

Traphaco[®]

The way of green health

comprehensive connectedness

SUSTAINABLE DEVELOPMENT

ANNUAL REPORT

2013

TRAPHACO JOINT STOCK COMPANY

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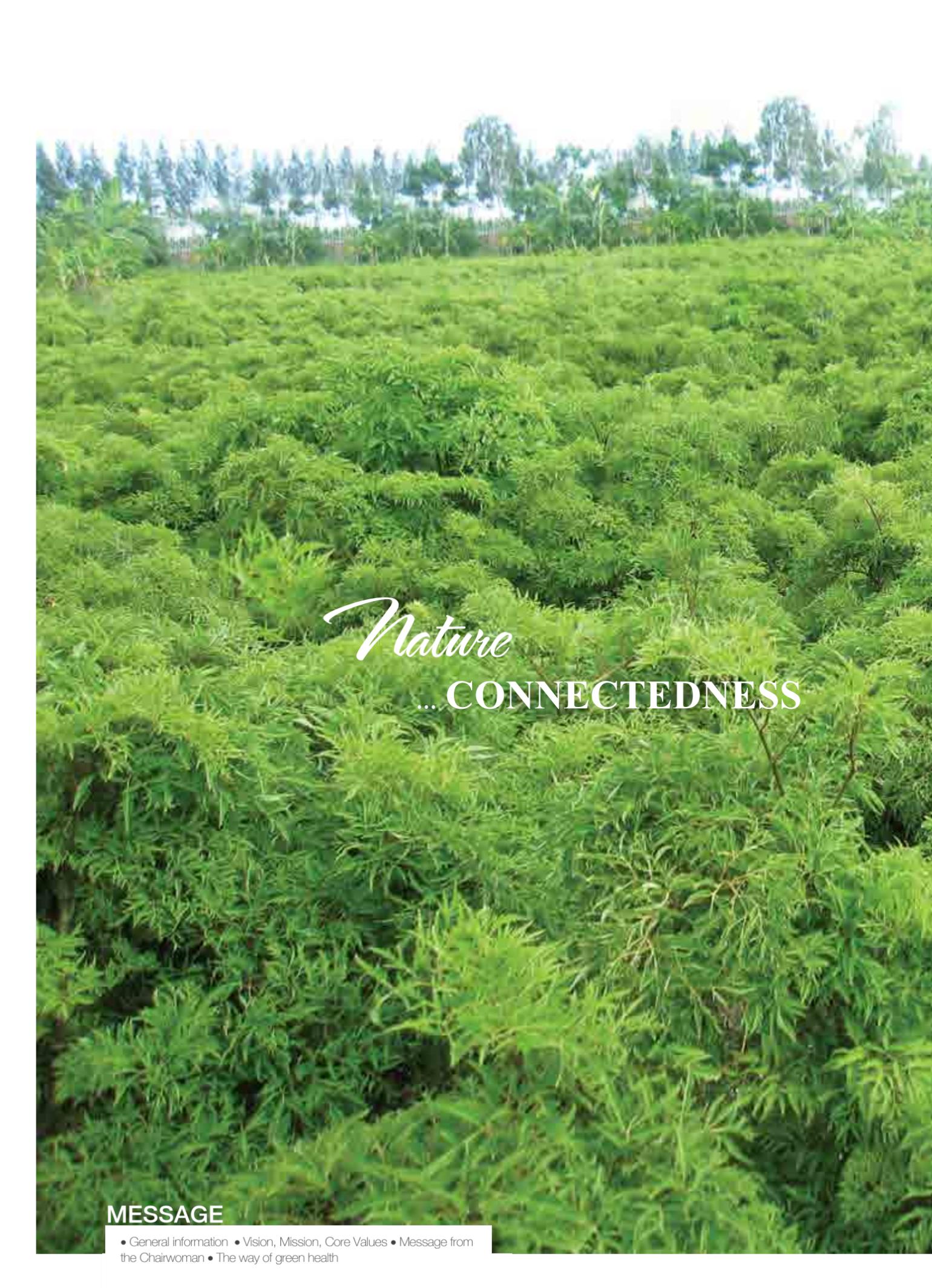
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TRAPHACO WITH THE WAY OF **GREEN HEALTH**

“Traphaco’s “the way of green health” strategy has delivered economic, environmental and social results. Throughout our journey, Traphaco is resolute with our ultimate goal of providing “green health to the community”, which is a pervasive and long term strategy that asserts the company’s development philosophy: for a green environment, for the health of the community and for the prosperity of the country.”



Nature
... CONNECTEDNESS

MESSAGE

• General information • Vision, Mission, Core Values • Message from the Chairwoman • The way of green health



through

CLEAN INGREDIENTS

GENERAL INFORMATION

COMPANY'S PROFILE

Official/International name	:	TRAPHACO JOINT STOCK COMPANY
Abbreviated name	:	Traphaco
Chartered capital	:	VND246,764,330,000
Stock symbol	:	TRA
Official address	:	75 Yen Ninh Street, Ba Dinh District, Hanoi
Telephone	:	(84-4) 3683 0751
Fax	:	(84-4) 3681 5097
Website	:	www.traphaco.com.vn

Business Registration No. 0100108656 issued first by Hanoi Department of Planning and Investment on 24 December 1999 and last updated for 19th time on 10 September 2013





SCOPE OF BUSINESS

- ❖ Producing and trading of pharmaceutical products, chemicals and medical equipments
- ❖ Purchasing, cultivating and processing pharmaceutical herbal ingredients
- ❖ 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 of products manufactured by the company.



VISION, MISSION AND CORE VALUES



VISION

By 2020, Traphaco will become a strong economic group which provides healthcare products and services with research & development capabilities to develop high-tech products from natural ingredients.

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 organized around customers' satisfaction, creates meaningful jobs and provides employees with career-advancement opportunities.

Maximizes shareholders' value 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 the foundation for development.

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

Being modern and traditional at the same time is Traphaco's uniqueness.



Maintain the No. 1 position in
the traditional medicine sector in
Vietnam,
the leading position in the pharmaceutical
sector in Vietnam.
Business successes
intertwine with social responsibilities.

MESSAGE FROM THE CHAIRWOMAN OF THE BOARD

+20.1%
REVENUE

Dear valued shareholders, customers,
investors and beloved employees

Dear readers!

During 2013, Vietnamese enterprises continued to be faced with the hardships of economic slow-down. The business community in Vietnam was struggling with a great deal of difficulties, especially deflationary inertia. However, through outstanding efforts, Traphaco still achieved its targets in 2013. Revenue reached VND1,682 billion (20.1% growth from 2012) and net profit achieved VND149 billion (28.4% growth from 2012); inventories and receivables were reduced sharply; hence working capital management was greatly improved.

Traphaco continued to be named among TOP 10 Enterprise with Social Responsibilities and for the first time was named TOP 10 Vietnam's Gold Star, also was nominated by the State to participate and subsequently won Asia – Pacific Global Performance Excellence Award.

Only during hardships can we realize the power of sustainable development, the power of social affinity and the supportive hands from all of you.

Traphaco brand continued to be recognized as the No. 1 pharmaceutical brand in Vietnam. With an epochal slogan "Traphaco – the way of green health", from clean raw materials, green/environment-friendly technology, Traphaco has produced "green" products and contributed to the development of a "green" economy.

Dear readers!

2013 was the first year that Traphaco started to see the results of its M&A activities. Investments within the value chain of the company have proved to yield superior returns and generated tangible and intangible benefits. The company's value chain has been completed with the integration of 6 subsidiaries and affiliated companies. The company has scaled up significantly both in breadth and in dept; enhanced research and development, manufacturing and product distribution capabilities.

After many years of toiling with the medicinal plants, the Green Plan project finally completed the application documents for the GACP – WHO (*Good Agricultural Collection Practices by WHO*) monographs for 4 important medicinal plants (*Artichoke, Polyscias*

fruticosa, Convolvulaceae and Molluginaceae) and submitted to the Drug Administration of the Ministry of Health. These are the main ingredients for producing the two flagship products of Traphaco: Hoat Huyet Duong Nao – Cebraton and Boganic. Controlled and proven product quality right at the raw material sourcing stage will be Traphaco's competitive edge. This result, again, highlighted Traphaco as the pioneer in applying scientific and technological advancements.

Dear readers!

Traphaco has achieved another productive year. Our strategic objectives are being fulfilled by our diligent and creative labor. On this occasion, on behalf of the Board of Directors, I sincerely thank you for your valued contribution and wish to continue our partnership in a sustainable development journey.

Dear readers!

2014 will continue to be a challenging year, which requires us to be more creative, determined and re-evaluating ourselves to overcome ourselves. Moving forward on our sustainable development journey with a transparent, fair and humane way of doing business, a trialed Traphaco will breakthrough to overcome challenges and achieve or even exceed our annual targets of VND1,860 billion in revenue and VND162 billion in net profit.

Traphaco will fully utilize the resources in 2014 to materialize the business philosophy of "Credibility – Mutual benefits and Development together".

We all can be proud of Traphaco and keep our faith in the continued success ahead because 2014 will be springboard year for the completion of the strategic targets for the 5 years period, 2011 – 2015.

We always appreciate your contributions and look forward to more cooperations and sharing from you.

Sincerely,

Hanoi, 15 January 2015



Vu Thi Thuan, MSc.
Chairwoman of The Board of Directors

THE WAY OF GREEN HEALTH

TRAPHACO WITH THE WAY OF GREEN HEALTH

With the green – clean supply of raw materials, the green – environment-friendly technology, Traphaco joint stock company is executing its “The Way of Green health” strategy, which is an epochal strategy contributing to the development of a “Green Economy”. The strategy will be a key turning point, a spectacular breakthrough for Traphaco in becoming a major economic group with a strong brand, not only in Vietnam but also in the world.

According to United Nation Environment Program (UNEP), Green Economy is the combination of 3 factors: Economic – Social – Environmental, which will provide happiness and social equity for mankind, at the same time reduces significantly environmental and ecological-crisis risks. Developing a Green Economy is a form of sustainable development. In launching the strategy “The Way of Green Health”, Traphaco sets 4 strategic development objectives:

Securing green Ingredients supply;

Applying green Technology;

Producing green Products;

Providing green Health services.

GREEN INGREDIENTS

Firstly, green ingredients are the direct results of building and developing farming areas and sustainable harvesting of medicinal plants. These will be accomplished in farming areas which meet the Guidelines for Good Agricultural and Collection Practices by World Health Organization (GACP-WHO). GACP-WHO-certified raw material production is to ensure: good quality, stable and sustainable supply of raw materials at reasonable cost, medicinal plants and bio-diversity

preservation, and environment protection. After 3 years of implementing GACP, by 2013, Traphaco has established close relationships with farmers and there have been 100 hectares of *Polyscias fruticosa* being farmed in many provinces nationwide such as Nam Dinh, Thai Binh, Phu Tho, Thai Nguyen, Ha Noi, Nghe An, Dak Nong, Dak Lak; over 50 hectares of Artichoke being farmed in: Sa Pa, Bac Ha – Lao Cai, Muong La – Son La, Sin Ho – Lai Chau; hundreds of hectares have been zoned for Molluginaceae harvest areas in Phu Yen, areas also have been zoned for farming and harvesting many other medicinal plants, such as chinese angelica root, convululaceae (bindweed), ginger, dioscorea persimilis, and fallopia multiflora. The development of farming and harvesting areas for medicinal plants not only provides stable jobs and income for farmers but also provides a stable supply of raw materials in terms of quantity and quality. The agricultural and collection processes are developed and implemented in environment-friendly ways such as using rare earth to minimize the use of inorganic fertilizers, rotational farming to eliminate the use of chemicals and pesticides, selecting the areas with clean soil and water and good irrigation conditions to ensure the supply of safe ingredients. Of the

3,000 tons of raw materials consumed by the company every year, 100% are from verifiable sources and more than 90% are sourced domestically. In addition to securing a stable supply in terms of quantity and quality, Traphaco also puts a strong emphasis on utilizing the local knowledge, experience in making medicinal products from vines and shrubs and coordinates with scientists to screen and formulate clinically effective drug forms.

Besides, the farming of medicinal plants also contributes to carbon capture and storage, reduces CO2 emissions and slows global warming.

Further more, green ingredients also imply that the company pays attention to using inputs, excipients, solvents which are environment-friendly, safe or least harmful to the environment and workers' health; and produced in energy-efficient processes. The company's commitment to join the Union for Ethical BioTrade (UEBT) exemplifies Traphaco's compatibility to socially-responsible and sustainable practices, demonstrating its core values of social responsibilities and ethics. In setting its requirements for partners in this area, Traphaco acts as a coordinator in the green ingredient supply chain.

GREEN TECHNOLOGY

At Traphaco, the application of green technology is associated with assembly lines, which are of modern technology and also environment-friendly. Traphaco pays attention to applying green technology at all stages of the production process.

Within ingredients production, the company researched and implemented environment-friendly farming/collection processes: using rare earth, microbiological and organic fertilizers, minimizing the use of inorganic fertilizers, rotational farming, employing integrated pest management to reduce the use of chemicals and pesticides, selecting farming areas with clean soil and water and good irrigation conditions to ensure the safe and effective supply of ingredients.

Within extraction and manufacturing, the company applies green technology (technology with minimum impacts on the environment) through optimizing processes to reduce energy consumption (electricity, coal) and minimizing the use of inorganic solvents. Since 2010, the application of microwave vacuum drying technology in herbal ingredient extraction has helped Traphaco reduce its electricity consumption by 18 times compared to normal drying processes. Research works done in extracting herbal ingredients also have reduced extraction time, lowered the amount of inorganic solvents used, hence not only lowering energy consumption and reducing cost but also improving product quality by optimizing the efficiency of extracting active ingredients and ensuring product safety.

In manufacturing pharmaceutical products, the company applies energy-efficient technology, reduces dust emissions, employs environment-friendly assembly lines (switching to aluminum blister packing line from PVC blister packing line); enhances environmental performance of the company through increasing packing productivity,

automation and replacement of hazardous materials

The application of green technology also goes hand in hand with human resource development. The company prioritizes trainings for its employees to enhance technological knowledge, improve ability to identify, manage and reduce imminent labor hazards to ensure safety and well-being of its employees. Traphaco develops, applies and perfects an optimal resource management system to utilize effectively and efficiently all resources, at the same time ensure health for employees so that they can produce high quality products (incorporating ISO:9001, ISO 14000 together with GPs and 5S). Green technology is not only visible within manufacturing lines but also present in the working environment with close-to-nature designs (natural air ventilation in the offices, green fences, etc.).

GREEN PRODUCTS

Traphaco puts a strong emphasis on research and development of products from herbal plants – green products. During the period from 2009 to 2013, along with hundreds of research projects at organization-level to develop medicinal products from herbal plants, Traphaco also conducted 2 State-level research projects to explore and develop the gene pool of *Dioscorea persimilis* and Coixseed and enhance the production process for the soft-capsule Cebraton; won grants from the World Bank during Vietnam Innovation Day (VID 2011) for the intensive chemical and botanical research of *Dioscorea persimilis*, a valuable medicinal plant in Vietnam; won the Vifotec 2010 award in the field of applied biotechnology for the research project “Research and develop liver-tonic and detoxication medicine Boganic from Vietnamese herbal plants”; won grants from the Department for International Development (DFID) of the U.K. through the Vietnam Business Challenge Fund (VBCF) to be disbursed from September 2013 to August 2015.

In addition to herbal medicines, job creation for the workers and farmers

in herbal plants farming/collection areas; professional health and safety of the employees are also the green products which Traphaco has always determine to maintain and promote as part of its sustainable development ethic and social equity motto.

GREEN SERVICES

Traphaco’s product launching activities are also conducted consistently with the company’s objective of providing green services. Currently Traphaco has a nationwide distribution network with 6 subsidiaries/affiliated companies and 15 branches across provinces throughout Vietnam. In 2013, the company’s total revenue reached VND1,682 billion, of which revenue from herbal products accounted for almost 80% of total revenue. For many years, Traphaco has maintained a growth rate of 20-30%, higher than the industry’s growth rate.

Traphaco’s strategy of providing green services also goes alongside with providing close-to-nature health services as well as natural products. Traphaco’s uniqueness lies in the way the company cares about informing and educating users about its natural products, in particular, and Vietnamese natural products in general in order to have a sustainably healthy living. Currently, the company is adopting a new form of selling services with the intention to ensure sustainable, stable and transparent earnings for the whole distribution network. Traphaco is also targeting the transfer of technology for manufacturing herbal medicines and exporting of natural products.

As such, Traphaco’s “the way of green health” strategy has delivered economic, environmental and social results. Throughout our journey, Traphaco is resolute with our ultimate goal of providing “green health to the community”, which is a pervasive and long term strategy that asserts the company’s development philosophy: for a green environment, for the health of the community and for the prosperity of the country.

A woman with dark hair in a ponytail, wearing safety glasses and a white lab coat over a black turtleneck, is looking to the right. In the background, another person in a lab coat is working at a lab bench. The setting is a modern laboratory with glass partitions and various equipment.

Science ... CONNECTEDNESS

INTRODUCTION OF TRAPHACO

- Establishment and development history • Notable financial results
- Chartered capital increase progression • Key events during the years
- They way of Vietnamese medicines



through
UNCOMPROMISING ETHICS

ESTABLISHMENT AND DEVELOPMENT HISTORY



28/11/1972



2000



2004



2007

- 1972** ➔ A medicine production workshop of the railway health authority was set up.
- 1993** ➔ Railway pharmaceutical factory (RAPHACO).
- 1998** ➔ Set up the manufacturing factory in Phu Thuong – First GMP-certified manufacturing in the North.
- 2000** ➔ At the founding General Shareholder Meeting, Traphaco became one of the first pharmaceutical companies to be equitized.
- 2001** ➔ Renamed Traphaco joint stock company, with diversified business objectives, to stay relevant to a new economy.
- 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 full 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 region in Da Nang, the company was granted ISO 9001-2000 by BVQI. Set up Traphaco High-Technology Joint Stock Company (Traphaco CNC).
- 2007** ➔ Successfully conducted the IPO. The IPO attracted the participations of strategic 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



2010

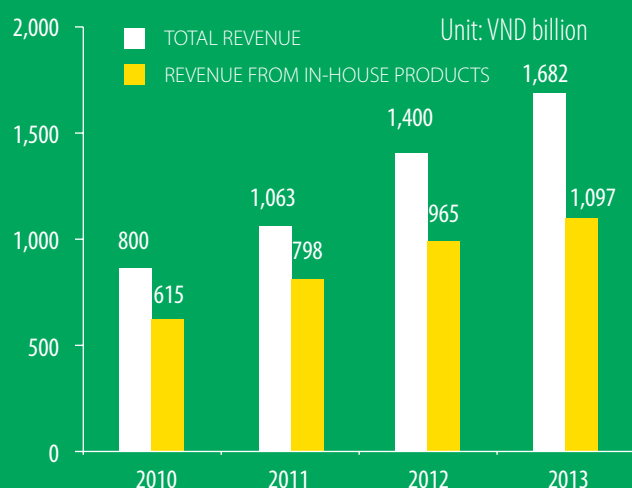
2013



- 2008** ➔ The company was granted ISO 14001-2004 by Quacert and in October was granted the 5S good practice certificate. On 26 November 2008, the company's TRA stock ticker became officially listed on the Ho Chi Minh Stock Exchange (HOSE).
- 2009** ➔ Marked the 10th anniversary of being equitized. Traphaco was recognized as the No. 1 pharmaceutical brand in Vietnam.
- Introduced Traphaco Sapa Single Member Limited Liabilities Company in Lao Cai, of which Traphaco owned 100%.
- 2010** ➔ Traphaco proudly received the Labor Hero title.
- Was the only one enterprise to receive the Wipo award from the World Intellectual Property Organization. Won 3rd prize for corporate social responsibilities to the environment.
- 2011** ➔ Traphaco proudly won the Top 10 enterprise for corporate social responsibilities award.
- Traphaco owned 50.96% of Traphaco CNC.
- 2012** ➔ Celebrated the 40th anniversary of the company, proudly received the Labor Award First Class. Acquired 51% of Dak Lak Pharmaceutical and Medical Equipments Joint Stock Company.
- 2013** ➔ Named TOP 10 Vietnam's Gold Star, TOP 10 Corporate with Social Responsibilities. Asia-Pacific's Global Performance Excellence Award. Proud sponsor of the PR campaign "The Way of Vietnamese Medicine", initiated and organized by the Drug Administration of the Ministry of Health.

NOTABLE FINANCIAL INDICATORS

Indicators	2012 Actual (VND billion)	2013 Target (VND billion)	2013 Actual (VND billion)	2013 Actual vs. Target	2013/2012 Growth
Total Net Revenue	1,400	1,800	1,682	93.4%	20.1%
Revenue from In-house Products	985	1,200	1,097	91.4%	11.3%
Revenue from Trading	323	370	281	75.9%	-12.9%
Revenue from Subsidiaries	92.5	230	304	132.1%	328.6%



1,682
BILLION
2013 TOTAL REVENUE

Revenue and Revenue from In-house Products Growth Chart



Industry Comparative Chart

CHARTERED CAPITAL INCREASE PROGRESSION

After 15 years of being a joint stock company, Traphaco has had breakthrough growths. Currently, the company's chartered capital amounts to VND246,764,330,000.

Traphaco is not only the leader in the Vietnamese traditional medicine but also the most recognized Brand, the pioneer in safe, GACP-certified ingredients sourcing to ensure sustainable development and for the health of the community

Unit: VND

Timeline of issuance	Purpose of issuance	Pre-issuance chartered capital	Capital raised	Post-issuance chartered capital
September 2006	Issuance to existing shareholders	9,900,000,000	10,100,000,000	20,000,000,000
March 2007	Bonus share issuance for employees	20,000,000,000	800,000,000	20,800,000,000
April 2007	Share dividend issuance	20,800,000,000	41,600,000,000	62,400,000,000
November 2007	Initial Public Offering, issuance to existing shareholders, and employees	62,400,000,000	17,600,000,000	80,000,000,000
December 2008	Bonus share issuance for employees	80,000,000,000	1,585,200,000	81,585,200,000
October 2009	Issuance to existing shareholders	81,585,200,000	20,396,300,000	101,981,500,000
April 2010	Issuance to existing shareholders	101,981,500,000	20,395,790,000	122,377,290,000
December 2010	Bonus share issuance for employees	122,377,290,000	1,020,950,000	123,398,240,000
September 2013	Issuance to existing shareholders	123,398,240,000	123,366,090,000	246,764,330,000

NOTABLE EVENTS IN 2013

TOP 10 VIETNAM'S GOLD STAR

Being the pioneer in the development of products from nature and always focused on investing intensively in technology advancement, Traphaco adopts the strategy "The Way of Green Health" and becomes a dedicated provider of modern yet traditional products and services, contributing to improving the quality of life. Given its outstanding efforts, Traphaco proudly received the Top 10 Vietnam's Gold Star Award in 2013.



TOP 10 CORPORATE WITH SOCIAL RESPONSIBILITIES.

The award is an acknowledgment of the relentless efforts and dedications of Traphaco's entire leadership team and employees in promoting sustainable development. It also motivates us to keep renewing ourselves, innovating our processes and being resolute with our strategy "The Way of Green Health" to contribute more and more to society.



GLOBAL PERFORMANCE EXCELLENCE AWARD (GPEA)

Traphaco is proud to be the only Vietnamese Pharmaceutical Company having been recognized globally for quality excellence. Traphaco has built our resources along our supply chain: Product research and development – Development of herbal plant farming areas – Manufacturing at factories certified with WHO Good Practices (GPs) using environment-friendly technology – Applying environment management systems ISO 14001:2004, ISO 9001:2008, 5S Kaizen tools from Japan – Building a socially responsible distribution network.



THE WAY OF VIETNAMESE MEDICINES

Traphaco – as the largest traditional medicine producer in Vietnam – is a role model in delivering Vietnamese medicines to Vietnamese consumers. Our development is based on the strategy to modernize our traditional medicines, and from the medicinal plant resources in Vietnam, research to develop new products which are unique in formulae, clinically effective, safe for consumption, highly competitive to imported medicines, and preferred by patients and doctors such as: Hoat Huyet Duong Nao – Cebraton; Boganic, Ampelop,...



GACP - WHO

By end of 2013, Traphaco completed the application documents for the GACP – WHO (Good Agricultural Collection Practices by WHO) monographs for 4 important medicinal plants (Artichoke, Polyscias fruticosa, Convolvulaceae and Molluginaceae), which are used as the main ingredients for the company's two flagship products, Hoat Huyet Duong Nao and Boganic, and submitted to the Drug Administration of the Ministry of Health. As of now, Traphaco has 93.8 hectares of herbal plant farming areas that meet GACP's standards.



CUSTOMER-CENTRIC APPROACH

The Board of Directors decided that 2014 will be a "Customer Appreciation" year

The new OTC sales policy is predicated on the win-win principle and designed to ensure that our customers, which are intermediaries (retailers and wholesalers), will benefit from selling Traphaco's products. The new sales policy was officially implemented on 1 January 2014. The new sales policy is expected to create breakthrough in business results and strengthen customers' confidence and loyalty to Traphaco.



THE WAY OF VIETNAMESE MEDICINE

Traphaco sets forth on the program

THE WAY OF VIETNAMESE MEDICINE

In supporting the campaign initiated by the Politburo of Vietnam which encourages Vietnamese to prioritize using Vietnamese products, the Ministry of Health developed and circulated the proposal “Vietnamese prefers to use Vietnamese medicines” and the PR campaign “The Way of Vietnamese Medicine” was given birth as a critical component of the proposal. Traphaco is proud to be selected as the Official Sponsor of the campaign.

In supporting the campaign initiated by the Politburo of Vietnam which encourages Vietnamese to prioritize using Vietnamese products, the Ministry of Health developed and circulated the proposal **"Vietnamese prefer using Vietnamese medicines"** and the PR campaign "The Way of Vietnamese Medicine" was given birth as a critical component of the proposal. Traphaco is proud to be selected as the Official Sponsor of the campaign.

Currently, the domestic pharmaceutical industry has made significant progress with 121 local manufacturing facilities meeting GMP's standards; many Vietnamese pharmaceutical products have been exported to regional and international markets. Many multinational pharmaceutical companies have selected domestic manufacturing facilities as their OEMs and outsourcers. However, the proportion of locally-produced medicines being consumed within the hospital system and OTC markets is not high, only 48% of





the total medicine consumption. Meanwhile, according to statistics, on average, a Vietnamese will spend about VND600,000 per annum on medicines, but over 1/2 of that is on imported medicines. Psychologically speaking, the habit of using and prescribing imported medicines has made the cost of medicines less and less affordable. But why imported medicines are so preferred by Vietnamese even when locally produced medicines are equally effective and much more affordable for most Vietnamese, especially people in poverty in rural and mountainous areas? That is a question which boggles the minds of concerned people within the pharmaceutical industry in Vietnam. The reason could be the habits of the Vietnamese people, but it may also stem from the lack of diversity of domestic medicines, and also the mentality that foreign medicines are better for the family. According to the experts, in order to solve this problem, 3 sides need to change: the doctors, the patients and the manufacturers.

The PR campaign **“The Way of Vietnamese Medicine”** was established as one important solution to help the Vietnamese pharmaceutical sector achieve sustainable development, ensure stable medicine supply that does not depend too much on foreign supply. In fact, the campaign will be an effective media channel to enhance the role and responsibility of the medicine practitioners in prescribing safe and effective use of medicine, improve the quality of healthcare and reduce the cost of treatment. Moreover, it also pushes domestic medicine manufacturers to improve the quality, cut down the price, enhance the position of the Vietnamese pharmaceutical sector locally and internationally, bring the domestic pharmaceutical products closer to the consumers, ensure the health of the people, facilitate so that pharmaceutical businesses can continue their scientific research, reinvest to improve the quality of the products and create high quality products to replace imported medicines.

“The Way of Vietnamese Medicine” campaign and the “Vietnamese Medicine Star” Competition will become one of the important criteria to assess the quality of Vietnamese medicines, raising the awareness of all different types of consumers so that they have the right knowledge about the capabilities of Vietnamese pharmaceutical brands in producing and commercializing medicines, the quality of Vietnamese

medicines, encourage the people to use Vietnamese medicines, guide and build the people’s confidence in Vietnamese medicine regarding its value, effectiveness and affordability in comparison to imported medicine.

Proud to support **“The Way of Vietnamese Medicine”** campaign, Traphaco- with its position as Vietnam’s biggest traditional pharmaceutical manufacturing business – is a model in bringing Vietnamese medicines closer to the people. The company develops under a strategy of modernizing the traditional medical sector, doing research to create new products from Vietnamese medicinal resource, with unique formulae, highly effective, safe for the users, highly competitive to the imported products, recommended by patients and doctors, such as: Hoat Huyet, Cebraton, Boganic, Ampelop, etc

With the Green Health Path Strategy, Traphaco has utilized the advantages of the Vietnamese biodiversity and the rich traditional medicinal heritage to develop pharmaceutical products. Traphaco built its resources according to the following value chain: Research - Develop areas to plant clean, GACP-WHO-certified ingredients – Produce at the factory using GPS-WHO practices with environment-friendly technology – Apply environmental management systems ISO 14001:2004, ISO 9001:2008, managing tools 5S Kaizen from Japan. Professional distributing systems highly attached to social responsibilities actively introduce Vietnamese medicinal products to all kinds of customers.

This strategy does not only gear towards Traphaco’s sustainable development, create comparative advantages in the domestic and international markets, but also generates jobs for thousands of workers, especially from mountainous and rural areas; acquire and utilize local knowledge, experience in making medicines from vines and shrubs, collaborate with scientists to screen and come up with clinically effective formulae.

Being chosen as the official sponsor of the PR campaign **“The Way of Vietnamese Medicine”**, Traphaco actively participates in PR campaign activities so that the Vietnamese people, Vietnamese doctors understand and trust Vietnamese medicine in health care and treatment, a bridge that brings Vietnamese medicine closer to the Vietnamese people.



Customers
... **CONNECTEDNESS**



REPORTS BY LEADERSHIP TEAM

- Report of the Board of Directors
- General market conditions
- Prospects and development directions
- Risk management
- Report by the Supervisory Board
- Report by the Management Team

REPORT OF THE BOARD OF DIRECTORS

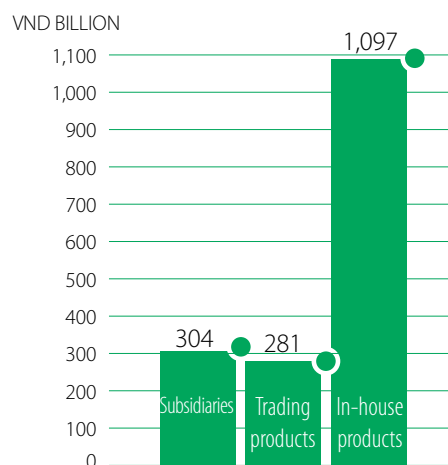


REPORT ON BUSINESS ACTIVITIES AND RESULTS IN 2013

REPORT ON BUSINESS ACTIVITIES AND RESULTS

2013 continued to be a difficult and turbulent year for the economy of Vietnam. Through the united efforts of the Board of Directors, the management team and the entire staffs of Traphaco, with 41 years tradition of overcoming hardships and relentless development, building upon the successes of 2012, Traphaco has achieved the key objectives and exceeded several targets.

1,097
VND BILLION
REVENUE FROM IN-HOUSE PRODUCTS



Revenue breakdown by product mix Chart

Specifically:

No.	Approved Target	Actual	Actual vs. Target	Growth from 2012
1	Total revenue VND 1,800 billion	VND 1,682 billion	93.4%	20.1%
	- In-house products: VND 1,200 billion	VND 1,097 billion	91.4%	11.3%
	- Trading products: VND 370 billion	VND281 billion	75.9%	-12.9%
	- Revenue from subsidiaries: VND230 billion	VND304 billion	132.1%	328.6%
2	Net Profit After Tax: VND147 billion	VND149 billion	101.3 %	28.4 %
3	Average employee's income increased by 10% compared to 2012	Average employee's income increased by 10% compared to 2012.		
4	Evaluate the possibility of increasing the number of Board of Directors to be more in line with the expanded scale of the company	Sought shareholders' approval through sending letters and won approval from the General Shareholders to add 2 more members to the Board of Directors.		
5	Capital investment plan for 2013: The total approved investment amount was VND123 billion for the following activities: - Investment in Hoang Liet Factory - Continued investment in the distribution network - Capital investment for the Pharmaceutical Manufacturing Facility in Vietnam - Other investments	Total actual investment in 2013: VND60.6 billion, including: - Investment in Hoang Liet factory: VND11.3 billion - Investment in the distribution network: VND32.3 billion + Acquisition of a majority stake in Thai Nguyen Pharmaceuticals and Medical Equipments Jsc: VND16.5 billion + Increased ownership at Dak Lak Pharmaceuticals and Medical Equipments Jsc.: VND4.4 billion. + Other investments in the network: VND11.4 billion. - The project to build the "Pharmaceutical Manufacturing Facility in Vietnam": + Land clearance: VND4.2 billion + Land leveling, fencing: VND7.8 billion - Other investments: VND5 billion.		
6	Distribution of net profit	Completed 2 dividend advanced payments for 2013 with total amount of 20% of chartered capital (the 1st advance was in December 2013, the 2nd advance was in March 2014).		
7	Acquiring stakes in provincial pharmaceutical companies.	Completed the acquisition of a 49% stake in Thai Nguyen Pharmaceuticals and Medical Equipments JSC. Increased ownership at Dak Lak Pharmaceuticals and Medical Equipments JSC from 51% to 58%.		
8	Compensation for members of the Board of Directors and Board of Supervisory	To complete as according to Annual Shareholder Meeting's resolutions.		



PRODUCTION MANAGEMENT

Our factories fully comply with GMP's standards and procedures.

Rationalized the utilization of factories, equipments, labor, materials and energy consumption while ensuring product quality and outputs with the intention to increase productivity, lower cost and contribute to increased efficiency and effectiveness of the whole company's business activities.

HOANG LIET FACTORY

Reorganized the activities of the mechanic and electrician teams to ensure effective support to production and increased productivity.

Invested over VND10 billion to add more microbial monitoring devices in the production lines of eye drops and nasal sprays, increased capacity for the soft-capsule production line.

THE FACTORY AT TRAPHACO CNC

Reorganized the production workshops to be more in line with the overall activities of the company with the intention to achieve production efficiency. Set up the tablet workshop, the packaging workshop and built the infrastructure for the production of drinking tubes. Completed and received transfer of coating workshop, drinking tube working shop and quickly put them into operation.

Invested in the equipments to upgrade the production line: Installed a new spray dryer and a microwave vacuum dryer.

TRAPHACO SAPA

Expanded the farming area of Artichokes by 30 ha to bring the total farming area of Artichokes to 50 ha, maintained GACP-complied farming processes.

QUALITY CONTROL

Maintained full compliance activities to quality management systems such as GPs (GMP WHO, GSP, GLP, GDP), ISO 9001:2008 standards, ISO 14001:2004 and 5S KAIZEN of Japan.

The company has submitted applications and in the process of seeking approval for GACP certifications for the farming areas of main ingredients for Traphaco's flagship products.

FINANCIAL INVESTMENT ACTIVITIES

Increased chartered capital

Executed the Resolution numbered 25/2013/NQ – DHCD dated 29 March 2013 approved by the General Shareholder Meeting to increase the issuance of new shares to increase the company's chartered capital. As of 26 September 2013, the company has successfully completed the share issuance and increased its chartered capital from VND123,398,240,000 to VND246,764,330,000.

Deployed capital to increase the chartered capital of Traphaco Sapa Single Member Limited Liabilities Company in November 2013 (Decision numbered 57/NQ).

Invested more capital to increase ownership at subsidiaries and affiliated companies.

Ownership at Dak Lak Pharmaceuticals and Medical Equipments (DBM) Joint Stock Company increased from 51% to 58%. Since 22 August 2013, Traphaco completed the transaction to acquire another 93,378 shares and increased its ownership at DBM to 58%.

Thai Nguyen Pharmaceuticals and Medical Equipments Joint Stock Company: Since 28 June 2013, Traphaco owns 49% of Thai Nguyen Pharmaceuticals, equivalent to 21,182 shares.

In addition, Traphaco developed the plan to increase its ownership at Traphaco CNC, according to proposal numbered 67/TT-HDQT dated 04 December 2013, based on the consulting results of VnDirect Securities and Bao Viet Securities. The Board of Directors conducted seeking opinions general shareholders through sending letters; however the proposal was not approved (Vote counting minutes dated 30 December 2013).

Invested in the construction of the new factory under TRAPHACO Hung Yen Single Member Limited Liabilities Company

The Board of Directors approved the land clearance plan to clear 50,077m² at the project to construct TRAPHACO Hung Yen with total cost of VND28 billion. During 2013, Traphaco completed the following activities:

* Completed phase 1 of land handover with total area of 22,916m² and completed phase 1 of land leveling and fencing for the handed-over area in May 2013.



* Signed a contract to hire a qualified architect firm to design the factory. The company is proactively finalizing the design proposal according to the 2011 Annual Shareholder Meeting's resolution.

Completed the construction of the new warehouse at Ho Chi Minh City branch with a total cost of VND1.9 billion. Completed obtaining the ownership certificate (pink booklet) for the office of Ho Chi Minh City branch.

Purchased a real estate property for Dong Nai branch: VND2.8 billion.

Developed and planned production for 07 products. Developed marketing plans to launch 03 products, managed other 11 products in the new product category.

EXPANSION OF THE DISTRIBUTION NETWORK

Stabilized the organization structure and set clear directions for distribution subsidiaries and affiliated companies: Dak Lak, Quang Tri, Thai Nguyen. Traphaco appointed representatives to join the Boards of Directors and management teams of these companies and our representatives are charged with pushing the selling of Traphaco's products in their respective areas.

Thai Nguyen: Traphaco's representative serves as Chairman of The Board and the company's authorized legal representative.

Reform the sales policy to be more compatible with the company's expanding scale: With the intention to set up the foundation for the company's next phase of development in the coming years and catalyze sustainable revenue and net profit

growth as well as further enhancing our competitiveness, Traphaco boldly developed a new OTC sales policy which is based on the win-win principle and designed to ensure our customers (retailers and wholesalers) are incentivized to aggressively sell Traphaco's products. The new sales policy officially started to be implemented on 01 January 2014.

BRAND BUILDING AND CORPORATE CULTURE

Preserve, strengthen and promote our brand

Maintained the recognition "The strongest pharmaceutical brand in Vietnam". In 2013, Traphaco strived to win reputable and prestigious awards, not only in Vietnam but also internationally:

*Asia – Pacific Global Performance Excellence Award (Traphaco was one of the two Vietnamese companies receiving this award for product quality).

* TOP 10 Vietnam Gold Star for 2013.

*TOP 10 Distinguished Corporate with Social Responsibility

* Voted by Forbes as one of the best 50 listed companies in Vietnam (Traphaco was ranked 20).

* TOP 50 Best Annual Reports.

Directly promoted our brand to end-consumers through health consultation activities at Elderly Associations and Women Unions, to doctors and pharmacists through seminars and conferences at medicine practitioner association, hospitals and treatment facilities. Within 2013, we organized 347 seminars and conferences nationwide with different discussion topics.

Corporate Culture

Organized training events and implemented corporate culture building activities throughout internal activities around our core values: "Cooperations, sharings, commitments and honoring commitments", launched an internal campaign "Eliminating waste for the development of the enterprise and the benefits of the employees" in order to motivate the entire staffs make the most out of market opportunities.

Strongly encouraged the activities of political and social organizations within the company. Ensured salary and jobs for our workers. The entire staffs are united with the leadership team to overcome challenges and achieve targets.

INVESTOR RELATION

Strictly complied with required procedures of government authorities: State Securities Commission, Ho Chi Minh Stock Exchange, Vietnam Securities Depository to accommodate shareholders register their shares for transactions in the stock exchange in a timely manner.

Completed all procedures for the share issuance and dividend payments to existing shareholders.

The company proactively and openly met with many institutional investors, provided sufficient information to welcome the interest of investors in Traphaco; disclosed information accurately, authentically and in a timely manner, contributing to building TRA into a very reputable stock in the exchange. Actively engaged in dialogues at forums, investment newspapers and investor conferences.

ASSESSMENT ON THE ACTIVITIES OF THE BOARD OF DIRECTORS AND MANAGEMENT TEAM IN 2013

ACTIVITIES OF THE BOARD OF DIRECTORS

The Board of Directors maintained a meeting schedule of once a month and held extra-ordinary meetings when issues arose. Members of the Board are assigned with clear accountabilities. In 2013, the Board of Directors had 9 meetings. In executing the resolutions of the Annual Shareholder Meeting, the Board sought shareholders' opinion via sending letters on 02 proposals:

💎 Proposal to increase the ownership of Traphaco at Traphaco CNC to at least 90%.

💎 Proposal to add 02 members to the Board of Directors.

Outcomes: General shareholders approved one proposal: Add 02 members to the Board of Directors and delegate the Board to select candidates for appointments. The proposal to increase ownership at Traphaco CNC did not get the sufficient approval

ORGANIZATION STRENGTHENING ACTIVITIES

The Board reviewed and approved the appointments to

REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

In 2013, Traphaco's M&A activities yielded initial results. Total revenue contributed by subsidiaries and affiliated companies increased by 328.6% compared to 2012.

the following positions: branch director in Hai Duong, branch director in Gia Lai and Director of Sales.

The Board also decided to set up the Risk Management Department.

Appointed Traphaco's authorized representative at Thai Nguyen Pharmaceuticals.

In executing the Resolution of the General Shareholders Meeting numbered 72/NQ-HĐQT and dated 31 December 2013, the Board appointed 01 new member to the Board, effective 07 March 2014, as follows:

◆ Name: Tran Manh Huu

◆ Year of birth: 1978

◆ Qualifications: Bachelor of Finance and Credits.

◆ Current position: Deputy Head of Risk Management Department, State Capital Investment Corporation.

Assessment on the activities of the Board of Management:

Net Profit

It is an outstanding effort of Traphaco in 2013 to achieve 28.4% growth compared to 2012 and exceed target by 1.36% (VND149 billion/VND147 billion).

The net profit was achieved based on the results of many completed activities: Reduced inventories through monthly inventory planning and producing to orders by sales. In addition, interest expenses in 2013 lowered significantly as compared to 2012 since the company had a very strong financial standing, collection of receivables also had positive developments. During the last year, the company also launched an internal campaign "Eliminate waste for the development of the enterprise and the benefits of the employees". This is a very practical action plan with 03 objectives: eliminate waste of time, eliminate waste of opportunities and eliminate waste of resources. The campaign contributed to the achieving of the net profit.

Sales and receivable collection activities

In 2013, the company prioritized the collection of receivables, especially in the OTC market where there were significant bad debt risks. Total cash collected was VND1,533 billion, exceeding sales (unconsolidated sales) by VND155 billion. Receivable collection activities maximized the company's business activities. However, given the fact that many customers have a die-hard habit of buying on credits, disciplined collection of receivables also had a negative impact on revenue. Revenue of the company in 2013 only achieved 93.4% of target but still grew by 20.1% compared to 2012. In relation to the 15-16% average growth rate of the pharmaceutical industry (BMI's forecast), Traphaco's growth rate of 20.1% was still impressive.



GENERAL MARKET CONDITIONS OF 2014

Many forecasts indicate that the general economy will start to pick up in 2014. However, judging from fundamental realities of the economy, quite a few experts remain concerned that the stagnation is likely to prolong. In addition, the unsolved bad debt problem will still be threatening the stability of the macro economy. For Traphaco, there are favourable factors and challenges as follows:

Favorable factors

- ◆ The company's brand and products are highly recognized and preferred by consumers.
- ◆ The quality of our products continued to be improved through intensive investment in research and development, development of GACP-WHO-complied farming areas of herbal plants, thus further enhancing the credibility and reliability of our products to consumers and customers.
- ◆ The company is in a very strong financial position.

- ◆ There are good collaborations between the company, our partners and institutional shareholders.

Challenges

- ◆ The requirements for pharmaceutical procurement and tendering at hospitals do not give preferred treatments to companies with strong brands. Pharmaceutical products successfully sold to hospitals are majorly of lower prices. For Traphaco, selling in the ETC or hospital systems is very challenging.
- ◆ Changes in the OTC sales policy will incur additional monitoring expenses at the beginning and also will take time for customers to adapt, therefore, revenue and profit in the first months of 2014 will decline in comparison to the same period in 2013.
- ◆ Our competitors focus their spending on marketing, particularly advertisings, as a result, consumers will be bombarded with mixed information.

Changes in the OTC sales policy will incur additional monitoring expenses at the beginning and also will take time for customers to adapt, therefore, revenue and profit in the first months of 2014 will decline in comparison to the same period in 2013.



PROSPECTS AND DEVELOPMENT DIRECTIONS IN 2014

OBJECTIVES

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

SPECIFIC TARGETS

Total revenue	: VND1,860 billion (excl. VAT), 10.5% growth from 2013
In which:	
◆ Revenue from in-house manufactured products and exclusive distribution	: VND1,280 billion (16.7% growth from 2013)
◆ Revenue from trading activities	: VND320 billion
◆ Revenue from subsidiaries	: VND260 billion
Net profit after tax	: VND162 billion, growth of 8.7% from 2013.
Average employee's income	: Increase by 10%, ensure sufficient employment for the workers.
Successfully implemented the new sales policy as planned	

FINANCIAL INVESTMENT AND MANAGEMENT ACTIVITIES

Enhance risk management and proactively collect receivables.

Develop working guidelines for official representatives at subsidiaries and affiliated companies.

Reevaluate the possibilities and proposals to increase ownership at Traphaco CNC and Thai Nguyen Pharmaceuticals.

Further improve working capital management, reduce financial expenses, ensure financial safety and increase return on investments

PROJECT TRAPHACO HUNG YEN SINGLE MEMBER LIMITED LIABILITIES COMPANY

Continue land compensation and clearance, complete relevant paperworks with the People Committee's of Hung Yen, Department of Investments and Planning and Department of Environment and Resources to complete hand-over of the remaining areas within the project at Van Lam – Hung Yen.

Expedite the factory design, start the construction of the infrastructure and the office, complete 01 production line and purchase necessary equipments to launch operation.

Estimated capital investment for the project in 2014 is VND70 billion.

RESEARCH AND DEVELOPMENT OF NEW PRODUCTS

Launch production and marketing at least 5 new products. Revenue from new products reached VND79 billion.

Continue the implementation of GreenPlan Project: Obtain GACP certifications, continue expanding the GACP-certified farming areas.

Research on the technology and pharmaceutical industry's development trends to set directions for the construction of the new factory, research and develop specific products suitable for the new factory.

EXPANSION OF THE DISTRIBUTION NETWORK

♥ Maintain the effective operation of the existing 15 branches.

♥ Regarding the distribution subsidiaries and affiliated companies: Enhance management and control to maximize the resources of the regional distribution network in selling Traphaco's products in their respective regions.

♥ Provide training for the sales team. Thoroughly and disciplinedly implement the new OTC sales policy across the North, the Central and the South.

♥ Continue to upgrade the human resources, infrastructure and necessary equipments of the distribution network to further enhance the effective operation of the network.

♥ Develop sales solutions for ETC (hospital system) market.

BRAND BUILDING AND CORPORATE CULTURE

Continue to promote and strengthen the brand, maintain and preserve the recognition "The Strongest Pharmaceutical Brand in Vietnam".

Focus on implementing the overarching strategy "Traphaco – The way of Green Health"

Further improve IR activities to enhance the value of TRA stock.

Build up on Traphaco's corporate culture: Cooperations, sharings, commitments and honoring commitments. Organize events and programs around the company's slogan for 2014: "Customer Appreciation".

STRENGTHEN GOVERNANCE ACTIVITIES OF THE BOARD OF DIRECTORS

Through enhanced activities of the Board of Directors and sub-committees within the Board of Directors.

Strictly follow the working guidelines between the Board of Directors and the management team, between the Board of Directors and the Supervisory Board.

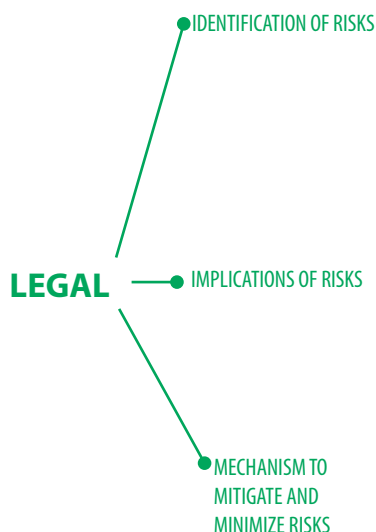
Strictly comply with requirements and procedures of the State Securities Commission regarding information disclosure and continue to be a profitable and fully-compliant enterprise.

RISK MANAGEMENT

With the intention to manage risk effectively, the Board of Directors issued the decision numbered 45/QĐ-HĐQT dated 01 August 2013 to authorize the formation of the Risk Management Department.



RISK MANAGEMENT



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.

With the intention to manage risk effectively, the Board of Directors issued the decision numbered 45/QĐ-HĐQT dated 01 August 2013 to authorize the formation of the Risk Management Department.

Starting in 2014, Traphaco hires a law firm to provide regular legal consultation services to the company, including monthly update on latest legal documents and circulations, as well as coordinating with the Risk Management department to regularly review industry-specific stipulations as well as the company's legal contracts and documents related to business activities.



MACROECONOMIC

IDENTIFICATION OF RISKS

In 2013, many achievements were reported within the economy of Vietnam, particularly in stabilizing the macroeconomic conditions, containing inflation and shifting the economic structure in the right directions. However, many issues remain unresolved, especially no recorded drastic movement in the restructuring of the economy, the speed of industrialization is slow, low productivity, high input costs...which stay as threats to the long term economic growth.

Nonetheless, 2014 is when many business and cooperation opportunities for Vietnam are expected to open up, most notably the Trans-Pacific Partnership (TPP). Not only with TPP, Vietnam is also making progress in the negotiation processes of many other trade agreements and partnerships such as ASEAN Economic Community (AEC), Free Trade Agreement with the European Union or the Regional Comprehensive Economic Partnership (RCEP), which will serve as new growth drivers for the economy.

Two other risks, which are inflation and bad debts in the banking system, will continue to be imminent in 2014.

Overall, the global economy shows strong signs of recovery. The Japanese market is turning around positively as the result of many stimulus measures by Prime Minister Abe, the U.S stock markets keep setting new records because of optimistic signals from the economy, while in Eurozone growth resumes for the first time after more than one year of recession.

IMPLICATIONS OF RISKS

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 price control mechanism applied by the State 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, 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.

MECHANISMS TO MITIGATE AND MINIMIZE RISKS

Relevant departments within Traphaco 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 receivables days.

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.

The stock market indices are considered as the barometers of the economy. Vn-Index has had strong rallies in the first month of 2014, being catalyzed by fundamental growths of leading companies. In order to avoid missing out on the opportunities when the economy recovers, Traphaco has selected 2014 as the "Customer-appreciation" year. Internally, each department is another's customer, the whole company utilizes fully the resources to share the benefits, ensure win-win, make commitments and honor commitments with customers.

RISK MANAGEMENT (CONTINUED)



RAW MATERIALS

IDENTIFICATION OF RISKS

The supply and prices of the company's raw material inputs (including main raw materials, adjuvants, 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 are fierce competitions 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.

IMPLICATIONS OF RISKS

Since the prices of the company's products are under strict control by the drug 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.

MECHANISM TO MITIGATE AND MINIMIZE RISKS

Traphaco actively negotiates with suppliers regarding prices and signs long-term contracts for domestic raw materials supplies, 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.

Traphaco completed the application documents for the GACP – WHO (Good Agricultural Collection Practices by WHO) monographs for 4 medicinal plants (Artichoke, *Polyscias fruticosa*, *Convolvulaceae* and *Molluginaceae*) and submitted to the Drug Administration of the Ministry of Health. Currently, the company is developing 90ha GACP-WHO-certified farming areas in the North for 9 herbal plants Artichoke, *Convolvulaceae*, *Polyscias fruticosa*, *Dioscorea persimilis*, *Chrysanthemum*, Ginger, *Rhizoma Rehmaniae*, Chinese angelica root, *Fallopia multiflora* and 500ha GACP-WHO- certified collection areas of *Molluginaceae* in the Central region.

COMPETITION AND COUNTERFEITED PRODUCTS

IDENTIFICATION OF RISKS

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

A number of Traphaco's products are easily to be counterfeited.

IMPLICATIONS OF RISKS

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

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

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

MECHANISM TO MITIGATE AND MINIMIZE RISKS

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. In 2013, the company set up a new branch in Hai Duong and owns 50% ownership of Dak Lak Pharmaceuticals and Medical Equipments, 43% ownership of Quang Tri Pharmaceuticals and Medical Equipments, 49% of Thai Nguyen Pharmaceuticals and Medical Equipments. As such Traphaco has a distribution network of 15 branches and 6 subsidiaries and affiliated companies.

The Traphaco brand has always been the focal point of PR and marketing campaigns, keeping its credibility to customers and maintaining recognitions and 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

IDENTIFICATION OF RISKS

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.

IMPLICATIONS OF RISKS

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.

MECHANISM TO MITIGATE AND MINIMIZE RISKS

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.

The new OTC sales policy implemented since the beginning of 2014 is the clear example of how Traphaco manages its working capital in general and receivables in particular.

REPORT BY THE SUPERVISORY BOARD

Dear Valued Shareholders of Traphaco Joint Stock Company

In accordance to:

- Enterprise Law No. 60/2005/QH11, approved by the National Assembly of the Socialist Republic of Vietnam on 29 November 2005;
- Charter of TRAPHACO joint stock company;
- Governance guidelines of TRAPHACO joint stock company;
- Resolutions of TRAPHACO's Annual Shareholders Meeting, held on 29 March 2013;
- Guidelines and Working Agenda of the Supervisory Board in 2013.

The Supervisory Board would like to report our 2013 activities as follows:

ACTIVITIES OF THE SUPERVISORY BOARD

For the term 2011-2016, the Supervisory Board includes 03 members, in November 2013, 01 member resigned (reason: terminated employment at SCIC), the remaining members convened and decided not to fill the vacant position until the nearest Annual Shareholder Meeting.

In 2013, the Supervisory Board carried out the tasks within its accountabilities related to the examining and monitoring of business operation and management, execution of the 2013 Annual Shareholder Meeting's resolutions, the fulfillments of 2013



business objectives by the Board of Directors and the Board of Management. We examined the reasonableness and legality of all business operations of the company in the past year, reviewed the report on business performance by the Board of Directors to be submitted at the Annual Shareholder Meeting.

In the functions of the Supervisory Board, we also reviewed the consolidated financial statements, the quarterly and 2013 financial reports of the parent company after they have been audited by Deloitte Limited Liabilities Company. Based on the audited reports, we formed our independent opinions on the financial statements.

In examining the reasonableness and legality of all business operations of the company, we worked closely with the Board of Management to study, examine the existing practices, the compliance of related departments and the operation of different functions in the company.

The tasks performed include

Supervised the fulfillment of the 2013 Annual Shareholder Meeting's resolutions with regard to dividend payments, completing investment projects and achieving of business targets.

Reviewed the procedures at the sales department, the planning department, the export-import department and the finance department.

Coordinated with the sales and accounting department to conduct site-visits at branches;

Examined the data records, discussed and interviewed senior management team members, discussed with

the auditing company;

Supervised and assessed the effectiveness of the inventory management policy in order to keep improving working capital and cash flow management. Introduced consultants and applicable best practices in working capital management;

Examined the compliance to the company's guidelines and charter in normal business activities. Reviewed internal guidelines, Enterprise Law to assess the appropriateness of the company's governance guidelines for a public company;

Supported and provided consultation to the Risk Management Department.

In addition, we also had the following working sessions:

Supervisory Board meetings: 06;

Participated fully in all Board of Directors meetings: 09

Worked with and interviewed different function: Office of the General Director, branches, sales department, human resource department, planning department, accounting department, risk management department, the auditing firm: 12

FINDINGS BY THE SUPERVISORY BOARD ON THE COMPANY'S BUSINESS ACTIVITIES AND FINANCIAL HEALTH

Business Results

Key indicators

UNIT: VND BILLION

No.	Approved Target	2013 Target	2013 Actual	Actual vs. Target	Growth from 2012
	Total consolidated revenue	1,800	1,682	93.4%	+20.1%
1	Traphaco's total revenue	1,570	1,378	87.8%	+5.7%
	<i>In-house products</i>	1,200	1,097	91.4%	+11.3%
	<i>Revenue from trading activities and services</i>	370	281	75.9%	-12.9%
2	Consolidated Net Profit After Tax	147	149	101.3%	+28.4%
3	Average employee income	10%	Ensured full-time employment for employees		
4	Payments to State's budget	Fully complied with tax and other obligations to the State			



REPORT BY THE SUPERVISORY BOARD (CONTINUED)



Notable results in 2013

- ✔ Increased chartered capital.
- ✔ Achieved the net profit target.
- ✔ Subsidiaries and affiliated companies achieved net profit target
- ✔ Increased ownership at Dak Lak Pharmaceuticals and Medical Equipments to 58% of chartered capital.
- ✔ Added 01 affiliated company: Acquired 49% ownership of Thai Nguyen Pharmaceuticals and Medical Equipments.
- ✔ Project The pharmaceutical factory in Vietnam in Van Lam: Completed hand-over of 36,020m², completed leveling and fencing of the handed-over areas.
- ✔ Set up 01 new branch: Hai Duong branch.
- ✔ Significant improvement in receivable and inventory management: Reduced the working capital days from 135 days in 2012 to 107 days in 2013, as a result, saved VND12.4 billion in financial expense.
- ✔ Developed and applied working guidelines and procedures between Traphaco and Traphaco CNC.
- ✔ Set up the Risk Management Department with clear accountabilities.

Unfulfilled objectives of 2013

- ✔ Revenue target: Revenue was behind target, although still grew by 20.1% compared to 2012.
- ✔ Increase ownership at Traphaco CNC to least 90%: conducted seeking shareholders' approval via sending letters but unsuccessful.

Financial activities

After reviewing and examining, the Supervisory Board agreed with the audited 2013 consolidated financial statements and financial statements of the parent company by Deloitte Limited Liabilities Company. The financial statements for the period ended 31 December 2013, the half year and quarter

financial reports in 2013 present reasonably and accurately all key aspects of the financial position, business activities and cash flow activities of the company.

The company fully complied with accounting standards and regulations as well as existing financial management, accounting and tax requirements in their accounting and financial reporting activities. The financial reports in 2013 were completed accurately and in a timely manner.

FINDINGS OF THE SUPERVISORY BOARD ON THE ACTIVITIES OF MEMBERS OF THE BOARD OF DIRECTORS AND MANAGEMENT TEAM

The Supervisory Board supervised and examined the conducting of 01 Annual Shareholder Meeting, 02 Shareholder Meeting via sending letters by the Board of Directors, which were transparent, clear and fully complied with legal requirements for public companies.

The Supervisory Board participated in all regular and extraordinary meetings of the Board of Directors to get updated on Traphaco's business performance and contribute inputs to the Board of Directors and management team in fulfilling the objectives approved by the General Shareholders at the Annual Meeting in March 2013.

The Supervisory Board reviewed the compliance of the Board of Directors, the management team in their decision making process, investment activities... to the State's regulations, the company's charter, the guidelines of the Board of Directors, the company's guidelines, the Supervisory Board did not find any violation of laws or violation of the company's charter and relevant guidelines by members of the Board of Directors, management team members.

The members of the Board of Directors participated fully in all Board meetings, actively engaged in discussions and contributed inputs to arrive at mutually-aligned directions for the business activities of the company.

The reporting and information disclosure activities were fully complied with regulations as well.



ASSESSMENTS OF COORDINATION BETWEEN SUPERVISORY BOARD WITH THE BOARD OF DIRECTORS, MANAGEMENT TEAM AND SHAREHOLDERS

- ♥ In 2013, the Board of Directors and management team coordinated closely with, provided sufficient information and accommodated the Supervisory Board in fulfilling our duties.
- ♥ In 2013, there was no request from the General Shareholders, group of shareholders or shareholder(s) in regard to clause 2, article 79 of Enterprise Law for the Supervisory to examine any particular issue in management activities and operation of the company.

OPERATING BUDGET FOR THE SUPERVISORY BOARD

Compensation and operating budget for the Supervisory Board in 2013 was allocated and disbursed according to the Resolution of the Annual Shareholder Meeting dated 29 March 2013.

RECOMMENDATIONS

- ♥ The Supervisory Board recommends to General Shareholder to select one of the Big4 auditing firms to be the auditor for the fiscal year ended 31 December 2014.
- ♥ The Supervisory Board also recommends the company to continue developing the Guideline for Representatives at subsidiaries and affiliated companies.
- ♥ The management team and the accounting department coordinate with subsidiaries to do necessary preparations for having monthly consolidated financial reports in the near future.
- ♥ The Supervisory Board proposes to continue upgrading/updating the accounting and sale management software, develop a timeline and action plan to synchronize the resource management software within the whole company and proceed to install an ERP system.
- ♥ The Supervisory Board requests the General Shareholder to appoint 01 member to the Supervisory Board.

The Supervisory Board would like to sincerely thank the Board of Directors, the management team and different departments within the company for your cooperation and accommodation during 2013 so that we can fulfill our accountabilities.

We appreciate the confidence and support of the shareholders within 2013 and in the coming future.

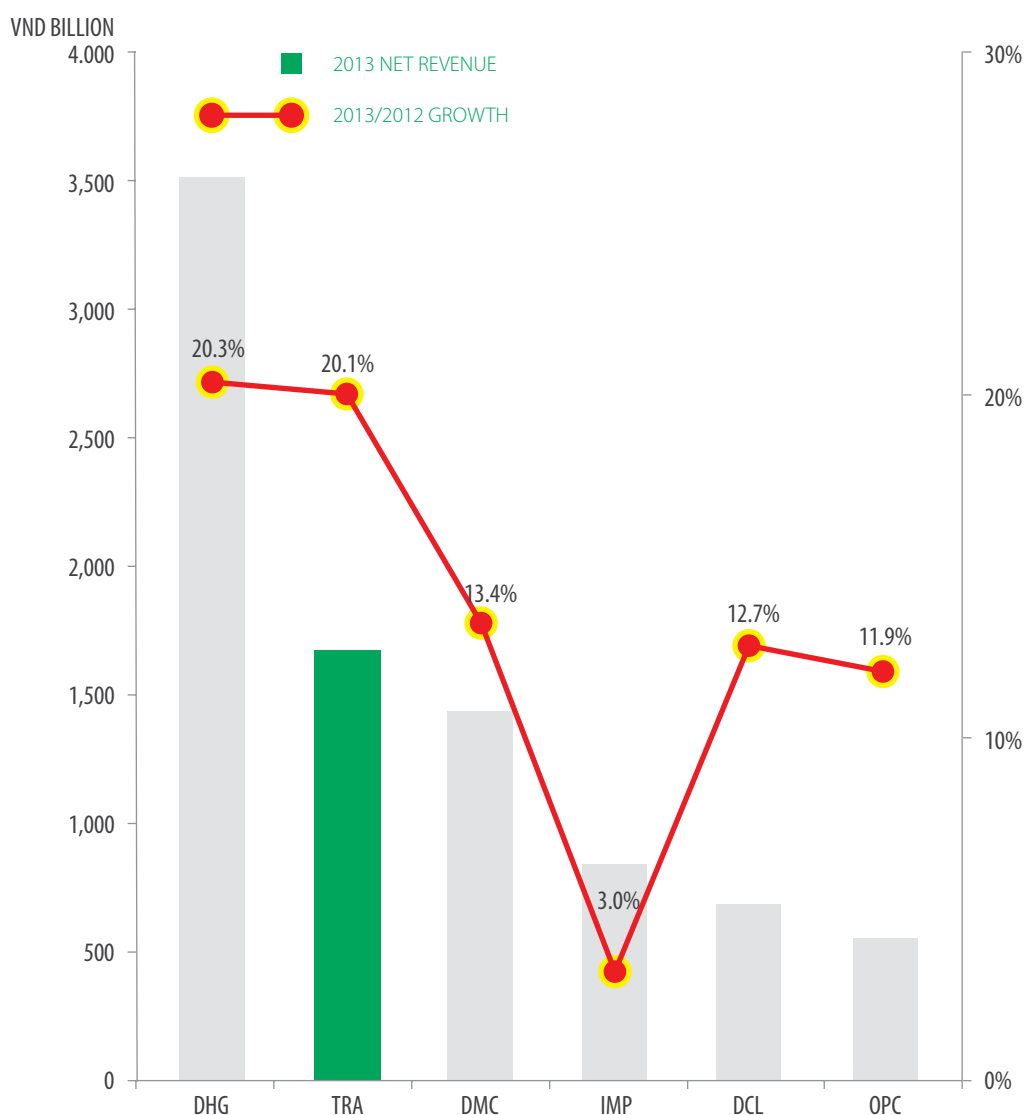
Sincerely,
On behalf of the Supervisory Board
Pham Thi Thanh Duyen
Head of the Supervisory Board

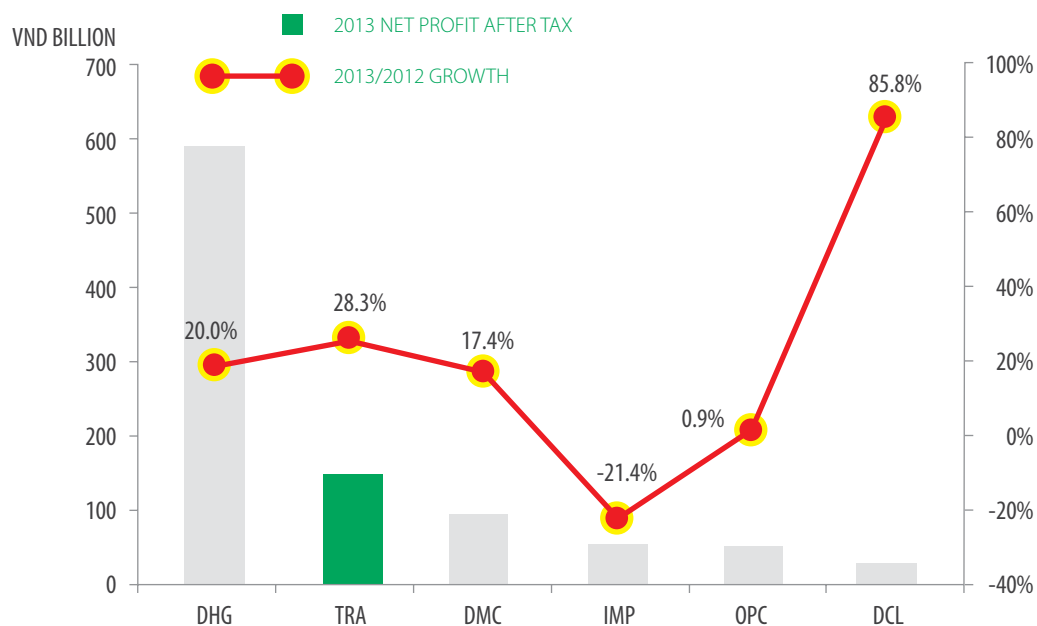
REPORT BY THE MANAGEMENT TEAM

The financial results in 2013 clearly reflected the strategy of the Board of Directors and the management team: Maintain sustainable growth, continue operational improvement of the system, prepare to implement reforms in sales policy and product development as a foundation for breakthrough results in the coming years

NOTABLE RESULTS

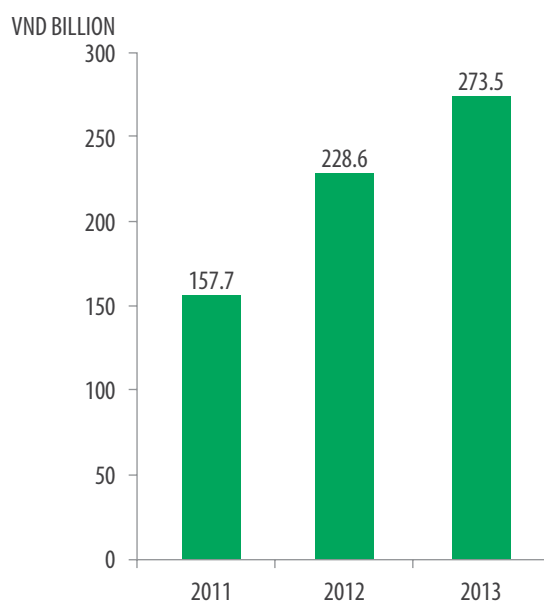
Revenue maintained a growth of 20% from the previous year, achieving 93% of target. In which, revenue from in-house products grew by 13%. Net profit exceeded target, growing by 28% from the previous year.





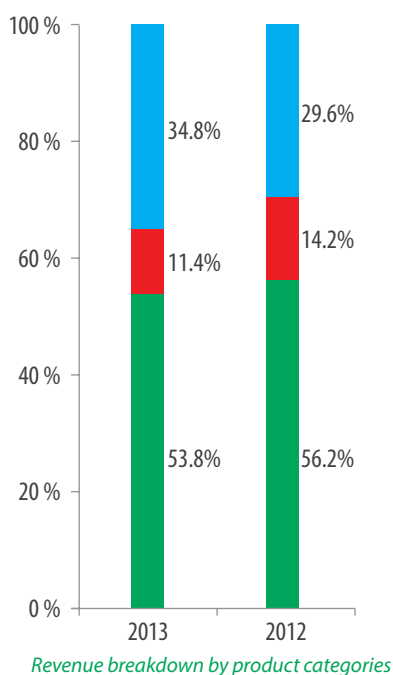
Although Traphaco is no longer the sole leader in revenue and net profit growth as we were over the past two years, the company is still among the two listed pharmaceutical companies with fastest growths in both revenue and net profit. In addition to maintaining growth, the most notable result in 2013 is improved operational efficiency, reflected through cash flow and working capital indicators. EBITDA (Earning before taxes, interests and depreciation) reached VND273.5 billion, growing by 20% from the previous year. Working capital indicators showed significant improvement, helping the company reduce almost VND120 billion in working capital, as compared to if applying the working capital ratios of 2012. Cash conversion cycle of Traphaco is 107 days, the lowest among listed pharmaceutical companies.

EBITDA IN THE PERIOD 2011 - 2013



Improved operational efficiency is main reason why net profit growth surpassed revenue growth and exceeded target. It is also the foundation for the leadership to implement breakthrough reforms in sales policy and business development..

REPORT BY THE MANAGEMENT TEAM (CONTINUED)



REVENUE

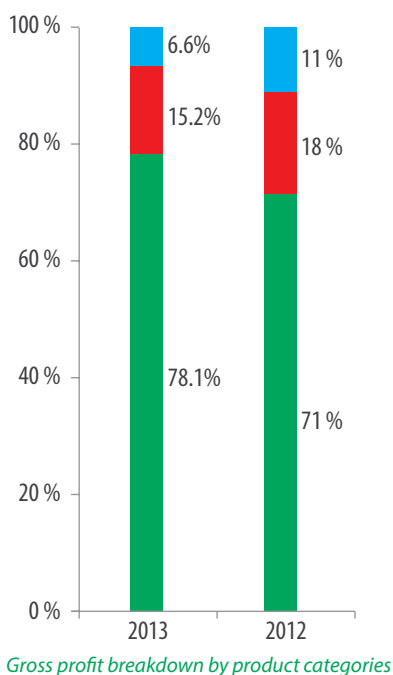
Revenue generating business activities are included in two segments:

- ◆ In-house manufactured products (incl. traditional and western medicines).
- ◆ Trading products (Licensed imports, ingredients and raw materials, exclusive distributions). Consolidated revenue from subsidiaries are also included in this category.

Revenue in 2013 although still grew by 20% only achieved 93% of target, primarily because revenue from in-house products only achieved 93% of target. Revenue was behind targets due to subjective and objective reasons:

Objective – market condition: While the macro-economic environment showed signs of stabilizing, consumption level in 2013 remained weak. The consumer product sector in general and the pharmaceutical sector in particular demonstrated slower growth. According to the market consultancy firm Business Monitor International (BMI), the overall growth rate of the pharmaceutical sector in Vietnam was estimated at 16.8%, the lowest in the past 5 years. Intensified competition from both domestic and foreign players together with changes in the management policies of the State were the factors which made it more challenging for companies in this sector to grow fast.

Subjective – strategy of the leadership team: In addition to market circumstances, the fact that revenue behind targets was in line with the strategy of Traphaco's leadership team. Starting in 4Q13, when decided to implement the new sales policy in 2014, the leaders at Traphaco also prioritized collection of receivables and settlement of existing contracts, viewing those priorities as more important than meeting revenue targets in the remaining months of 2013. As such, receivable collection reached VND1,533 billion, exceeding parent company's revenue by VND155 billion, and working capital days were greatly improved. The leadership team at Traphaco asserted that this is a necessary preparation so that the new sales policy can be implemented effectively and eventually adjust the selling and collecting payment behaviors within the system and of customers while ensuring mutual benefits.



■ TRADITIONAL MEDICINES
■ WESTERN MEDICINES
■ TRADING PRODUCTS

ANALYSIS OF REVENUE BY PRODUCT CATEGORIES



Traditional medicines

Over the past two years, there has been increasing competition in the traditional medicine market in Vietnam, especially from private traditional medicine manufacturers, reflected in the aggressive advertising activities and flexible sales policies. With an established brand and proven product quality, Traphaco continued to maintain the No. 1 position. According to data from Euromonitor, the market size of the traditional and herbal medicines in 2013 is estimated at VND4,800 billion, with revenue from traditional medicines of almost VND905 billion, Traphaco accounted for 19% of total market share.

In 2013, traditional medicines contributed 54% of revenue and 78% of gross profit.

Growth of revenue from traditional medicines of 15%, higher than that of in-house medicines, reaffirmed the importance of tradition medicines in the company's revenue structure and development directions. Traphaco's traditional medicines are developed based on traditional medical knowledge or research results from universities in Vietnam. The active ingredients used in the production of those medicines are normally extracted from Vietnamese herbal plants through Traphaco's extraction factories located in Sapa, Lao Cai.

Traphaco's flagship traditional medicine products are always well-positioned in the market. Despite increased competition from similar products, two of Traphaco's strategic products, Boganic and Hoat Huyet Duong Nao, were still among the top 10 best selling OTC products in 2013 according to market survey by IMS.



Western medicine

Products in the Western medicine category include generic drugs, western medicines that do not require prescription, vitamin supplements and non-herbal functional foods. In 2013, western medicines contributed 11% of revenue and 15% gross profit. Since revenue from this product segment did not grow, the contribution of western medicines to the total revenue structure continues to decline compared to last year. Traphaco is in the process of restructuring its western medicine portfolio, eliminating low growth products and prioritizing highly competitive products at the same time launching to the market new products, especially products under exclusive distribution agreements with foreign partners.



Trading revenue

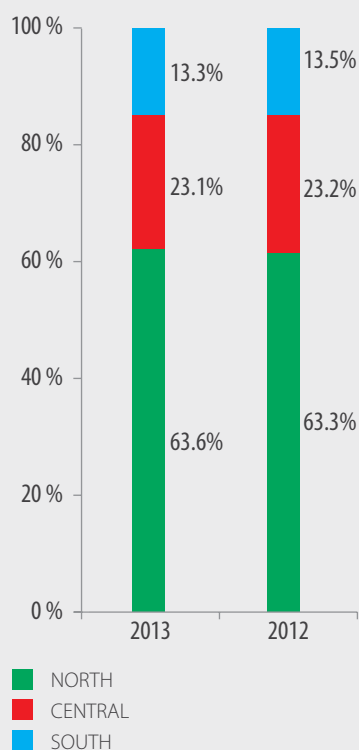
Compared to 2012, revenue from trading continued to record outstanding growth (41%) and accounted for almost 35% of total revenue. High growth from trading revenue is mainly because of consolidation of revenue from Dak Lak Pharmaceuticals for the whole year 2013. However, contribution to gross profit of trading declined compared to 2012 and accounted for only 6.6% of total gross profit. Contribution percentage of trading products declined because the gross margin of key products shrank significantly amid weak consumer demand.

In the coming years, Traphaco will continue to consolidate revenue from Dak Lak Pharmaceuticals and start consolidating revenue from Thai Nguyen Pharmaceuticals. Concurrently, the company is proactively materializing the opportunities to form exclusive distribution partnerships with reputable foreign pharmaceutical companies. The gross margins from these products are expected to be attractive. Therefore, revenue from trading products will account for higher and higher proportion of the company's revenue and gross profit.

REPORT BY THE MANAGEMENT TEAM (CONTINUED)

ANALYSIS OF REVENUE BY GEOGRAPHIC REGIONS

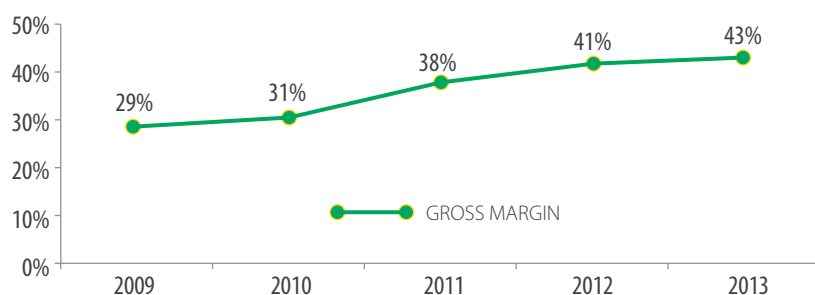
There is no significant change in the breakdown of revenue by geographic regions compared to 2012 since the regions had similar growth rates. The North still contribute the largest proportion with almost 2/3 of revenue. The intention to increase the contribution of revenue from the South to 40% of total revenue remains unfulfilled. Seeing it both as an objective and an opportunity for growth, Traphaco's leadership has been focusing resources to accommodate the sales team in the South.



Revenue breakdown by regions chart

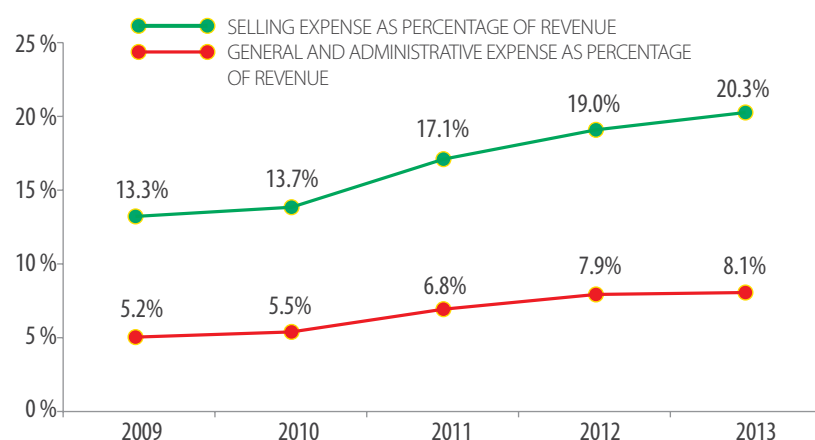
EXPENSES AND PROFIT

The company's gross profit amounted to VND721 billion, representing 43% of revenue. As such, compared to 2012, Traphaco continued to see improvement in gross profit margin. That result is an outcome of maintaining an appropriate product portfolio and focusing on selling high-margins products. The production coordination between Traphaco and Traphaco CNC is getting more and more effective and resulting in more efficient utilization of the modern product lines at the two factories and the economies of scale of the whole enterprise.



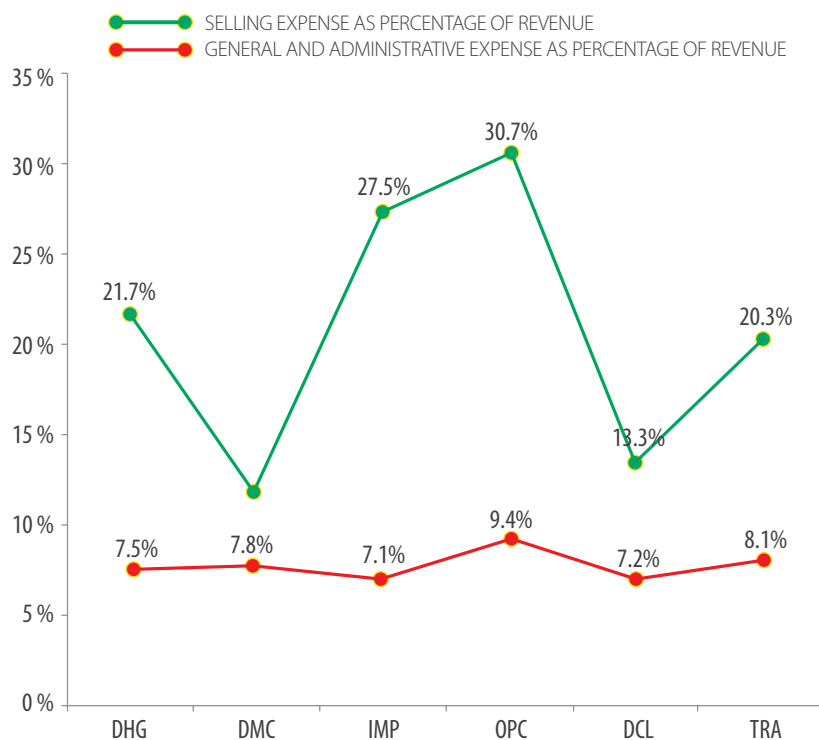
Historical gross margin chart

In 2013, selling expenses amounted to VND342 billion, accounting for 20% of revenue. There is little change in the selling expense ratio compared to last year and Traphaco's selling expense ratio is at the average level of pharmaceutical companies with similar revenue and net profit (around above 20%). This level of selling expense as percentage of revenue is appropriate and consistent with Traphaco's business model of commercializing traditional medicines and differentiated products.



Historical selling expense and general & administrative expense ratios.

General and administrative (G&A) expense reached VND136 billion and represented 8% of revenue. G&A expense ratio stabilized compared to last year. The stabilized G&A expense ratio is the result of conducting several initiatives within the “Eliminating waste” campaign. However, the ratio is still at a high level compared to industry’s average, hence the company needs to further improve costs-saving and efficiency in G&A activities in the coming years.



Comparative selling expense and general&administrative ratios chart

The company’s financial expenses were reduced significantly compared to 2012. If calculated based on net financial expenses (financial expenses less financial incomes), the reduction was as much as 50%. It is notable that the above result came from improvement in working capital management. In 2013, Traphaco conducted successfully a new share issuance, which raised over VND123 billion, however the new capital was not received until the last two months of 2013, therefore the positive financial impact of the new capital in 2013 was insignificant.

Based on the above revenue and expense structure, profit before tax amounted to VND231 billion. Consolidated net profit after tax reached VND149 billion, growing by 28% from the previous year and exceeding the target set by the General Shareholders. There were two factors behind the fact that net profit exceeded target and net profit growth outpaced revenue growth while revenue was behind target:

- Traphaco’s business model is better and better controlled especially in the selling and G&A expenses. Maintaining a workable product mix will immediately have positive impact on gross profit and net profit.
- Efficiency in financial resources management is being improved. Specific numbers will be analyzed in the next section.



REPORT BY THE MANAGEMENT TEAM (CONTINUED)

ASSESSMENTS OF FINANCIAL STRUCTURE AND RESULTS FROM FINANCIAL ACTIVITIES

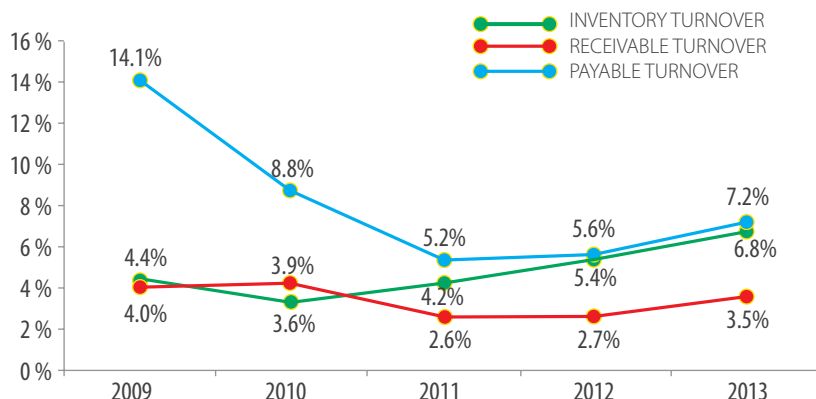
Financial Structure

The company's total resources as of 31 December 2013 amounted to VND1,088 billion, of which total equity was VND683 billion and total liabilities reached almost VND335 billion. Liabilities as percentage of total resources ratio was 37% and total equity accounted for 63%. As such, there was significant change in balance sheet structure compared to 2012 since the company successfully conducted the share issuance to increase chartered capital and reduced liabilities.

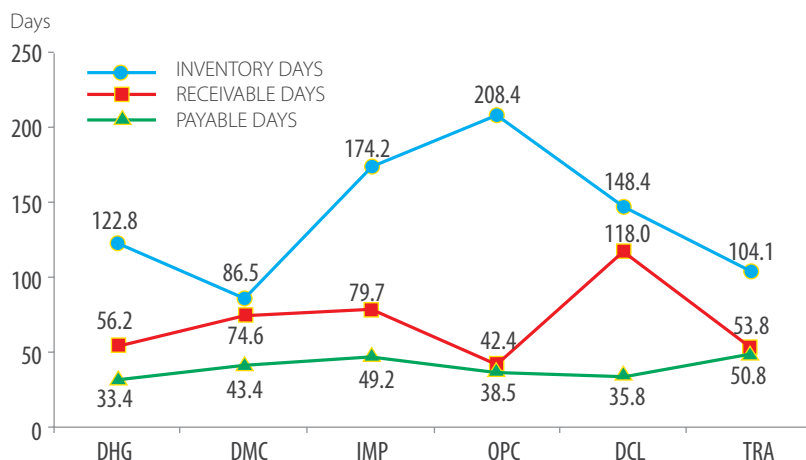
On the asset side, short term assets amounted to VND776 billion, long term assets reached VND311 billion. The balance between short term and long term assets in 2013 remained unchanged compared to 2012.

Operational Efficiency

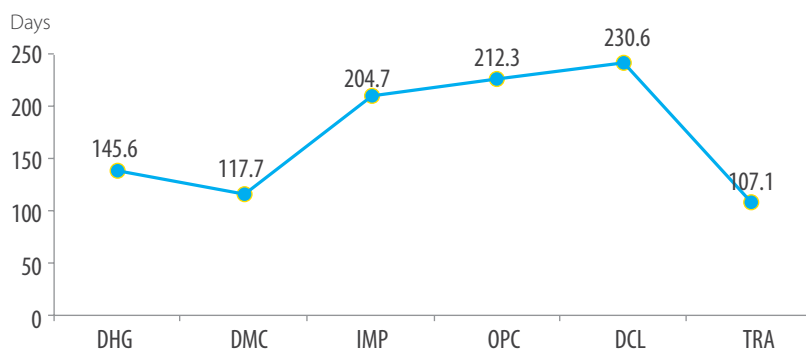
The company's operational efficiency improved significantly in the two indicators inventory turnover and receivable turnover. Inventory turnover in 2013 was 3.5 times, compared to 2.7 times in 2012. Receivable turnover increased from 5.4 times in 2012 to 6.8 times. In order to achieve these results, the company's management team had to be very disciplined and decisive in managing working capital, specifically closely monitoring inventories and prioritizing collection of receivables. The decisiveness came from the company's determination to change the selling and payment collecting behaviors of the whole systems, as a necessary preparation to implement the new sales policy.



In comparison to the 5 largest listed pharmaceutical companies, Traphaco was among the top 2 with the best ratios. Traphaco was only behind DMC in inventory turnover. Traphaco's receivable turnover was second to OPC. Meanwhile, Traphaco had the best payable turnover among peers.



Overall, Traphaco demonstrated superior working management capability through its cash conversion cycle. This indicator shows how long a manufacturer takes to convert cash into materials, products and back to cash. The lower cash conversion cycle means higher operational efficiency. Traphaco's cash conversion cycle was the lowest among industry peers.



Cash conversion cycle chart

In comparison to the working capital ratios of 2012, in 2013, Traphaco saved almost 120 billion in working capital. This number is very significant given that the company's total working capital in 2013 was VND370 billion. The saved amount implied that almost VND12 billion in interest expenses was saved in 2013, contributing to net profit outperformance for shareholders.

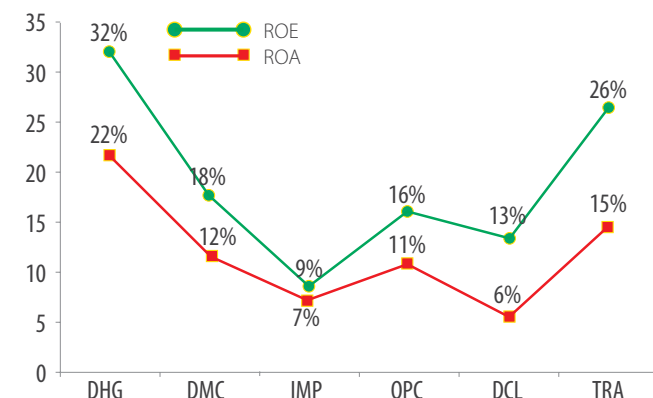
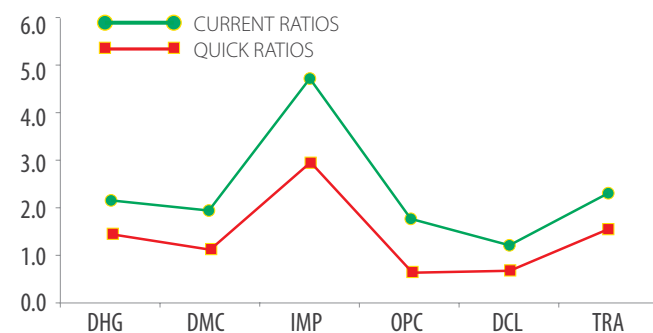
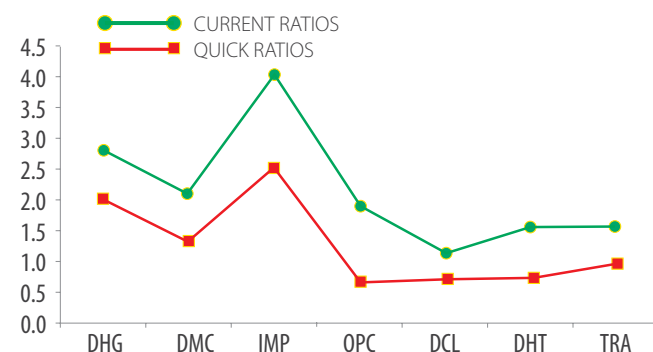
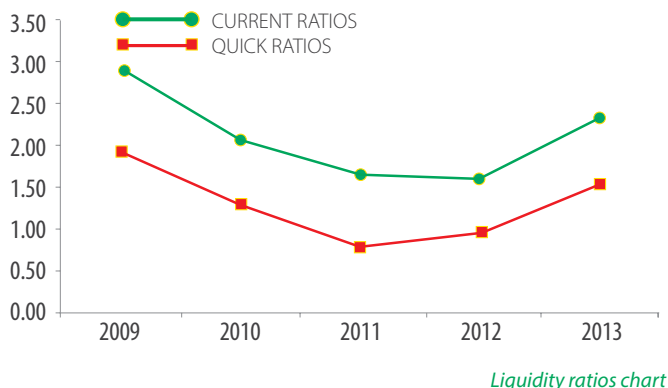
Solvency and liquidity

After successfully raising capital through the new share issuance and achieving significant improvement in working capital management, Traphaco's liquidity ratios as of 31 December 2013 improved greatly and returned to the level before 2011, which reflects the company's strong ability to meet its short term debt obligations, ensuring financial safety and flexibility in paying customers.

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

Profitability

Return on equity (ROE) reached 26% and return on assets (ROA) reached 15% in 2013. Based on these two profitability metrics, Traphaco was only behind Hau Giang Pharmaceuticals and much better than other industry peers, implying the fact that the company is managing its expenses and resources efficiently





Employees
... CONNECTEDNESS

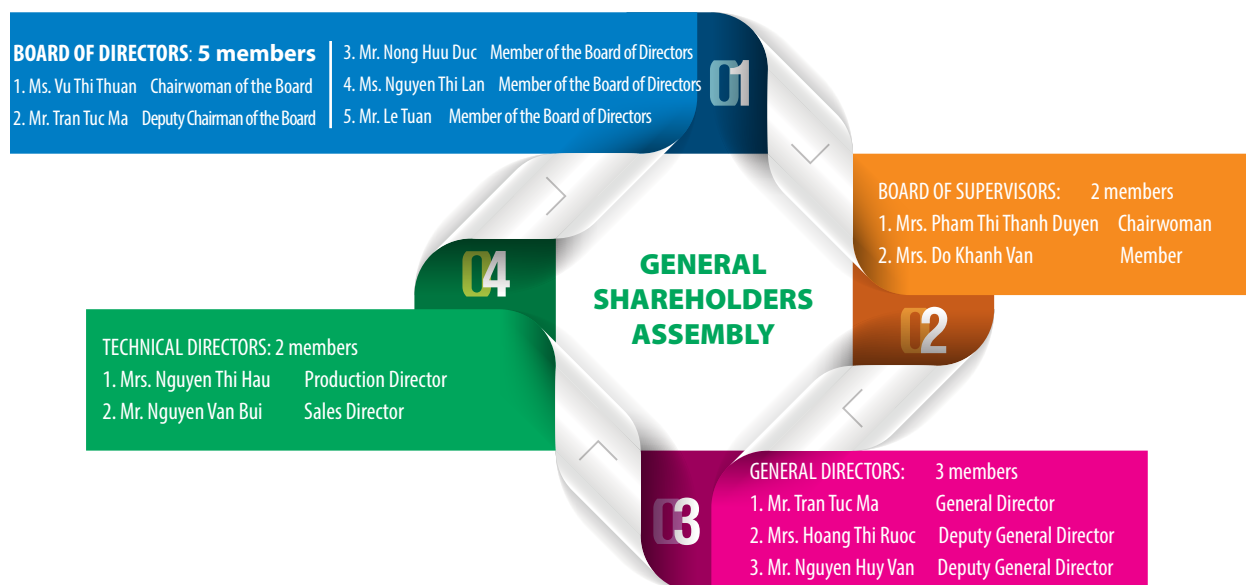
THROUGH
MUTUAL ALIGNMENTS



ORGANIZATION AND HUMAN RESOURCE STRUCTURE

- Organization structure • Organization chart • Introduction of the Board of Directors • Introduction of the Management Team and Board of Supervisory • Shareholders Information • Labor Policy • Subsidiaries and Affiliated Companies

TRAPHACO'S ORGANIZATION STRUCTURE



BRANCHES

1. Ho Chi Minh city
2. Central provinces
3. Nam Dinh
4. Nghe An
5. Thanh Hoa
6. Vinh Long
7. Hai Phong
8. Dong Nai
9. Binh Thuan
10. Quang Ngai
11. Khanh Hoa
12. Can Tho
13. Gia Lai
14. Quang Ninh
15. Hai Duong

DEPARTMENTS: 11

1. Human Resources Department
2. Administration – Management Department
3. Research and Development Department
4. Financial – Accounting Department
5. Sales Department
6. Planning Department
7. Exports – Imports and Procurement Department
8. Quality Control Department
9. Quality Assurance Department
10. Marketing Department
11. Risk Management Department

HOANG LIET FACTORY

1. Tablet – Fluid Workshop
2. Gel – Soft Capsule Workshop
3. Packaging Workshop
4. Western Medicine Workshop

RETAIL LOCATIONS IN HANOI

1. Store No. 2 – 1st floor, 168 Ngoc Khanh, Ba Dinh, Hanoi
2. Store No. 207 – 2nd floor, Hapu Pharmaceuticals and Medical Equipments Distribution Center, 1 Nguyen Huy Tuong, Thanh Xuan District, Hanoi

TRAPHACO'S 100% OWNED SUBSIDIARIES

1. Sapa Single Member Limited Liabilities Company
2. Traphaco Hung Yen Limited Liabilities Company

AFFILIATED COMPANIES

1. Traphaco High-Technology Joint Stock Company (CNC - 51% ownership)
2. Dak Lak Pharmaceuticals and Medical Equipments Joint Stock Company (58% ownership)
3. Quang Tri Pharmaceuticals and Medical Equipments Joint Stock Company (43% ownership)
4. Thai Nguyen Pharmaceuticals and Medical Equipments Joint Stock Company (49% ownership)

SOCIAL POLITICAL ORGANIZATION

Company's Party committee: includes 6 party sub-units

Committee's General Secretary: Mr. Tran Tuc Ma

Committee's Deputy Secretary: Ms. Hoang Thi Ruoc

Labor Union: includes 6 division labor union

Chairwoman of the company's labor union: Ms. Hoang Thi Ruoc

Deputy Chairman: Mr. Nguyen Duy Vinh

Ms. Tran Thi Thanh Phuong

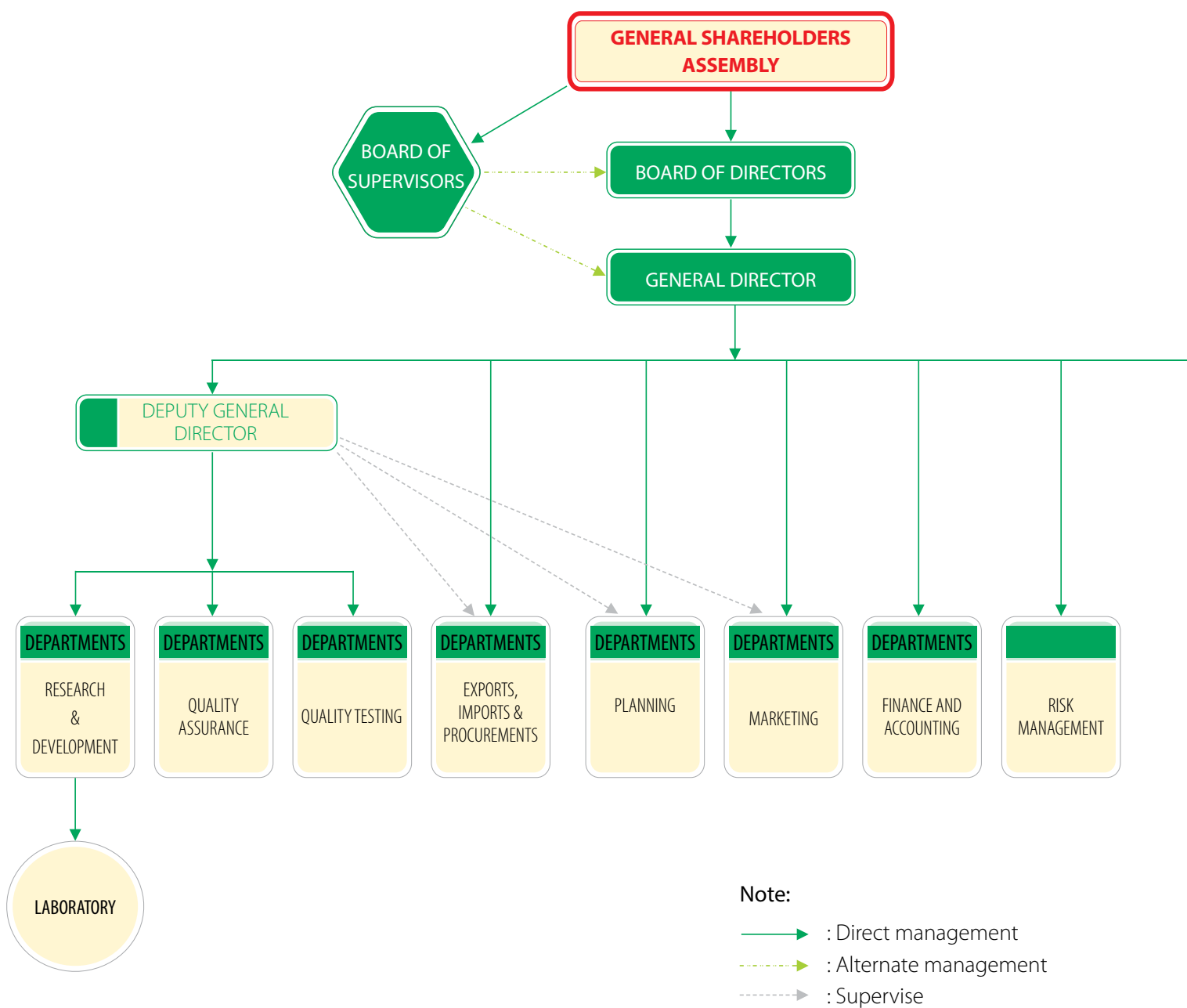
Ho Chi Minh Communist Youth Union at Traphaco: includes 6 division unions

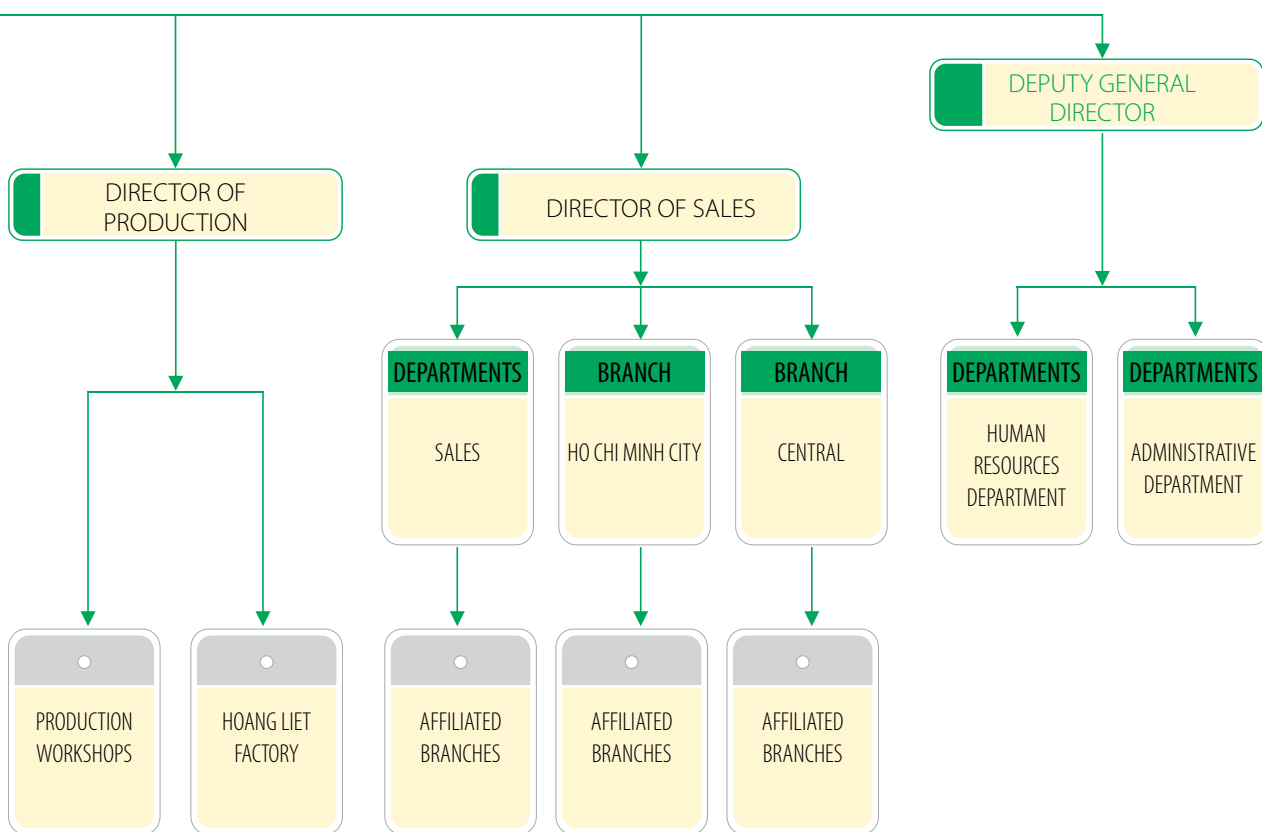
General Secretary: Ms. Do Thi Hanh Le

Deputy General Secretaries: Ms. Nguyen Thi Chinh

Mr. Le Minh Duc

TRAPHACO'S ORGANIZATION CHART





PROFILES OF MEMBERS OF BOARD OF DIRECTORS



MS. VU THU THUAN

Chairwoman of the Board of Directors

Chairwoman of the Board of Directors

Born in 1956

Education: Master of Pharmacy

Number of years with the company: 34 years

Management experience at the company: 32 years

Work Profile:

January 1980 – January 1982: Technical Staff, Railway medicine production factory.

January 1982 – April 1989: Workshop supervisor, Deputy Director of the Railway medicine production factory.

May 1989 – October 1993: Deputy Director of the Railway Pharmaceuticals Company, Chairwoman of the Company's Union.

October 1993 – March 2000: Deputy Director of the Pharmaceuticals and Medical Equipments Company of the Ministry of Transportation, Chairwoman of the Company's Union.

March 2000 – March 2003: Executive General Director, Deputy Chairwoman of the Board of Directors of Traphaco

April 2003 – April 2011: Chairwoman of the Board of Directors of Traphaco.

April 2011 – present: Chairwoman of the Board of Directors, Traphaco Joint Stock Company

Notable Achievements:

2010 National Emulated Fighter Accolade

2007 Third Class Labor Medal

Outstanding Medicine Practitioner award

02 Certificates of Merit from the Prime Minister

WIPO Prize

Merit Certificates from the Central Party Committee of state-owned entities

Merit Certificates from the Labor Union of Vietnam

Head of the female science team who won the Kovalevskaja award

Emulated Fighter Award of the Transportation industry for 10 consecutive years 2001-2010

2013 Accomplished Intellectual Businesswoman Recognition

Awards "Notable Vietnamese Businessman", "Notable Vietnamese Businesswoman (Golden Rose),

Businesswoman who follows the teaching of Uncle Ho, Businesswoman for a cultural career, . . .

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



MR. TRAN TUC MA

Vice Chairman of the Board of Directors

Vice Chairman of the Board of Directors cum General Director.

Born in 1965.

Degree: Master of Pharmacy.

Years with the company: 22 years

Management experience at the company: 17 years

Work Profile:

March 1990 – August 1992: Staff at the Quality Assurance Institute

September 1992 – December 1993: Staff at Railway medicine production factory

January 1994 – April 1997: Staff at the Pharmaceuticals and Medical Equipments Company of the Ministry of Transportation

May 1997 – October 2000: Deputy Department Head of the Quality Assurance Department of the Pharmaceuticals and Medical Equipments Company of the Ministry of Transportation

November 2000 – March 2004: Head of Sales Department, Traphaco Joint Stock Company

March 2004 – January 2005: Member of the Board of Directors, Head of Sales Department, Traphaco Joint Stock Company

January 2005 – March 2006: Member of the Board of Directors, Deputy Director in charge of Sales, Traphaco Joint Stock Company

March 2006 – April 2011: Member of the Board of Directors, Deputy General Director in charge of Sales, Traphaco Joint Stock Company

April 2011 – present: Vice Chairman of the Board of Directors, General Director, Traphaco Joint Stock Company

Notable Achievements:

Third Class Labor Medal 2012

Outstanding Medicine Practitioner Award

Merit certificate from the Prime Minister

Merit certificates from Central Party Committee of the state-owned entities

Merit certificates from the Labor Union of Vietnam

Emulated Fighter Accolade of the Ministry of Transportation from 2004 – 2006

2013 Top 50 business leaders in Vietnam

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



MS. NGUYEN THI LAN

Member of the Board of Directors

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

Years with the company: 21 years
Management experience at the company: 18 years

Work Profile:

January 1993 – March 1994: Bachelor in Pharmacy, manager of production workshop, Gel workshop, Railway Pharmaceutical Workshop

March 1994 – December 1994: Bachelor in Pharmacy, manager of production workshop, Tablet workshop, the Pharmaceuticals and Medical Equipments Company of the Ministry of Transportation

January 1996 – December 1997: manager of production workshop, Fluid workshop, the Pharmaceuticals and Medical Equipments Company of the Ministry of Transportation

January 1998 – December 1999: Deputy Head of Planning Department, the Pharmaceuticals and Medical Equipments Company of the Ministry of Transportation

January 2000 – December 2006: Head of Planning and Procurement Department, Traphaco Joint Stock Company

January 2007 – April 2011: Head of Planning Department, Traphaco Joint Stock Company

April 2011 – present: Member of the Board of Director, Head of Planning Department, Traphaco Joint Stock Company

Notable Achievements:

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



MR. NONG HUU DUC

Member of the Board of Directors

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

Years with the company: 19 years
Management experience at the company: 12 years

Work Profile:

1994 – 2000: Sales staff, the Pharmaceuticals and Medical Equipments Company of the Ministry of Transportation;

2000-2001: Staff in the Research and Development Department, Traphaco Joint Stock Company;

2001 – 2002: Sales manager in the Ho Chi Minh City area, Traphaco Joint Stock Company;

2002 – 2008: Director of Ho Chi Minh City Branch, Traphaco Joint Stock Company;

2008 – present: Member of the Board of Directors, Director of Ho Chi Minh City Branch, Traphaco Joint Stock Company.

Notable Achievements:

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

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



MR. LE TUAN

Member of the Board of Directors

Member of the Board of Directors, Senior Associate Mekong Capital.
Born in 1984.
Education: Bachelor of Economics.

Work Profile:

2007 – 2009: Analyst at Macquarie Bank, New York Office, USA.

2009 – April 2011: Senior Associate at Mekong Capital
April 2011 – present: Senior Associate at Mekong Capital, member of the Board of Directors at Traphaco Joint Stock Company, member of the Board of Directors at Real Estate Investments and Tradings Joint Stock Company (Intresco).

INTRODUCTION OF MANAGEMENT TEAM AND SUPERVISORY BOARD



MR. TRAN TUC MA

General Director

Vice Chairman of the Board of Directors cum General Director.
Born: 1965.

Degree: Master of Pharmacy

Years with the company: 22 years

Management experience at the company: 17 years.

Work profile:

March 1990 – August 1992: Staff at the Quality Assurance Institute
September 1992 – December 1993: Staff at Railway medicine production factory
January 1994 – April 1997: Staff at the Pharmaceuticals and Medical Equipments Company of the Ministry of Transportation
May 1997 – October 2000: Deputy Department Head of the Quality Assurance Department of the Pharmaceuticals and Medical Equipments Company of the Ministry of Transportation
November 2000 – March 2004: Head of Sales Department, Traphaco Joint Stock Company
March 2004 – January 2005: Member of the Board of Directors, Head of Sales Department, Traphaco Joint Stock Company.
January 2005 – March 2006: Member of the Board of Directors, Deputy Director in charge of Sales, Traphaco Joint Stock Company.
March 2006 – April 2011: Member of the Board of Directors, Deputy General Director in charge of Sales, Traphaco Joint Stock Company.
April 2011 – present: Vice Chairman of the Board of Directors, General Director, Traphaco Joint Stock Company.

Notable achievements:

Third Class Labor Medal 2012
Outstanding Medicine Practitioner Award
Merit certificate from the Prime Minister
Merit certificates from Central Party Committee of the state-owned entities
Merit certificates from the Labor Union of Vietnam
Emulated Fighter Accolade of the Ministry of Transportation from 2004 – 2013
Top 50 business leaders in Vietnam
Many merit certificates from the Ministry of Transportation, Ministry of Health and Labor Union of the Ministry of Transportation



MR. NGUYEN HUY VAN

Deputy General Director

Deputy General Director.

Born: 1967.

Education: Master of Pharmacy, Bachelor of Laws.

Years with the company: 20 years

Management experience at the company: 19 years

Work profile:

October 1990 – May 1994: Assistant lecturer and researcher at Hanoi University of Pharmacy
June 1994 – June 1995: Sales staff at the Pharmaceuticals and Medical Equipments Company of the Ministry of Transportation
July 1995 – June 1996: Deputy Head of Marketing Department, Pharmaceuticals and Medical Equipments Company of the Ministry of Transportation
July 1999 – December 1999: Head of Research and Development Department, Pharmaceuticals and Medical Equipments Company of the Ministry of Transportation
January 2000 – December 2014: Member of the Board of Directors, Head of Research and Development Department, Traphaco Joint Stock Company
January 2005 – March 2006: Member of the Board of Directors, Deputy Director, in charge of Research and Development Department, Traphaco Joint Stock Company
April 2006 – April 2011: Member of the Board of Directors, Deputy General Director, in charge of Research and Development Department, Traphaco Joint Stock Company
April 2011 – present: Deputy General Director, Traphaco Joint Stock Company
May 2003 – present: Chairman of Traphaco Sapa limited liabilities company (Traphaco Sapa single member limited liabilities company)

Notable achievements:

2012 Outstanding medicine practitioner award
Merit certificates from the Prime Minister
First Prize – Vietnam Scientific and Technological Innovation Vietnam 2010
Emulated Fighter Award of the Ministry of Transportation from 2007 – 2009
And many merit certificates from the Ministry of Transportation, Ministry of Health, Ministry of Science and Technology and Labor Union of the Ministry of Transportation



MS. HOANG THI RUOC

Deputy General Director

Deputy General Director.

Born: 1962.

Education: Master of Business Administration, Bachelor of Pharmacy.

Years with the company: 30 years

Management experience at the company: 13 years

Work profile:

January 1982 – April 1983: Staff at Lien Co Hospital – subsidiary of Petrolimex company region 1
May 1983 – October 1995: Staff at the Railway medicine product workshop (predecessor of Traphaco Joint Stock Company).
October 1995 – August 1998: Training at Hanoi University of Pharmacy
September 1998 – November 2000: Staff in the Quality Assurance Department, Traphaco Joint Stock company
November 2000 – September 2004: Deputy Head of Sales Department, Traphaco Joint Stock company
September 2004 – January 2005: Deputy Head of Administration department, Traphaco Joint Stock company
January 2005 – March 2006: Head of Administration Department, Traphaco Joint Stock company
March 2006 – March 2010: Member of the Board of Directors, Head of Administration Department, Traphaco Joint Stock company
March 2010 – March 2011: Member of the Board of Directors, Deputy General Director, Head of Administration and HR Departments, Traphaco Joint Stock company
March 2011 – present: Deputy General Director, Traphaco Joint Stock Company

Notable achievements:

Third Class Labor Medal 2012
Outstanding medicine practitioner award
Merit certificates from the Prime Minister
Merit certificates from Central Party Committee of the state-owned entities
Emulated Fighter Award of the Ministry of Transportation from 2004 – 2006
And many merit certificates from the Ministry of Transportation, Labor Union of Vietnam and Labor Union of the Ministry of Transportation



MR. DINH TRUNG KIEN

Chief Accountant

Head of Accounting and Finance Department
Born: 1973
Education: Bachelor in Economics, Master of Business Administration

Years with the company: 19 years
Years in management role: 9 years

Work profile:

December 1994 – January 2005: Staff in the accounting and finance department, Traphaco Joint Stock company
January 2005 – December 2007: Deputy Head of accounting and finance department, Traphaco Joint Stock company
January 2008 – present: Chief Accountant, Head of accounting and finance department, Traphaco Joint Stock company.

Notable achievements:

Emulated Fighter Award of the Ministry of Transportation from 2007 – 2009.
Merit certificates from the Ministry of Transportation, Party Central Committee of Ministry of Transportation, Party Central Committee of Healthcare Authority, Ministry of Transportation.



MS. 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: 16 years
Management experience at the company: 12 years

Work profile:

March 1998 – December 1999: Sales staff, Pharmaceuticals and Medical Equipments Company of the Ministry of Transportation;
January 2000 – February 2002: Sales staff, Traphaco joint stock company;
March 2002 – January 2010: Production Manager, Western medicine workshop and compressed tablet workshop, Traphaco Joint Stock company;
February 2010 – April 2011: Head of Administration Department, Traphaco Joint Stock company;
April 2011 – present: Head of Supervisory Board, Head of Administration Department, Traphaco Joint Stock company.

Notable achievements:

Emulated Fighter Award of the Ministry of Transportation from 2004 – 2006.
And many merit certificates from the Ministry of Transportation.



MS. DO KHANH VAN

Member of the Board of Supervisors

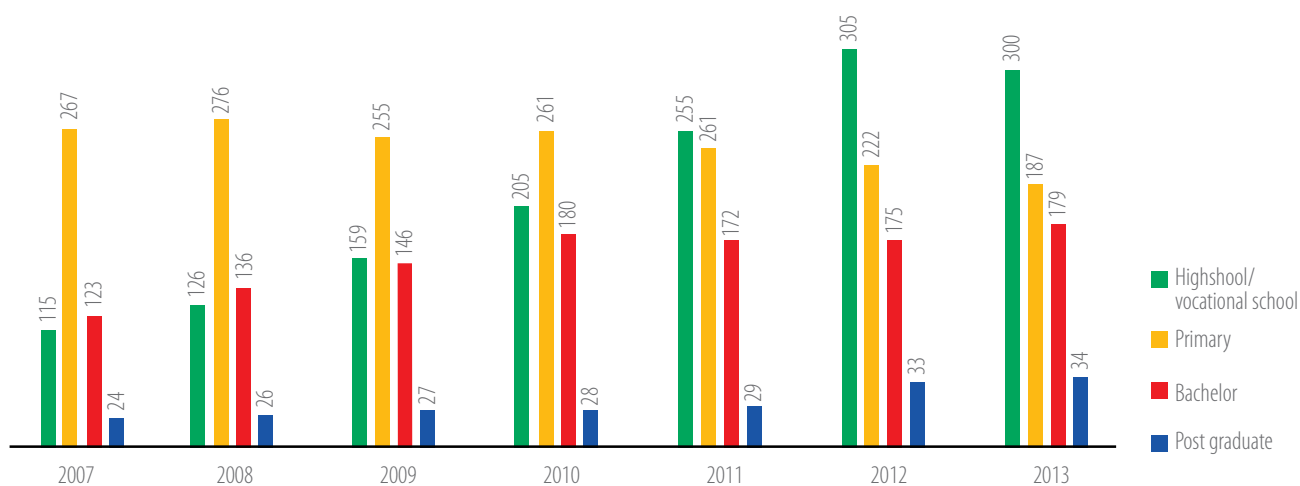
Senior Finance and Accounting Consultant
Mekong Capital
Born: 1981
Education: Bachelor of Corporate Finance, ACCA

Work profile:

2002 – 2003: Associate Auditor, Vietnam Accounting, Auditing and Consulting Company;
2003 – 2007: Associate Auditor, then Senior Auditor, Ernst & Young Vietnam;
2007 – 2008: Deputy Head of Research Department, FPT Securities Joint Stock Company;
2008 – April 2011: Senior Financial Consultant at Mekong Capital;
April 2011 – present: Senior Associate at Mekong Capital, member of the Supervisory Board, Traphaco Joint Stock company.

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
2012	735	347	388	33	175	305	222	10,000,000
2013	700	330	370	34	179	300	187	13,500,000



Employees by education Chart

2014 SHAREHOLDER INFORMATION

Shareholders		Number of shareholders	Number of shares	Total par value (VND)	Ownership (%)
DOMESTIC		1,118	13,329,664	133,296,640,000	54.02
Institutional		32	8,984,735	89,847,350,000	36.41
<i>Of which:</i>	State ownership	1	8,801,496	88,014,960,000	35.67
Individuals		1,086	4,344,929	43,449,290,000	17.61
<i>Of which:</i>	Board of Directors, Supervisory Board, Board of Management, Chief Accountant	8	1,579,089	15,790,890,000	6.40
	Employees	292	1,201,498	12,014,980,000	4.87
	Outside shareholders	786	1,564,342	15,643,420,000	6.34
TREASURY SHARES		1	3,133	31,330,000	0.01
FOREIGN		44	11,343,636	113,436,360,000	45.97
Foreign institutional		25	11,318,589	113,185,890,000	45.87
Foreign individual		19	25,047	250,470,000	0.10
TOTAL			24,676,433	246,764,330,000	100.00

LIST OF SHAREHOLDERS WITH OWNERSHIP OF ABOVE 5%

SHAREHOLDER	Identification number/ Business Certificate number	Address	Number of shares	Number of shares	Ownership (%)
State Capital Investment Corp. – SCIC	101992921	117 Tran Duy Hung street, Trung Hoa Ward Cau Giay district, Hanoi		8,801,496	35.67
Vietnam Azalea Fund Limited	CS6153	P.O.Box 1984, Boundary Hall, Cricket Square, Grand Cayman, KY1-1104, Cayman Islands		6,167,492	24.99
VIETNAM HOLDING LIMITED	CS1077	Vietnam Holding Asset Management Limited's Representative Office: Unit 1202 Floor 12, Fideco Tower, 81-85 Ham Nghi, District 1, HCMC, Vietnam		2,200,528	8.92
TOTAL				18,400,956	74.57

LABOR POLICIES FOR EMPLOYEES

COMPENSATIONS

The company's compensation scheme is based on work-hours and results:

In 2013, despite weak macro-economic conditions which challenged the company's business activities, under the leadership of the management team, Traphaco continued to achieve victoriously the business targets of 2013, as a result, the jobs and incomes of employees were secured and their salaries and bonuses were paid in time and in full. Average income per employee reached VND13.5 million per month, increasing 6.3% from 2012. The increased incomes served as the motivation for employees to continuously improve productivity and feel assured of job safety.

EDUCATION AND TRAINING POLICIES

The human resource is considered as the vital energy of the enterprise. In 2013, the Company provided trainings for 2,609 employees with a total budget of VND1.34 billion. On average, each employee received 3.75 rounds of trainings with total costs of VND514,000 per year, specifically as follows:

- ♥ Training for pharmaceutical sales representatives and associates in the Northern and Southern Regions.
- ♥ Managers attended trainings provided by domestic and international organizations. Trainings were also combined with team building activities, outdoor retreats, games, sporting events which aimed



at developing physical and mental endurance as well as mentalities for overcoming challenges.

Therefore, Traphaco's employees are responsible for improving their skills, qualifications and capabilities to keep up with the growth of the Company. For employees who are sent by the Company to enroll in full-time university and post graduate programs shall be compensated as follows:

- ♥ Full payment of base salary
- ♥ Base salary and 100% health insurance and social insurance premium
- ♥ Partial or full tuition reimbursement depending on their tenures with Company
- ♥ For part-time students, the Company will accommodate working hours and reimburse

tuitions based on guidelines.

- ♥ For employees who are sent to short-term professional training courses upon their request or by assignment of the CEO, tuitions shall be paid for according to the Company's policies.

EMPLOYEE HEALTHCARE

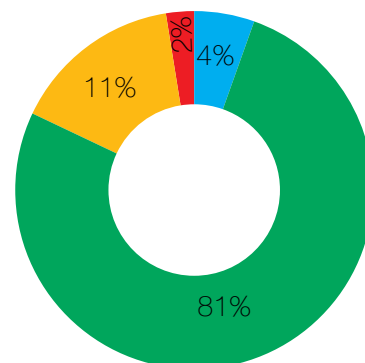
Initial health check-ups were provided to 1,759 employees, transferred 10 cases to hospitals.

The Company conducted annual medical check-ups. In 2013, annual check-ups were provided to 660 people or 93.5% of total employees. As such:

- + Grade 1 Health: 4%
- + Grade 2 Health: 83%
- + Grade 3 Health: 11%
- + Grade 4 Health: 2%

Average income per employee reached VND13.5 million per month, increasing 6.3% from 2012

Grade 1 Health	: 4%
Grade 2 Health	: 83%
Grade 3 Health	: 11%
Grade 4 Health	: 2%



The total expenses for in-house healthcare and medical check-ups for employees in 2013 amounted to VND 113 million. The average health care cost per employee was VND259,000.

100% of female employees received gynaecology check-ups and 100% of female employees were provided with tampons for free on a quarterly basis with total costs of VND169.3 million.

In addition to the required health and social insurances, the Company has also been providing accident insurance for all employees since 2004. In 2013, the company bought 5-year term accident insurances for 847 employees and associates with total costs of VND82.2 million.

Compensation of 146 employees working in hazardous environments amounted to VND374.3 million.

Gas and mobile phone allowances for 136 employees with total amount of VND560.3 million.

The company also provided an anti-heat in-kind allowances which were paid twice in sugar and milk with total amount of VND260 million.

Summer vacation allowances were provided for 602 employees with total costs of VND2.34 billion.

ENSURE LABOR SAFETY AND PRODUCTION SAFETY

Protective gears: two sets per person per year with a budget of VND206.7 million.

Sanitizing the working environment: 02 times per year with total budget of VND27 million, 04 times of spraying cloramin B at the water-waste treatment and WC areas.

Environment assessment: 01 times.

Environment observant test: 02 times with total budget of VND14.3 million.

Provided trainings on first aids and preventative measures for seasonal diseases to local general hygienists

Regular safety checks for electrical

equipments and machineries, new equipments for production facility: VND10.3 billion.

Regular trainings in GMP, Labor Safety and Sanitation

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 2014.

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



SUBSIDIARIES AND AFFILIATED COMPANIES

TRAPHACO SAPA SINGLE MEMBER LIMITED LIABILITIES COMPANY

Chartered Capital: VND **6,700,000,000**

TRAPHACO's ownership: **100%**

Main functions:

TRAPHACO Sapa specializes in the processing of ingredients and input herbal ingredients as well as the researching of GACP 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 activities of Traphaco Sapa single member limited liabilities company in 2013: With the main functions of supplying of input materials and developing farming areas for Traphaco, in 2013, Traphaco Sapa achieved certain results:

Developed and expanded over 30 hectares of farming areas for Artichokes, bring the total GACP-certified farming areas of Artichokes to 50 hectares.

Completed hand-over of 7,600 m² of land in East Pho Moi Industrial Part to develop the new processing factory in Lao Cai.

Revenue: VND28 billion, 33% growth from 2012.

Net profit after tax: VND1.4 billion, 100% growth from 2012



TRAPHACO'S OWNERSHIP
100%

TRAPHACO HIGH-TECHNOLOGY JOINT STOCK COMPANY

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

TRAPHACO's ownership: **50.96%**

Main functions:

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 10,000m² 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 activities of Traphaco CNC in 2013:

Reorganized the production workshops, invested in equipments and upgraded production lines.

Set up the tablet and drinking tubes workshop.

Revenue: VND303 billion, 23% growth from 2012.

Net Profit: VND35.5 billion, 28% growth from 2012.



TRAPHACO'S OWNERSHIP
51%

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

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

TRAPHACO's ownership: **58%**

Main functions:

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 activities in 2013:

Built capacities for the team and improved operational efficiency.

Strengthened and expanded the retail network from 423 outlets in 2012 to over 500 outlets.

Revenue: VND317 billion 5% growth from 2012.

Net profit after tax: VND8.7 billion, 9% growth compared to 2012.



TRAPHACO'S OWNERSHIP
58%

QUANG TRI PHARMACEUTICALS AND MEDICAL EQUIPMENT JOINT STOCK COMPANY

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

TRAPHACO's ownership: **42.9%**

Main functions:

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 1323/QĐ-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 activities of Quang Tri Pharmaceuticals and Medical Equipments joint stock company in 2013:

Revenue: VND49billion, decline of 35% compared to 2012.

Net profit after tax: VND1.4 billion, growth of 17% compared to 2012.



TRAPHACO'S OWNERSHIP

43%

THAI NGUYEN PHARMACEUTICALS AND MEDICAL EQUIPMENTS

Chartered Capital: VND **4,323,000,000**

TRAPHACO's ownership: **49%**

Main functions:

Thai Nguyen Pharmaceuticals and Medical Equipments Joint Stock Company engages in the following business activities: productions and trading of pharmaceuticals, medical equipments and cosmetics, trading of foods, functional foods and pharmaceutical ingredients, trading of biomedical products, testing chemicals.

The company was founded in 1986 and equitized in January 2004. The company is headquartered at 477 Luong Ngoc Quyen Street, Thai Nguyen City with a total area of 2,850m². Thai Nguyen Pharmaceuticals has a distribution network of 9 branches in 07 provinces and cities, 104 drug stores and agents. Total number of employees is 204.

In June 2013, Traphaco successfully acquired SCIC's stakes in Thai Nguyen Pharmaceuticals and Medical Equipments Joint Stock Company through a bidding process. As the largest shareholder of Thai Nguyen Pharmaceuticals, Traphaco will boost the sales of Traphaco's products in this market, at the same time support Thai Nguyen's management, sales and marketing activities and help strengthening its management and product R&D capabilities. Traphaco will also enhance operation and empower the sustainable development of Thai Nguyen Pharmaceuticals.

Business results of Thai Nguyen Pharmaceuticals and Medical Equipments in 2013:

Revenue: VND73 billion, growth of 14% from 2012.

Net Profit: VND391 million, growth of 39% from 2012.



TRAPHACO'S OWNERSHIP


49%

Share Price

1100

Shareholders
... **CONNECTEDNESS**

Icons: person with plus, plant, bar chart, dollar sign, heart, potted plant, plant with upward arrow.



THOUGH
GROWING VALUES

CONSOLIDATED FINANCIAL STATEMENTS

• Report by the General Director • Independent Auditors Report
• Consolidated balance sheet • Consolidated Income Statement •
Consolidated Cash Flow Statement • Notes to the consolidated financial
statements.

TRAPHACO JOINT STOCK COMPANY

(Incorporated in the Socialist Republic of Vietnam)

AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

March 2014

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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 2013.

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

Ms. Vu Thi Thuan	Chairwoman
Mr. Tran Tuc Ma	Vice Chairman
Mr. Nong Huu Duc	Member
Mr. Le Tuan	Member
Ms. Nguyen Thi Lan	Member
Mr. Tran Manh Huu	Member (appointed on 07 March 2014)

Board of Directors

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

BOARD OF DIRECTORS’ STATEMENT OF RESPONSIBILITY

The Board of Directors of the Company is responsible for preparing the consolidated financial statements, 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 accordance with Vietnamese accounting standards, accounting regime for enterprises and legal regulations relating to financial reporting. In preparing these consolidated 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 consolidated 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, accounting regime for enterprises and legal regulations relating to financial reporting. 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

10 March 2014

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of Traphaco Joint Stock Company (the "Company"), prepared on 10 March 2014, as set out from page 74 to page 104, which comprise the balance sheet as at 31 December 2013, and the consolidated statement of income, and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information (collectively referred to as the "consolidated financial statements").

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Vietnamese accounting standards, accounting regime for enterprises and legal regulations relating to financial reporting and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the 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 2013 and the results of its operations and its cash flows for the year then ended in accordance with Vietnamese accounting standards, accounting regime for enterprises and legal regulations relating to financial reporting.



Dang Chi Dung
Deputy General Director
Audit Practising Registration
Certificate No. 0030-2013-001-1

For and on behalf of
DELOITTE VIETNAM COMPANY LIMITED

10 March 2014
Hanoi, S.R. Vietnam

A handwritten signature in blue ink, likely belonging to Do Trung Kien.

Do Trung Kien
Auditor
Audit Practising Registration
Certificate No. 1924-2013-001-1

CONSOLIDATED BALANCE SHEET

As at 31 December 2013

FORM B 01-DN/HN

Unit: VND

ASSETS	Codes	Notes	31/12/2013	31/12/2012
A. CURRENT ASSETS (100 = 110+120+130+140+150)	100		776,212,347,308	717,993,860,428
I. Cash and cash equivalents	110	5	256,584,762,183	104,329,053,159
1. Cash	111		96,084,762,183	95,609,053,159
2. Cash equivalents	112		160,500,000,000	8,720,000,000
II. Short-term investment	120		256,983,146	1,124,297,961
1. Short-term investment	121		256,983,146	1,124,297,961
III. Short-term receivables	130		240,161,029,284	306,610,067,720
1. Trade accounts receivable	131		218,106,878,513	277,684,300,317
2. Advances to suppliers	132		18,015,319,301	26,678,301,273
3. Other receivables	135		11,071,518,583	7,206,256,321
4. Provision for short-term doubtful debts	139		(7,032,687,113)	(4,958,790,191)
IV. Inventories	140	6	263,884,036,371	284,667,538,418
1. Inventories	141		264,568,685,236	287,853,684,670
2. Provision for devaluation of inventories	149		(684,648,865)	(3,186,146,252)
V. Other short-term assets	150		15,325,536,324	21,262,903,170
1. Short-term prepayments	151		3,178,813,956	1,463,713,129
2. Value added tax deductibles	152		5,933,223,534	5,858,901,617
3. Taxes and other receivables from the State budget	154		1,387,567,546	94,231,419
4. Other short-term assets	158	7	4,825,931,288	13,846,057,005
B. NON-CURRENT ASSETS (200=220+250+260+269)	200		311,502,313,944	250,489,904,564
I. Fixed assets	220		265,228,485,766	218,898,106,415
1. Tangible fixed assets	221	8	188,072,342,095	169,207,165,971
- Cost	222		338,048,992,141	306,073,877,297
- Accumulated depreciation	223		(149,976,650,046)	(136,866,711,326)
2. Intangible fixed assets	227	9	28,412,121,582	28,455,447,568
- Cost	228		29,637,105,733	29,460,279,033
- Accumulated amortisation	229		(1,224,984,151)	(1,004,831,465)
3. Construction in progress	230	10	48,744,022,089	21,235,492,876

CONSOLIDATED BALANCE SHEET

As at 31 December 2013

FORM B 01-DN/HN

Unit: VND

II. Long-term financial investments	250		6,190,480,105	1,820,656,487
1. Investments in associates	252	12	5,690,480,105	1,820,656,487
2. Other long-term investments	258		500,000,000	-
III. Other long-term assets	260		2,510,036,332	1,508,601,912
1. Long-term prepayments	261		1,786,977,337	628,986,214
2. Deferred tax assets	262		723,058,995	725,704,862
3. Other long-term assets	268		-	153,910,836
IV. Goodwill	269		37,573,311,741	28,262,539,750
TOTAL ASSETS (270=100+200)	270		1,087,714,661,252	968,483,764,992

RESOURCES	Codes	Notes	31/12/2013	31/12/2012
A. LIABILITIES (300=310+330)	300		334,741,827,599	456,375,432,386
I. Current liabilities	310		334,623,827,599	455,135,432,386
1. Short-term loans and liabilities	311	13	114,061,473,364	229,456,284,203
2. Trade accounts payable	312		116,900,152,262	150,911,780,032
3. Advances from customers	313		506,622,737	5,054,146,148
4. Taxes and amounts payable to the State budget	314	14	43,079,627,098	29,842,289,671
5. Payables to employees	315		32,918,844,609	19,843,155,367
6. Accrued expenses	316	15	10,734,319,616	6,144,935,849
7. Other current payables	319	16	12,911,472,871	9,713,690,470
8. Bonus and welfare fund	323		3,511,315,042	4,169,150,646
II. Long-term liabilities	330		118,000,000	1,240,000,000
1. Other long-term payables	333		-	500,000,000
2. Long-term loans and liabilities	334	17	118,000,000	740,000,000

The notes set out on pages 80 to 104 are an integral part of these consolidated financial statements

ANNUAL REPORT 2013

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET

As at 31 December 2013

FORM B 01-DN/HN
Unit: VND

B. EQUITY (400=410+430)	400		683,995,501,690	451,373,144,359
I. Owners' equity	410	18	683,250,010,404	450,235,926,559
1. Charter capital	411		246,764,330,000	123,398,240,000
2. Share premium	412		153,747,160,000	92,063,700,000
3. Treasury shares	414		(3,593,000)	(3,593,000)
4. Foreign exchange reserve	416		179,264	179,264
5. Investment and development fund	417		155,887,618,612	134,786,888,790
6. Financial reserve fund	418		15,426,539,765	14,609,795,594
7. Retained earnings	420		111,427,775,763	85,380,715,911
II. Other resources and funds	430		745,491,286	1,137,217,800
1. Subsidised fund	432		669,891,286	986,017,800
2. Funds for fixed assets acquisition	433		75,600,000	151,200,000
C. MINORITY INTEREST	439		68,977,331,963	60,735,188,247
TOTAL RESOURCES (440=300+400+439)	440		1,087,714,661,252	968,483,764,992

OFF BALANCE SHEET ITEMS	31/12/2013	31/12/2012
1. Foreign currencies (USD)	2,408.41	28,766.70

Nguyen Ngoc Thuy
Preparer

10 March 2014

Dinh Trung Kien
Chief Accountant



Tran Tuc Ma
General Director

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2013

FORM B 02-DN/HN
Unit: VND

ITEMS	Codes	Notes	2013	2012
1. Gross sales	01	19	1,691,084,220,534	1,408,972,181,959
2. Deductions	02		8,720,094,110	8,268,658,797
3. Net sales (10=01-02)	10		1,682,364,126,424	1,400,703,523,162
4. Cost of sales	11	20	961,230,322,194	821,845,959,184
5. Gross profit from sales (20=10-11)	20		721,133,804,230	578,857,563,978
6. Financial income	21	21	5,617,837,404	1,825,030,424
7. Financial expenses	22	22	22,126,999,958	35,099,496,227
Including: Interest expense	23		20,612,227,436	34,656,759,846
8. Selling expenses	24		341,998,801,193	265,989,941,828
9. General and administration expenses	25		135,951,817,285	110,602,809,514
10. Operating profit (30=20+(21-22)-(24+25))	30		226,674,023,198	168,990,346,833
11. Other income	31		3,990,957,680	5,208,568,815
12. Other expenses	32		514,124,378	331,139,273
13. Profit/(Loss) from other activities (40=31-32)	40		3,476,833,302	4,877,429,542
14. Share of profit/(loss) in associates	45	12	757,916,304	(3,287,198)
15. Accounting profit before tax (50=30+40+45)	50		230,908,772,804	173,864,489,177
16. Current corporate income tax expense	51		59,713,180,058	45,039,712,791
17. Deferred corporate tax expense	52		2,645,862	674,026,115
18. Net profit after corporate income tax 60 (60=50-51-52)	60		171,192,946,884	128,150,750,271
18.1. Net profit after tax attributable to minority interest	61		21,770,784,584	11,797,128,640
18.2. Net profit after tax attributable to holding company's shareholders	62		149,422,162,300	116,353,621,631
19. Basic earnings per share	70	24	6,255	5,023

Nguyen Ngoc Thuy
Preparer

Dinh Trung Kien
Chief Accountant



Tran Tuc Ma
General Director

10 March 2014

The notes set out on pages 80 to 104 are an integral part of these consolidated financial statements

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2013

FORM B 03-DN/HN

Unit: VND

ITEMS	Codes	2013	2012
I. CASH FLOWS FROM OPERATING ACTIVITIES			
1. Profit before tax	01	230,908,772,804	173,864,489,177
2. Adjustments for:			
Depreciation and amortisation	02	22,156,243,959	20,103,117,210
Provisions	03	(427,600,465)	3,433,800,892
Unrealized foreign exchange (gain)	04	(61,917,559)	(683,131,055)
(Gain) from investing activities	05	(1,695,232,641)	(348,009,758)
Interest expense	06	20,612,227,436	34,656,759,846
3. Operating profit before movements in working capital	08	271,492,493,534	231,027,026,312
Changes in receivables	09	72,045,437,588	(79,156,903,430)
Changes in inventories	10	23,284,999,434	41,851,102,556
Changes in accounts payables (not including accrued interest and corporate income tax payable)	11	(65,126,562,471)	(7,238,828,755)
Changes in prepaid expenses	12	(2,873,091,950)	403,042,541
Interest paid	13	(21,349,390,791)	(35,120,065,022)
Corporate income tax paid	14	(49,131,898,685)	(43,010,615,252)
Net cash from operating activities	20	228,341,986,659	108,754,758,950

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2013

FORM B 03-DN/HN

Unit: VND

II. CASH FLOWS FROM INVESTING ACTIVITIES

1. Acquisition and construction of fixed assets and other long-term	21	(57,537,560,677)	(50,883,732,853)
2. Proceeds from disposal of fixed assets and other long-term assets	22	197,999,999	-
3. Cash recovered from lending, selling debt instruments of other entities	24	867,314,815	10,125,000,000
4. Investments in other entities	25	(4,369,823,618)	(6,303,614,810)
5. Interest earned, dividends and profits received	27	4,484,256,430	1,141,899,369
Net cash (used in) investing activities	30	(56,357,813,051)	(45,920,448,294)

III. CASH FLOWS FROM FINANCING ACTIVITIES

1. Proceeds from issuing stocks, receiving capital from owners	31	123,366,090,000	-
2. Proceeds from borrowings	33	272,917,347,693	464,754,705,424
3. Repayment of borrowings	34	(388,934,158,532)	(417,527,178,785)
4. Dividends and profits paid	36	(27,077,743,745)	(48,973,332,000)
Net cash (used in)/from financing activities	40	(19,728,464,584)	(1,745,805,361)
Net increase in cash	50	152,255,709,024	61,088,505,295
Cash and cash equivalents at the beginning of the year	60	104,329,053,159	43,240,547,864
Cash and cash equivalents at the end of the year	70	256,584,762,183	104,329,053,159

Nguyen Ngoc Thuy
Preparer

10 March 2014

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 its former Certificate No. 058437 dated 24 December 1999. The Company's 19th amended Business Registration Certificate was granted on 10 September 2013.

As at 31 December 2013, the Company had branches as follow:

Name	Location	Principal operating activities
- Branch Traphaco Joint Stock Company	Ho Chi Minh City	
- Central branch	Da Nang City	
- Nam Dinh branch	Nam Dinh	
- Nghe An branch	Nghe An	
- Thanh Hoa branch	Thanh Hoa	
- Vinh Long branch	Vinh Long	
- Hai Phong branch	Hai Phong City	Trade of pharmaceutical products, food, cosmetics, chemicals, medical supplies and equipment, import and export of medical materials and pharmaceutical products.
- 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 branch	Gia Lai	
- Hai Duong branch	Hai Duong	

As at 31 December 2013, the Company had 04 subsidiaries: Traphaco High-tech Joint Stock Company, Traphacosapa One Member Company Limited, Daklak Pharmaceuticals; Medical Equipment Joint Stock Company and Traphaco Hung Yen One Member Company Limited.

The number of employees of the Company and subsidiaries as at 31 December 2013 was 1,314 (31 December 2012: 1,325).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FORM B 09-DN/HH

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

1. GENERAL INFORMATION (Continued)

Operating industry and principal activities

Operating activities of the Company include manufacturing and trading food and cosmetics; export and import of pharmaceutical materials and products; consultancy on manufacturing of medicine and cosmetics; dispensing prescription drugs; production and trade of medicines, chemical and medical supplies and equipment, production and trade of alcohol, beer, soft drinks (not including bar operating); advisory services on medical technology transfer; purchasing, planting, processing herbal medicines.

The principal activities of the Company are manufacturing and trading pharmaceutical products, chemical, 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, accounting regime for enterprises and legal regulations relating to financial reporting.

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

New guidance on management, usage and depreciation of fixed assets

On 25 April 2013, the Ministry of Finance issued Circular No. 45/2013/TT-BTC ("Circular 45") guiding the regime of management, usage and depreciation of fixed assets. This Circular supersedes Circular No. 203/2009/TT-BTC ("Circular 203") dated 20 October 2009 of the Ministry of Finance guiding the regime of management, usage and depreciation of fixed assets. Circular 45 is effective from 10 June 2013 and is applied from financial year 2013 onwards. According to the Board of Directors' assessment, Circular 45 does not have material effect on the Company's consolidated financial statements for the year ended 31 December 2013.

New guidance on provision for impairment of long-term investments into other entities

On 28 June 2013, the Ministry of Finance issued Circular No. 89/2013/TT-BTC ("Circular 89") amending and supplementing Circular No. 228/2009/TT-BTC ("Circular 228") dated 07 December 2009 of the Ministry of Finance guiding the appropriation and use of provisions for devaluation of inventories, losses of financial investments, bad debts and warranty for products, goods and construction and installation works at enterprises. Circular 89 shall be effective starting from 26 July 2013. According to the Board of Directors' assessment, Circular 89 does not have material effect on the Company's consolidated financial statements for the year ended 31 December 2013.

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, accounting regime for enterprises and legal regulations relating to financial reporting 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in associates (Continued)

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 associates and jointly controlled entities is included in the carrying amount of the associates and jointly controlled entities. Goodwill arising on the acquisition of subsidiaries is presented separately as an intangible asset in the consolidated 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.

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 plus 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.

Subsequent measurement after initial recognition

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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:

	2013 Years
Buildings and structures	15 - 25
Machinery and equipment	06 - 07
Motor vehicles	05 - 08
Office equipment	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 consolidated income statement.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets and amortisation

Intangible assets represent land use rights and accounting software 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 consolidated 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:

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

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:

- (a) the amount of revenue can be measured reliably;
- (b) it is probable that the economic benefits associated with the transaction will flow to the Company;
- (c) the percentage of completion of the transaction at the balance sheet date can be measured reliably; and
- (d) 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 balances 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 consolidated 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 consolidated 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.

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

5. CASH AND CASH EQUIVALENTS

	31/12/2013 VND	31/12/2012 VND
Cash on hand	8,935,185,253	7,901,929,768
Cash in bank	86,333,523,426	87,707,123,391
Cash in transit	816,053,504	-
Cash equivalents (*)	160,500,000,000	8,720,000,000
	256,584,762,183	104,329,053,159

(*) Cash equivalents represent time deposits with terms within 03 (three) months at commercial banks.

6. INVENTORIES

	31/12/2013 VND	31/12/2012 VND
Goods in transit	2,682,490,115	11,750,611,007
Raw materials	113,815,515,956	106,528,688,685
Tools and supplies	57,567,014	7,923,244
Work in process	31,065,854,129	40,060,578,585
Finished goods	89,649,200,221	83,107,946,689
Merchandise	18,143,818,695	36,854,044,500
Goods on consignment	9,154,239,106	9,543,891,960
Total	264,568,685,236	287,853,684,670
Provision for devaluation of inventories	(684,648,865)	(3,186,146,252)
Net realisable value	263,884,036,371	284,667,538,418

7. OTHER CURRENT ASSETS

	31/12/2013 VND	31/12/2012 VND
Advances to employees	2,682,962,066	9,961,887,826
Input value added tax over declarations	250,157,729	250,157,729
Short-term collaterals, deposits, mortgages	1,892,811,493	3,634,011,450
	4,825,931,288	13,846,057,005

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

8. TANGIBLE FIXED ASSETS

COST	Buildings and structures		Machinery and equipment		Motor vehicles		Office equipment		Other assets		Total	
	VND		VND		VND		VND		VND		VND	
As at 01/01/2013	133,069,139,171		117,494,032,376		36,678,912,630		15,097,727,737		3,734,065,383		306,073,877,297	
Purchases	22,929,352,575		18,137,052,265		4,847,377,527		530,683,362		-		46,444,465,729	
Transfers from construction in progress	-		498,204,428		-		-		-		498,204,428	
Other increases	-		37,000,000		-		47,990,000		-		84,990,000	
Disposals	(1,069,298,200)		(5,215,485,202)		(300,076,372)		(272,644,137)		-		(6,857,503,911)	
Other decreases	(221,518,407)		(3,124,963,327)		(565,389,626)		(4,201,842,613)		(81,327,429)		(8,195,041,402)	
As at 31/12/2013	154,707,675,139		127,825,840,540		40,660,824,159		11,201,914,349		3,652,737,954		338,048,992,141	
ACCUMULATED DEPRECIATION												
As at 01/01/2013	44,424,355,801		58,358,404,629		19,972,654,036		11,528,686,691		2,582,610,169		136,866,711,326	
Charge for the year	6,100,506,665		11,514,383,541		2,911,239,028		1,100,669,955		295,407,466		21,922,206,655	
Disposals	(892,039,400)		(1,942,979,892)		(300,076,372)		(271,154,658)		-		(3,406,250,322)	
Other decreases	(90,945,102)		(1,894,401,158)		(260,626,835)		(3,112,026,266)		(48,018,252)		(5,406,017,613)	
As at 31/12/2013	49,541,877,964		66,035,407,120		22,323,189,857		9,246,175,722		2,829,999,383		149,976,650,046	
NET BOOK VALUE												
As at 31/12/2013	105,165,797,175		61,790,433,420		18,337,634,302		1,955,738,627		822,738,571		188,072,342,095	
As at 31/12/2012	88,644,783,370		59,135,627,747		16,706,258,594		3,569,041,046		1,151,455,214		169,207,165,971	

As noted further in Note 13 and Note 17, the Company has pledged its tangible fixed assets, which had a carrying value of approximately VND 72,583,410,883 as at 31 December 2013 (31 December 2012: VND 117,416,916,880), to secure banking facilities granted to the Company.

As at 31 December 2013, the carrying amount of the Company's office equipment includes VND 1,842,000 (31 December 2012: VND 1,532,005,067) of tangible fixed assets awaiting disposal.

The cost of the Company's fixed assets includes VND 64,687,129,229 (31 December 2012: VND 63,407,592,671) of equipment which has been fully depreciated but is still in use.

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

9. INTANGIBLE FIXED ASSETS

COST	Land use rights (i) VND	Software VND	Others VND	Total VND
As at 01/01/2013	29,209,025,463	97,124,670	154,128,900	29,460,279,033
Additions	43,563,800	33,000,000	129,200,000	205,763,800
Other decreases	-	(28,937,100)	-	(28,937,100)
As at 31/12/2013	29,252,589,263	101,187,570	283,328,900	29,637,105,733
ACCUMULATED DEPRECIATION				
As at 01/01/2013	841,426,711	36,899,952	126,504,802	1,004,831,465
Charge for the year	163,919,538	35,314,988	34,802,778	234,037,304
Increases from business consolidation	-	(13,884,618)	-	(13,884,618)
As at 31/12/2013	1,005,346,249	58,330,322	161,307,580	1,224,984,151
NET BOOK VALUE				
As at 31/12/2013	28,247,243,014	42,857,248	122,021,320	28,412,121,582
As at 31/12/2012	28,367,598,752	60,224,718	27,624,098	28,455,447,568

(i) As at 31 December 2013, the Company has land use rights as follows:

Details	Area (m²)	Value VND	Useful
- 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, Ho Chi Minh City (**)	876.00	7,795,378,640	
- Land use right at Hoa Vuong New City, Nam Dinh City	288.75	2,350,425,000	Permanent
- Land use right at Vinh Tan, Vinh (lot 581) (*)	307.20	1,290,240,000	Permanent
- Land use right at Vinh Tan, Vinh (lot 582) (*)	301.80	1,267,560,000	Permanent
- Land use right at Vinh Diem Trung Urban Area, Nha Trang City (*)	306.00	1,873,777,089	Permanent
- Land use right at Cao Xanh New Urban Area, Ha Long City	340.00	3,049,800,000	Permanent
- Land use right at Western New Urban Area - 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 right in Dak Lak		516,291,335	Permanent
		29,252,589,263	

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9. INTANGIBLE FIXED ASSETS (Continued)

(*) As at 31 December 2013, the Company was not granted Certificates of land use rights for these lots.

(**) This land use right covers 2 lots: Lot 647 with the area of 652 m² and permanent useful life; lot 646 with the area of 224 m² and the useful life until 27 August 2016.

(***) According to Certificate of land use right No. AI 073651 issued by Hung Yen People's Committee dated 15 June 2007, land use right for land lot No. 228 in Tan Quang commune, Van Lam district, Hung Yen province has a term of 35 years, from 03 March 2003 to 03 April 2038 with an area of 31,047 m².

As noted in Note 13, the Company has pledged its land use rights, which has the carrying value of approximately VND 4,968,953,525 as at 31 December 2013 (31 December 2012: VND 4,968,953,525 VND), to secure banking facilities granted to the Company.

10. CONSTRUCTION IN PROGRESS

	31/12/2013 VND	31/12/2012 VND
Construction in progress	41,353,410,761	21,235,492,876
Traphaco pharmaceutical plant construction (*)	31,053,543,886	19,051,882,509
Tay Nguyen pharmaceutical and trading center	-	1,071,964,003
Thai Nguyen office construction	201,939,091	201,939,091
Gia Lai office construction	1,616,180,092	106,812,728
Can Tho office construction	2,479,653,636	-
Thanh Hoa office construction	3,460,545,454	-
Others	2,541,548,602	802,894,545
Purchasing fixed assets	7,390,611,328	-
	48,744,022,089	21,235,492,876

(*) 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 building hi-tech pharmaceutical 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 implementation was permitted by People's Committee of Hung Yen province, and the balance of construction in progress regarding the project represents site clearance expenses which have been paid up to 31 December 2013.

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11. INVESTMENTS IN SUBSIDIARIES

Details of the Company's subsidiaries as at 31 December 2013 are as follows:

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 and Medical Equipment Joint Stock Company	Dak Lak Province	58%	58%	Produce and trade pharmaceutical products, functional foods; export and import medicines, pharmaceutical materials and medical equipment.
Traphaco Hung Yen One Member Limited Company	Hung Yen Province	100%	100%	Produce eastern medicines.

12. INVESTMENTS IN ASSOCIATES

	31/12/2013 VND	31/12/2012 VND
Investments in associates	20,813,622,400	4,399,850,400
Goodwill	(15,877,771,401)	(2,575,906,715)
Profit/(Loss) arising after the date of investment excluding dividends	754,629,106	(3,287,198)
	5,690,480,105	1,820,656,487

Details of the Company's associates as at 31 December 2013 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	43%	43%	Produce and trade pharmaceutical
Thai Nguyen Pharmaceutical Medical Equipment Joint Stock Company	Thai Nguyen	49%	49%	Produce and trade pharmaceutical

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12. INVESTMENTS IN ASSOCIATES (Continued)

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

	31/12/2013	31/12/2012
	VND	VND
Total assets	42,222,651,216	22,039,833,407
Total liabilities	31,320,614,670	17,972,791,570
Net assets	10,902,036,546	4,067,041,837
Company's share of associate's net assets	5,048,097,089	1,745,167,652

	31/12/2013	31/12/2012
	VND	VND
Sales	85,155,303,175	13,887,894,901
Net profit/(loss)	1,719,804,016	(7,660,679)
Company's share of associate's net profit/(loss)	757,916,304	(3,287,198)

13. SHORT-TERM LOANS AND LIABILITIES

	31/12/2013	31/12/2012
	VND	VND
Short-term borrowings		
- Vietnam Joint Stock Commercial Bank for Industry and Trade - Ba Dinh branch (1)	81,299,473,364	154,804,711,103
- Borrowings from individuals (2)	32,240,000,000	71,679,573,100
Current portion of long-term loans (See Note 17)		
- Vietnam Joint Stock Commercial Bank for Industry and Trade - Ba Dinh branch	472,000,000	472,000,000
- Borrowings from individuals	50,000,000	2,500,000,000
	114,061,473,364	229,456,284,203

(1) As at 31 December 2013, short-term loans from Vietnam Joint Stock Commercial Bank for Industry and Trade - Ba Dinh branch represent the following short-term loans:

(a) The loan contract No. 82-2013/HDTDHM/NHCT124-TPC dated 01 July 2013, with credit limit of VND 210 billion. The loan principal balance as of 31 December 2013 is VND 65,214,945,177. This loan is used to supplement working capital for the Company's operation plan. Payment term is specified in each debenture note within six months from the disbursement date. Interest is determined on annual basis at the basic rate plus margin as regulated by the Bank from time to time. At the contract date, the interest rate is 7% p.a for the VND loans. The margin is within 3.5% 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).

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13. SHORT-TERM LOANS AND LIABILITIES (Continued)

(b) The credit agreement No. 34-2013/HD TD-CNC from Vietnam Joint Stock Commercial Bank for Industry and Trade to contribute working capital for the Traphaco CNC's operation plan. The credit limit of VND 55,000,000,000, this limit includes the actual balance up to 14 April 2013 of the loan under credit agreement No. 37-2012/HD TD-CNC dated 11 April 2012. Loan term is specified on each debenture note within six months from the disbursement date. The credit limit is maintained in 12 months from the agreement date. The loans bear floating rates, which are monthly adjustable on the 25th day of each month from the disbursement date, and are secured by tangible fixed assets (see Notes 8).

(2) As at 31 December 2013, borrowings from individuals represent borrowings from employees of Traphaco CNC to supplement working capital for production and business activities. Borrowings' term is 12 months, interest rates are from 0.833% per month to 1.2% per month. These borrowings are unsecured.

14. TAXES AND AMOUNTS PAYABLE TO THE STATE BUDGET

	31/12/2013	31/12/2012
	VND	VND
Corporate income tax	37,177,672,085	26,596,390,712
Personal income tax	4,668,577,099	2,626,004,780
Value added tax	1,233,377,914	604,885,209
Others	-	15,008,970
	43,079,627,098	29,842,289,671

15. ACCRUED EXPENSES

	31/12/2013	31/12/2012
	VND	VND
Interest expense	933,882,455	1,671,045,810
Advertising cost	2,500,000,000	-
Custom club cost	1,196,009,323	-
Collaborators cost	2,669,025,974	-
Other expense	3,435,401,864	4,473,890,039
	10,734,319,616	6,144,935,849

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16. OTHER SHORT-TERM LIABILITIES

	31/12/2013	31/12/2012
	VND	VND
Union fee	3,656,819,589	4,303,808,824
Research team led by Mr. Nguyen Khac Vien	5,035,739,200	2,392,704,400
Dividends payable to shareholders	770,960,328	714,941,328
Board of Management's remuneration	622,521,311	566,681,213
Social insurance	576,931,109	379,695,581
Health insurance	90,007,512	51,732,356
Unearned revenue	1,013,505,178	-
Others	1,144,988,644	1,304,126,768
	12,911,472,871	9,713,690,470

17. LONG-TERM LOANS AND LIABILITIES

	31/12/2013	31/12/2012
	VND	VND
Long-term loans		
- Borrowings from individuals (1)	50,000,000	2,650,000,000
- Vietnam Joint Stock Commercial Bank for Industry and Trade - Ba Dinh branch (2)	590,000,000	1,062,000,000
	640,000,000	3,712,000,000
Less: Amount due for settlement within 12 months (<i>shown under current liabilities</i>)	(522,000,000)	(2,972,000,000)
Amount due for settlement after 12 months	118,000,000	740,000,000

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17. LONG-TERM LOANS AND LIABILITIES (Continued)

As at 31 December 2013, long-term loans represent the following loans to Traphaco CNC:

- (1) The loans from Traphaco High-tech Joint Stock Company's employees for more than one year, for the purpose of supplementing the working capital for production and business activities. This loan is unsecured and bears the interest rates from 0.833% per month to 1.2% per month, interest is payable on monthly basis.
- (2) As at 01 January 2009, the Traphaco Hi-tech Joint Stock Company signed Loan contract No. 02- DH/NHBD-CNC with Vietin Bank - Ba Dinh branch with the credit limit of VND 7.5 billion and the term of 64 months from the disbursement date. This loan is used to extend the project to build "Pharmaceutical factory with GMP standards" - Item "Capsule factory building" and is secured by the entire plant and machinery of the project. The loan bears floating rate, adjustable every 3 months. The interest rate during the period fluctuates from 13% per annum to 15% per annum.

Long-term loans are repayable as follows:

	31/12/2013	31/12/2012
	VND	VND
Within one year	522,000,000	2,972,000,000
In the second year	118,000,000	522,000,000
In the third to fifth year inclusive	-	218,000,000
	640,000,000	3,712,000,000
Less: Amount due for settlement after 12 months (<i>shown under current liabilities</i>)	(522,000,000)	(2,972,000,000)
Amount due for settlement after 12 months	118,000,000	740,000,000

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18. OWNER'S EQUITY

Movement in owner's equity

	Chartered capital VND	Share premium VND	Treasury shares VND	Foreign exchange reserve VND	Investment and development VND	Financial reserve fund VND	Retained earnings VND	Total VND
Balance as at 01/01/2012	123,398,240,000	92,063,700,000	(3,593,000)	347,388,175	80,798,904,048	14,538,443,422	88,137,029,033	399,280,111,678
Profit for the year	-	-	-	-	-	-	116,353,621,631	116,353,621,631
2011 dividends declared	-	-	-	-	-	-	(24,678,762,000)	(24,678,762,000)
2012 interim dividends declared	-	-	-	-	-	-	(24,410,484,000)	(24,410,484,000)
Fund allocations	-	-	-	-	53,987,984,742	71,352,172	(65,396,826,486)	(11,337,489,572)
Remuneration of Board of Management and Board	-	-	-	-	-	-	(4,589,020,109)	(4,589,020,109)
Others	-	-	-	(347,208,911)	-	-	(34,842,158)	(382,051,069)
Balance as at 01/01/2013	123,398,240,000	92,063,700,000	(3,593,000)	179,264	134,786,888,790	14,609,795,594	85,380,715,911	450,235,926,559
Capital increase	123,366,090,000	61,683,460,000	-	-	-	-	-	185,049,550,000
Profit for the year	-	-	-	-	-	-	149,422,162,300	149,422,162,300
2013 interim dividends declared	-	-	-	-	-	-	(24,930,812,000)	(24,930,812,000)
Management's bonus	-	-	-	-	-	-	(2,202,950,745)	(2,202,950,745)
Fund allocations	-	-	-	-	82,783,369,822	816,744,171	(95,638,871,222)	(12,038,757,229)
Remuneration of Board of Management and Board	-	-	-	-	-	-	(583,000,085)	(583,000,085)
Payment out of Investment and development fund	-	-	-	-	(61,682,640,000)	-	-	(61,682,640,000)
Others	-	-	-	-	-	-	(19,468,396)	(19,468,396)
Balance as at 31/12/2013	246,764,330,000	153,747,160,000	(3,593,000)	179,264	155,887,618,612	15,426,539,765	111,427,775,763	683,250,010,404

In 2013, the Company's Board of Directors has decided to pay dividends to shareholders and allocate funds according to relevant Resolutions of the General Meeting of Shareholders of the Company and its subsidiaries.

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19. GROSS SALES

	2013 VND	2012 VND
Sales of finished goods	1,105,202,737,561	990,143,231,874
Sales of merchandise	584,381,282,723	417,674,352,484
Sales of rendering services	1,500,200,250	1,154,597,601
	1,691,084,220,534	1,408,972,181,959

20. COST OF SALES

	2013 VND	2012 VND
Cost of finished goods sold	423,235,903,317	471,181,932,212
Cost of merchandise sold	540,038,017,336	350,214,452,829
Cost of services rendered	-	43,221,771
Provision for inventory devaluation	(2,043,598,459)	406,352,372
	961,230,322,194	821,845,959,184

21. FINANCIAL INCOME

	2013 VND	2012 VND
Bank and loan interest	3,791,788,710	1,080,969,540
Unrealized foreign exchange gain	61,917,559	683,131,055
Interest on installment sales	692,467,720	60,929,830
Settlement discount	759,012,490	-
Realized foreign exchange gain	312,650,925	-
	5,617,837,404	1,825,030,424

22. FINANCIAL EXPENSES

	2013 VND	2012 VND
Interest expense	20,612,227,436	34,656,759,846
Realised foreign exchange loss	1,502,808,519	442,736,381
Others	11,964,003	-
	22,126,999,958	35,099,496,227

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23. PRODUCTION COST BY NATURE

	2013 VND	2012 VND
Raw materials expenses	334,659,889,238	404,653,173,530
Labour	283,370,840,151	240,276,038,210
Depreciation and amortization	22,156,243,959	20,103,117,210
Out-sourced services	168,677,436,867	117,384,370,966
Other expenses	92,322,111,580	65,357,983,638
	901,186,521,795	847,774,683,554

24. BASIC EARNINGS PER SHARE

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

	Unit	2013	2012
Earnings for the purposes of calculating basic earnings per share	VND	149,422,162,300	116,353,621,631
Weighted average number of ordinary shares for the purposes of calculating basic earnings per share	Share	16,159,103	12,336,691
Basic earning per share	VND	6,255	5,023

25. BUSINESS AND GEOGRAPHICAL SEGMENTS

The principal activities of the Company are manufacturing and trading pharmaceutical products, chemicals and medical supplies and equipment. The Company has no significant other business activities, therefore, the financial information presented in the balance sheet as at 31 December 2013 and all the income and expenses presented in the income statement for the year ended 31 December 2013 related to manufacturing and trading pharmaceutical products, chemicals and medical supplies and equipment.

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

26. OPERATING LEASE COMMITMENTS

	2013 VND	2012 VND
Minimum lease payments recognised in the income	4,608,926,433	5,373,487,923

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26. OPERATING LEASE COMMITMENTS (Continued)

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

	31/12/2013 VND	31/12/2012 VND
Within one year	3,228,476,230	4,367,087,956
In the second to fifth years inclusive	10,110,122,358	10,539,614,819
After five years	31,126,618,875	36,497,787,625
	44,465,217,464	51,404,490,400

27. 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 13 and Note 17, offset by cash and cash equivalents) and equity attributable to equity holders of the parent (comprising capital, reserves and retained earnings).

Gearing ratio

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

	31/12/2013 VND	31/12/2012 VND
Borrowings	114,179,473,364	230,196,284,203
Less: Cash and cash equivalents	256,584,762,183	104,329,053,159
Net debt	-	125,867,231,044
Equity	683,250,010,404	450,235,926,559
Net debt to equity ratio	-	0,28

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.

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27. FINANCIAL INSTRUMENTS (Continued)

	31/12/2013 VND	31/12/2012 VND
Financial assets		
Cash and cash equivalents	256,584,762,183	104,329,053,159
Trade and other receivables	212,529,725,076	272,935,737,055
Short term investments	256,983,146	1,124,297,961
Short term collaterals, deposits, mortgages	1,892,811,493	3,634,011,450
Total	471,264,281,898	382,023,099,625
Financial liabilities		
Borrowings	114,179,473,364	230,196,284,203
Trade and other payables	125,431,499,789	156,355,890,090
Accruals	10,734,319,616	6,144,935,849
Total	250,345,292,769	392,697,110,142

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 No. 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.

Market risk

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates, interest rates and prices.

Foreign currency risk management

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

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27. FINANCIAL INSTRUMENTS (Continued)

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	
	31/12/2013 VND	31/12/2012 VND	31/12/2013 VND	31/12/2012 VND
United States Dollar (USD)	26,024,329,930	56,703,778,691	1,316,577,552	4,334,509,120

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:

	31/12/2013 VND	31/12/2012 VND
United States Dollar (USD)	2,470,775,238	5,236,926,957

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 follows:

	Increase/ (decrease) in basis points	Impact on profit before tax
For the year ended 31 December 2013		
VND	+200	(2,283,589,467)
VND	-200	2,283,589,467
For the year ended 31 December 2012		
VND	+200	(4,603,925,684)
VND	-200	4,603,925,684

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27. 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 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 VND	From 1- 5 years VND	Total VND
31/12/2013			
Cash and cash equivalents	256,584,762,183	-	256,584,762,183
Trade and other receivables	212,529,725,076	-	212,529,725,076
Short-term investments	256,983,146	-	256,983,146
Short term collaterals, deposits, mortgages	1,892,811,493	-	1,892,811,493
Total	471,264,281,898	-	471,264,281,898
31/12/2013			
Borrowings	114,061,473,364	118,000,000	114,179,473,364
Trade and other payables	125,431,499,789	-	125,431,499,789
Accruals	10,734,319,616	-	10,734,319,616
Total	250,227,292,769	118,000,000	250,345,292,769
Net liquidity gap	221,036,989,129	(118,000,000)	220,918,989,129

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27. FINANCIAL INSTRUMENTS (Continued)

Liquidity risk management (Continued)

	Less than 1 year VND	From 1- 5 years VND	Total VND
31/12/2012			
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 investments	1,124,297,961	-	1,124,297,961
Short term collaterals, deposits, mortgages	3,634,011,450	-	3,634,011,450
Total	382,023,099,625	-	382,023,099,625
31/12/2012			
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
Accruals	6,144,935,849	-	6,144,935,849
Total	391,457,110,142	1,240,000,000	392,697,110,142
Net liquidity gap	(9,434,010,517)	(1,240,000,000)	(10,674,010,517)

28. RELATED PARTY TRANSACTIONS AND BALANCES

List of related parties:

Related party	Relationship
Quang Tri Pharmaceutical and Medical Equipment Joint Stock Company	Affiliated companies
Thai Nguyen Pharmaceutical and Medical Equipment Joint Stock Company	Affiliated companies

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

	2013	2012
Sales		
Quang Tri Pharmaceuticals and Medical Equipment Joint Stock Company	9,225,545,241	8,825,447,493
Thai Nguyen Pharmaceuticals and Medical Equipment Joint Stock Company	25,447,429,357	-
Capital distribution		
Thai Nguyen Pharmaceuticals and Medical Equipment Joint Stock Company	16,539,482,000	-
Dividends paid to shareholders	24,617,275,000	48,973,332,000

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

28. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

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

	31/12/2013 VND	31/12/2012 VND
Receivables		
Quang Tri Pharmaceuticals and Medical Equipment Joint Stock Company	2,617,370,528	2,168,129,982
Thai Nguyen Pharmaceuticals and Medical Equipment Joint Stock Company	3,446,219,869	-
Dividend payable to shareholders	770,960,328	714,941,328

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

	31/12/2013 VND	31/12/2012 VND
Salaries	1,459,215,000	1,405,848,000
Bonus and benefits in kind	1,583,890,192	1,818,719,612
	3,043,105,192	3,224,567,612

29. COMPARATIVE FIGURES

Comparative figures are those of Company's audited consolidated financial statements for the year ended 31 December 2012.



Nguyen Ngoc Thuy
Preparer



Dinh Trung Kien
Chief Accountant



Tran Tuc Ma
General Director

10 March 2014

Cebraton

Open the door to the success!

- **Brain nourishment**
- **Cerebral circulation enhancement**
- **Memory enhancement**



Traphaco





for

SUSTAINABLE DEVELOPMENT

*Environmental
& Social*
... CONNECTEDNESS

ENVIRONMENT, COMMUNITY AND SOCIETY

• Traphaco and social responsibilities • Awards and achievements

TRAPHACO AND SOCIAL RESPONSIBILITIES

Traphaco is a model pharmaceutical company which aligns its sustainable development with community benefits.

COMMITMENTS TO EMPLOYEES

Always ensure labor and industrial safety: inspect electricity and equipment safety regularly, ensure production processes are fully and properly equipped, especially with fire extinguishers, invest in warehouse and factory maintenance and improvement. Organize regular trainings in GMP, labor safety and industrial hygiene.

Committed to the well-being of the employees and fully complied with labor regulations:

In addition to fully compliance with the labor laws, the company also provides different forms of accommodations and supports to its employees through benefits, policies and services.

Traphaco's employees are entitled to performance-based bonus on quarterly basis, average employee's income increases by at least 10% per year. Incomes of the company's employees are among the top level of pharmaceutical companies in Vietnam:

ENVIRONMENT PROTECTION – SUSTAINABLE DEVELOPMENT

Traphaco applies the environment management system ISO14001:2004 to its factories, showing strong commitments to environment protection and contributing to sustainable development.

In August 2009, the company started implementing the GreenPlan project with the goal to “sustainably develop the herbal ingredient supply for Traphaco”. By end of 2013, the company completed the application documents for the GACP – WHO (Good Agricultural Collection Practices by WHO) monographs for 4 medicinal plants Artichoke, Polyscias fruticosa, Convolvulaceae and Molluginaceae and secured for itself 71% of the herbal inputs. The company was able to avoid the negative impacts of the economic crisis, contributing partly to lessen the trade deficit and generating revenue for its satellite companies. The herbal plant farming and collection projects also contributed to raising awareness and educating people about the preservation and development of the



medicinal plant resources in Vietnam, which are under destructive threats. At the same time, those projects raised awareness about preserving the traditional medical and medicinal knowledge, creating confidence and directions farmers. The farmers are encouraged to farm medicinal plants, not just a way to escape poverty but also a possible way to create wealth.

Since 2010, the application of microwave vacuum drying technology to the extraction of herbal ingredients has helped reduced electricity consumption by 18 times as compared to normal drying techniques. Research works done in extracting herbal ingredients also have reduced extraction time, lowered the amount of inorganic solvents used, reduced energy consumption and costs, optimized the efficiency of extracting active ingredients and ensured product safety.

FULFILLMENT OF OBLIGATIONS TO THE STATE

Every year the company fulfilled its tax and other obligations to the State as required.

The company always complies with ISO 14001:2004 requirements for manufacturing factories and passes annual inspections to be certified as meeting the standards by regulating authorities.

The company also won the award for enterprises with corporate social responsibilities in Vietnam (Vietnam CSR Award).

RESPECT THE RELATIONSHIP WITH SHAREHOLDERS:

- ❖ The company's net profit after tax has been always distributed to the funds..
- ❖ Pay dividends to shareholders or allocate to retained earnings for developments in each period depending on the resolutions of the annual shareholders meeting (the dividend payout ratio is 20% of chartered capital).
- ❖ In addition to manufacturing and commercializing pharmaceuticals, cosmetics, functional foods, the company



is also in alliance to provide training to pharmacist associates or assistant pharmacist with the intention to recruit talents and maximize profit to the company and shareholders.

- ◆ The information of the company is always disclosed in a timely manner and in compliance with regulations for listed companies.

COMMUNITY-CARE ACTIVITIES

As a pharmaceutical company, Traphaco always sets "community benefits as the starting point for all actions". In addition to providing the best accommodations to employees, complying with environment protection requirements, promoting sustainable development, creating jobs for farmers through farming medicinal plants, the company is also a role model in proactively sponsoring charity and giving-back programs. The annual budget for community-care activities of the company is about 1-3% of revenue.

Specifically as follows:

- ◆ For 10 consecutive years as the contributor and sponsor of the "For the poor" fund, the "Reaching arms" program, the company contributes hundreds of millions dong per year. Traphaco is the sponsor of the program "One Heart – One World" program for 8 consecutive years, sponsor of the program "The Spring for you" for 3 consecutive years.
- ◆ Traphaco also supports the war veterans and invalids, victims of Orange Agents by cash or medicines produced by the company, donates money and gifts to the Youth Volunteer Union and provides care for Vietnamese Heroic Mothers and orphans annually.
- ◆ Other annual charity works also include: free meals for poor patients of serious illnesses at hospitals, donations to people in areas suffering from natural disasters, contribution to build houses of gratitude.

In addition to providing high quality medicines, the consultation and guide for effective medicine consumptions are areas of services in which Traphaco was the pioneer in and has been maintaining for many years. These services are provided directly to end-users, pharmacist and sales staffs at the pharmacies and doctors at hospitals. The activities also help promote Vietnamese pharmaceutical brands and medicines to consumers. In 2013, Traphaco organized 374 of such conferences and seminars.

For its social and charity works, Traphaco has been recognized by organizations and community as an enterprise with social responsibilities and a "compassionate" company – "Charitable business – businessmen".

TRAPHACO HAS BEEN HIGHLY RECOGNIZED THROUGH

- ◆ TOP 10 Enterprise with Social Responsibilities in 2013
- ◆ TOP 10 Enterprise and Brand For community.
- ◆ Corporate Social Responsibilities Award for Achievements in Environment Protection.
- ◆ Award for the development of a community culture
- ◆ Certificate for outstanding achievements in the campaign "Vietnamese prefer to consume Vietnamese products"
- ◆ Certificate for "Positive and Effective contributions in providing education and trainings for the young generations"
- ◆ Merit certificate from the Tax Authorities.
- ◆ Merit certificate for Contributions to the development of Traditional Medicine.
- ◆ Certificate for participations in charitable campaigns.
- ◆ Certificate for "Accompanying the Vietnamese athletes in competing at the Sea Games 26".

AWARDS AND ACHIEVEMENTS



NATIONAL BRAND



WIPO AWARD 2009



LABOR HERO AWARD



SECOND CLASS LABOR MEDAL



FIRST CLASS LABOR MEDAL

2005

1998 - 2013

2003 - 2013

2007

2008

2005

Received the recognition "Enterprise for women's progress" – the Kovalevskaja award for the female science workers of Traphaco.

1998 - 2013

For 15 consecutive years received the "Consumers' Choice for High quality Vietnamese products" award.

2003 - 2013

Won the "Vietnam's Gold Star" award (in the TOP 100 consecutively throughout the period 2008-2011, TOP 10 in 2013).

2007

"The Second-Class Labor Medal" from the President of the Socialist Republic of Vietnam

"The Third-Class Labor Medal" from the President of the Socialist Republic of Vietnam granted to the Company's labor union.

The only pharmaceutical company which received the "Techmart Gold Cup".

2008

Gold cup for the most recognized Traphaco brand.



LEADING VIETNAMESE BRAND



LABOR HERO AWARD



TOP 10 VIETNAM'S GOLD STAR AWARD



FIRST CLASS LABOR MEDAL



ASIA PACIFIC GLOBAL PERFORMANCE EXCELLENCE AWARD

2009

2010

2011

2012

2013

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 commemorative medal "Representative Party Unit"

Among top 10 enterprises with 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

TOP 10 enterprises with Corporate Social Responsibilities (Vietnam's Gold Star Award).

2012

Received the "First Class Labor Medal" from the President of the Socialist Republic of Vietnam

"The Third-Class Labor Medal" from the President of the Socialist Republic of Vietnam granted to the Company's labor union.

2012 National Quality Gold Prize Award

Vietnam Value Award 2012

2012 International Arch of Europe Award by BID.

2013

Best International Enterprise and Best Manager Award from Europe Business Assembly

Asia- Pacific Global Performance Excellence Award 2013

ASEAN Leading Brand

TOP 10 Enterprise with Social Responsibilities (Vietnam's Gold Star Award)

TOP 10 Most recognized brands in Vietnam.



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