/1998 - 12/1999: Staff, Sales Department, Pharmaceutical and medical material and equipments Company.  
 01/2000 - 02/2002: Staff, Sales Department, Traphaco Joint Stock Company  
 03/2002 - 01/2010: Manager of Western medicine production workshop and tablets production workshop, Traphaco Joint Stock Company  
 02/2010 - 4/2011: Head of Administration Department, Traphaco Joint Stock Company  
 4/2011 - Now: Chairwoman of the Board of Supervisors, Department Head, Administration Department

Notable awards:  
 Title "Emulated Fighter" of the Ministry of Transportation from 2004 - 2006.  
 And merit certificate from the Ministry of Transportation.



**DO KHANH VAN**

Member of the Board of Supervisors  
 Born: 1981  
 Education: Bachelor of Corporate Finance

Working Experience:  
 2002 - 2003: Audit assistant, Vietnam Accounting Auditing Consulting Limited Company  
 2003 - 2007: Audit assistant, senior auditor at Ernst & Young Vietnam  
 2007 - 2008: Deputy chief of Research - Analysis Division of FPT securities J.S.C.  
 2008 - 4/2011: Senior Finance and Accounting Consultant Mekong Capital  
 4/2011 - Now: Senior Finance and Accounting Consultant Mekong Capital, Member of the Board of Supervisors



**TRAN THI NGOC LAN**

Member of the Board of Supervisors  
 Born: 1986  
 Education: Bachelor of Finance and Banking

Working Experience:  
 02/2009 - 4/2011: Investment Associate, State Capital Investment Corp.  
 04/2011 - Now: Investment Associate of State Capital Investment Corp., Member of the Board of Supervisors



**TRAN TUC MA**

Vice Chairman of the Board of Directors cum General Director  
 Born: 1965  
 Degree: Master of Pharmacy

Years with the company: 20 years 7 months  
 Management experience at the company: 15 years and 9 months

Working Experience  
 03/1990-08/1992: Staff of National Institute of Drug Quality Control  
 09/1992-12/1993: Staff of Hanoi Railway Medicine production Enterprise  
 01/1994-04/1997: Staff of Pharmaceutical and medical material and equipments Company  
 05/1997-12/1999: Deputy Manager, Quality Control Department, Pharmaceutical and medical material and equipments Company  
 01/2000 - 02/2003: Sales Manager of Traphaco Joint Stock Company.  
 03/2003-12/2004: Sales Manager, Member Board of Management.  
 01/2005-03/2006: Deputy Director in charge of sales, Member Board of Management.  
 04/2006 - 05/2010: Deputy General Director in charge of sales, Member Board of Management.  
 05/2010 - 4/2011: Deputy General Director in charge of sales, Member Board of Management.  
 4/2011 - now: Deputy Chairman, General Director.

Notable awards:  
 Certificate Third Class Labor Medal.  
 Title "Excellent Doctor"  
 Certificates of Merit from the Prime Minister  
 Merit Certificates of the National Communist Party organizations  
 Merit Certificate of Vietnam labor union.  
 Title "Emulated Fighter" of the Transportation industry for consecutive years 2004-2006.  
 Many merit certificates from Ministry of Transportation, Ministry of Health, Labor Union of the Ministry of Transportation.



**NGUYEN HUY VAN**

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

Years with the company: 18 years and 8 months  
 Management experience at the company: 17 years and 7 months.

Working Experience:  
 10/1990 - 05/1994 : Assistant of Lecturer and Researcher, Hanoi Pharmacy College  
 06/1994 - 06/1995 : Staff, Sales Department, Pharmaceutical and medical material and equipments Company.  
 07/1995 - 6/1996 : Deputy Head, Marketing Department, Pharmaceutical and medical material and equipments Company.  
 07/1999 - 12/1999 : Head of R&D Department, Pharmaceutical and medical material and equipments Company.  
 01/2000 - 12/2004: Member of Board of Management, Head of R&D Department, Traphaco Joint Stock Company.  
 01/2005 - 03/2006: Member of Board of Management, Deputy Director in charge of R&D, Traphaco Joint Stock Company.  
 04/2006 - 4/2011: Member of Board of Management, Deputy General Director in charge of R&D, Traphaco Joint Stock Company.  
 4/2011 - now : Deputy General Director, Traphaco Joint Stock Company.  
 05/2003 - now: Chairman, Traphaco Sapa Limited Liabilities Company.

Notable awards:  
 Title "Excellent Doctor".  
 02 Certificates of Merit from the Prime Minister.  
 First Prize - Vietnam Scientific and Technological Innovation Vietnam 2010  
 Title "Emulated Fighter" of the Ministry of Transportation from 2007 - 2009.  
 Many merit certificates from Ministry of Transportation, Ministry of Health, Ministry of Science and Technology, Labor Union of the Ministry of Transportation.



**HOANG THI RUOC**

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

Years with the company: 29 years and 5 months.  
 Management experience at the company: 12 years and 4 months.

Working Experience:  
 01/1982 - 4/1983: Staff at the dispensary - Hanoi Petrolimex  
 5/1983 - 10/1995: Staff, Railway Medicine Production Workshop (Pharmaceutical and medical material and equipments Company)  
 10/1995 - 8/1998: Took a crash course in Hanoi Pharmacy College.  
 9/1998 - 11/2000: Quality Analysis specialist, Quality Control Department, Traphaco Joint Stock Company.  
 11/2000 - 9/2004: Deputy Head of Sales Department, Traphaco Joint Stock Company.  
 9/2004 - 01/2005: Deputy Head of Administration And Human resource Department, Traphaco Joint Stock Company.  
 1/2005 - 03/2006: Head of Administration And Human resource Department, Traphaco Joint Stock Company.  
 3/2006 - 03/2010: Member of Board of Management, Head of Administration And Human resource Department, Traphaco Joint Stock Company.  
 03/2010 - 3/2011: Member of Board of Management, Deputy General Director, Head of Human Resource Department.  
 4/2011 - Now: Deputy General Director, Traphaco Joint Stock Company

Notable Awards:  
 Certificate Third Class Labor Medal.  
 Title "Excellent Doctor"  
 Certificates of Merit from the Prime Minister  
 Title "National Emulated Fighter" the Ministry of Transportation from 2004-2006  
 And many merit certificates from the Ministry of Transportation, Labor Union of Vietnam and Labor Union of the Ministry of Transportation.

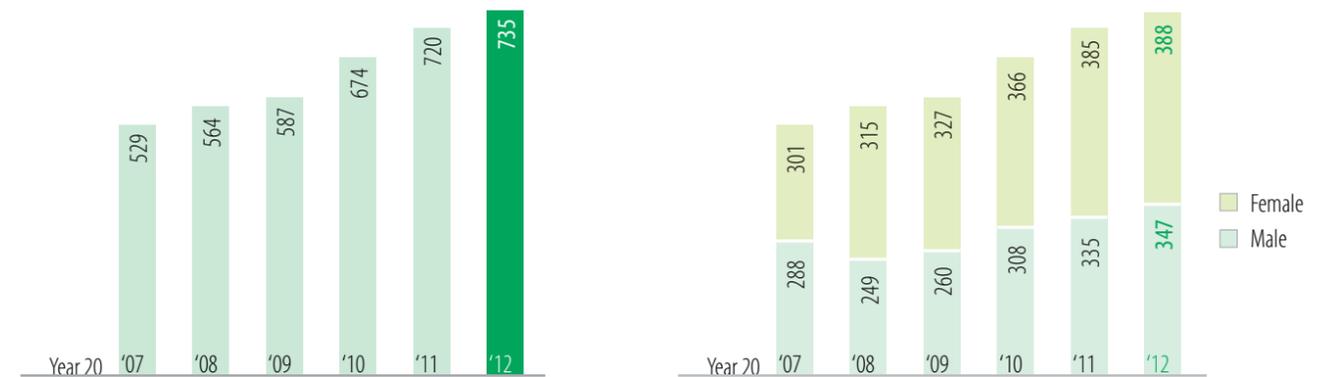
## Total EMPLOYEES

Year	Total Employees	SEX		EDUCATION				Average income (VND/pax/month)
		Male	Female	Post graduate	Bachelor	Highschool/vocational school	Primary	
1998	285	86	199	2	91	13	179	1,400,000
1999	325	101	224	2	95	12	216	1,700,000
2000	344	116	228	6	110	32	196	1,900,000
2001	410	169	241	9	132	50	217	2,083,000
2002	465	206	259	11	137	66	251	2,200,000
2003	515	225	290	13	148	78	276	2,540,000
2004	627	258	369	15	152	105	355	3,300,000
2005	710	299	411	15	161	118	416	3,600,000
2006	797	343	454	22	157	120	498	3,900,000
2007	529	228	301	24	123	115	267	4,100,000
2008	564	249	315	26	136	126	276	4,500,000
2009	587	260	327	27	146	159	255	5,000,000
2010	674	308	366	28	180	205	261	5,500,000
2011	720	335	385	29	172	255	261	7,500,000
<b>2012</b>	<b>735</b>	<b>347</b>	<b>388</b>	<b>33</b>	<b>175</b>	<b>305</b>	<b>222</b>	<b>10,000,000</b>

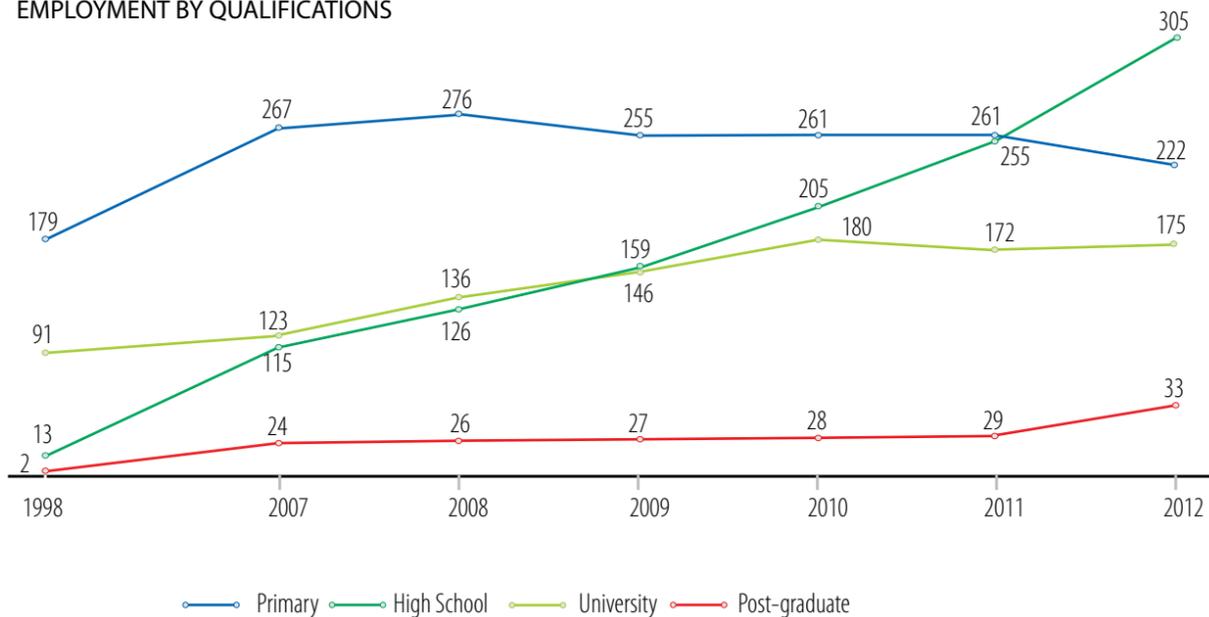


# 735 employees

Employment total



EMPLOYMENT BY QUALIFICATIONS



NUMBER OF EMPLOYEES AT TRAPHACO

EMPLOYMENT BY GENDER





# LABOR *policy*

## SALARY POLICY

The Company applies working time payments and efficiency wages.

In 2012, Although the business operations is still suffering from the difficulties of the national economy, the Board of Directors made effort to drive the company to achieve goals, ensure employee livings, full employment and bonus in timely manner.

Average income for employees: 10,000,000 VND/person/monthly, increasing by 15% comparing with 2011 that motivated workers to increase productivity, efficiency.

## EDUCATION AND TRAINING POLICIES

Employees are responsible for improving their skills, qualifications and capabilities to keep up with the growth of the Company. Trophaco considers human resource as its vital energy.

For employees who are sent by the Company to enroll in full-time university and post graduate programs shall be compensated as follows:

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

The company conducted trainings for

# 1,265 participants

In 2012, the Company organized training for 1,265 participants with the total budget exceeding VND 1.2 billion. Each employee was spent 1.7 million VND for training with 1.76 turn in average through different ways: Production skill competition, sales skill training for local medical representatives and collaborates in the Northern and Southern Region. Executive officers attend high quality tuitions in domestic and overseas trusted organizations. Trainings were also combined with team building activities, outdoor retreats, games, sporting events, picnics which aimed at developing physical and mental endurance as well as mentalities for overcoming challenges.

## HEALTH CARE

Initial health check-ups were provided to 2,200 employees transferred 03 cases to hospitals.

The Company conducted annual medical check-ups. In 2012, annual check-ups were provided to 100% of as planned.

In Hanoi, The company conducted check-ups for 445 workers as such:

- Grade 1 Health: 05 individuals (1.1%)
- Grade 2 Health: 403 individuals (87.8%)
- Grade 3 Health: 35 individuals (7.6%)
- No Grade 4 Health: 02 individuals (0.4%)

In Ho Chi Minh and Middle, the Branches conducted these check-ups for employees by the company's budget.

The budget for in-house healthcare and medical check-ups for employees in 2012 was VND 230 million.

100% of female employees received gynaecology check-ups and 100% female employee were provided with tampons for free on a quarterly basis which was spent VND120 million.

In addition to the required health and social insurances, the Company has also been providing accident insurance for all employees since 2004 and in 2012, the additional budget for this policy has been VND 83.8 million for 864 employees and collaborates. From 2009, the Company bought 5-year term life insurance policies for employee which has been spent VND 823 million in 2012. Compensation of 26 employees working in hazardous environments amounted to VND 31.3 million.

Gas and mobile phone allowances for employees were VND 534 million.

The Company also had an anti-heat in-kind allowance for 725 employees which were paid by packages of milk accounted for VND 199.3 million.

The Company held vacation trips for 683 employees accounted for VND 1.96 billion.

## ENSURE LABOR SAFETY AND PRODUCTION SAFETY.

*Protective gears:* Two sets per person per year with a budget of VND 330.9 million.

*Sanitizing the working environment accounted for VND 13 million:* 02 times per year, including 04 times of spraying cloramim B at the water-waste treatment and WC areas.

*Environment assessment:* 02 times

*Environment observant test accounted for VND 15.6 million:* 02 times with

529 samples taken.

Training local general hygienists on first aids and preventative measures for seasonal.

Regular safety checks for electrical equipments and machineries, new equipments for production facility: VND 4.08 billion

Regular training on GMP, Labor Safety and Sanitation

1,265 participants were attended training courses.

## TRANSPARENCY AND DEMOCRACY

Monthly public announcements were made on business results and the implementation of policies related to the employees' rights and obligation.

Regular discussions were conducted with the Labor Union to align around business targets, the Enterprise's strategy and measures to achieve these targets in 2012.

Employee forums were also organized to: review 2012 business results, discuss the implementation of and change the collective labor agreement and the use of the welfare fund; departmental representatives were encouraged to voice up their opinions; at the seminars, the management team addressed all questions, concerns and proposals from the employees.

In 2011, TRAPHACO also conducted a review of the Company's regulations and sought opinions from employees to amend and supplement the regulations.

The Company will issue the amended regulations after completing two rounds of review with employees.

# Community sharing... DEVELOPMENT IN LOCALS

Experienced 40 years, TRAPHACO has been building the road to bring Human back green livings with natural originated healthcare products. And it is the specific strategy to make TRAPHACO becoming the leading pharmaceutical corporation take care the community that is called "The way of green health".



# Traphaco and SOCIAL RESPONSIBILITY

## LABOR

- Ensure Labor safety And Production safety.
- Providing required policies including health, social, accident insurances, annual check-ups for 100% workers. Additionally, all workers experienced 5 years working time at the Company were provided Life insurances.
- Average staff salary to increase by 10% at least.
- Taking care materials and mental: asking for family relatives while having incidents, having an anti-heat in-kind, presents on holidays, female employee provided with tampons for free on a quarterly basis, joining team work activities that all build the foundation of the corporate culture ("TRAPHACO aims for the future" competition, organizing the summer camp and giving presents for children of TRAPHACO with good performance in studying, Noel gift for children of employees... "the Handiness competition", football, tennis competition...)



## ENVIRONMENT RESPONSIBILITY

- TRAPHACO has applied the environment management system under ISO 14001:2004 international standards, and committing to environment preservation and sustainable growth.
- Launched a Tet tree-planting festival on New Year days to to protect the environment and create the green working place.
- Traphaco is the pioneer in developing the farming areas of herbal plants for medicine production, researching and breeding rare medicinal herbs in Sapa (where the climate and soil conditions are conducive to many types of rare medicinal herbs). TRAPHACO took part in the projects conducted by international organizations, UNCTAD and SIPPO, for preserving, developing and using the local bio-resources. This is hoped to ensure long term growth of herbal medicine in Vietnam. Conducted the project "Researching the sustainable development of herbal resources for TRAPHACO" (Green Plan) to produce safe pharmaceutical products for end-users which was implemented with the message "For a green environment, for the health of the community, for the prosperity of the country".



# TOP 10

- Enterprise with corporate social responsibilities
- Enterprise for the cultural development of the community.

## FULLFILL STATUTORY OBLIGATIONS

The company also fulfilled its tax obligations, making sufficient and significant contribution to the State's budget.

## COMMUNITY SUPPORT

- TRAPHACO is a model enterprise for sponsoring social events with an aim to enhance the quality of life. It has supported the program of "Big Arms," by sponsoring the "Poverty Fund" for ten consecutive years. It also sponsored the program of "One heart, One world" for eight consecutive years, by providing medicine and food for disadvantaged children, supporting an orphan village, Vietnam Children Support Fund, Poor Patient Medical Examination, disadvantaged people association, Red Cross; sponsored 3 consecutive years the programme of "Spring season for Children"; the programme of "Red Colour Flowers", and actively participated in meaningful activities such as the "Gratitude teammates", the art show for disadvantage children.

- Gave direct support for policy objects, and objects in special circumstances: Honoring Vietnamese Women

Heroines and dioxin children, granting medicine to war veterans and their families; In the past year, the TRAPHACO Youth Union proactively organized events to give free meals to poor patients at K2, Bach Mai, Thanh Nhan hospital. . .), Supporting the victims of flood and storm, wounded soldiers, invalids, orphans, disabled...

- Supporting the youth and student volunteer activities; sponsor money and providing medicine for national epidemic prevention program...
- Sponsoring and usage consulting and instruction for elderly and women nationwide are well conducted by TRAPHACO for years.

TRAPHACO is a pioneer in pharmaceutical industry in Vietnam to organize programs and build the herbal farm in mountainous zones and remote areas. That described TRAPHACO's social responsibility in sharing farmers suffering livings in poverty- creating thousands of more sustainable jobs with medical plants than planting, cultivating others. The Company has been guiding farmers to adopt, scatter, care, cultivate, harvest and storage conformity to GACP.

## TRAPHACO WAS RECOGNIZED BY:

- Among the TOP 10 enterprises with corporate social responsibilities.
- Among the TOP 10 Enterprises for the cultural development of the community.
- Award for corporate social responsibilities.
- Award for corporate social responsibilities to the environment.
- Award for community development.
- Certificate of Merit from Vietnam Fatherland Front Central Committee in responding to the campaign "Vietnamese people use Vietnamese goods".
- Certificate of Merit for much contribution to education and fostering young generation.
- Certificate of Merit from the Tax Office.
- Certificate of Merit was received from the Ministry of Health for excellent contribution to Traditional Pharmacy.
- Certifications for being a sponsorship participant in charity programmes.
- Certification for "being a traveler with the Vietnamese sports delegation attending in SeaGames 26".

**TRAPHACO SAPA SINGLE MEMBER  
LIMITED LIABILITIES COMPANY**



Chartered Capital: VND **3,350,000,000**

TRAPHACO's ownership: **100%**.

TRAPHACO Sapa specializes in the processing of ingredients and input herbal ingredients as well as the researching of GAP for TRAPHACO. At the same time, it serves as the center for developing farming areas for herbal ingredients for TRAPHACO. The TRAPHACO SAPA factory started in 1998 with an extraction assembly line, processing the input herbal ingredients and with more than 4 ha of land for the test-farming of medicinal herbs.

**Business results in 2012**

- Revenue: VND21 billion, 110% growth from 2011
- Net profit after tax: VND700 million, 140% growth from 2011

**21** billion VND

**TOTAL REVENUE**

(growth of **110%** compared to 2011)

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



Chartered Capital: VND **63,135,720,000**

TRAPHACO's ownership: **50.96%**

TRAPHACO specializes in processing and manufacturing of TRAPHACO's products. The factory of TRAPHACO CNC, which is located at Van Lam, Hung Yen, was first constructed in October 2004 and put into operation in January 2007.

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

**Business results in 2012**

- Revenue: VND247 billion, 9% decline from 2011
- Net Profit: VND27 billion, 6.9% decline from 2011

**247** billion VND

**TOTAL REVENUE**

(decline of **9%** compared to 2011)

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



Chartered capital: VND **12,943,920,000**

TRAPHACO's ownership: **51%**

Dak Lak Pharmaceutical and Medical Equipment joint stock company has over 35 years of history, specializing in distributing pharmaceutical products and medical equipments in the two provinces Dak Lak and Dak Nong. In addition, the company has a sales network of 400 retail points and 20 branches, locating in many townships and mountainous communes in the region. Dak Lak Pharmaceuticals and Medical Equipments joint stock company is a reputable brand to the people of the Central Highland region. In line with the general trend of development and integration, the company has opened a GPP-certified pharmacy chain in the two provinces Dak Lak and Dak Nong to meet the requirements of the Ministry of Health and the growing demand of customers.

**BAMEPHARM's business results in 2012:**

- Revenue: VND303.1 billion (16.6% ahead of target and 12.7% growth compared to 2011).
- Net profit after tax: VND8 billion (94.5% ahead of target and 45.7% growth compared to 2011).
- Proposed dividend policy for 2012: 20% of chartered capital (not yet approved by the annual shareholder meeting).

**303.1** billion VND

**TOTAL REVENUE**

(**16.6%** ahead of target and growth of **12.7%** compared to 2011)

**QUANG TRI PHARMACEUTICALS AND MEDICAL  
EQUIPMENT JOINT STOCK COMPANY**



Chartered capital: VND **2,929,300,000**

TRAPHACO's ownership: **42.9%**

Quang Tri Pharmaceuticals and Medical Equipments Joint Stock Company specializes in manufacturing of traditional medicines, trading of pharmaceuticals, food supplements, cosmetics, medical equipments, chemicals and biologicals, export-import of pharmaceuticals, cosmetics and medical equipments.

Quang Tri Pharmaceuticals and Medical Equipments joint stock company was first established in 1989 and equitized in 2002 according to the decree No. 1323/QD-UB dated 02 July 2002 by the People's Committee of Quang Tri. It is the largest pharmaceutical company in Quang Tri with 103 employees and a distribution network across Quang Tri province: 4 branches, 1 distribution center, 3 joint-ventured stores, 70 retail stores and 74 retail agents.

On 29 October 2012 TRAPHACO successfully acquired 42.9% of Quang Tri. As the largest shareholder of Quang Tri, TRAPHACO will have major influence on the company and the pharmaceutical market of Quang Tri province, boosting the sales of TRAPHACO's products in this market and at the same time supporting Quang Tri Pharmaceuticals and Medical Equipments joint stock company in financial resources, management capabilities and R&D capabilities. The intention of improving business capabilities is to ensure sustainable development of Quang Tri Pharmaceuticals and Medical Equipments joint stock company as well as trading activities of TRAPHACO's products.

**Business results of Quang Tri Pharmaceuticals and Medical Equipments joint stock company in 2012**

- Revenue: VND74.6 billion, growth of 68% compared to 2011
- Net profit after tax: VND1.1 billion, growth of 873% compared to 2011

**74.6** billion VND

**TOTAL REVENUE**

(**68%** growth compared to 2011)



*Standing from a firm foundation...*  
**OURSELVES**  
overcome

Sustainable development is a common thread in the thinking and action of each member of the TRAPHACO family. "That mindset" is present in the stance for quality products and services which is critical to the existence of the enterprise. "That mindset" shines through the understanding that the added values provided to society, customers and employees are the goal and motivation of sustainable development. "That mindset" lives in modern and traditional characteristics of TRAPHACO.



TRAPHACO JOINT STOCK COMPANY  
(Incorporated in the Socialist Republic of Vietnam)

AUDITED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2012

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STATEMENT OF THE BOARD OF DIRECTORS

The Board of Directors of Traphaco Joint Stock Company ("the Company") presents this report together with the Company's consolidated financial statements for the year ended 31 December 2012.

THE BOARDS OF MANAGEMENT AND DIRECTORS

The members of the Boards of Management and Directors of the Company who held office during the year and to the date of this report are as follows:

**Board of Management**

Mrs. Vu Thi Thuan	Chairwoman
Mr. Tran Tuc Ma	Vice Chairman
Mr. Nong Huu Duc	Member
Mr. Le Tuan	Member
Mrs. Nguyen Thi Lan	Member

**Board of Directors**

Mr. Tran Tuc Ma	General Director
Mr. Nguyen Huy Van	First Deputy General Director
Ms. Hoang Thi Ruoc	Second Deputy General Director

BOARD OF DIRECTORS' STATEMENT OF RESPONSIBILITY

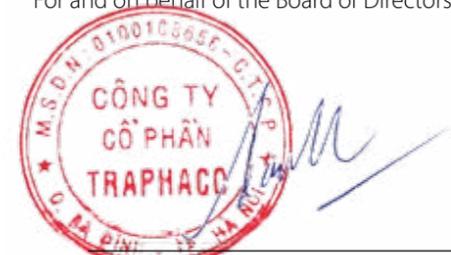
The Board of Directors of the Company is responsible for preparing the consolidated financial statements of each year, which give a true and fair view of the financial position of the Company and of its results and cash flows for the year. In preparing these financial statements, the Board of Directors is required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting principles have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the consolidated financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business; and
- design and implement an effective internal control system for the purpose of properly preparing and presenting the consolidated financial statements so as to minimize errors and frauds.

The Board of Directors is responsible for ensuring that proper accounting records are kept, which disclose, with reasonable accuracy at any time, the financial position of the Company and that the consolidated financial statements comply with Vietnamese Accounting Standards, Vietnamese Accounting System and prevailing relevant regulations in Vietnam. The Board of Directors is also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of frauds and other irregularities.

The Board of Directors confirms that the Company has complied with the above requirements in preparing these consolidated financial statements.

For and on behalf of the Board of Directors,



**Tran Tuc Ma**  
General Director

22 March 2013

No.: 697/Deloitte-AUDHN-RE

## INDEPENDENT AUDITORS' REPORT

To: The shareholders  
The Board of Management and Board of Directors  
Traphaco Joint Stock Company

We have audited the accompanying consolidated balance sheet of Traphaco Joint Stock Company Ltd. ("the Company") as at 31 December 2012, the related consolidated statements of income and cash flows for the year then ended, and the notes thereto (collectively referred to as "the consolidated financial statements") prepared on 20 March 2013 as set out from page 3 to page 28. The accompanying consolidated financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Vietnam.

## Respective Responsibilities of the Board of Directors and Auditors

As stated in the Statement of the Board of Directors on page 1, these consolidated financial statements are the responsibility of the Company's Board of Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

The consolidated financial statements for the year ended 31 December 2011 audited by another audit firm. Audit report was issued on 06 March 2012 with unqualified opinion.

## Basis of Opinion

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

## Opinion

In our opinion, the accompanying consolidated financial statements give a true and fair view of, in all material respects, the financial position of the Company as at 31 December 2012 and the results of its operations and its cash flows for the year then ended in accordance with Vietnamese Accounting Standards, Vietnamese Accounting System and prevailing relevant regulations in Vietnam.



**Dang Chi Dung**  
Deputy General Director  
CPA Certificate No. D.0030/KTV

For and on behalf of  
DELOITTE VIETNAM COMPANY LIMITED

22 March 2013  
Hanoi, S.R. Vietnam

**Do Trung Kien**  
Auditor  
CPA Certificate No. 1924/KTV

## CONSOLIDATED BALANCE SHEET

As at 31 December 2012

FORM B 01-DN/HH

Unit: VND

ASSETS	Codes	Notes	31/12/2012	31/12/2011
<b>A. CURRENT ASSETS (100 = 110+120+130+140+150)</b>	<b>100</b>		<b>717,993,860,428</b>	<b>622,670,204,678</b>
<b>I. Cash and cash equivalents</b>	<b>110</b>	<b>5</b>	<b>104,329,053,159</b>	<b>43,240,547,864</b>
1. Cash	111		95,609,053,159	16,740,547,864
2. Cash equivalents	112		8,720,000,000	26,500,000,000
<b>II. Short-term investment</b>	<b>120</b>	<b>6</b>	<b>1,124,297,961</b>	<b>715,000,000</b>
1. Short-term investment	121		1,124,297,961	715,000,000
<b>III. Short-term receivables</b>	<b>130</b>		<b>306,610,067,720</b>	<b>238,826,589,878</b>
1. Trade accounts receivable	131		277,684,300,317	221,556,524,505
2. Advances to suppliers	132		26,678,301,273	17,428,106,629
3. Other receivables	135		7,206,256,321	3,004,492,980
4. Provision of doubtful debts	139		(4,958,790,191)	(3,162,534,236)
<b>IV. Inventories</b>	<b>140</b>	<b>7</b>	<b>284,667,538,418</b>	<b>328,156,185,911</b>
1. Inventories	141		287,853,684,670	329,704,787,226
2. Provision for devaluation of inventories	149		(3,186,146,252)	(1,548,601,315)
<b>V. Other short-term assets</b>	<b>150</b>		<b>21,262,903,170</b>	<b>11,731,881,025</b>
1. Short-term prepayments	151		1,463,713,129	2,064,098,206
2. Value added tax deductibles	152		5,858,901,617	4,929,101,627
3. Taxes and amounts receivables from the State Budget	154		94,231,419	1,008,626,000
4. Other short-term assets	158	8	13,846,057,005	3,730,055,192
<b>B. NON-CURRENT ASSETS (200 = 220+250+260+269)</b>	<b>200</b>		<b>250,489,904,564</b>	<b>215,773,293,056</b>
<b>I. Fixed assets</b>	<b>220</b>		<b>218,898,106,415</b>	<b>185,172,592,151</b>
1. Tangible fixed assets	221	9	169,207,165,971	153,845,723,892
- Cost	222		306,073,877,297	265,634,680,556
- Accumulated depreciation	223		(136,866,711,326)	(111,788,956,664)
2. Intangible fixed assets	227	10	28,455,447,568	29,677,177,087
- Cost	228		29,460,279,033	30,342,789,962
- Accumulated amortisation	229		(1,004,831,465)	(665,612,875)
3. Construction in progress	230	11	21,235,492,876	1,649,691,172
<b>II. Long-term investments</b>	<b>250</b>		<b>1,820,656,487</b>	-
1. Investments in associates	252	13	1,820,656,487	-
<b>III. Other long-term assets</b>	<b>260</b>		<b>1,508,601,912</b>	<b>1,856,392,025</b>
1. Long-term prepayments	261		628,986,214	431,643,678
2. Deferred tax assets	262		725,704,862	1,399,730,977
3. Other non-current assets	268		153,910,836	25,017,370
<b>IV. Goodwills</b>	<b>269</b>		<b>28,262,539,750</b>	<b>28,744,308,880</b>
<b>TOTAL ASSETS (270 = 100+200)</b>	<b>270</b>		<b>968,483,764,992</b>	<b>838,443,497,734</b>

The notes set out on pages 7 to 28 are an integral part of these consolidated financial statements

## TRAPHACO JOINT STOCK COMPANY

75 Yen Ninh Street, Ba Dinh District,  
Hanoi, S.R. Vietnam

## Consolidated Financial Statements

For the year ended  
31 December 2012

## CONSOLIDATED BALANCE SHEET (Continued)

As at 31 December 2012

FORM B 01-DN/HN

Unit: VND

RESOURCES	Codes	Notes	31/12/2012	31/12/2011
<b>A LIABILITIES (300=310+330)</b>	<b>300</b>		<b>456,375,432,386</b>	<b>403,405,929,980</b>
<b>I Current liabilities</b>	<b>310</b>		<b>455,135,432,386</b>	<b>395,553,809,240</b>
Short-term borrowings and liabilities	311	14	229,456,284,203	179,106,757,564
Trade accounts payable	312		150,911,780,032	144,150,930,973
Advance from customers	313		5,054,146,148	7,519,014,706
Taxes and amounts payable to the State Budget	314	15	29,842,289,671	26,977,537,882
Payables to employees	315		19,843,155,367	19,284,165,016
Accrued expenses	316	16	6,144,935,849	2,834,910,571
Other current payables	319	17	9,713,690,470	12,754,721,836
Bonus and welfare fund	323		4,169,150,646	2,925,770,692
<b>II Long-term liabilities</b>	<b>330</b>		<b>1,240,000,000</b>	<b>7,852,120,740</b>
Other long-term payables	333		500,000,000	-
Long-term loans and liabilities	334	18	740,000,000	3,862,000,000
Provision for severance allowance	336		-	3,990,120,740
<b>B EQUITY (400=410+430)</b>	<b>400</b>		<b>451,373,144,395</b>	<b>400,085,339,558</b>
<b>I Owners' equity</b>	<b>410</b>	<b>19</b>	<b>450,235,926,559</b>	<b>399,280,111,678</b>
Chartered capital	411		123,398,240,000	123,398,240,000
Share premium	412		92,063,700,000	92,063,700,000
Treasury shares	414		(3,593,000)	(3,593,000)
Foreign exchange reserve	416		179,264	347,388,175
Investment and development fund	417		134,786,888,790	80,798,904,048
Financial reserve fund	418		14,609,795,594	14,538,443,422
Retained earnings	420		85,380,715,911	88,137,029,033
<b>II Other funds</b>	<b>430</b>		<b>1,137,217,800</b>	<b>805,227,880</b>
1, Subsidised fund	432		986,017,800	805,227,880
2, Funds for fixed assets acquisition	433		151,200,000	-
<b>C MINORITY INTEREST</b>	<b>439</b>		<b>60,735,188,247</b>	<b>34,952,228,196</b>
<b>TOTAL RESOURCES (440=300+400+439)</b>	<b>440</b>		<b>968,483,764,992</b>	<b>838,443,497,734</b>

## OFF BALANCE SHEET ITEMS

	31/12/2012	31/12/2011
1, Foreign currencies (USD)	28,766,70	1,690,03



**Nguyen Ngoc Thuy**  
Preparer

22 March 2013



**Dinh Trung Kien**  
Chief Accountant



**Tran Tuc Ma**  
General Director

## TRAPHACO JOINT STOCK COMPANY

75 Yen Ninh Street, Ba Dinh District,  
Hanoi, S.R. Vietnam

## Consolidated Financial Statements

For the year ended  
31 December 2012

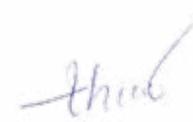
## CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2012

FORM B 02-DN/HN

Unit: VND

ITEMS	Codes	Notes	2012	2011
1. Gross sales	01	20	1,408,972,181,959	1,073,255,309,337
2. Less deductions	02		8,268,658,797	10,462,190,603
<b>3. Net sales (10=01-02)</b>	<b>10</b>		<b>1,400,703,523,162</b>	<b>1,062,793,118,734</b>
4. Cost of sales	11	21	821,845,959,184	663,666,372,174
<b>5. Gross profit from sales (20=10-11)</b>	<b>20</b>		<b>578,857,563,978</b>	<b>399,126,746,560</b>
6. Financial income	21	22	1,825,030,424	7,925,686,407
7. Financial expenses	22	23	35,099,496,227	27,335,435,730
<i>Including: Interest expense</i>	23		34,656,759,846	21,742,975,139
8. Selling expenses	24		265,989,941,828	181,969,513,161
9. General and administration expenses	25		110,602,809,514	72,564,866,267
<b>10. Operating profit (30=20+(21-22)-(24+25))</b>	<b>30</b>		<b>168,990,346,833</b>	<b>125,182,617,809</b>
11. Other income	31		5,208,568,815	878,547,928
12. Other expenses	32		331,139,273	1,821,026,912
<b>13. Profit/(Loss) from other activities (40=31-32)</b>	<b>40</b>		<b>4,877,429,542</b>	<b>(942,478,984)</b>
14. (Loss) in associates	45	13	(3,287,198)	-
<b>15. Accounting profit before tax (50=30+40+45)</b>	<b>50</b>		<b>173,864,489,177</b>	<b>124,240,138,825</b>
16. Current corporate income tax expense	51		45,039,712,791	34,856,620,994
17. Deferred corporate tax (income)/expense	52		674,026,115	(1,315,132,469)
<b>18. Net profit after corporate income tax (60=50-51-52)</b>	<b>60</b>		<b>128,150,750,271</b>	<b>90,698,650,300</b>
<i>Net profit after tax of minority shareholder</i>	61		11,797,128,640	2,010,980,175
<i>Net profit after tax of Parent Company's shareholder</i>	62		116,353,621,631	88,687,670,125
19. Basic earnings per share	70	25	9,432	7,187



**Nguyen Ngoc Thuy**  
Preparer

22 March 2013



**Dinh Trung Kien**  
Chief Accountant



**Tran Tuc Ma**  
General Director

The notes set out on pages 7 to 28 are an integral part of these consolidated financial statements

The notes set out on pages 7 to 28 are an integral part of these consolidated financial statements

## CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2012

FORM B 03-DN/HN

Unit: VND

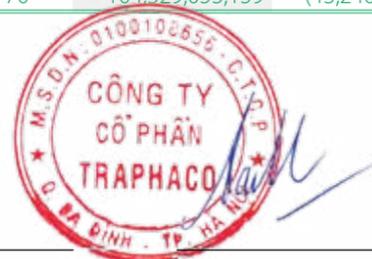
ITEMS	Codes	2012	2011
<b>I. CASH FLOWS FROM OPERATING ACTIVITIES</b>			
1. Profit before tax	01	173,864,489,177	124,240,138,825
<b>2. Adjustments for:</b>			
Depreciation and amortisation	02	20,103,117,210	10,640,491,580
Provisions	03	3,433,800,892	3,008,391,890
Unrealized foreign exchange (gain)	04	(683,131,055)	-
(Gain) from investing activities	05	(348,009,758)	(7,785,956,641)
Interest expense	06	34,656,759,846	21,742,975,739
<b>3. Operating profit before movements in working capital</b>	<b>08</b>	<b>231,027,026,312</b>	<b>151,846,040,793</b>
Changes in receivables	09	(79,156,903,430)	79,444,089,291
Changes in inventories	10	41,851,102,556	(87,917,907,824)
Changes in accounts payables (not including accrued interest and corporate income tax payable)	11	(7,238,828,755)	(20,873,374,084)
Changes in prepaid expenses	12	403,042,541	(1,300,565,245)
Interest paid	13	(35,120,065,022)	(19,739,664,188)
Corporate income tax paid	14	(43,010,615,252)	(25,823,139,955)
<b>Net cash from operating activities</b>	<b>20</b>	<b>108,754,758,950</b>	<b>78,236,609,278</b>
<b>II. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
1. Acquisition and construction of fixed assets and other long-term	21	(50,883,732,853)	(21,037,717,061)
2. Proceeds from disposal of fixed assets and other long-term assets	22	-	300,000,000
3. Cash recovered from lending, selling debt instruments of other	24	10,125,000,000	104,000,000
4. Investents in other entities	25	(6,303,614,810)	(51,875,910,122)
5. Interest earned, dividends and profits received	27	1,141,899,369	2,775,524,881
<b>Net cash (used in) investing activities</b>	<b>30</b>	<b>(45,920,448,294)</b>	<b>(69,734,102,302)</b>
<b>III. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
1. Proceeds from borrowings	33	(464,754,705,424)	242,199,527,099
2. Repayment of borrowings	34	(417,527,178,785)	(211,989,523,085)
3. Dividends and profits paid	36	(48,973,332,000)	(24,540,310,500)
<b>Net cash from financing activities</b>	<b>40</b>	<b>(1,745,805,361)</b>	<b>5,669,693,514</b>
<b>Net increase in cash</b>	<b>50</b>	<b>61,088,505,295</b>	<b>(14,172,200,490)</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>60</b>	<b>43,240,547,864</b>	<b>29,068,347,374</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>70</b>	<b>104,329,053,159</b>	<b>(43,240,547,864)</b>

Nguyen Ngoc Thuy  
Preparer

22 March 2013

Dinh Trung Kien  
Chief Accountant

Tran Tuc Ma  
General Director



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FORM B 09-DN/HN

These notes are an integral part of and should be read in conjunction with the accompanying consolidated financial statements

## 1. GENERAL INFORMATION

## Structure of ownership

Traphaco Joint Stock Company was transformed from a State-owned enterprise into a Joint Stock Company under Decision No. 2566/1999/QĐ-BGTVT dated 27 September 1999 issued by the Minister of Transport. The Company was granted Business Registration Certificate for joint stock company with enterprise code No. 0100108656 replacing the former Investment Certificate No. 058437 dated 24 December 1999. The Company's 18<sup>th</sup> amended Business Registration Certificate was granted on 07 September 2012.

As at 31 December 2012, The Company has branched as follow:

Name	Location	Principal operating activities
- Traphaco JSC branch	Ho Chi Minh City	
- Central branch	Da Nang City	
- Nam Dinh branch	Nam Dinh	
- Nghe An branch	Nghe An	
- Thanh Hoa branch	Thanh Hoa	Trade of pharmaceutical products food, cosmetics, chemicals, medical supplies and equipment, import and export of medical materials and pharmaceutical products.
- Vinh Long branch	Vinh Long	
- Hai Phong branch	Hai Phong City	
- Quang Ninh branch	Quang Ninh	
- Dong Nai branch	Dong Nai	
- Binh Thuan branch	Binh Thuan	
- Quang Ngai branch	Quang Ngai	
- Khanh Hoa branch	Khanh Hoa	
- Can Tho branch	Can Tho	
- Gia Lai	Gia Lai	

As at 31 December 2012, the Company has 03 subsidiaries: Traphaco Hightech Joint Stock Company, Traphaco Sapa one member Company Limited, Daklak Pharmaceutical medical equipment Joint Stock Company.

The number of employees of the Company and subsidiaries as at 31 December 2012 was 1,325 (31 December 2011: 995)

## Operating industry and principal activities

Operating industry of the Company are manufacturing, trading food and cosmetics; export and import of raw materials for pharmaceutical, advisory pharmaceutical cosmetics manufacturing; dispensing prescription drugs; production and doing business of pharmaceuticals, chemicals and medical supplies and equipment, production and trading alcohol, beer, soft drinks (not including bar operating); advisory services of technical sciences, technology transfer in medical, pharmaceutical ; purchasing, planting, processing medical materials.

The principal activities of the Company are manufacturing and trading pharmaceutical, chemicals and medical supplies and equipment.

## 2. ACCOUNTING CONVENTION AND FINANCIAL YEAR

### Accounting convention

The accompanying consolidated financial statements, expressed in Vietnam Dong (VND), are prepared under the historical cost convention and in accordance with Vietnamese Accounting Standards, Vietnamese Accounting System and prevailing relevant regulations in Vietnam.

The accompanying consolidated financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Vietnam.

### Financial year

The Company's financial year begins on 01 January and ends on 31 December.

## 3. ADOPTION OF NEW ACCOUNTING GUIDANCE

On 24 October 2012, the Ministry of Finance issued Circular No. 179/2012/TT-BTC ("Circular 179") providing guidance on recognition, measurement and treatment of foreign exchange differences in enterprises. Circular 179 came into effect from 10 December 2012 and is applied from financial year 2012. Circular 179 provides detailed guidance on the exchange rates applicable to payment and revaluation of monetary items denominated in foreign currencies. According to the Board of Directors' assessment, Circular 179 has immaterial effect on the Company's consolidated financial statements for the year ended 31 December 2012.

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies, which have been adopted by the Company in the preparation of these consolidated financial statements, are as follows:

### Estimates

The preparation of consolidated financial statements in conformity with Vietnamese Accounting Standards, Vietnamese Accounting System and prevailing relevant regulations in Vietnam requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the financial year. Although these accounting estimates are based on the management's best knowledge, actual results may differ from those estimates.

### Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and enterprises controlled by the Company (its subsidiaries) up to 31 December each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee enterprise so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used in line with those used by the Company.

All inter-company transactions and balances between group enterprises are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are identified separately from the Company's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination (see below) and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Company except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

### Business combinations

On acquisition, the assets and liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired is credited to profit and loss in the period of acquisition.

The interest of minority shareholders is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

### Investments in associates

An associate is an entity over which the Company has significant influence and that is neither a subsidiary nor an interest in joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Interests in associates are carried in the balance sheet at cost as adjusted by post-acquisition changes in the Company's share of the net assets of the associate. Losses of an associate in excess of the Company's interest in that associate (which includes any long-term interests that, in substance, form part of the Company's net investment in the associate) are not recognised.

Where a group entity transacts with an associate of the Company, unrealised profits and losses are eliminated to the extent of the Company's interest in the relevant associate.

### Goodwill

Goodwill represents the excess of the cost of acquisition over the Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition. Goodwill is recognised as an asset and is amortised on the straight-line basis over its estimated period of benefit from 8 years to 10 years.

Goodwill arising on the acquisition of an associate is included within the carrying amount of the associate. Goodwill arising on the acquisition of subsidiaries and jointly controlled entities is presented separately as an intangible asset in the balance sheet.

On disposal of a subsidiary, associate or jointly controlled entity, the attributable amount of unamortised goodwill is included in the determination of the profit or loss on disposal.

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

## Financial instruments

## Initial recognition

Financial assets: At the date of initial recognition, financial assets are recognized at cost plus transaction costs that are directly attributable to the acquisition of the financial assets. Financial assets of the Company comprise cash and cash equivalents, short-term investments, trade receivables and other receivables and short-term collaterals, deposits, mortgages.

Financial liabilities: At the date of initial recognition financial liabilities are recognized at cost net of transaction costs that are directly attributable to the issue of the financial liabilities. Financial liabilities of the Company comprise trade payables and other payables, loans and accrued expenses.

## Re-measurement after initial recognition

Currently there are no requirements for the re-measurement of the financial instruments after initial recognition.

## Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

## Provision for doubtful debts

Provision for doubtful debts is made for receivables that are overdue for six months or more, or when the debtor is in dissolution, in bankruptcy, or is experiencing similar difficulties and so may be unable to repay the debt.

## Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

The evaluation of necessary provision for inventory obsolescence follows current prevailing accounting regulations which allow provisions to be made for obsolete, damaged, or sub-standard inventories and for those which have costs higher than net realisable values as at the balance sheet date.

## Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation.

The costs of purchased tangible fixed assets comprise their purchase prices and any directly attributable costs of bringing the assets to their working condition and location for their intended use.

The costs of self-constructed or manufactured assets are the actual construction or manufacturing cost plus installation and test running costs.

Tangible fixed assets are depreciated using the straight-line method over their estimated useful lives as follows:

	2012
	Years
Buildings and structures	15 - 25
Machinery and equipment	06 - 07
Office equipment	05 - 08
Motor vehicles	03 - 06
Others	05 - 15

Loss or gain resulting from sales and disposals of tangible fixed assets is the difference between profit from sales or disposals of assets and their residual values and is recognized in the income statement.

## Intangible fixed assets and amortisation

Intangible fixed assets represent land use rights and accounting softwares that are stated at cost less accumulated amortisation and are amortised using the straight-line method over the estimated useful life.

## Construction in progress

Properties in the course of construction for production, rental or administrative purposes, or for the purposes not yet determined, are carried at cost. Cost includes professional fees, and for qualifying assets, borrowing costs dealt with in accordance with the Company's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

## Long-term prepayments

Long-term prepayments comprise costs of small tools, supplies and spare parts issued for consumption which are expected to provide future economic benefits to the Company for one year or more. These expenditures have been capitalised as long-term prepayments, and are allocated to the income statement using the straight-line method over the estimated useful life.

## Revenue recognition

Revenue from the sale of goods is recognised when all five (5) following conditions are satisfied:

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

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### Revenue recognition (Continued)

Revenue of a transaction involving the rendering of services is recognised when the outcome of such transactions can be measured reliably. Where a transaction involving the rendering of services is attributable to several periods, revenue is recognised in each period by reference to the percentage of completion of the transaction at the balance sheet date of that period. The outcome of a transaction can be measured reliably when all four (4) following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Company;
- the percentage of completion of the transaction at the balance sheet date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the applicable interest rate.

Dividend income from investments is recognised when the Company's right to receive payment has been established.

##### Foreign currencies

The Company applies the method of recording foreign exchange differences in accordance with Vietnamese Accounting Standard No. 10 (VAS 10) "Effects of changes in foreign exchange rates" and Circular No. 179/2012/TT-BTC dated 24 October 2012 by the Ministry of Finance providing guidance on recognition, measurement and treatment of foreign exchange differences in enterprises. Accordingly, transactions arising in foreign currencies are translated at exchange rates ruling at the transaction date. The balance of monetary items denominated in foreign currencies as at the balance sheet date are retranslated at the exchange rates on the same date. Exchange differences arising from the translation of these accounts are recognised in the income statement. Unrealised exchange gains at the balance sheet date are not treated as part of distributable profit to shareholders.

##### Borrowing costs

All other borrowing costs are recognised in the income statement when incurred.

##### Provisions

Provisions are recognised when the Company has a present obligation as a result of a past event, and it is probable that the Company will be required to settle that obligation. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the balance sheet date.

##### Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years (including loss carried forward, if any) and it further excludes items that are never taxable or deductible.

Deferred tax is recognised on significant differences between carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using balance sheet liability method. Deferred tax liabilities are generally recognised for all temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilised,

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity,

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis,

The determination of the tax currently payable is based on the current interpretation of tax regulations. However, these regulations are subject to periodic variation and their ultimate determination depends on the results of the tax authorities' examinations,

Other taxes are paid in accordance with the prevailing tax laws in Vietnam,

#### 5. CASH AND CASH EQUIVALENTS

	31/12/2012	31/12/2011
	VND	VND
Cash on hand	7,901,929,768	5,031,861,637
Cash in bank	87,707,123,391	11,708,686,227
Cash equivalents (*)	8,720,000,000	26,500,000,000
	104,329,053,159	43,240,547,864

(\*) Cash equivalents represents time deposits with the term not exceeding 03 (three) months at commercial banks,

#### 6. SHORT-TERM INVESTMENTS

	31/12/2012	31/12/2011
	VND	VND
Time deposits which term over 3 months	914,297,961	-
Short-term investments (*)	210,000,000	715,000,000
	1,124,297,961	715,000,000

Short-term investments represent the amount that the Company lent to its staff for building houses, term is 1 year, interest rate from 12.5% to 16.7% per annum,

**TRAPHACO JOINT STOCK COMPANY**

 75 Yen Ninh Street, Ba Dinh District,  
Hanoi, S.R. Vietnam

**Consolidated Financial Statements**

 For the year ended  
31 December 2012

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**
**FORM B 09-DN/HN**
*These notes are an integral part of and should be read in conjunction with the accompanying consolidated financial statements*
**7. INVENTORIES**

	31/12/2012	31/12/2011
	VND	VND
Goods in transit	11,750,611,007	-
Raw materials	106,528,688,685	110,883,532,523
Tools and supplies	7,923,244	42,888,170
Work in process	40,060,578,585	27,726,751,440
Finished goods	83,107,946,689	125,589,904,985
Merchandises	36,854,044,500	65,461,710,108
Goods on consignment	9,543,891,960	-
<b>Total</b>	<b>287,853,684,670</b>	<b>329,704,787,226</b>
Provision for devaluation of inventories	(3,186,146,252)	(1,548,601,315)
<b>Net realisable value</b>	<b>284,667,538,418</b>	<b>328,156,185,911</b>

**8. SHORT-TERM ASSETS**

	31/12/2012	31/12/2011
	VND	VND
Advances to employee	9,961,887,826	2,930,594,554
Input input value added tax over declarations	250,157,729	250,157,729
Short-term collaterals, deposits, mortgages	3,634,011,450	549,302,909
	<b>13,846,057,005</b>	<b>3,730,055,192</b>

**TRAPHACO JOINT STOCK COMPANY**  
75 Yen Ninh Street, Ba Dinh District,  
Hanoi, S.R. Vietnam

**Consolidated Financial Statements**  
For the year ended  
31 December 2012

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**
*These notes are an integral part of and should be read in conjunction with the accompanying consolidated financial statements*
**FORM B 09-DN/HN**
**9. TANGIBLE FIXED ASSETS**

	Buildings and structures		Machinery and equipment		Motor vehicles		Office equipment		Other assets		Total	
	VND	VND	VND	VND	VND	VND	VND	VND	VND	VND	VND	VND
<b>COST</b>												
As at 01/01/2012	106,862,638,236	105,547,058,286	34,743,398,620	14,717,793,081	3,734,065,383	265,634,680,556						
Purchases	861,718,881	13,173,706,394	717,582,180	865,782,254	-	15,618,789,709						
Transfers from construction in progress	13,796,512,757	-	-	-	-	13,796,512,757						
Others	-	-	927,272	-	-	927,272						
Increases from business consolidation	11,754,188,297	807,799,644	1,397,956,939	-	-	13,959,944,880						
Disposals	(205,919,000)	(2,064,258,898)	(180,952,381)	(485,847,598)	-	(2,936,977,877)						
As at 31/12/2012	133,069,139,171	117,494,032,376	36,678,912,630	15,097,727,737	3,734,065,383	306,073,877,297						
<b>ACCUMULATED DEPRECIATION</b>												
As at 01/01/2012	32,732,445,145	49,636,310,256	16,738,351,065	10,533,280,905	2,148,569,293	111,788,956,664						
Charge for the year	5,509,522,560	9,748,550,275	2,804,293,387	1,384,620,042	434,040,876	19,881,027,140						
Increases from business consolidation	6,241,589,820	577,740,193	520,485,775	-	-	7,339,815,788						
Disposals	(59,201,724)	(1,604,196,095)	(90,476,191)	(389,214,256)	-	(2,143,088,266)						
As at 31/12/2012	44,424,355,801	58,358,404,629	19,972,654,036	11,528,686,691	2,582,610,169	136,866,711,326						
<b>NET BOOK VALUE</b>												
As at 31/12/2012	88,644,783,370	59,105,900,797	16,706,258,594	3,569,041,046	1,151,455,214	169,207,165,971						
As at 31/12/2011	74,130,193,091	55,940,474,980	18,005,047,555	4,184,512,176	1,585,496,090	153,845,723,892						

As noted further in Note 14 and Note 18, the Company has pledged its building, which has a carrying value of approximately VND 117,416,916,880 as at 31 December 2012 (31 December 2011: VND 85,245,925,070), to secure banking facilities granted to the Company.

The carrying amount of the Company's office equipment includes VND 1,532,005,067 (2011: VND 0) of tangible fixed assets awaiting disposal.

The cost of the Company's fixed assets includes VND 63,407,592,671 (31 December 2011: VND 46,930,734,070) of equipment which has been fully depreciated but is still in use.

## 10. INTANGIBLE FIXED ASSETS

	Land use rights	Software	Others	Total
	VND	VND	VND	VND
<b>COST</b>				
As at 01/01/2012	30,245,665,292	97,124,670	-	30,342,789,962
Increases from business consolidatio	472,727,535	-	154,128,900	626,856,435
Decrease due to adjustments	(1,509,367,364)	-	-	(1,509,367,364)
As at 31/12/2012	29,209,025,463	97,124,670	154,128,900	29,460,279,033
<b>ACCUMULATED DEPRECIATION</b>				
As at 01/01/2012	660,347,550	5,265,325	-	665,612,875
Charge for the year	162,830,443	31,634,627	27,625,000	222,090,070
Increases from business consolidatio	18,248,718	-	98,879,802	117,128,520
As at 31/12/2012	841,426,711	36,899,952	126,504,802	1,004,831,465
<b>NET BOOK VALUE</b>				
As at 31/12/2011	28,367,598,752	60,224,718	27,624,098	28,445,447,568
As at 31/12/2012	29,585,317,742	91,859,345	-	29,677,177,087

(i) As at 31 December 2012, the Company has land use rights as follows:

Details	Square	Amount	Useful
	(m <sup>2</sup> )	VND	
- Land use right at 255 Ton Duc Thang - Lien Chieu - Da Nang	283.10	2,618,528,525	Permanent
- Land use right at Phuoc Kien - Nha Be - HCM City (**)	876.00	7,795,378,640	
- Land use right at Hoa Vuong New City - Nam Dinh	288.75	2,350,425,000	Permanent
- Land use right at Vinh Tan - Vinh - Nghe An - Cua Ong (lot 581) (*)	307.20	1,290,240,000	Permanent
- Land use right at Vinh Tan - Vinh - Nghe An - Cua Ong (lot 582) (*)	301.80	1,267,560,000	Permanent
- Land use right at Vinh Diem Trung New City - Nha Trang (*)	306.00	1,873,777,089	Permanent
- Land use right at Cao Xanh New City - Ha Long (increased in 2011)	340.00	3,049,800,000	Permanent
- Land use right at Western New City - Thanh Binh, Hai Duong City	250.00	3,518,560,000	Permanent
- Land use right at Van Lam, Hung Yen (***)	31,047.00	4,972,028,674	Permanent
- Land use rights at Daklak		472,727,535	Permanent
	33,999.85	29,209,025,463	

(\*) As at 31 December 2012, the Company was not granted Certificates of land use right for these lots.

(\*\*) This land use right comprises 2 lots: Lots 647 has the area of 652 m<sup>2</sup> with permanent useful life; lots 647 has the area of 224 m<sup>2</sup> with the useful life until 27 August 2016.

(\*\*\*) Accordin to Certificate of land use right no AI 073651 issued by People's Committee of Hung Yen Province dated 15 June 2007, land use right at Van Lam, Hung Yen has a term of 35 years, from 03 March 2003 to 03 April 2038, in land lot no 228, Tan Quang commune, Van Lam district, Hung Yen province with an area of 31,047 m<sup>2</sup>.

As noted in Note 14, the Company has pledged its land use rights, which has a carrying value of approximately VND 4,968,953,525 as at 31 December 2012 (31 December 2011: VND 14,570,212,397 VND), to secure banking facilities granted to the Company.

## 11. CONSTRUCTION IN PROGRESS

	31/12/2012	31/12/2011
	VND	VND
Construction in progress	21,235,492,876	862,078,539
Traphaco pharmaceutical plant construction (*)	19,051,882,509	27,749,461
Tay Nguyen pharmaceutical and trading center	1,071,964,003	-
Thai Nguyen office construction	201,939,091	201,939,091
Gia Lai office construction	106,812,728	106,812,728
Nha Trang office construction	-	327,106,350
Quang Ninh office construction	-	198,470,909
Other	802,894,545	-
Purchasing fixed assets	-	787,612,633
	21,235,492,876	1,649,691,172

(\*) The Company founded Traphaco Hung Yen One Member Limited Company (Traphaco Joint Stock Company's ownership interest was 100%) to implement the project of investing and buiding hi-tech plant in the 4.6-hectare-land in Tan Quang commune, Van Lam district, Hung Yen province. Total estimated investment value of the project is VND 300 billion and the deploying time is 5 years. This project was granted by People's Committee of Hung Yen province, and the balance of construction in progress represented site clearance expenses paid until 31 December 2012.

## 12. INVESTMENTS IN SUBSIDIARIES

Details of the Company's subsidiaries as at 31 December 2012 are as follow:

Name	Location	Proportion of ownership interest	Proportion of voting power held	Principal operating activities
Traphacosapa One Member Limited Company	Lao Cai Province	100%	100%	Plant, process pharmaceutical materials, agriculture and forestry products, food, Produce and trade pharmaceutical products, pharmaceutical materials, food
Traphaco Hi-tech Joint Stock Company	Hung Yen Province	51%	51%	Produce eastern medicines.
Daklak Pharmaceutical Medical Equipment Joint Stock Company	Dak Lak Province	51%	51%	Produce and trade pharmaceutical products, functional foods; export and import medicines, pharmaceutical materials and medical equipments.
Traphaco Hung Yen One Member Limited Company (*)	Hung Yen Province	100%	100%	Produce eastern medicines.

(\*) The Company founded Traphaco Hung Yen One Member Limited Company to implement the project of investing and buiding hi-tech plant in the 4.6-hectare-land in Tan Quang commune, Van Lam district, Hung Yen province. As at 31 December 2012, the Company did not contribute capital to Traphaco Hung Yen One Member Limited Company.

### 13. INVESTMENTS IN ASSOCIATES

	31/12/2012
	VND
Investment in associates	4,399,850,400
Goodwill	(2,575,906,715)
(Loss) arising after the date of investment excluding dividends	(3,287,198)
	<u>1,820,656,487</u>

Details of the Company's associates as at 31 December 2012 are as follows:

Name	Location	Proportion of ownership interest	Proportion of voting power held	Principal operating activities
Quang Tri Pharmaceutical Medical Equipment Joint Stock Company	Quang Tri Province	43%	43%	Produce and trade pharmaceutical

Summarised financial information in respect of the Company's associates is set out below:

	31/12/2012
	VND
Total assets	22,039,833,407
Total liabilities	17,972,791,570
Net asset	4,067,041,837
Net asset is invested in associate	<u>1,745,167,652</u>

	2012
	VND
Sales	13,887,894,901
Net (loss)	(7,660,679)
Net (loss) from investment in associate	<u>(3,287,198)</u>

### 14. SHORT-TERM BORROWINGS AND LIABILITIES

	31/12/2012	31/12/2011
	VND	VND
<b>Short-term borrowings</b>		
- Vietnam Joint Stock Commercial Bank for Industry and Trade - Ba Dinh branch (1)	154,804,711,103	67,381,614,679
- ANZ Bank (Vietnam) Limited	-	918,379,762
- Borrowings from individuals (2)	71,679,573,100	104,980,590,123
<b>Current portion of long-term loans (See Note 18)</b>		
- Vietnam Joint Stock Commercial Bank for Industry and Trade - Ba Dinh branch	472,000,000	5,826,173,000
- Borrowings from individuals	2,500,000,000	-
	<u>229,456,284,203</u>	<u>179,106,757,564</u>

(1) As at 31 December 2012, short-term loans from Vietnam Joint Stock Commercial Bank for Industry and Trade - Ba Dinh branch represent the short-term loans:

(a) The loan contract No. 67-2012/HDTD dated 20 June 2012, with credit limit of VND 250 billion. The loan principal balance as of 31 December 2012 is VND 131,771,618,552. This loan is used to supplement working capital for 2012 operation plan. Payment term is specified in each debeture notes but no more than six months from the disbursement date. Interest is determined on annual basis at the basic rate plus margin regulated by the Bank from time to time. At the time of signing the loan contract, the interest rate is 13% p.a for the VND loans. The margin is within 4% p.a for VND loans. The Company used its land use rights, buildings, machinery and equipment as collateral for the loan (see Notes 9 and 10).

(b) The credit agreement concurrently working capital loans no 2012/HDTD-CNC dated 11 April 2012, with a credit limit of 64,916 billion VND, in which short-term credit limit is 55,000,000,000 VND (this limit include the actual balance up to 31 March 2012 of the credit agreement no 01- 2011/HDTD-CNC dated 4 March 2011 carry onward). This loan is used for supplement working capital for the Traphaco Hi-tech Joint Stock Company's business activities. Loan term is specified on each credit notes but not exceeding six months per credit note since the disbursement date. The credit limit maintain over 12 months from the signing contract date. The loans apply floating rates, which are adjusted once a month every the 25<sup>th</sup> from the disbursement date and are secured by tangible fixed assets (see Notes 9).

(2) As at 31 December 2012, borrowings from individuals represent borrowings from employees of the Company to supplement working capital for production and business activities. Borrowings' term is 12 months, interest rates from 0.8% / month to 1.5% / month. These borrowings have no collateral.

### 15. TAXES AND AMOUNTS PAYABLE TO THE STATE BUDGET

	31/12/2012	31/12/2011
	VND	VND
Corporate income tax	26,596,390,712	24,567,293,173
Personal income tax	2,626,004,780	1,599,611,974
Value added tax	604,8850,209	810,632,735
Others	15,008,970	-
	<u>29,842,289,671</u>	<u>26,977,537,882</u>

### 16. ACCRUAL EXPENSES

	31/12/2012	31/12/2011
	VND	VND
Interest expense	1,671,045,810	2,134,350,986
Other expense	4,473,890,039	700,559,585
	<u>6,144,935,849</u>	<u>2,834,910,571</u>

**17. OTHER SHORT-TERM LIABILITIES**

	31/12/2012	31/12/2011
	VND	VND
Union fee	4,303,808,824	2,601,567,606
Research team led by Mr. Nguyen Khac Vien	2,392,704,400	4,164,183,200
Dividends payable to shareholders	714,941,328	599,027,328
Board of Management's remuneration	566,681,213	15,107,521
Social insurance	379,695,581	151,028,450
Health insurance	51,732,356	11,297,571
Project funds paid to State budget	-	462,436,750
Advance from shareholders	-	3,290,200,000
Others	1,304,126,768	1,459,873,410
	<b>9,713,690,470</b>	<b>12,754,721,836</b>

**18. LONG-TERM LOANS AND LIABILITIES**

	31/12/2012	31/12/2011
	VND	VND
<b>Long-term loans</b>		
- Borrowings from individuals (1)	2,650,000,000	2,800,000,000
- Vietnam Joint Stock Commercial Bank for Industry and Trade - Ba Dinh branch (2)	1,062,000,000	6,784,000,000
- Asia Commercial Joint Stock Bank - Hung Yen Branch	-	104,173,000
	<b>3,712,000,000</b>	<b>9,688,173,000</b>
Less: Amount due for settlement within 12 months (shown under current liabilities)	(2,972,000,000)	(5,826,173,000)
<b>Amount due for settlement after 12 months</b>	<b>740,000,000</b>	<b>3,862,000,000</b>

As at 31 December 2012, long-term loans represent:

(1) The loans from employees for a period greater than one year, for the purpose of supplement the additional working capital for production and business activities. This loan is unsecured and bears the interest rates from 1.5% to 1.6% per month, interest paid montly.

(2) As at 01 January 2009, the Traphaco Hi-tech Joint Stock Company signed the loan contract no 02- DH/NHBD-CNC with Vietin Bank - Ba Dinh branch with the maximum loan limit of 7.5 billion VND and the maximum loan term is 64 months from the disbursement date. This loan is used to extend the project "Pharmaceutical factory - GMP standards". Category "Capsules factory building" and is secured by the entire plant and machinery which belongs to investment project. The loan bears floating rate, as amended 3 times per month.

Long-term loans are repayable as follows:

	31/12/2012	31/12/2011
	VND	VND
Within one year	2,972,000,000	5,826,173,000
In the second year	522,000,000	3,122,000,000
In the third to fifth year inclusive	218,000,000	740,000,000
	<b>3,712,000,000</b>	<b>9,688,173,000</b>
Less: Amount due for settlment after 12 months (shown under current liabilities)	(2,972,000,000)	(5,826,173,000)
<b>Amount due for settlement after 12 months</b>	<b>740,000,000</b>	<b>3,862,000,000</b>

**19. OWNER'S EQUITY**

Movement in owner's equity	Chartered capital		Share premium		Treasury shares		Foreign exchange reserve		Investment and development		Financial reserve fund		Retained earnings		Total	
	VND	VND	VND	VND	VND	VND	VND	VND	VND	VND	VND	VND	VND	VND	VND	VND
Balance as at 01/01/2011	123,398,240,000	92,063,700,000	-	-	(3,593,000)	1,728,925,854	54,512,922,444	11,174,870,036	66,221,454,377	349,096,519,711	-	-	-	-	88,687,670,125	88,687,670,125
Profit for the year	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividend declared of 2010	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fund allocation	-	-	-	-	-	-	26,285,981,604	3,363,573,386	(39,710,950,627)	-	-	-	-	-	-	-
Remuneration of Board of Management	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	(1,381,537,679)	-	-	-	-	-	-	-	-	-	-
<b>Balance as at 01/01/2012</b>	<b>123,398,240,000</b>	<b>92,063,700,000</b>	<b>-</b>	<b>-</b>	<b>(3,593,000)</b>	<b>347,388,175</b>	<b>80,798,904,048</b>	<b>14,538,443,422</b>	<b>88,137,029,033</b>	<b>399,280,111,678</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>116,353,621,631</b>	<b>116,353,621,631</b>
Profit for the year	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividend declared of 2011	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividend of 2012 paid in advance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fund allocation	-	-	-	-	-	-	53,987,984,742	71,352,172	(65,396,826,486)	-	-	-	-	-	-	-
Remuneration of Board of Management and Board of Supervisor	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	(347,208,911)	-	-	-	-	-	-	-	-	-	-
<b>Balance as at 31/12/2012</b>	<b>123,398,240,000</b>	<b>92,063,700,000</b>	<b>-</b>	<b>-</b>	<b>(3,593,000)</b>	<b>179,264</b>	<b>134,786,888,790</b>	<b>14,609,795,594</b>	<b>85,380,715,911</b>	<b>450,235,926,559</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(34,842,158)</b>	<b>(382,051,069)</b>

In 2012, the Company's Board of Director used profit to pay dividends to shareholders and allocate funds according to the Decrees of the General Meeting of shareholders of the Company and subsidiaries.

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## 20. GROSS SALES

	2012	2011
	VND	VND
Sales of finished goods	990,143,231,874	807,543,486,484
Sales of merchandise	417,674,352,484	265,711,822,853
Sales of rendering services	1,154,597,601	-
	<b>1,408,972,181,959</b>	<b>1,073,255,309,337</b>

## 21. COST OF SALES

	2012	2011
	VND	VND
Cost of finished goods sold	471,181,932,212	411,067,883,756
Cost of merchandise sold	350,214,452,829	251,353,389,148
Cost of services rendered	43,221,771	-
Provision for inventory devaluation	406,352,372	1,245,099,270
	<b>821,845,959,184</b>	<b>663,666,372,174</b>

## 22. FINANCIAL INCOME

	2012	2011
	VND	VND
Bank and loan interest	1,080,969,540	1,496,763,305
Unrealized foreign exchange gain	683,131,055	-
Interest on installment sales	60,929,830	5,142,054,195
Dividends and profits received	-	1,220,665,573
Realized foreign exchange gain	-	66,203,334
	<b>1,825,030,424</b>	<b>7,925,686,407</b>

## 23. FINANCIAL EXPENSES

	2012	2011
	VND	VND
Interest expense	34,656,759,846	21,742,975,139
Realised foreign exchange loss	442,736,381	5,592,460,591
	<b>35,099,496,227</b>	<b>27,335,435,730</b>

## 24. PRODUCTION COST BY NATURE

	2012	2011
	VND	VND
Raw materials expenses	392,518,157,056	346,592,487,334
Labour	240,276,038,210	197,276,585,488
Depreciation and amortization	20,103,117,210	10,640,491,580
Out-sourced services	117,384,370,966	75,850,463,424
Other expenses	65,357,983,638	71,950,422,371
	<b>835,639,667,080</b>	<b>702,310,450,197</b>

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## 25. BASIC EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the ordinary equity holders of the parent is based on the following data:

	Unit	2012	2011
Earnings for the purposes of calculating basic earnings per share	VND	116,353,621,631	88,687,670,125
Weighted average number of ordinary shares for the purposes of calculating basic earnings per share	Share	12,336,691	12,340,447
Basic earning per share	VND	<b>9,432</b>	<b>7,187</b>

## 26. BUSINESS AND GEOGRAPHICAL SEGMENTS

The principal activities of the Company are manufacturing and trading pharmaceutical, chemicals and medical supplies and equipment. The Company has no significant other business activities, therefore, both the financial information which presented in the statement of financial position as at 31 December 2012 and the income, expense which presented in the statement of comprehensive income for the year ended 31 December 2012 related to manufacturing and trading pharmaceutical, chemicals and medical supplies and equipment.

The Company has no business activities outside Vietnam territory, therefore, the Company has no geographical segments outside Vietnam.

## 27. OPERATING LEASE COMMITMENTS

	2012	2011
	VND	VND
Minimum lease payments recognised in the income statement for the year	5,373,487,923	3,651,084,489

At the balance sheet date, the Company had outstanding commitments under non-cancelable operating leases, which fall due as follows:

	31/12/2012	31/12/2011
	VND	VND
Within one year	4,367,087,956	3,657,017,138
In the second to fifth year inclusive	10,539,614,819	12,060,180,352
After five years	36,497,787,625	39,460,949,303
	<b>51,404,490,400</b>	<b>55,178,146,793</b>

## 28. FINANCIAL INSTRUMENTS

## Capital risk management

The Company manages its capital to ensure that the Company will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The capital structure of the Company consists of net debt (borrowings disclosed in Note 14 and Note 18, offset by cash and cash equivalents) and equity attributable to equity holders of the parent (comprising capital, reserves and retained earnings).

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**28. FINANCIAL INSTRUMENTS (CONTINUED)**
*Gearing ratio*

The gearing ratio of the Company as at the balance sheet date was as follows:

	31/12/2012	31/12/2011
	VND	VND
Borrowings	230,196,284,203	182,968,757,564
Less: Cash and cash equivalents	104,329,053,159	43,240,547,864
Net debt	125,867,231,044	139,728,209,700
Equity	450,235,926,559	399,280,111,678
Net debt to equity ratio	0.28	0.35

*Significant accounting policies*

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the bases of measurement, and the bases for recognition of income and expenses) for each class of financial asset, financial liability and equity instrument are disclosed in Note 4.

	Carrying amounts	
	31/12/2012	31/12/2011
	VND	VND
<b>Financial assets</b>		
Cash and cash equivalents	104,329,053,159	43,240,547,864
Trade and other receivables	272,935,737,055	220,660,749,544
Short term investments	1,124,297,961	715,000,000
Short term collaterals, deposits, mortgages	3,634,011,450	549,302,909
<b>Total</b>	<b>382,023,099,625</b>	<b>265,165,600,317</b>
<b>Financial liabilities</b>		
Borrowings	230,196,284,203	182,968,757,564
Trade and other payables	156,355,890,090	153,234,509,913
Accruals	6,144,935,849	2,834,910,571
<b>Total</b>	<b>392,697,110,142</b>	<b>339,038,178,048</b>

The Company has not assessed fair value of its financial assets and liabilities as at the balance date since there are no comprehensive guidance under Circular 210/2009/TT-BTC issued by the Ministry of Finance on 06 November 2009 ("Circular 210") and other relevant prevailing regulations to determine fair value of these financial assets and liabilities. While Circular 210 refers to the application of International Financial Reporting Standards ("IFRS") on presentation and disclosures of financial instruments, it did not adopt the equivalent guidance for the recognition and measurement of financial instruments, including application of fair value, in accordance with IFRS.

*Financial risk management objectives*

The Company has set up risk management system to identify and assess the risks exposed by the Company and designed control policies and procedures to manage those risks at an acceptable level. Risk management system is reviewed on a regular basis to reflect changes in market conditions and the Company's operations.

Financial risks include market risk (including foreign currency risk, interest rate risk and price risk), credit risk and liquidity risk.

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*Market risk*

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates, interest rates and prices. The Company does not hedge these risk exposures due to the lack of any market to purchase financial instruments.

*Foreign currency risk management*

The Company undertakes certain transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities at the end of the year are as follows:

	Liabilities		Assets	
	31/12/2012	31/12/2011	31/12/2012	31/12/2011
	VND	VND	VND	VND
United States Dollar	56,703,778,691	76,046,895,551	4,334,509,120	629,797,689

*Foreign currency sensitivity analysis*

The Company is mainly exposed to United States Dollar.

The following table details the Company's sensitivity to a 10% increase and decrease in Vietnam Dong against the relevant foreign currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. For a 10% increase/decrease in the following foreign currencies against Vietnam Dong, the profit before tax in the year would decrease/increase by the same amount as follows:

	31/12/2012	31/12/2011
	VND	VND
United States Dollar	5,236,926,957	7,541,709,786

*Interest rate risk management*

The Company has significant interest rate risks arising from interest bearing loans which are arranged. The risk is managed by the Company by maintaining an appropriate level of borrowings and analyzing market competition to enjoy favorable interest rates from appropriate lenders.

*Interest rate sensitivity*

The loan's sensitivity to interest rate changes which may arise at an appropriate level is presented in the following table. Assuming all other variables were held constant, if interest rates applicable to floating interest bearing loans had been 200 basis points higher/lower, the Company's profit before tax would have (decreased)/ increased as follow:

	Increase/(decrease) in basis points	Impact on profit before tax
For the year ended 31 December 2012		
VND	+200	(4,603,925,684)
VND	-200	4,603,925,684
For the year ended 31 December 2011		
VND	+200	(3,659,375,151)
VND	-200	3,659,375,151

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**28. FINANCIAL INSTRUMENTS (CONTINUED)**
*Commodity price risk management*

The Company purchases materials, commodities from local and foreign suppliers for business purpose. Therefore, the Company is exposed to the risk of changes in selling prices of materials, commodities.

*Credit risk*

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. The Company does not have any significant credit risk exposure to any counterparty because receivables consist of a large number of customers, spread across diverse industries and geographical areas.

*Liquidity risk management*

The purpose of liquidity risk management is to ensure the availability of funds to meet present and future financial obligations. Liquidity is also managed by ensuring that the excess of maturing liabilities over maturing assets in any period is kept to manageable levels relative to the amount of funds that the Company believes can generate within that period. The Company policy is to regularly monitor current and expected liquidity requirements to ensure that the Company maintains sufficient reserves of cash, borrowings and adequate committed funding from its shareholders to meet its liquidity requirements in the short and longer term.

The following table details the Company's remaining contractual maturity for its non-derivative financial assets and financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial assets and undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The table includes principal cash flows. The inclusion of information on non-derivative financial assets is necessary in order to understand the Company's liquidity risk management as the liquidity is managed on a net asset and liability basis.

	Less than 1 year	From 1- 5 years	Total
	VND	VND	VND
<b>31/12/2012</b>			
Cash and cash equivalents	104,329,053,159	-	104,329,053,159
Trade and other receivables	272,935,737,055	-	272,935,737,055
Short-term investment	1,124,297,961	-	1,124,297,961
Short term collaterals, deposits, mortgages	3,634,011,450	-	3,634,011,450
<b>Total</b>	<b>382,023,099,625</b>	<b>-</b>	<b>382,023,099,625</b>
<b>31/12/2012</b>			
Borrowings	229,456,284,203	740,000,000	230,196,284,203
Trade and other payables	155,855,890,090	500,000,000	156,355,890,090
Accrued expenses	6,144,935,849	-	6,144,935,849
<b>Total</b>	<b>391,457,110,142</b>	<b>1,240,000,000</b>	<b>392,697,110,142</b>
<b>Net liquidity gap</b>	<b>(9,434,010,517)</b>	<b>(1,240,000,000)</b>	<b>(10,674,010,517)</b>

**TRAPHACO JOINT STOCK COMPANY**

75 Yen Ninh Street, Ba Dinh District,  
Hanoi, S.R. Vietnam

**Consolidated Financial Statements**

For the year ended  
31 December 2012

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**
**FORM B 09-DN/HN**

These notes are an integral part of and should be read in conjunction with the accompanying consolidated financial statements

**28. FINANCIAL INSTRUMENTS (CONTINUED)**

	Less than 1 year	From 1- 5 years	Total
	VND	VND	VND
<b>31/12/2011</b>			
Cash and cash equivalents	43,240,547,864	-	43,240,547,864
Trade and other receivables	220,660,749,544	-	220,660,749,544
Short-term investment	715,000,000	-	715,000,000
Short term collaterals, deposits, mortgages	549,302,909	-	549,302,909
<b>Total</b>	<b>265,165,600,317</b>	<b>-</b>	<b>265,165,600,317</b>
<b>31/12/2011</b>			
Borrowings	179,106,757,564	3,862,000,000	182,968,757,564
Trade and other payables	153,234,509,913	-	153,234,509,913
Accrued expenses	2,834,910,571	-	2,834,910,571
<b>Total</b>	<b>335,176,178,048</b>	<b>3,862,000,000</b>	<b>339,038,178,048</b>
<b>Net liquidity gap</b>	<b>(70,010,577,731)</b>	<b>3,862,000,000</b>	<b>(73,872,577,731)</b>

The Board of Directors assessed the liquidity risk concentration at low level. The Board of Directors believes that the Company will be able to generate sufficient funds to meet its financial obligations as and when they fall due.

**29 RELATED PARTY TRANSACTIONS AND BALANCES**

During the year, the Company entered into the following transactions with related parties:

	2012	2011
	VND	VND
<b>Sales</b>		
Quang Tri Pharmaceuticals and Medical Equipment Joint Stock Company	8,825,447,493	5,564,128,398
<b>Dividens paid to shareholders</b>	<b>48,973,332,000</b>	<b>24,540,310,500</b>

Related party balances at the balance sheet date are as follows:

	31/12/ 2012	31/12/ 2011
	VND	VND
<b>Receivables</b>		
Quang Tri Pharmaceuticals and Medical Equipment Joint Stock Company	2,168,129,982	1,727,988,212
<b>Dividend payable to shareholders</b>	<b>714,941,328</b>	<b>599,027,328</b>

TRemuneration paid to the Company's Board of Directors during the year was as follows:

	2012	2011
	VND	VND
Salaries	1,405,848,000	1,061,001,000
Bonus and benefits in kind	1,818,719,612	1,353,342,050
	<b>3,224,567,612</b>	<b>2,414,343,050</b>

**30. COMPARATIVE FIGURES**

Comparative figures are those of Company's consolidated financial statements for the year ended 31 December 2011 audited by another auditing company, the auditors' report thereon was issued on 06 March 2012 expressing an unqualified opinion. The Board of Directors has prepared the consolidated cashflow statement for the year ended 31 December 2011 using the indirect method. The Board of Directors believes that the cash flow statement prepared under indirect method provides more comprehensive information to users of financial statements of the Company, details are as follows:

Items	Cash flow statement for the year ended 31 December 2011		
	Direct method	Reclassification	Indirect method
	VND	VND	VND
Net cash from operating activities	102,803,184,459	(24,566,575,181)	78,236,609,278
Net cash (used in) investing activities	(94,300,677,483)	24,566,575,181	(69,734,102,302)

Certain reclassifications have been made to the prior year's figures to enhance their comparability with the current year's presentation.

	Balance as at 31/12/2011 before reclassification	Reclassification	Balance as at 31/12/2011 after reclassification
	VND	VND	VND
<b>Balance sheet</b>			
Short-term loans and liabilities	154,378,941,564	24,727,816,000	179,106,757,564
Long-term loans and liabilities	28,589,816,000	(24,727,816,000)	3,862,000,000

*Thuy*

**Nguyen Ngoc Thuy**  
**Preparer**  
22 March 2013

*Dinh*

**Dinh Trung Kien**  
**Chief Accountant**



**Tran Tuc Ma**  
**General Director**

# Cebraton

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## TRAPHACO JOINT STOCK COMPANY

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