

# Traphaco

The way of green health



INHERITING *Traditions*

STEADFAST ON THE JOURNEY **TOWARD THE FUTURE**

ANNUAL REPORT 2015



More than 800 years ago, the Great physician Tue Tinh laid the foundation for the orthodox medicine of Vietnam with his immortal words: **“Vietnamese Herbal treatment for Vietnamese people”**. Four hundred years later, Hai Thuong Lan Ong added more to the World’s Oriental Medicine, placing Vietnamese medicine on a par with the world. Today, with more than 43 years on “The road of fate”, Traphaco has **inherited the tradition** and developed traditional medicine to a new level with modern technology, Vietnamese resources and knowledge, **shouldering the mission** to serve public health, steadfast on the journey to the future on the **“Way to Green Health”**.

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# VISION - MISSION - CORE VALUES



## VISION

- » To become the Number 1 Vietnamese Pharmaceutical Company in terms of revenue, profit, market capitalization by 2020.



## 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 organizes 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 determines the survival of the business.
- » Increase value for society, customers, employees and shareholders is the goal and the driving force of sustainable development.
- » Innovative Labor is the foundation of development.
- » Cooperation, sharing, commitment and honoring commitment are the foundations of corporate culture.
- » Modern and traditional values have become the identity of Traphaco.



## MESSAGE FROM THE CHAIRWOMAN

THROUGHOUT THE TERM 2011 - 2015, TRAPHACO PERSEVERED THE PATH OF SUSTAINABLE DEVELOPMENT, "THE WAY TO GREEN HEALTH". MAINTAINING THE TITLE OF THE MOST POPULAR VIETNAMESE PHARMACEUTICAL BRAND IN THE INDUSTRY WITH THE BEST QUALITY PRODUCTS AND SERVICES.

Dear Shareholders, Customers, Investors and the entire staffs,

LADIES AND GENTLEMEN

2015 has passed, Traphaco JSC has had a year of outstanding business activities. Traphaco topped the pharmaceutical sector in terms of both revenue and profit after tax growth rate. Revenue reached 1,974 billion (up 20% compared to 2014); Profit after tax was 180 billion (up 23.3% compared to 2014).

Throughout the term 2011 - 2015, Traphaco persevered the path of sustainable development, "the Way to Green health". Maintaining the title of the most popular Vietnamese pharmaceutical brand in the industry with the best quality products and services. The company has repeatedly been awarded with many honors, prestigious prizes namely: Gold National Quality Award, Asia - Pacific prize, Top 10 Outstanding Enterprise for Social Responsibility, Top 10 Vietnamese Product for Boganic, ... The 04 GACP-WHO certified farming areas of herbal plants, were sustained and expanded, positively confirmed the number 1 position of Hoat huyet duong nao and Boganic. In 2015, Traphaco was granted another GACP-WHO certified farming area for Ampelopsis cantoniensis (ingredient to produce Ampelop) by the Ministry of Health.

In parallel to the "Way to Green health" with medicinal herbal plants farming areas is the issue of Green growth. The distribution system has continued to be improved with the use of high technology and solutions to strengthen customer relationships. Traphaco has nearly 22,000 loyal customers. The number of trusted products increases, Traphaco has taken control of the OTC market, becoming the exclusive distributor of the products of Sandoz Novartis Group in July 2015.

Traphaco has put the law of demand & supply into good use: Two modern production factories working in harmony with the increase of the pace of sales; By reducing inventory, better customers billing helped raise working capital efficiency. 2015 was the first year Traphaco successfully applied the KPI tool in enterprise management along with other management tools to boost productivity.

As the term of the Board of Directors for the period 2011 - 2015 came to an end, Traphaco has broken through to be ranked No. 2 in the pharmaceutical industry in Vietnam. On behalf of the Board, I would like to thank the companionship and support of our customers, the power of Traphaco cultural connections. I would like to express gratitude to the Board of Directors and all officers and employees for taking initiatives, being creative, determined and gathered the strength to overcome difficulties, successfully completed the goals set forth by the Company. Thanks to the trust, support and contributions of the shareholders and investors.

LADIES AND GENTLEMEN,

2016 is the first of Traphaco's 5 year plan for the period of 2016-2020. With Traphaco's advantages of: A sustainable development strategy associating economic efficiency with social responsibility and environmental protection; The "Way to Green Health" - a strategy in line with the trend of the era will have enormous power from the support of the society and the community; A well-known brand associated with prestige and quality; A value chains with clean ingredient farming areas - Modern, environmentally friendly technology - the distribution system is evaluated as number 1 in



Vietnam's pharmaceutical market; A strong and transparent financial background; Qualified human resources that has been effectively applying advanced management tools; A corporate culture of "cooperation, sharing, commitment and honoring of commitments" towards constant creativity and great efficiency. This is the biggest motivation and most sustainable for both tangible and intangible values that Traphaco has constantly evolving.

With the abovementioned advantages and in the context of Vietnam's increasingly extensive integration into the global economy, Traphaco has the capability to integrate successfully, and is willing to participate in the regional and global value chain, acquisition and technology



**THE LEADERS AND EMPLOYEES MUST TURN KNOWLEDGE INTO ACTION: "INHERITING TRADITIONS, SHOULDERING MISSIONS, STEADFAST ON THE JOURNEY TOWARD THE FUTURE". ONLY BY DOING SO, CAN THE 2020 VISION TO MAKE "TRAPHACO THE NUMBER 1 VIETNAMESE PHARMACEUTICAL ENTERPRISE IN TERMS OF SALES, PROFITS, MARKET CAPITALIZATION" BE REALIZED.**



transfer, expand markets, strengthen cooperation in order to expand business scale.

Know the right trend; Know how to take advantage of the business and the country; Seize the opportunity; Learn and apply world's advanced management tools; Know how to enhance competitiveness using the brand. We believe Traphaco will flourish.

**LADIES AND GENTLEMEN,**

2016 will be the year Traphaco become the pioneer in technological innovation, boost labor productivity. This will be a good start for the upcoming 5-year plan (2016-2020). To achieve this, aside from the cooperation of our customers, shareholders and investors, the leadership and employees must turn knowledge into action: "Inheriting traditions, Shouldering missions, steadfast on the journey toward the future". Only by doing so, can the 2020 vision to make "Traphaco the number 1 Vietnamese pharmaceutical enterprise in terms of sales, profits, market capitalization" be realized.

We always cherish the your views and look forward to your continued support on the road to sustainable development.

**Thank you very much!**

**Chairman of the Board of Directors**

**MSc. Vu Thi Thuan**

# TRAPHACO AND THE WAY TO

# GREEN HEALTH

**“TRAPHACO’S “THE WAY TO GREEN HEALTH” STRATEGY HAS ECONOMIC, ENVIRONMENTAL AND SOCIAL VALUES. THROUGHOUT ITS PATH, TRAPHACO’S UNWAVERING PURPOSE IS “GREEN HEALTH FOR THE COMMUNITY”, A STRATEGY THAT IS VERY PERVASIVE AND ENDURING, CONFIRMING THE DEVELOPMENT VIEW OF COMPANY: FOR A GREEN ENVIRONMENT, FOR THE COMMUNITY’S HEALTH, AND FOR THE COUNTRY’S PROSPERITY” .”**





# Proactively

build the farming areas of ingredients

Over the years, Traphaco has been proactively building its GACP-WHO certified farming areas of 5 key medicinal plants: Artichoke, Polyscias fruticosa, Convolvulaceae and Molluginaceae, Ampelopsis cantoniensis). Affirming its pioneering role in Vietnam's national Strategy for pharmaceutical towards 2020 and vision to 2030, which has been approved by the Prime Minister, contributing to the sustainable development of Vietnam's traditional medicines.

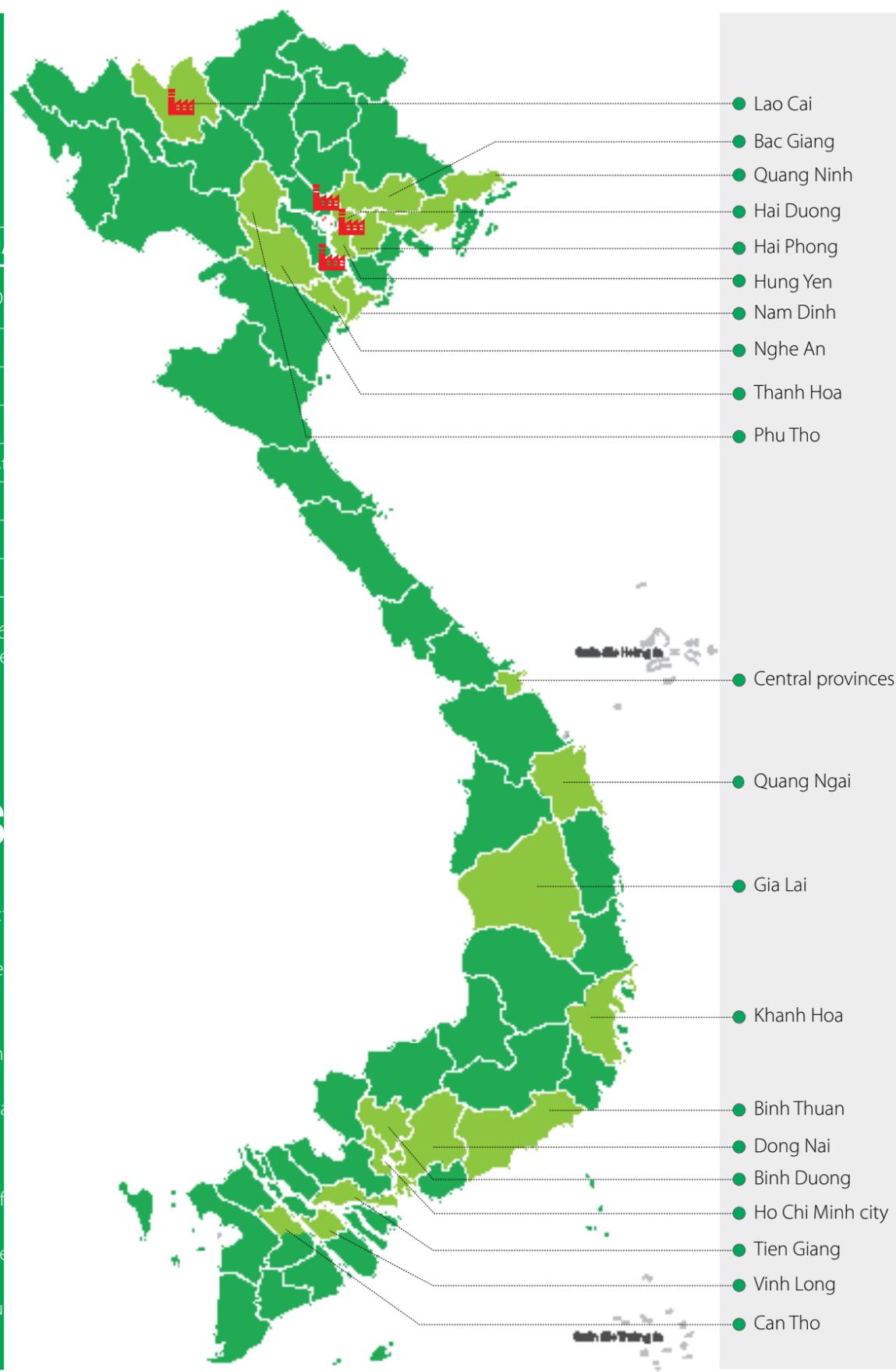
# OVERVIEW

Trading name	<b>CÔNG TY CỔ PHẦN TRAPHACO</b>
International Trading name	TRAPHACO JOINT STOCK COMPANY
Abbreviations	Traphaco
Charter capital	246,764,330,000 VNĐ
Stocks	TRA
Headquarters	No. 75 Yen Ninh, Ba Dinh Dist
Phone number	(+84-4) 3683 0751
Fax	(+84-4) 3681 5097
Website	<b>www.traphaco.com.vn</b>

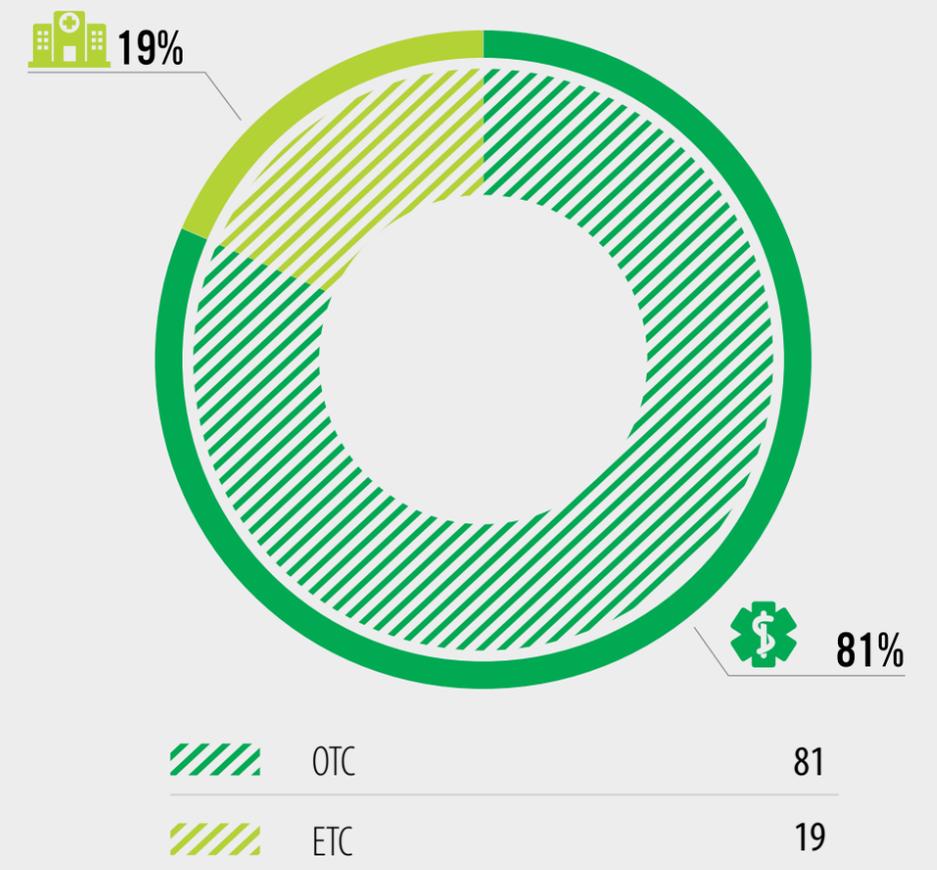
Certificate of enterprise registration code 0100108656  
 Department of Planning and Investment. The first registration date is  
 December 24, 1999. Registration of the 20th amendment on  
 June 10, 2014.

# SCOPE OF BUSINESS

- » Producing and trading of pharmaceutical products and medical equipment
- » Purchasing, cultivating and processing pharmaceutical ingredients
- » Manufacturing of prescription medicines
- » Providing consulting services to the production of pharmaceutical products and cosmetics
- » Importing and exporting pharmaceutical materials and equipment
- » Producing and trading cosmetics
- » Producing and trading foods
- » Providing consulting services and technology transfer in pharmaceutical fields
- » Producing and trading liquors, beers and beverages (bar operation)
- » Importing and exporting of products manufactured by the Company.



# GEOGRAPHIC AREAS OF BUSINESS ACTIVITIES



- HOANG LIET FACTORY**  
15 Alley, Ngoc Hoi lane, Hoang Mai, Ha Noi
- TRAPHACO CNC FACTORY**  
Tan Quang, Van Lam, Hung Yen
- VIETNAMESE PHARMACEUTICAL FACTORY**  
Tan Quang, Van Lam, Hung Yen
- TRAPHACO SAPA FACTORY**  
Dong Pho Moi industrial zone, Lao Cai

# ESTABLISHMENT AND DEVELOPMENT HISTORY



**1972**  
A medicine production workshop of the railway health authority was set up.

**1994**  
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.  
Set up Traphaco High-Technology Joint Stock Company (Traphaco CNC).

**2007**  
Successfully conducted the IPO.  
Commenced operation of the joint-venture traditional medicine-manufacturing factory in Van Lam – Hung Yen with GMP-WHO accreditation.

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

**2009**  
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.  
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.

**2012**  
Celebrated the 40th anniversary of the company, proudly received the Labor Award First Class.  
Won the Vietnam Value Award.

**2013**  
Named TOP 10 Vietnam's Gold Star, TOP 10 Corporate with Social Responsibilities. Asia-Pacific's Global Performance Excellence Award.

**2014**  
Won "the Star of Vietnamese medicines" Award for Traphaco brand and 5 of Traphaco's products were selected by the Ministry of Health.  
Won the Vietnam Value Award 2014.

**2015**  
Top 10 outstanding Vietnamese Award from Ministry of Industries and Trade for Boganic.  
Top 10 Vietnam's Gold Star Award for Corporate Social Responsibilities.  
Gold prize National Quality Award.



## CHARTERED CAPITAL INCREASE PROGRESSION

 DURING THE TERM 2011 – 2015, THE COMPANY CONDUCTED 01 BONUS SHARE ISSUANCE TO EMPLOYEES AND 01 SHARE ISSUANCE TO EXISTING SHAREHOLDERS. AS OF THE CURRENT MOMENT, THE COMPANY'S CHARTERED CAPITAL AMOUNTS TO VND246,764,330,000.

Timeline of issuance	Purpose of issuance	Chartered capital before issuance	Chartered capital increased	Chartered capital after issuance
T9/2006	Issuance to existing shareholders	9,900,000,000	10,100,000,000	20,000,000,000
T3/2007	Bonus share issuance for employees	20,000,000,000	800,000,000	20,800,000,000
T4/2007	Stock dividend issuance to existing shareholders	20,800,000,000	41,600,000,000	62,400,000,000
T11/2007	Initial Public Offering, issuance to existing shareholders, and employees	62,400,000,000	17,600,000,000	80,000,000,000
T12/2008	Bonus share issuance for employees	80,000,000,000	1,585,200,000	81,585,200,000
T10/2009	Issuance to existing shareholders	81,585,200,000	20,396,300,000	101,981,500,000
T4/2010	Issuance to existing shareholders	101,981,500,000	20,395,790,000	122,377,290,000
T12/2010	Bonus share issuance for employees	122,377,290,000	1,020,950,000	123,398,240,000
T9/2013	Issuance to existing shareholders	123,398,240,000	123,366,090,000	246,764,330,000

## SHAREHOLDER STRUCTURE

Shareholders	Restricted	Unrestricted	Total	Ownership (%)
1	2	3	4=2+3	5
<b>I. Significant shareholders</b>	<b>0</b>	<b>1,671,987</b>	<b>1,671,987</b>	<b>6.78%</b>
Board of Directors	0	1,286,619	1,286,619	5.21%
Of which:				
- Local	0	1,286,619	1,286,619	5.21%
- International	0	0	0	0
(excluding shares on behalf of institutions)				
Board of Management (excluding members of the Board of Directors)		285,360	285,360	1.16%
Board of Inspection	0	26,152	26,152	0.11%
Chief Accountant	0	32,968	32,968	0.13%
Authorized spokesperson	0	40,888	40,888	0.17%
<b>II. Treasury shares</b>	<b>0</b>	<b>3,133</b>	<b>3,133</b>	<b>0.03%</b>
<b>III. Company's Labor Union</b>	<b>0</b>	<b>22,995,753</b>	<b>23,001,316</b>	<b>93.2%</b>
<b>IV. Other shareholders</b>	<b>5,560</b>	<b>11,713,750</b>	<b>11,719,310</b>	<b>47.49%</b>
<b>1. Local</b>	<b>5,560</b>	<b>2,796,109</b>	<b>2,801,669</b>	<b>11.35%</b>
1.1 Individual	5,560	1,951,563	1,957,123	7.93%
1.2 Institutional	0	8,917,641	8,917,641	36.14%
Of which State:	0	8,801,496	8,801,496	35.67%
<b>2. Foreign</b>	<b>0</b>	<b>11,282,003</b>	<b>11,282,003</b>	<b>45.71%</b>
2.1 Individual	0	35,567	35,567	0.14%
2.2 Institutional	0	11,246,436	11,246,436	45.58%
<b>Total:</b>	<b>5,560</b>	<b>24,670,873</b>	<b>24,676,433</b>	<b>100%</b>

### LIST OF SHAREHOLDERS WITH OWNERSHIP OF ABOVE 5%

No.	Shareholder	Identification number / Business Certificate number	Address	Number of shares	Ownership (%)
1	State Capital Investment Corporation	0101992921	117 Tran Duy Hung street, Trung Hoa Ward Cau Giay district, Hanoi.	8,801,496	35.67
2	VIETNAM AZALEA FUND LIMITED	CS6153	8 Floor Capital Place Building, 06 Thai Van Lung, District 1, Ho Chi Minh City	6,167,492	24.99
3	VIETNAM HOLDING LIMITED	CS1077	Card Corporate Services Ltd., Second Floor, Zephyr House, 122 Mary PO Box 709 GT, George Town, Grand Cayman, Cayman Islands	2,573,748	10.43

Source: Traphaco's shareholder list as of 27 January 2016.

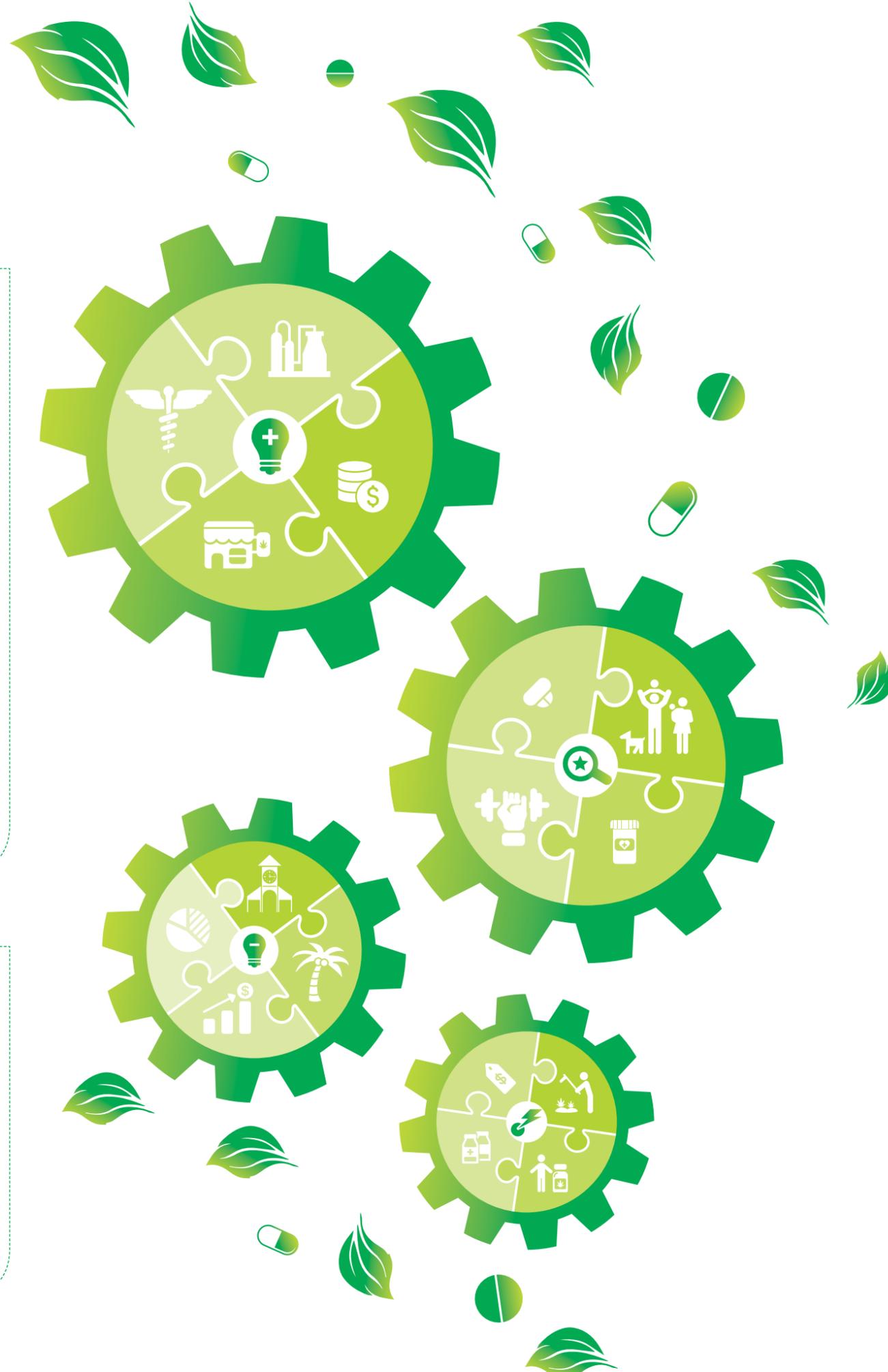
# S.W.O.T ANALYSIS

## STRENGTHS

- » Traphaco is a reputable pharmaceutical brand, it is considered as the leading brand in the development of "Green products".
- » Good production capacity: 02 GMP-WHO certified manufacturing facilities (including 1 traditional medicine factory and 01 Western medicine factory); various dosage forms; 90% of the ingredients is sourced locally.
- » Strong, modern and professional distribution network with a sales policy, which is strongly supported by pharmacies nationwide.
- » The Company is in a strong financial standing, fully capable of self-financing business activities, especially the on-track construction of the Vietnamese Pharmaceutical Factory.
- » 2015 was the year to "Develop corporate culture" to induce a positive working spirit for the employees and guide them toward the Company's common development objectives. This would be the source of power to ensure success in implementing new projects in the future.

## WEAKNESSES

- » The Southern market still has not contributed the expected revenue even though this market is considered to be the most developed in the whole country.
- » No business has ever developed clean pharmaceutical ingredient areas. Therefore, the development of the clean pharmaceutical ingredient areas require a lot of resources, especially training and education costs to train farmers to comply with the clean planting procedures.



## OPPORTUNITIES

- » Increasing awareness for health care among consumers and growing perception to prevent diseases rather than curing diseases are the favorable trends for Traphaco's product strength.
- » Increase the number of products carried by pharmacies within the Company's customer database to grow sales and market share of the Company.
- » Vietnam's joining TPP will open up many opportunities for Traphaco to cooperate with leading global pharmaceutical companies to take advantage of the distribution strength.

## THREATS

- » Focus on developing medicinal products with outstanding quality will lead to higher costs, it would be difficult for Traphaco to compete in the tender processes in the ETC channel as price competitiveness is the important and prerequisite condition.
- » Ensuring consistent retail pricing among pharmacies plays a key role in the success of the sales policy. Therefore, constantly and regularly monitoring retail prices at almost 22,000 customers nationwide is an important task.

ORGANIZATION AND HUMAN RESOURCES

# Traphaco<sup>®</sup>



## Concensus to solidify bonds

Traphaco's culture is the whole hearted sharing with the community; stay connected to overcome challenges, determination and persistence at work with the spirit: "Cooperation, sharing, commitment and honoring commitment"; Passion to create, successful breakthrough with a burning belief: Traphaco will become "the No.1 pharmaceutical Company in Vietnam".

# TRAPHACO'S ORGANIZATION STRUCTURE

## GENERAL SHAREHOLDERS ASSEMBLY

### Board of Directors: 7 members

1. Ms. <b>Vu Thi Thuan</b>	Chairwoman of the Board
2. Mr. <b>Tran Tuc Ma</b>	Deputy Chairman of the Board.
3. Mr. <b>Nong Huu Duc</b>	Member of the Board of Directors
4. Ms. <b>Nguyen Thi Lan</b>	Member of the Board of Directors
5. Mr. <b>Le Tuan</b>	Member of the Board of Directors
6. Mr. <b>Tran Manh Huu</b>	Member of the Board of Directors
7. Ms. <b>Tran Tue Tri</b>	Member of the Board of Directors

### Board of Inspection: 3 members

1. Ms. <b>Pham Thi Thanh Duyen</b>	Head of Inspection Board
2. Ms. <b>Do Khanh Van</b>	Member
3. Ms. <b>Nguyen Thi Luong Thanh</b>	Member

### Board of Management: 04 members

1. Mr. <b>Tran Tuc Ma</b>	General Director
2. Ms. <b>Hoang Thi Ruoc</b>	Deputy General Director
3. Mr. <b>Nguyen Huy Van</b>	Deputy General Director
4. Ms. <b>Nguyen Thi Lan</b>	Deputy General Director

### Division Directors:

1. Mrs. <b>Nguyen Thi Hau</b>	Production Director
2. Mr. <b>Nguyen Van Bui</b>	Director of Sales
3. Mr. <b>Nguyen Duy Vinh</b>	Director of Export/Import

## DEPARTMENTS: 11

- Human Resources Department
- Administration - Management Department
- Research and Development Department
- Financial - Accounting Department
- Financial - Accounting Department
- Planning Department
- Exports - Imports and Procurement Department
- Quality Control Department
- Quality Assurance Department
- Marketing Department
- Risk Management Department

## SOCIAL POLITICAL ORGANIZATION

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

Mr. <b>Tran Tuc Ma</b>	Committee's General Secretary
Mr. <b>Nguyen Huy Van</b>	Committee's Deputy Secretary

### Labor Union: : includes 6 division labor union

Ms. <b>Hoang Thi Ruoc</b>	Chairwoman of the company's labor union
Mr. <b>Nguyen Duy Vinh</b>	Deputy Chairman
Ms. <b>Tran Thi Anh Phuong</b>	Deputy Chairwoman

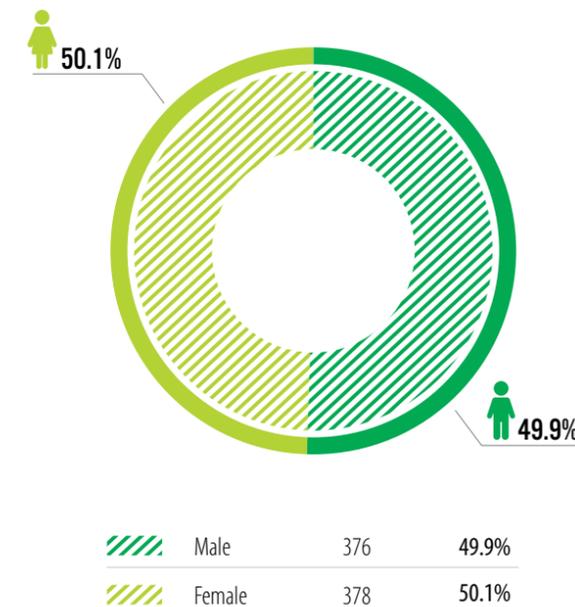
### Ho Chi Minh Communist Youth Union at Traphaco: includes 7 division unions

Ms. <b>Do Thi Hanh Le</b>	General Secretary
Mr. <b>Le Minh Duc</b>	Deputy General Secretaries
Ms. <b>Nguyen Thi Bao Van</b>	Deputy General Secretaries

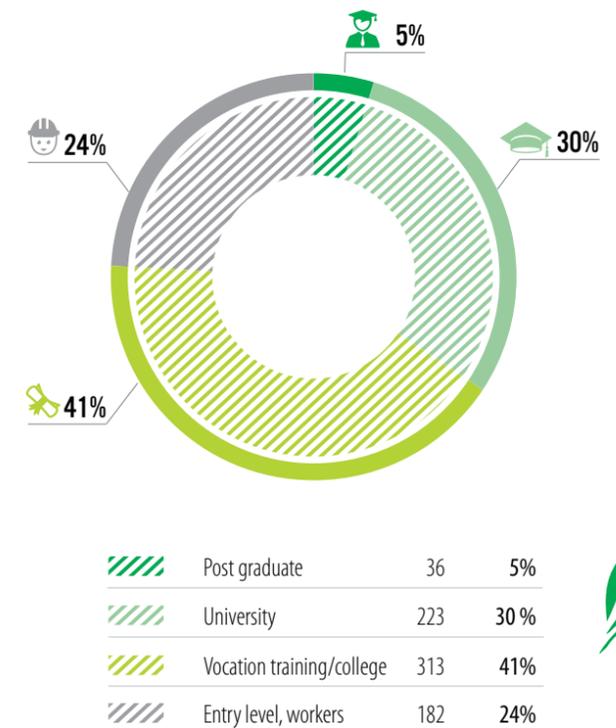
# HUMAN RESOURCE REPORT

TOTAL NUMBER OF EMPLOYEES **754**

## SEX



## EDUCATION



## BY DEPARTMENTS



Appointed: 12 (02 department heads, 03 branch directors, 07 accounting managers)  
 Recruited: 54 (sales department 39, admin office: 13, production department: 02)

# SUBSIDIARIES AND AFFILIATED COMPANIES



TRAPHACO's ownership **100%**

## TRAPHACO SAPA SINGLE MEMBER LIMITED LIABILITIES COMPANY

Headquarter: Section 9, Sapa Town, Sapa District, Lao Cao Province  
Chartered Capital: **VND16,800,000,000**  
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.

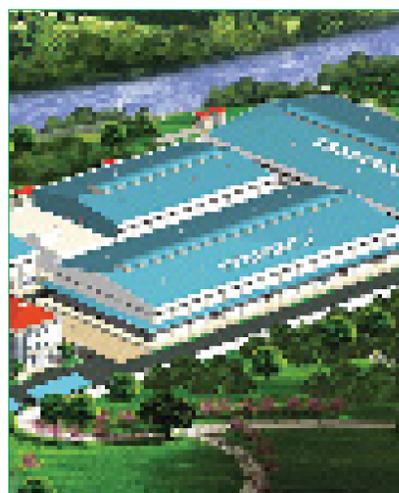


TRAPHACO's ownership **100%**

## TRAPHACO HUNG YEN LIMITED LIABILITIES COMPANY

Headquarter: Tan Quang Commune, Van Lam district, Hung Yen Province  
Chartered Capital: **VND150,000,000,000**  
Tỷ lệ sở hữu của Traphaco: **100%**

**Main functions:** manufactures medicines, pharmaceutical ingredients and inputs.



TRAPHACO's ownership **51%**

## TRAPHACO HIGH-TECHNOLOGY JOINT STOCK COMPANY. (TRAPHACO CNC)

**Headquarter:** Tan Quang Commune, Van Lam district, Hung Yen Province  
Chartered Capital: **VND94,703,570,000**  
TRAPHACO's ownership: **51%**

### 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 10.000m<sup>2</sup> of facilities and warehouses, the factory is comprised of 01 facility producing compressed pills for traditional medicines, 01 facility for preliminary processing, 01 tea processing facility, 01 facility for tubed medicines and another one for powdered medicines. The Van Lam Factory specializes in traditional medicines and has been certified with GPs-WHO standards in 2008. It is the first, largest and most technologically-advanced traditional medicine manufacturing facility in Vietnam.



TRAPHACO's ownership **58%**

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

Headquarter: 9A Hung Vuong, Buon Ma Thuot City, Dak Lak province  
Chartered capital: **VND19,415,880,000**  
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 equipment 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 Equipment 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.



TRAPHACO's ownership **51%**

## THAI NGUYEN PHARMACEUTICALS AND MEDICAL EQUIPMENTS JOINT STOCK COMPANY

Headquarter: 477 Luong Ngoc Quyen, Thai Nguyen City  
Chartered capital: VND4,323,000,000  
Traphaco's ownership: **51%**

### Main functions:

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



TRAPHACO's ownership **43%**

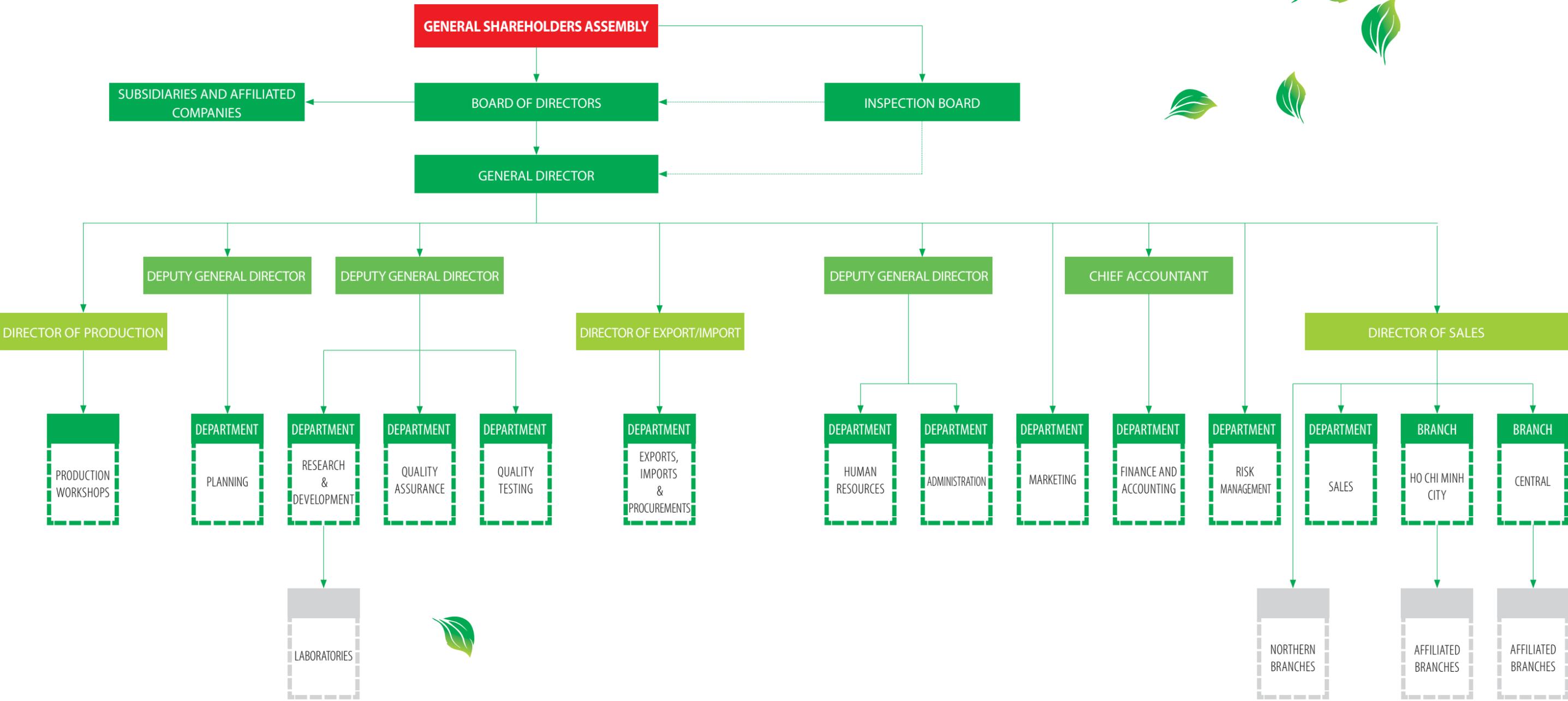
## QUANG TRI PHARMACEUTICALS AND MEDICAL EQUIPMENT JOINT STOCK COMPANY

Headquarter: 185 Le Duan, Dong Ha Commune, Quang Tri Province  
Chartered capital: **VND2,929,300,000**  
TRAPHACO's ownership: **43%**

### Chức năng chính:

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

# TRAPHACO'S ORGANIZATION CHART



**Note:**  
 ———▶ : Direct management  
 - - - -▶ : Supervise

# PROFILES OF MEMBERS OF BOARD OF DIRECTORS



**Ms. VU THITHUAN**

Chairwoman of the Board of Directors

Born: 1956  
Education: Master of Pharmacy  
Number of years with the company: 36 years  
Management experience at the company: 34 years

**Work Profile:**

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



**Mr. TRAN TUC MA**

Vice Chairman of the Board of Directors cum General Director

Born: 1965  
Degree: Master of Pharmacy  
Years with the company: 23 years 7 months  
Management experience at the company: 18 years 9 months

**Work Profile:**

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



**Mr. NONG HUU DUC**

Member of the Board of Directors, Director of Ho Chi Minh Branch

Born: 1971  
Education: Master of Business Administration, Bachelor of Pharmacy.  
Years with the company: 21 years  
Management experience at the company: 14 years

**Work Profile:**

- » 1994 – 2000: Sales staff, the Pharmaceuticals and Medical Equipment Company of the Ministry of Transportation.
- » 2000 – 2001: Staff in the Research and Development Department, Taphaco Joint Stock Company.
- » 2001 – 2002: Sales manager in the Ho Chi Minh City area, Taphaco Joint Stock Company.
- » 2002 – 2008: Director of Ho Chi Minh City Branch, Taphaco Joint Stock Company.
- » 2008 – present: Member of the Board of Directors, Director of Ho Chi Minh City Branch, Taphaco Joint Stock Company.



**Ms. NGUYỄN THỊ LAN**

Member of the Board of Directors, cum Deputy General Director

Born: 1967  
Education: Bachelor Degree in Pharmacy  
Years with the company: 23 years 3 months  
Management experience at the company: 20 years

**Work profile:**

- » January 1993 – December 1994: Bachelor in Pharmacy, manager of production workshop, Gel workshop, Railway Pharmaceutical Workshop.
- » January 1994 – December 1995: Bachelor in Pharmacy, manager of production workshop, Tablet workshop, the Pharmaceuticals and Medical Equipment Company of the Ministry of Transportation.
- » January 1996 – December 1997: Manager of production workshop, Fluid workshop, the Pharmaceuticals and Medical Equipment Company of the Ministry of Transportation.
- » January 1998 – December 1999: Deputy Head of Planning Department, the Pharmaceuticals and Medical Equipment Company of the Ministry of Transportation.
- » January 2000 – October 2000: Deputy Head of Planning Department, Taphaco Joint Stock Company.
- » January 2000 – December 2006: Head of Planning and Procurement Department, Taphaco Joint Stock Company.
- » January 2007 – April 2011: Head of Planning Department, Taphaco Joint Stock Company.
- » April 2011 – August 2014: Member of the Board of Director, Head of Planning Department, Taphaco Joint Stock Company.
- » August 2014 – present: Member of the Board of Director, Deputy General Director, Taphaco Joint Stock Company.



**Mr. TRAN MANH HUU**

Member of the Board of Directors

Born: 1978  
Education: Bachelor of Credit and Finance

**Work Profile:**

- » 2001 – August 2002: Associate in the Finance and Accounting, Machineries and Equipments General Company.
- » September 2002 – August 2003: Head of Finance and Accounting Department, Machino Steel Pipe Production and Trading Workshop.
- » September 2003 – July 2004: Associate in the Finance and Accounting, Machineries and Equipments General Company.
- » August 2004 – August 2008: Inspector, Inspection Department of the Ministry of Trade (Ministry of Industries and Trade).
- » September 2008 – August 2010: Associate in the Inspection Department, member of the Inspection Department, State Capital Investment Corporation (SCIC).
- » August 2010 – April 2012: Associate in the Management Office of the Risk Management Department, SCIC.
- » April 2012 – May 2012: Deputy Head of Finance and Accounting SCIC.
- » 5/2012 - 12/2013: Member of the Board, Deputy General Director of JSC Cam Pha Cement.
- » 01/2014 - present: Deputy Head of Risk Management State Capital Investment Corporation (SCIC), Member of the Board of Directors of Taphaco JSC.



**Mr. LE TUAN**

Member of the Board of Directors

Born: 1984  
Education: Bachelor of Economics Bucknell University, USA

**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 Taphaco Joint Stock Company, member of the Board of Directors at Real Estate Investments and Trading Joint Stock Company (Intresco).

**Ms. TRAN TRITUE**

Member of the Board of Directors

Year of birth: 1974  
Qualifications: Master of Business Administration, majoring in Marketing.

**Work Profile:**

- » July 1996 – March 2009: Beauty Asean Marketing Director, P & G Vietnam and Asia.
- » March 2009 – September 2009: Managing Director, Masan Consumers.
- » January 2010 – December 2010: Director of Tri Long.
- » January 2011 – November 2012: Marketing Director of Samsung Vietnam.
- » January 2012 – present: Vice President of Unilever Asia & Vietnam.
- » September 2014 – present: Senior Advisor Consultants Ltd. Mekong Capital.

## PROFILES OF THE BOARD OF INSPECTION AND



**Ms. PHAMTHITHANH DUYEN**  
Head of the Board of Inspection  
Department Head, Administration Department

Born: 1974  
Education: Master of Pharmacy, Bachelor of Economics  
Years with the company: 18 years  
Management experience at the company: 14 years.

**Work profile:**

- » March 1998 – December 1999: Sales staff, Pharmaceuticals and Medical Equipment 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 Inspection Board, Head of Administration Department, Traphaco joint stock company.



**Ms. DO KHANH VAN**  
Member of the Board of Inspection

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 Inspection Board, Traphaco joint stock company.



**Ms. NGUYENTHI LUONGTHANH**  
Member of the Board of Inspection

Year of birth: 1978  
Qualifications: BA in Finance and Accounting

**Work profile:**

- » February 2001 – August 2005: Accountant, Hoang Dao Co., Ltd.
- » August 2005- October 2009: Chief Accountant, Hoang Dao Investment JSC.
- » November 2009 – March 2014: Officer, Investment Capital Management 3, State Capital Business and Investment Corporation.
- » March 2014 – present: Officer, Investment Capital Management 3, State Capital Business and Investment Corporation; Member of the Supervisory Board Traphaco JSC.



**Mr. TRAN TUC MA**  
Vice Chairman of the Board of Directors cum General Director

» See the section Profiles of Members of Board of Directors.

## MANAGEMENT TEAM



**Ms. NGUYEN THI LAN**  
Member of the Board,  
Deputy General Director

» See the section Profiles of Members of Board of Directors.



**Bà HOANG THI RUOC**  
Deputy General Director

Born: 1962  
Education: Master of Business Administration, Bachelor of Pharmacy.  
Years with the company: 32 years  
Management experience at the company: 15 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: Attended Specialized 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.
- » April 2011 – present: Deputy General Director, Traphaco joint stock company.



**Mr. NGUYEN HUY VAN**  
Deputy General Director

Born: 1967  
Education: Master of Pharmacy, Bachelor of Laws  
Years with the company: 21 years 8 months  
Management experience at the company: 20 years 7 months

**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 Equipment Company of the Ministry of Transportation.
- » July 1995 – June 1996: Deputy Head of Marketing Department, Pharmaceuticals and Medical Equipment Company of the Ministry of Transportation.
- » July 1999 – December 1999: Head of Research and Development Department, Pharmaceuticals and Medical Equipment Company of the Ministry of Transportation.
- » January 2000 – December 2004: 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).



**Mr. DINH TRUNG KIEN**  
Chief Accountant, Head of Finance and Accounting

Year of birth: 1973  
Education: BA in Economics, MBA  
Years with the company: 21 years 4 months  
Management experience at the Company: 11 years 2 months

**Work profile:**

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



**14**  
BILLION VND

**ON BONUS  
AND WELFARE FUND IN 2015**

*With the constantly evolving needs of today's society, the labor market is gradually moving toward emphasis on job performance, while an important platform to improve the efficiency of the work depends greatly on development strategy and gin retain talent.*

**POLICIES FOR EMPLOYEES**

 **HUMAN RESOURCES ARE CONSIDERED TO BE THE VITAL ENERGY OF THE BUSINESS. AT TRAPHACO, ALL EMPLOYEES HAVE A RESPONSIBILITY TO IMPROVE THEIR PROFESSIONAL SKILLS TO KEEP UP WITH THE DEVELOPMENT OF THE COMPANY.**

**WAGE, BONUS, BENEFIT POLICY**

With the constantly evolving needs of today's society, the labor market is gradually moving towards job performance, while an important platform to improve work efficiency depends greatly on development strategy and

preserving talents. This is essential not only for multi-national companies but also for Vietnamese businesses that are now in stiff competition to obtain quality and long term staffs. Being fully aware of this, Traphaco has always

considered welfare measures for workers is an essential part of the strategy to preserve, develop talents, increase competitiveness and prepare to bring Traphaco to a new level.

In 2015, with the new sales policy and determination in implementing the KPI management system to evaluate performance, Traphaco was able to guide all actions within the enterprise toward the objectives requested by the leadership and improve the business efficiency. As a result, the work hours and incomes of the employees were ensured, salaries and bonuses for employees were paid in full and on time. Employees' average incomes rose by 10% compared to 2014, which enabled the employees to have stable livelihood and motivation at work.

In addition, the Company organized many emulation campaigns and recognition events to constantly motivate and encourage the employees to apply themselves fully at work and determined to achieve the Company's targets: Cooperation at work – Sharing benefits, commitment to targets

– Honoring all commitments. Organized the emulation campaign "Develop corporate culture 2015", which attracted 100% participation by employees: with 200 registered projects, 187 projects were approved to be implemented, 180 projects reported as completed, 45 were selected to final round, 20 projects were granted awards, with total prize value of VND1 billion. The Company also selected 20 most outstanding individuals during the year to be recognized and awarded with a business trip to Bali – Indonesia and Singapore. Organized many sports and art show activities: talent show, soccer tournament, tennis championship in order to improve the morale of employees and motivate them at work.

At Traphaco, welfare programs and welfare-related measures for the employees are irreplaceable parts of the strategy to retain and develop talents, enhance the competitive edge and readiness

to bring Traphaco brand to a new height. Ensuring: Compensation for employees working in hazardous environments, gas and mobile phone allowances, special care for female employees, anti-heat in-kind allowances, holidays and lunar new year bonus, gifts for employees who are children of war heroes and invalids, gifts for employees' children during Mid-autumn festival, International Children's Day (01 June); maintained acknowledgement ceremony for children of employees with excellent academic achievement... Total budget for welfare fund in 2015 was VND14 billion.

With the above activities, on the one hand Traphaco brought about emotional values to employees, giving them a peace of mind and nurturing their long term commitment to the Company. On the other hand, those activities created an unique culture of a brand that always deeply cares for the livelihood of its employees.

## POLICIES FOR EMPLOYEES (CONTINUED)

### EDUCATION AND TRAINING POLICIES

The human resource is considered as the vital energy of the enterprise. Traphaco's employees are responsible for improving their skills, qualifications and capabilities to keep up with the growth of the Company.

Employees in the category to be accommodated with training and education to improve their specialized skills and qualifications are divided into the following cases:

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

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

assignment of the CEO, tuitions shall be paid for according to the Company's policies.

In 2015, the Company organized 78 training events for 2,558 employees (on average 3.5 training events per employee), priorities are given to corporate culture, product and sales skill trainings...Managers were sent to trainings provided by reputable domestic and international organizations, customer-focus was the consistent intention for all the trainings throughout the organization.

### HEALTH CARE

The business is responsible for employees' health care. This is also the solution to ensure the quality of human resources, essential to completing business production, and ensuring workers' safety.

In 2015, initial health check-ups were provided to 1,544 employees and regular health checks were provided to 678 employees, accounting for 96% of the Company's total employees. In addition to the mandatory Health Insurance, Social Security, Unemployment Insurance, which the Company paid in full and in strict compliance with labor laws, Traphaco also provided physical hazard insurance for employees. December 2015, the Company circulated stipulations for allowances for sick leaves, maternity leaves and accidents...for employees.



# 2,558 EMPLOYEES HAD TRAININGS



*In 2015, the Company held 78 training courses and trained 2,558 people (averaging 3.5 training courses per person), giving priority to corporate culture, product training, sales skills, etc.*

### ENSURE SAFETY, SECURITY MANUFACTURING

Ensuring a working environment that is healthy, safe, accident- and disease-free is a crucial requirement in business production activities of social workers. In 2015, all Traphaco's offices, production factories, workshops operated under the spirit of "promoting occupational safety, occupational sanitary in the era of industrialization, modernization and international integration", which has since created a positive change, raising awareness of the responsibility for employers and employees were aware of the work to ensure labor safety, safety production to reduce

labor accidents and occupational hazards, contributing to stable production and business activities of Traphaco particular and the overall economic development in general.

In 2015, labor and production safety issues were ensured by Traphaco through the following activities:

- » Protective gears: two sets per person per year.
- » Sanitizing the working environment: 02 times per year,

04 times of spraying chloramine B at the water-waste treatment and WC areas.

- » Environment assessment: 01 times, Environment observant test: 02 times
- » Regular safety checks for electrical equipment and machineries, new equipment for production facilities.
- » Regular trainings on GMP, Labor Safety and Sanitation

### TRANSPARENCY AND DEMOCRACY

» Circulated Guidelines for Employee Conference, guidelines for communication in the work place; developed guidelines for organizing wedding and funerals in the Company; Especially, the Company circulated the Employees' Handbook. It could be said that the Employees' Handbook is the ultimate guidebook for core values and corporate culture of the Company, at the same time, gives the employees the full picture of their rights, accountabilities and responsibilities when they stand

in the ranks of Traphaco, so that they could have deep faith in the Company, more motivation to work hard, improve productivity, add value to the Company and further strengthen Traphaco's culture.

- » Monthly public announcements were made on business results and the implementation of policies related to the employees' rights and obligations. Regular discussions were conducted with the Labor Union to align around business targets, the Enterprise's strategy

and measures to achieve these targets in 2015.

- » 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.

TRAPHACO - THƯƠNG HIỆU NỔI TIẾNG VIỆT NAM

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Traphaco®



## Win-Win

partnership for mutual prosperity

To achieve a spectacular breakthrough in the pharmaceutical market in Vietnam, Traphaco has been successful in harmonizing the interests between Traphaco-Pharmacies/distributors and consumers with our own business principle: "Integrity, win-win, and develop together" in order to "share the profit with business partners, strengthen bonding".

# REPORT OF THE BOARD OF DIRECTORS FOR THE TERM 2011 – 2015



# 22,000

## RETAIL CUSTOMERS



*Traphaco became the number 2 listed pharmaceutical enterprise in terms of revenue and profitability, with completely integrated value chain, strong brand, nationwide distribution network with 20 branches and 03 distributing subsidiaries, and direct sales to nearly 22,000 retail customers.*



## REPORT ON THE ACHIEVED RESULTS OF THE TERM 2011 – 2015

### ASSESSMENT OF BUSINESS RESULTS FOR THE TERM 2011 - 2015

#### Outstanding achievements

» The 5-year term from 2011 to 2015 witnessed numerous breakthroughs in Traphaco's development. From the 5th largest company among listed pharmaceutical companies at the beginning of the term in 2011, Traphaco became the number 2 listed pharmaceutical enterprise in terms of revenue and profitability, with completely integrated value chain, strong brand, nationwide distribution network with 20 branches and 03 distributing subsidiaries, and direct sales to nearly 22,000 retail customers.

- » Over the past 5 years, Traphaco had the highest average annual growth rate in terms of revenue and profit among the listed pharmaceutical enterprises, at 18.1% and 22.1%, respectively. Traphaco increase its revenue by over 2.3 times; its profit by 3.1 times profit, its market capitalization by over 4 times.
- » Traphaco's success in terms of growth and position is achieved on a sustainable basis, by:
  - i. Strong brand; guaranteed and highly respected product quality, which was recognized with numerous national and international awards.
  - ii. Completely integrated and controlled value chain from the GACP-certified farming areas, high technology manufacturers, strong brand and proactive distribution system.
  - iii. Sales policy focused on strict price control, timely delivery and attentive retail customer care, while minimizing debt and working capital.
  - iv. Strongest financial standing in the last 5 years. From a company in debts at the beginning of the tenure, by December 31st 2015, Traphaco had a net cash

balance (cash minus debt) of 345 billion, accounting for 27% of its total assets.

- v. Preparation of production capacity for the future with a new 4.6 hectares plant project in Hung Yen, with the latest advanced technology that can produce new product lines containing great added value. The new plant is under construction. When it is completed in 2016, it is expected to help double Traphaco's production capacity.

#### Some highlighted activities:

» **Develop, promote and protect the brand:** In 2013, Traphaco launched the "The Way to Green health" strategy to grasp the health care needs of the community, affirming the values that Traphaco had been pursuing. That is, to create safe and effective pharmaceutical

products, using environmentally friendly materials. Subsequently, to establish Traphaco as the symbol of "Green value" chain, and is committed to sustainable development, for the community and environmental protection.

» **Merger and Acquisition:** Traphaco looked for opportunities, negotiated and had continuous success in M&A activities at 04 companies operating in the pharmaceutical sector. They are 03 distribution companies and 01 production company.

» **Managing and building out distribution channels:** the distribution system of the company has changed dramatically in this term, from mainly doing wholesale with a limited number of customers, to direct sales to retail customers and expanding the

number of pharmacies. Traphaco is the first pharmaceutical company to implement profit oriented sales policies, which received the support from almost 22,000 customers nationwide with professional and modern service support activities.

» **Financial Management:** Demonstrated outstanding capacity in managing cash flow and working capital by close monitoring of inventory and prioritizing receivable collection. Inventory turnover increased by 1 times (from 2.7 times in 2010 to 3.9 times in 2015), best among listed pharmaceuticals (under 3.1 times); receivable turnover increased from 3.6 to 7.8 times; Working capital doubled compared to 2010, TRA is among a few pharmaceutical companies with the largest working capital right now.

REPORT OF THE BOARD OF DIRECTORS FOR THE TERM 2011 – 2015 (CONTINUED)



» **Human Resource Management**

Increased labor productivity is the result of applying advanced technology and information technology in manufacturing and business activities as well as applying KPI tool appropriately in enterprise management, hence ensuring high level of compliance. Throughout the term, the company's manpower only grew by 5% (of total number of employees in 2011 was 717 people, by the end of 2015 it was 754 people).

» **Research and Development:**

Reaffirming its number 1 position in Eastern medicine, a pioneer in developing medicines from high-quality herbal ingredients. Traphaco developed a sustainable drug development model. To this day, there have been 05 pharmaceutical farming areas of Artichoke, Polyscias fruticosa, Convolvulaceae and Molluginaceae, Ampelopsis

cantoniensis with GACP – WHO certification by the Ministry of Health.

» **Corporate culture:** Every year, the Company launched emulation campaigns incorporating "Traphaco's annual message" so that each department and individual could perfect their organizing skills and work style to match the overall objectives of the company.

» **Performance of the factories:**

» **Hoang Liet Factory:** strictly complied with production processes according to the principles of GMP-WHO and integrated the ISO-GPs system. Effectively utilized factories, equipment, manpower, raw materials and energy consumption, while ensured quality and outputs in order to increase productivity, reduce products' costs, contributed to

increase business efficiency of the Company and increase total outputs of all production lines.

» **Traphaco High-Tech JSC :** Finalized all procedures to increase chartered capital by 1.5 times (from 63.135.720.000 VND to 94.703.570.000 VND); Completed registration to list its shares on UPCOM stock exchange; Completed the 2nd re-evaluation of GMP - WHO; Integrated surveillance of ISO 9001 and ISO 14001..

» **Traphaco Sapa Single member limited liabilities Company:** Maintained the GCAP-WHO certified farming and development areas of herbal plants. In 2014, received the Land use certificate for 7,666 m2 at New Dong Pho Industrial Park, Lao Cao province. In 2015, completed the construction and put into operation an extraction plant starting December 2015.

**BUSINESS RESULTS FOR THE TERM 2011 – 2015**

**Traphaco's revenue and net profit (according the parent company's audited financial reports)**

No	Indicator	2010	2011	2012	2013	2014	2015
<b>1</b>	<b>Total revenue</b>	<b>859</b>	<b>1,067</b>	<b>1,339</b>	<b>1,414</b>	<b>1,329</b>	<b>1,678</b>
	<i>Growth</i>		24%	25%	6%	-6%	26%
1.1	Revenue from manufactured products	615	789	996	1,116	1,074	1,346
	<i>Growth</i>		28%	26%	12%	-4%	25%
1.2	Revenue from trading	244	278	343	298	255	332
	<i>Growth</i>		14%	23%	-13%	-14%	30%
<b>2</b>	<b>Net profit of Parent Company</b>	<b>66.2</b>	<b>90.7</b>	<b>112.4</b>	<b>136.8</b>	<b>133.0</b>	<b>180</b>
	<i>Growth</i>		37%	24%	22%	-3%	36%
<b>3</b>	<b>Net profit/Net revenue ratio</b>	<b>8%</b>	<b>9%</b>	<b>8%</b>	<b>10%</b>	<b>10%</b>	<b>11%</b>
<b>4</b>	<b>Net profit / Revenue from manufactured products ratio</b>	<b>11%</b>	<b>12%</b>	<b>11%</b>	<b>12%</b>	<b>12%</b>	<b>13%</b>

» Net profit/net revenue of parent Company increased from 8% in 2010 to 11% in 2015 as Traphaco has done a good job in managing the enterprise, optimizing the product mix and pricing.

» The year 2014, in which although both revenue and net profit declined (negative growth), still served as an important milestone with the implementation of the new sales policy, which was the foundation for the jump in growth in 2015.

**Merger and acquisition (M&A) activities**

Traphaco has ownership in 6 companies, including 5 subsidiaries and 1 affiliated company.

No	Company	Chartered Capital	Time of investment	Total investment amount	Ownership
<b>I.</b>	<b>Subsidiary</b>				
1	Dak Lak Pharmaceutical Products and Medical Equipment Joint Stock Company	VND 19.4 billion	2011	19.3	58%
2	Traphaco High Technology Joint Stock Company	VND 94.7 billion	2012	71.3	51%
3	Thai Nguyen Pharmaceutical Products and Medical Equipment Joint Stock Company	VND 4.3 billion	2013	17.0	51%
4	Traphaco Sapa Single Member limited liabilities Company	VND 16.8 billion	2013	13.5	100%
5	Traphaco Hung Yen Limited Liabilities Company	VND 150 billion	2015		100%
<b>II.</b>	<b>Affiliated company</b>				
1	Quang Tri Pharmaceutical Products and Medical Equipment Joint Stock Company	2.93 tỷ	2012	4.4	43%

**Dividend, stock price, market capitalization**

» In September 2013, the Company conducted a share issuance to existing shareholders at 1:1, to increase chartered capital from 123,398,240,000 to 246,764,330,000.

» The Company paid 20%-30% dividend per annum.

» After 5 years, Traphaco's market capitalization has increased 4 times compared to the beginning of the term.

## REPORT OF THE BOARD OF DIRECTORS FOR THE TERM 2011 – 2015 (CONTINUED)

### Market share and position

- » According to the report by IMS, by end of 4th quarter 2015, Traphaco's share was 1% of the total pharmaceutical market, and among the top 20 leading corporations in the overall pharmaceutical market. In the OTC market, Traphaco's share was 2.9% of the market and was ranked third in terms of revenue.
- » Traphaco has two products that are leaders in their respective therapy class: medicines for cerebral functions (Hoat huyet duong nao – Cebraton); medicines for liver functions (Boganic). Hoat huyet duong nao and Boganic were among the top 20 leading OTC products – Boganic was ranked 4th and Hoat huyet duong nao was ranked 13th.

### Inventory turnover, receivable turnover and working capital (according to consolidated audited financial reports)

		Unit: times					
TT	Indicator	2010	2011	2012	2013	2014	2015
1	Inventory turnover	2.7	2.6	2.7	3.5	3.5	3.9
	Inventory days	134.7	141.4	136.1	104.2	103.0	93.4
2	Receivable turnover	3.6	4.2	5.1	6.2	7.1	7.8
	Receivable days	102.0	86.9	71.1	59.3	51.2	46.7
3	Working capital	263.0	251.0	262.8	441.0	542.0	620.0

### Recognitions and Awards

 State-level recognition: The First-Class Labor Medal (2012).	 Asia – Pacific International Quality Award (2013).
 Vifotec's first prize for project "Research and develop liver function enhancement medicine Boganic from Vietnamese herbal plants" (2011)..	 National Gold Quality Award (2012, 2015).
 International Quality Award granted by BID (2012).	 Vietnam Value Awards (2012, 2014).
 Best International Enterprise and Best Manager Awards from European Business Assembly (2013).	 Top Most Outstanding Vietnamese Brand Award granted by Ministry of Industries and Trade for Boganic.
 Top 50 listed companies in Vietnam by Forbes Magazine.	 Top 10 Vietnam's Gold Star Award for Enterprises with Social Responsibilities (2011, 2013, 2015).

### Assessment of the management team's performance during the term 2011 - 2015

#### Achievements

The achieved results were largely due to the right guidance of the Board of Directors of the Company on an annual basis, together with the persistent, accorded and disciplined implementation of different divisions in the company. Traphaco's policy milestones for the term from 2011- 2015 can be summarized as follows:



#### STEP 1: Completing the value chain

The first major project of the Board of Directors at the beginning of the term was to raise the ownership percentage of Traphaco Tech (CNC) to the 51%. This was an important step in the completion of Traphaco's value chain, which helped improve

Traphaco production competence and increase gross profit margin. Along with raising CNC's ownership rate, the Company continued to implement GreenPlant project to develop farming areas in alliance with farmers. Traphaco is now the

pioneer in building and developing farming areas of herbal plants. Up until now, the Ministry of Health has certified Traphaco's farming areas of 05 medicinal plants with GACP-WHO standards.

#### STEP 2: Continue to develop strong distribution system

The strategy to develop the distribution system by launching provincial branches was set out from the term 2006 -2010, as for the term from 2011 to 2015, the resolution of the Board of Directors and management team was to continue to open branches and acquire provincial pharmaceutical companies, which were in the State's divestment list. This strategy was aggressively and consistently

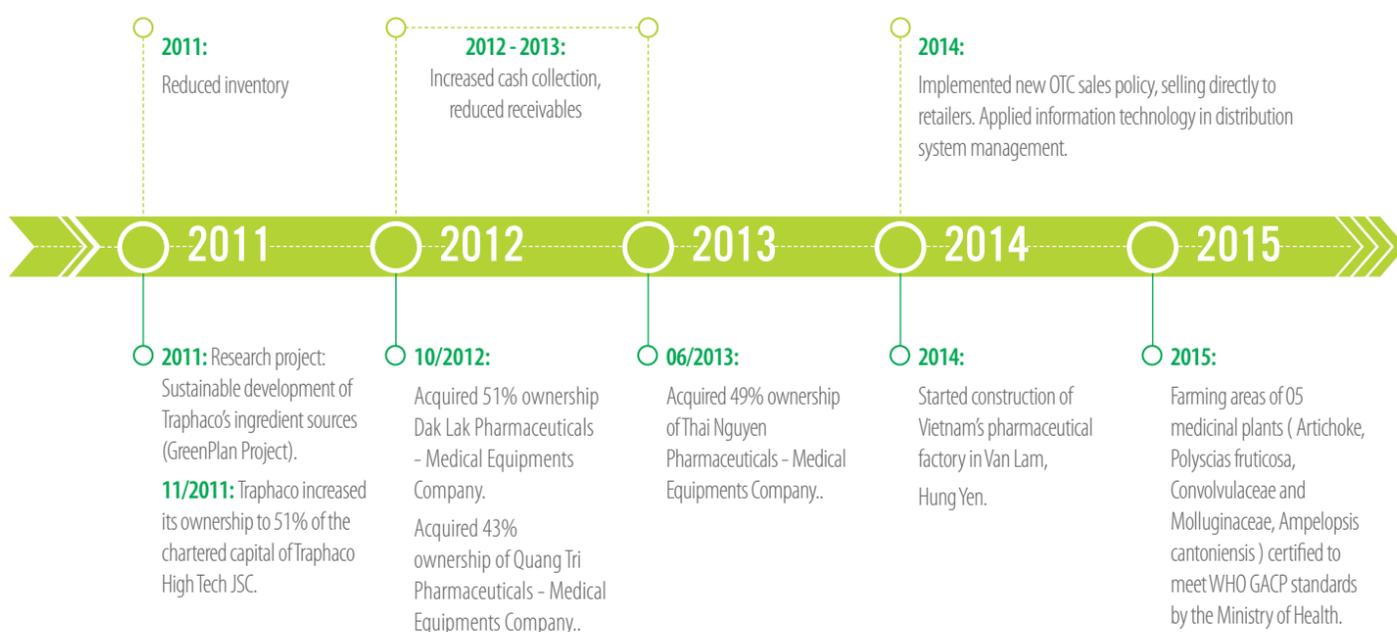
implemented over the years. As a result, after 5 years, Traphaco launched 14 additional branches, which brought the total number of branches to 20. Traphaco also successfully conducted 3 friendly M&A to become the strategic and dominant shareholder at 03 pharmaceutical companies: Dak Lak Pharmaceuticals and Medical Equipments Joint Stock company - Quang Tri Pharmaceutical and

Medical Equipments Joint Stock Company – and Thai Nguyen Pharmaceuticals and Medical Equipments Joint Stock Company.

Having a large distribution system enables Traphaco to increase coverage, directly manage customers and improve working capital management.



## REPORT OF THE BOARD OF DIRECTORS FOR THE TERM 2011 – 2015 (CONTINUED)



### STEP 3: Improve Cash flow and working capital Management efficiency

Understand the importance of improving cash flow management efficiency in scaling up, from the early years of the term, the Board of

Traphaco prioritized the cash flow management target, seeing it as a key KPI as important as revenue growth, profitability. The process of raising the

efficiency of cash flow and working capital at Traphaco were also done step-by-step:

- » 2011: Reduced inventories.
- » 2012 - 2013: Increased receivable collection and reduced working capital.

- » 2014: Implemented the new sales policy, required immediate payment, managed monthly revenue, allowed synchronization between production, sales and cash collection.



### STEP 4: Improved the efficiency of the distribution network through the implementation of the new OTC sales policy

It could be said that the new OTC sales policy is a breakthrough point of the term 2011 – 2015. If developing the sales policy showed the strategic vision of the Company's leadership in staying updated with the market trend, the successful implementation of new sales policy demonstrated the persistency and determination of the leadership and all employees. With the new sales policy, Traphaco has made a major switch in its market approach:

- » Focus on the OTC market, which is the high growth market.

- » Switch from selling to wholesalers to selling directly to retailers. If before, over 60% of Traphaco's revenue came through wholesalers, now over 80% of revenue comes from direct sales to retailers.
- » Traphaco directly takes care of retailers, collects payments right away and ensures consistent prices to end-users.

The new sales policy solved fundamentally and sustainably the core issues of the market such as:

- (i) Ensuring a win-win relationship between customers and suppliers;
- (ii) Ensuring consistent retail pricing, hence enhance the trust of consumers;
- (iii) Directly managing retail customers
- (iv) Improving the efficiency of working capital management. In addition to increasing revenue of Traphaco's manufactured products, the new OTC sales policy also opens the new business directions such as becoming exclusive distribution partners of global leading pharmaceutical players.

### Unresolved issues

Beside the abovementioned results, Traphaco still has unresolved issues, which at the same time are opportunities for the next term:

- » The revenue structure is heavily dependent on flagship

products. The launching of new products, products with high potentials into the market have not delivered expected results.

- » The Southern market still has not fulfilled its potentials (contributing 40% of revenue), although the Southern market

is still considered the most developed pharmaceutical market in the country.

- » Administrative and selling expenses rose as revenue grew and there was a switch in selling method. Therefore, the net profit margin has not been optimized.

## BUSINESS RESULTS 2015

### REPORT ON ACHIEVING THE TARGETS SET BY THE RESOLUTION OF THE GENERAL SHAREHOLDER MEETING 2015

In 2015, Traphaco Joint Stock Company had a year of outstanding business results. Traphaco became one of the companies with the highest growth rate in the industry. We reaffirmed our position as the leading pharmaceutical company with a modern and effective distribution network.

No.	Indicator Resolution	Actual	Compared to target	Compared to 2014
1	Total revenue VND 1,860 billion	VND 1,974 billion	106%	120%
	» Revenue from manufactured products: VND 1,330 billion	VND 1,339 billion	101%	123%
	» Revenue from trading: VND 230 billion	VND 332 billion	144%	130%
	» Consolidated revenue from subsidiaries: VND 300 billion	VND 303 billion	101%	99.3%
2	Net Profit After Tax: VND 190 billion	VND 180 billion	95%	123.3%
3	Employees' incomes rise by 10%, compared to 2014	Employees' incomes rose by 10%		
4	Open four more distribution branches	Opened 05 more distribution branches: Tien Giang, Phu Tho, Binh Duong, Bac Giang, Hung Yen		
5	Successful implementation of KPI system in the whole company	Successful implementation of KPI system in the whole company		
6	Complete payment of compensation for the Board of Directors and the Inspection Board	per the resolution of the General Shareholder Meeting in 2014		

Source: Audited consolidated financial reports

### SUBSIDIARIES, AFFILIATED COMPANIES

Unit: billion VND

No.	Indicator Company	Revenue		Net Profit		Compared to 2014	
		2014	2015	2014	2015	Net Revenue	Profit
1	Traphaco CNC	299.5	323.1	31.7	34.2	108%	108%
2	Traphaco Sapa	36.6	43.5	1.5	1.5	119%	100%
3	Dak Lak	361.8	296	9.8	6.6	82%	67%
4	Thai Nguyen	62.2	88.6	1	2.8	142%	280%
5	Quang Tri	46.9	44.5	0.38	0.5	95%	132%

Source: Separate financial reports

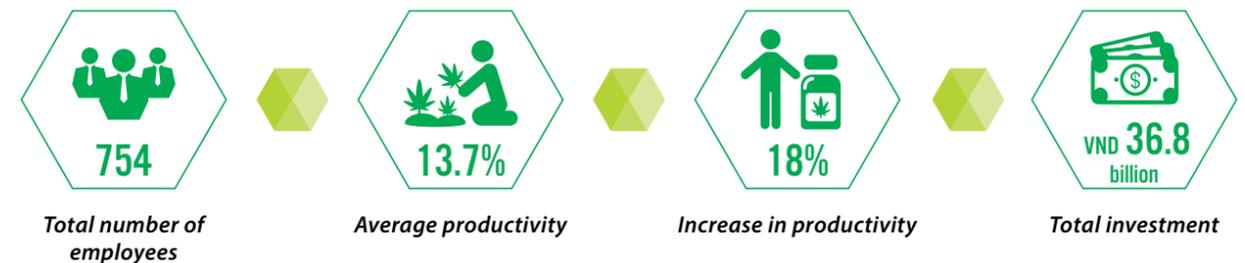
REPORT OF THE BOARD OF DIRECTORS FOR THE TERM 2011 – 2015 (CONTINUED)



VND **345** billion  
CASH BALANCE



Receivable collection in 2015 improved compared to 2014, especially at the sales department. The average receivable days of the sales department was reduced from 35 days in 2014 to 30 days in 2015. As such, the Company is in the strongest financial standing in the past 5 years with a cash balance of VND345 billion.



**HUMAN RESOURCE MANAGEMENT**

- » Total number of employees in 2015: 754 (increased by 1.75% compared to 2014). New hires: 54 (sales department: 39, admin staffs: 13, production workers: 03). Regularly organized trainings on corporate culture, product training, sales skills...
- » Effectively and timely used the salary fund, bonus and welfare fund to motivate employees. Average productivity in 2015 increased by 13.7% compared to 2014. Employees' income increased by 10%.

**QUALITY AND PRODUCTION MANAGEMENT**

- » Quality management activities were enhanced and closely monitored, maintained the implementation of the procedures within quality

control system by GPs (GMP WHO, GSP, GLP, GDP) standards, ISO9001:2008, ISO 14001:2004 standards and 5S Kaizen toolkit.

- » Increased quality control measures for input materials.
- » Implemented KPI system officially starting in July 2015. The Company has applied effectively the KPI tool in monitoring, cooperating and coordinating between departments to achieve the Company's set targets.
- » Effectively utilized factories, equipments, manpower, raw materials and energy consumption, while ensured quality and output, as a result, productivity increased by 18% while cost was reduced by 2.6% compared to 2014.

**INVESTMENT – FINANCIAL MANAGEMENT ACTIVITIES**

**Investment activities**

- » Increased chartered capital of Traphaco Sapa from VND 6.700.000.000 to VND 16.800.000.000.
- » Increased ownership at Thai Nguyen Pharmaceutical Products and Medical Equipments Company from 49% to 51%.
- » Started construction at Traphaco Hung Yen limited liabilities Company:
- » Total investment in 2015: VND36.8 billion. Started 9 contracts out of the total 14 contracts of the projects. All contracts are on track to be completed by 2nd quarter 2016.
- » The contract to purchase the production equipment has been signed, installation and pilot

running expected to commence by July 2016.

- » Completed the survey and signed contract to purchase the machineries and equipments for the production lines: automatic eye drop production line, liquid medicine production line, gel medicine production line, soft capsule medicine production line, tablet production line.
- » Total value of investment deployed in 2015: VND36.8 billion.

**Improved the distribution network**

Improved distribution management software to meet the increased demand of the increased productivity of the sales staffs and growing sales

Invested to purchase land and build offices for branches: Phu Tho, Gia Lai, Tien Giang, Bac Giang

Added transportation vehicles for the sales department to meet the transportation demand of the Company.

**FINANCIAL MANAGEMENT**

- » Receivable collection in 2015 improved compared to 2014, especially at the sales department. The average receivable days of the sales department was reduced from 35 days in 2014 to 30 days in 2015. As such, the Company is in the strongest financial standing in the past 5 years with a cash balance of VND345 billion.
- » Increased risk management, proactive in collecting receivables: Coordinated with the market research firm TNS to monitor the compliance to the new sales policy; monitored and managed the cash at provinces, discount payments, provided legal support to contracts not signed directly with customers.

**RESEARCH AND DEVELOPMENT OF NEW PRODUCTS**

Research and development of new products

- » Researched and improved 24 products, put into operation 12 improved products, transferred 02 new products.
- » Developed marketing plan to launch 03 new products ((Traflu, Feritonic, Tobramycin): Revenue achieved VND16,5 billion.

**GreenPlan project:** developed a model for sustainable development of herbal plants. In August 2015, the Company was granted GACP-WHO – certification for the natural collecting and preserving area of Ampelopsis cantoniensis (main ingredient for Ampelop product) by Ministry of Health.

REPORT OF THE BOARD OF DIRECTORS FOR THE TERM 2011 – 2015 (CONTINUED)



Launched products with strong potential into the market

- » The Company selected 22 products within its portfolio to focus on launching in order to increase the number of pharmacies carrying these products and contributed to increase revenue from these products. Revenue in 2015 from these products reached VND353 billion/Target of VND350 billion, growth of the entire category reached 59% (growth of the OTC revenue was 41%). Many products with high growth such as Tottri 73%, T-B fresh mouth wash 288%, Methorphan film-coated 306%.
- » 2015 also marked a new direction for growth for the Company when Traphaco officially signed distribution partnership agreement with Sandoz (subsidiary of Novartis group). After 1 quarter of cooperation, Traphaco helped

**DISTRIBUTION NETWORK MANAGEMENT**

**Distribution channel**

- » Set up and put into operation 05 branches: Phu Tho, Tien Giang, Binh Duong, Bac Giang, Hung Yen to bring the total number of distribution branches to 20 (including 01 branch in Lao Cai, managed by Traphaco Sapa limited liabilities company). In addition, the Company added more accountabilities to Nghe An branch to be responsible for selling activities in 04 provinces: Quang Tri, Quang Binh, Ha Tinh, Nghe An.
- » Strict compliance to the new OTC sale policy. In 2015, revenue from OTC grew by 41%, compared to 2014.
- » In 2015, the Company rebuilt

Sandoz reach 7,000 retailers nationwide.

the OTC channel and sales management in the Central and Southern regions. These markets recently started to perform well.

**Customer service activities**

- » In 2015, the Company pushed activities to increase the number of customers in order to grow revenue as well as contributing to ensuring the success of the OTC sales policy. As of 31 December 2014, the total number of signed customers reached 22,000, increasing 20% from 2014.
- » Increased monitoring and supervision of the implementation of the sales policy through coordinating with the independent survey system of TNS to survey over 120.000 times nationwide.
- » Organized 16 customers appreciation events and conferences in 13 provinces with over 2.400 attendants. Sent gifts to over 16.000 customers,



invited valued customers to go on business trips to Hong Kong, Dubai...

- » Improved quality of customer service, arranged transportation and added staffs in delivery activities to ensure delivery within 24 hours.

**MARKET SHARE, BRAND AND CORPORATE CULTURE**

**Build, promote and protect the brand**

- » Built the image of the leading "Green brand" in the country with a Green value chain, commitment to product quality, a leader in the pharmaceutical industry in terms of modern and effective distribution network.
- » The Company implemented integrated communication activities: Television, VOV, Digital Marketing, event sponsoring, online consultation...for the

products: Boganic, Cebraton and Tottri to build trust of customers for Traphaco's product quality and brand reputation.

- » In 2015, organized 311 conferences–health consultation seminars across the country with different health topics.

**Corporate Culture**

- » The message of the final year of the term, 2015 "Develop corporate culture", focus on the theme: "Cooperate in work – Share benefits – Commit to targets – Honor all commitments" with the objective all individuals and departments in the entire Traphaco network understand the activities of the Company, united for an objective, cooperated to create synergized power, which will be the catapult to launch Traphaco into a strong growth trajectory in the coming term.

- » The emulation campaign attracted 100% of employees to participate: with 200 signed projects, 20 winners, total prize value of over VND1 billion. Many projects delivered great results for the Company. Among which, the first prize belong to the project "Apply KPI in the management of the enterprise".

- » Activities in rallying the Company's tradition day: Selected 20 most outstanding individual to be acknowledged and given a prize, which is a trip to visit Bali – Indonesia and Singapore; Organized many activities, sports and art shows with the intention to build corporate culture, enhance the cooperation between departments/individuals within the Company for example: The contest "bonding to show talents", the soccer tournament, the tennis championship to improve the morale of the employees and motivate them at work.

# Bonding IS TRAPHACO'S CULTURE



The emulation campaigns which aimed at implementing the "Annual Message" have become highly anticipated and irreplaceable annual events at Traphaco.

Throughout the term, the emulation campaigns always aimed at the breakthrough objectives of the year such as "Overcome ourselves" – in 2012, "Remove waste for the development of the enterprise and the benefits of the employees" – 2013; "Traphaco for customers" in 2014. These emulation campaigns served as guiding stars for the planning of the departments and individuals in line with the common objectives of the Company, creating new values.

2015 was the last year to achieve the targets of the General Shareholders' Resolution for the term 2011 – 2015. Inheriting the results achieved in implementing the new sales policy in 2014, being determined

to apply the KPI system effectively, the Company's Party unit initiated the emulation campaign "Develop Corporate Culture" so that each employee and department always "Cooperate at work; Share benefits; Commit to targets and Honoring all commitment".

The objective the the campaign "Develop corporate culture" was all employees, departments in the entire Traphaco system understand the Company's activities, become united for a purpose, cooperate to create synergized power and help the Company grow stronger. Initiated since February 2014, the Organization Committee received 200 registered projects. After many rounds of intense grading, by October 2015, the selection committee selected 20 most outstanding projects to be awarded at the Anniversary Ceremony.

In addition to the emulation

campaigns, Traphaco also maintained the tradition of taking care of its employees, not only in terms of income, there were also many activities to nurture the spirit of the employees through the activities of the Labor Union, the Youth Union within the Company.

The contest, the sports and art show events, as well as corporate campaign have brought much value to the Company and its employees. They are also the occasions for the entire Company to review the values that Traphaco has, to appreciate the results achieved by the previous generations. The activities to build and develop corporate culture also contribute to bring Traphaco's members closer together, more committed and connected to the Company. This bond will help Traphaco become an united team, steadfast on the way forward to become the No. 1 pharmaceutical company in Vietnam

## REPORT OF THE MANAGEMENT TEAM FOR THE TERM 2011 – 2015

 IN TERMS OF REVENUE, OVER THE 5 YEAR PERIOD, THE COMPANY GREW FROM VND860 BILLION TO VND1.974 BILLION IN 2015, EQUIVALENT TO AN AVERAGE GROWTH RATE OF 18.1% PER YEAR. IN WHICH, REVENUE FROM MANUFACTURED PRODUCTS, THE REVENUE WITH HIGHEST PROFIT MARGIN, INCREASED FROM VND798 BILLION TO 1.339 BILLION, EQUIVALENT TO AN AVERAGE GROWTH RATE OF 16.7% PER YEAR.

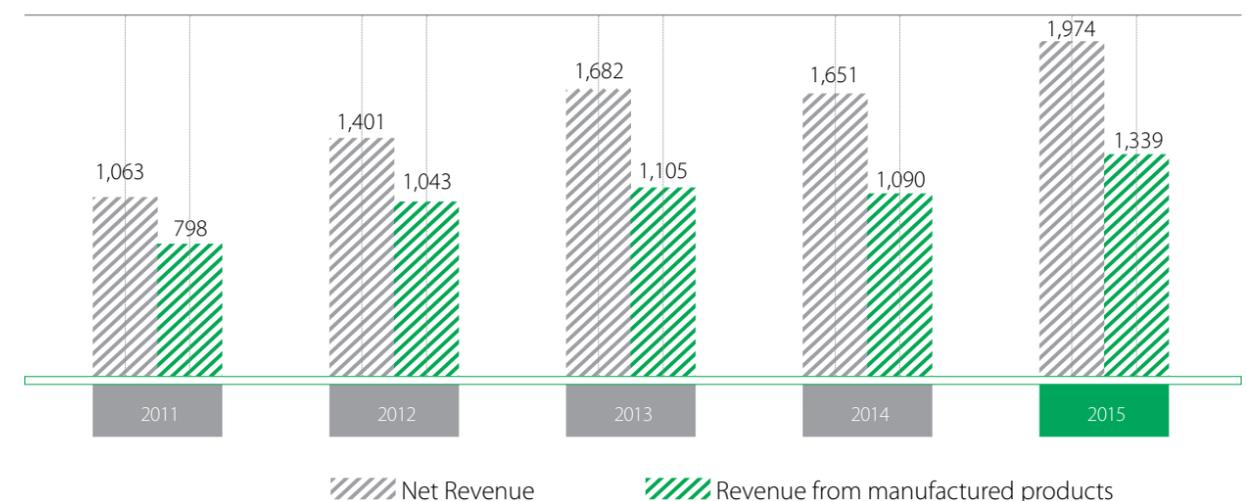
### ASSESSMENT OF FINANCIAL RESULTS

#### REVENUE

In terms of revenue, over the 5 year period, the Company grew from VND860 billion to VND1.974 billion in 2015, equivalent to an average growth rate of 18.1% per year. In which, revenue from manufactured products, the revenue with highest profit margin, increased from VND798 billion to 1,339 billion, equivalent to an average growth rate of 16.7% per year.

**Graph Revenue over the period 2011-2015.**

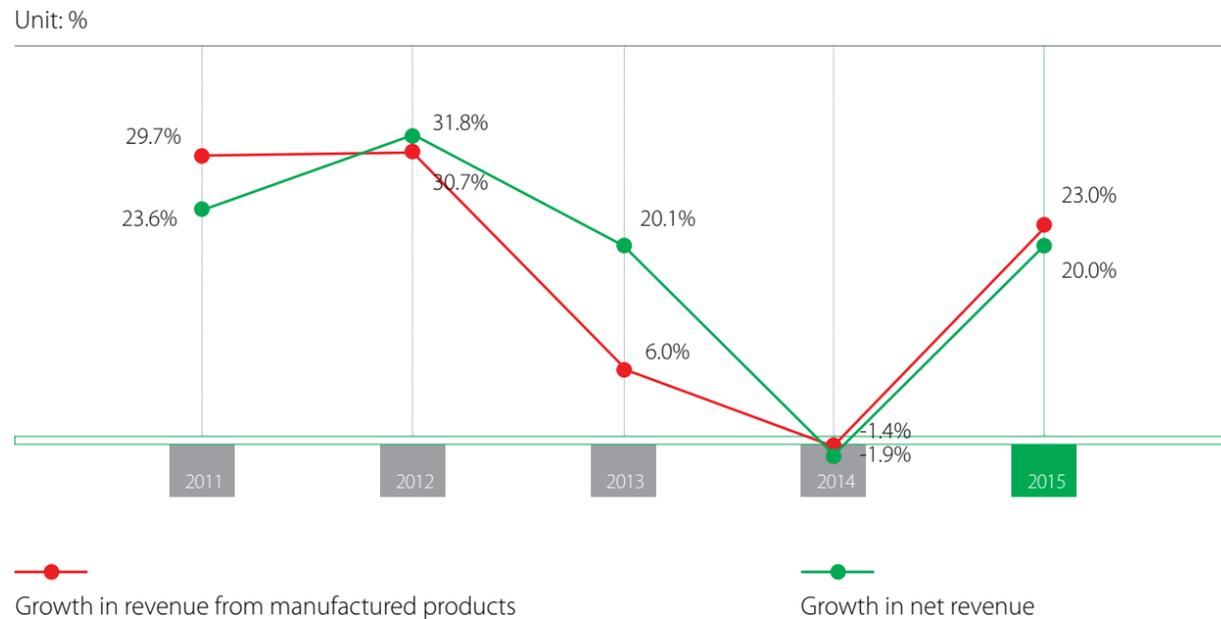
Unit: billion VND



## REPORT OF THE MANAGEMENT TEAM FOR THE TERM 2011 – 2015 (CONTINUED)

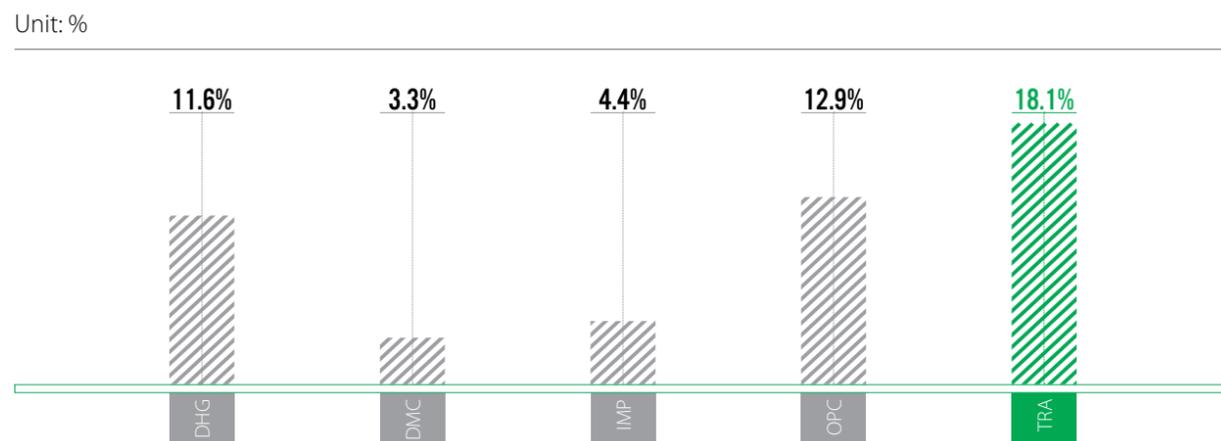
According to BMI, the Vietnam's pharmaceutical industry grew at an average rate of 7.7% per year over the same period. As such, Traphaco maintained a higher average growth rate than the industry's average. The Company achieved impressively high growth rates during the first 2 years of the term, at above 20%, leading the industry, and hence from being just the Top 5 pharmaceutical company, Traphaco had established itself and become the second largest listed pharmaceutical company. The growth rate during this period came along with the expansion of the distribution network from 6 branches to 20 branches. The growth rate slowed in 2013, which was the year, when we had to review the quality of the distribution network and take lessons learned from the win-win principle to decide to overhaul the sales policy.

**Graph Revenue Growth over the years during the term 2011-2015**



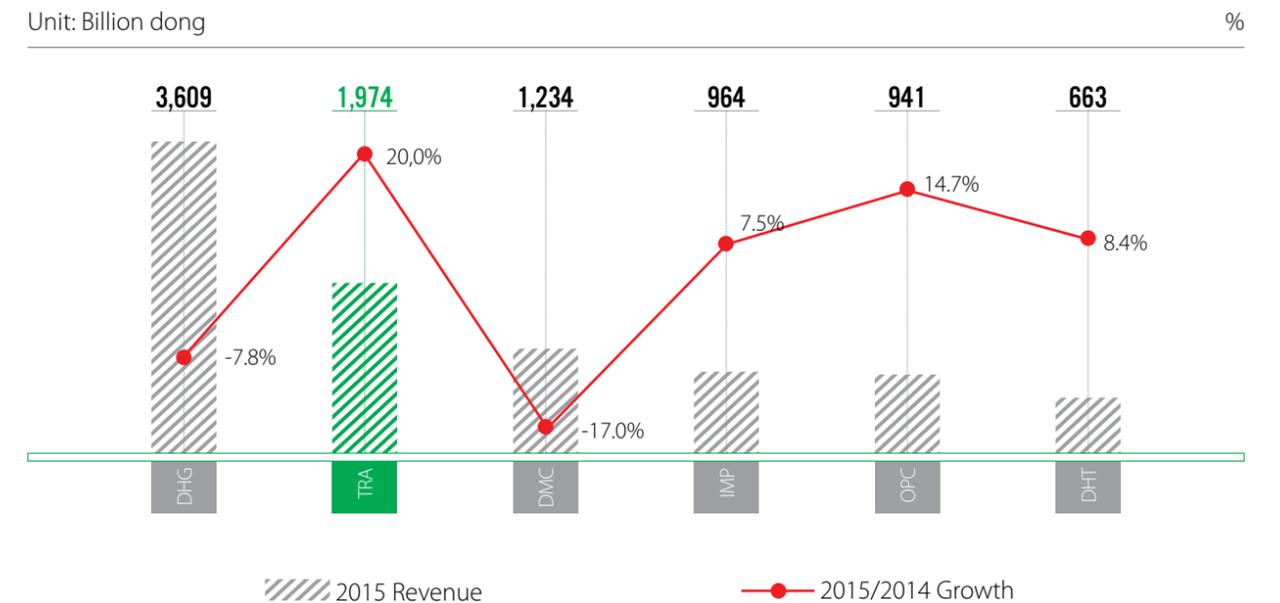
In comparison to listed comparables, Traphaco had the highest growth rate. It worths mentioning that if we only compare with listed companies, we will not have the full picture of the industry, especially the traditional medicine sector. Over the past years, we could easily notice the strong rise of a number of private companies. Traphaco's goal in the next few years is to maintain the No. 1 position in the traditional medicines.

**Graph Comparison of 5 year compound annual growth rate in revenue of list pharmaceutical companies**

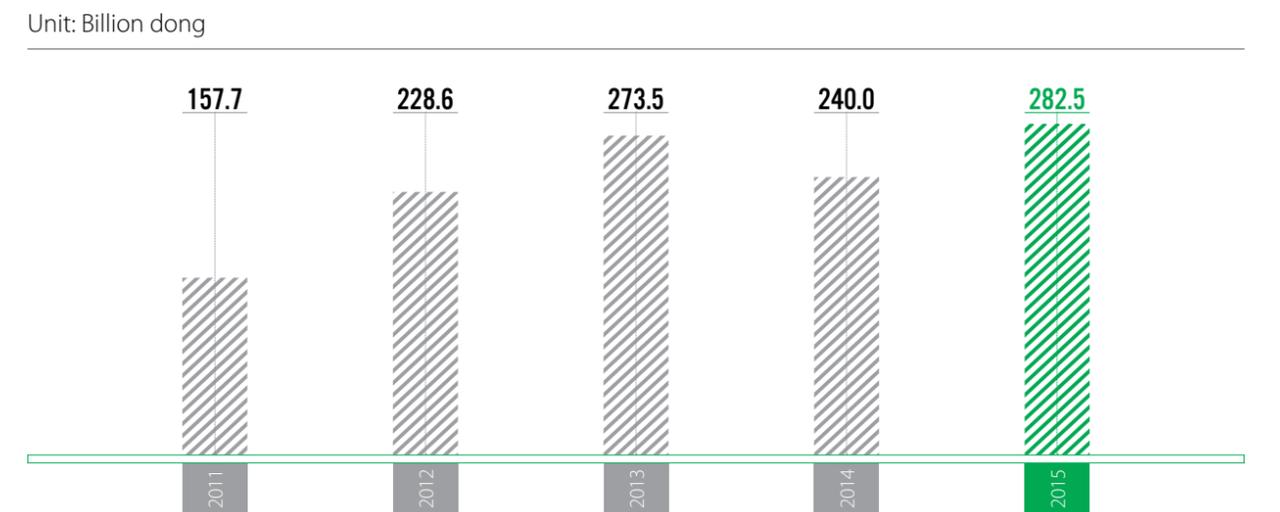


2015 could be the first year in which the Company harvested the benefits of the new OTC sales policy, when revenue and net profit growth returned 20% and 10%, respectively. It is notable that the abovementioned growth achieved on a strong foundation, which is the high growth of revenue from manufactured products (23%), especially in the main market OTC (growth of 41%), while ensuring quick and full collection of receivables (number of receivable days reduced from 35 days in 2014 to 30 days in 2015 and the cash collected was equal to revenue). As a result, the Company is in its strongest financial standing over the past 5 years with VND345 billion in net cash. Moreover, the support from retailers is also growing stronger and they fully comply with the sales policy, which has showed in the number of retailers signed directly with Traphaco reached 22,000 by 31 December 2015. These achieved results are the positive signs and also the great advantage for the next phase of development.

**Graph 2015 Revenue and growth of representative pharmaceutical companies**



**Traphaco's EBITDA over the years.**

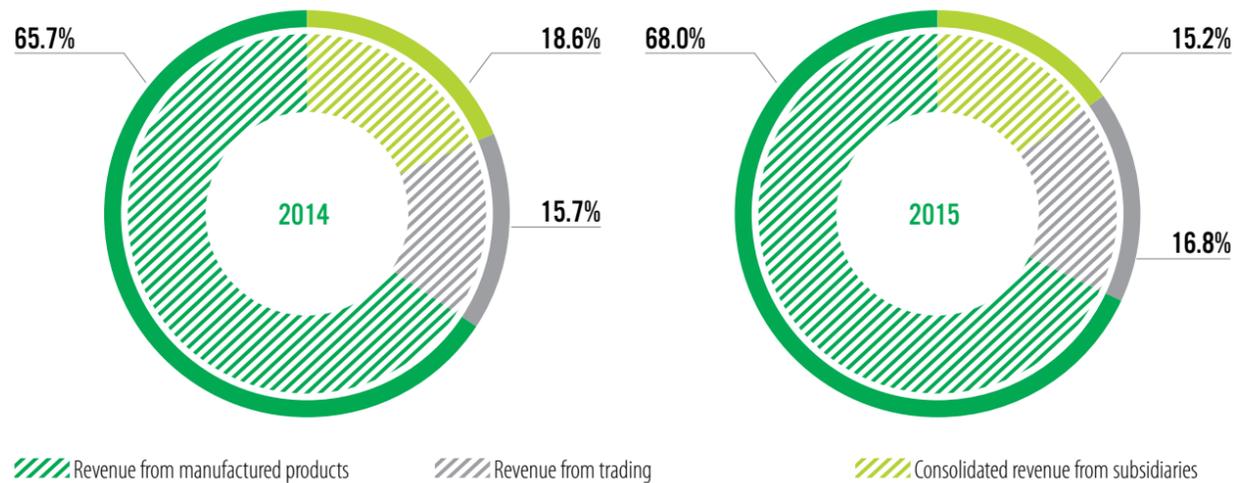


Consolidated revenue in 2015 reached 106% of target, growth by 20% compared to 2014, in which revenue from manufactured products increased by 23% and reached 101% of target. In addition to achieve high growth in the main product line and main market, successful implementation of the new sales policy also opened a new, very promising direction which is to become the exclusive distribution partner of global leading pharmaceutical companies. 2015 was also the first year of distribution partnership between Traphaco and Sandoz, the second largest generic manufacturer in the World.

## REPORT OF THE MANAGEMENT TEAM FOR THE TERM 2011 – 2015 (CONTINUED)

### Revenue structure

Graph Revenue breakdown by products over the years



#### Revenue from manufactured products

Revenue from manufactured products plays a more and more important role in the Company's revenue structure with the growth rate higher than the growth rate of total revenue. This is also the product line with the highest profit margin.

Within the breakdown of manufactured products, top 10 products accounted for 76%. The two flagship products Hoat Huyet Duong Nao and Boganic accounted for 48%. According to IMS, by end of 4th quarter 2015, market share of Boganic and Hoat Huyet Duong Nao was maintained at a stable level of 22.3% and 13.4%, respectively.

#### New products and products with high potentials

In 2015, Traphaco launched 03 new products to the market. Unlike the previous years, the strategy to launch new products since 2014 has been more focused in terms of number of products. In addition to completely new products, the Company also developed a strategy to launch to

market existing products with great potentials but have not achieved the expected revenue size. These products and completely new products are called "opportunity product group". Revenue from "opportunity products" reached VND353 billion, accounting for 26% of revenue from manufactured products and exceeding target by 1%. This result was achieved because the sales team had been aggressive in maintaining coverage of products, closely monitoring the list of customers who buy new products, improving the role of sales representatives in selling products since they are now selling directly to pharmacies and able to convey the consistent messages of the Company to the sales staffs at the pharmacies nationwide.

#### Revenue from trading activities

Revenue from imports and trading activities exceeded target by 44% and grew 30% from 2014. Revenue from this segment mostly came from milk powder import activities and achieved spectacular growth compared to 2014 and compared to target as the imported milk powder distributors took advantage of the

favorable conditions to push sales and capture market share.

2015 marked a new direction for the development of Traphaco when the Company signed exclusive distribution partnership with Sandoz. The partnership with Sandoz only commenced since September 2015, contribution to total revenue of this activity was insignificant in 2015. In addition to the bright business prospect in the coming years, cooperation with Sandoz once again confirmed the superior distribution capability of Traphaco with a nationwide distribution network, outstanding sales policy and the largest number of direct retail customers in the country.

#### Consolidated revenue from subsidiaries

Doanh thu hợp nhất từ các Công ty Consolidated revenue from subsidiaries reached VND303 billion in 2015 and exceeded target by 1%. The most notable achievement is that the subsidiaries, particularly Dak Lak and Thai Nguyen, had made great efforts in reforming their sales activities to

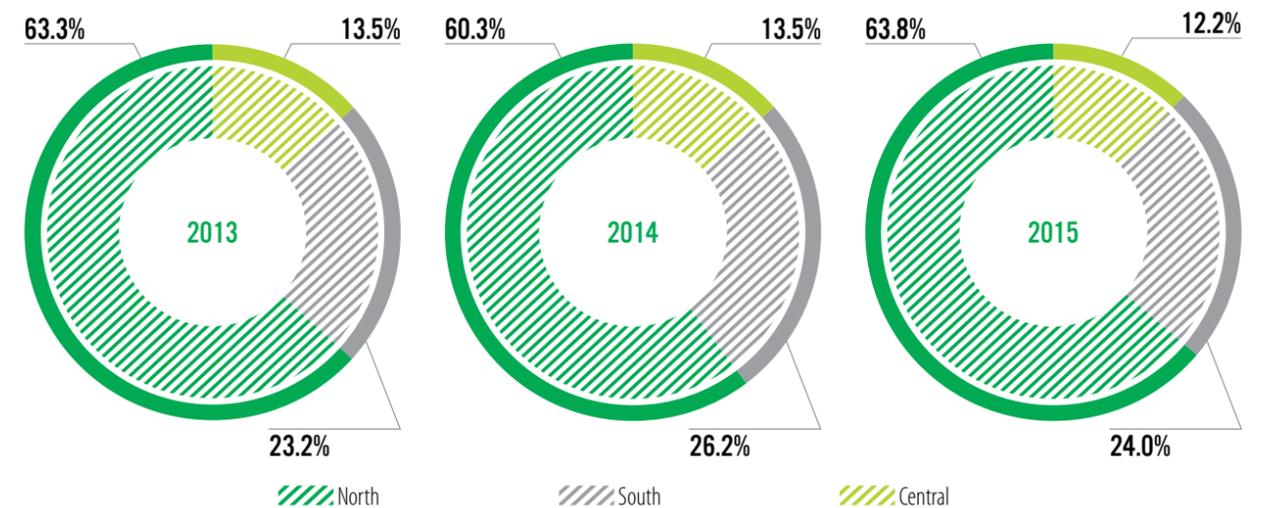
be in line with the parent Company's policy, to adapt with the changing environment of the pharmaceutical sector, when ETC market is getting more and more competitive. Both Dak Lak and Thai Nguyen faced great difficulties when their main line of business, which is supplying to the ETC channel, declined in 2015 but they achieved the set targets by growing sales in the OTC market.

#### Revenue breakdown by regions

The revenue structure by regions changed significantly compared to 2014 as the North achieved high growth (35%) while the Central and the South maintained moderate growth of 10% and 17%, respectively. The growth rates were different across the regions mainly because the North was faster in successfully

implementing the new sales policy, while the Central and the South were 6 months behind in completing the KPIs of the new sales policy. The North still accounted for the largest portion of revenue, 63.8% of total revenue, the Central accounted for 12.2% of total revenue while the South currently contributed 24.0% of total revenue.

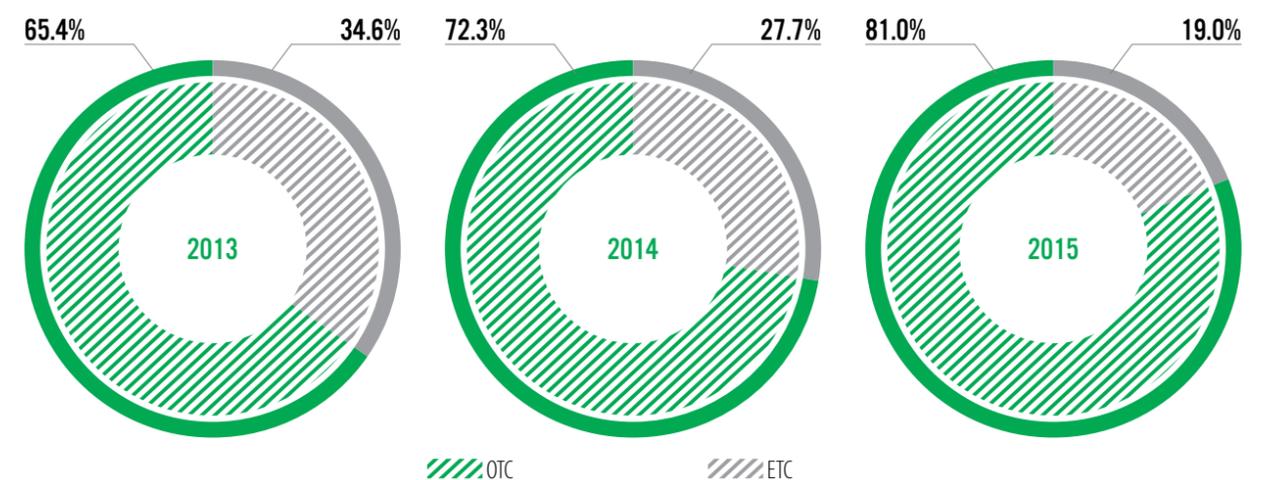
Graph Revenue breakdown by regions over the years



#### Revenue breakdown by sales channels

In 2015, over 81% of the revenue from manufactured products of Traphaco came from OTC market. Total OTC revenue in 2015 increased by 41% compared to 2013. OTC revenue from all regions increased by 39-45%, which was the direct result of the implementation of the new sales policy. ETC revenue, meanwhile, declined by 14% compared to 2014. The OTC market will still be Traphaco's main market in the coming year.

Graph Revenue breakdown by sales channels over the years.



## REPORT OF THE MANAGEMENT TEAM FOR THE TERM 2011 – 2015 (CONTINUED)

However, given the abovementioned results, the Company still did not achieve the 5 year revenue target of VND2.300 billion by 2015. The Company missed the 5 year target because of 3 factors, both objective and subjective:

- » The set 5 year plan took into account the possibility of owning 100% of Traphaco High Technology Company (CNC), hence would consolidate 100% of revenue and net profit of CNC. Nonetheless, the plan to increase ownership at CNC to 100% was not approved by the General Shareholders at the annual meeting in 2013.
- » The decision to completely overhaul the sales policy by end of 2013 and beginning of 2014, during which the Company targeted stabilizing recommended retail price, reducing the portion of revenue sold to wholesalers, and prioritized those objectives over the revenue growth target.
- » The Company's leadership decided to not expand the trading and non-exclusive distribution activities, which is the segment with low profit margin and potential risks associated with bad debts, especially in a macro-economic environment with unfavorable movements.

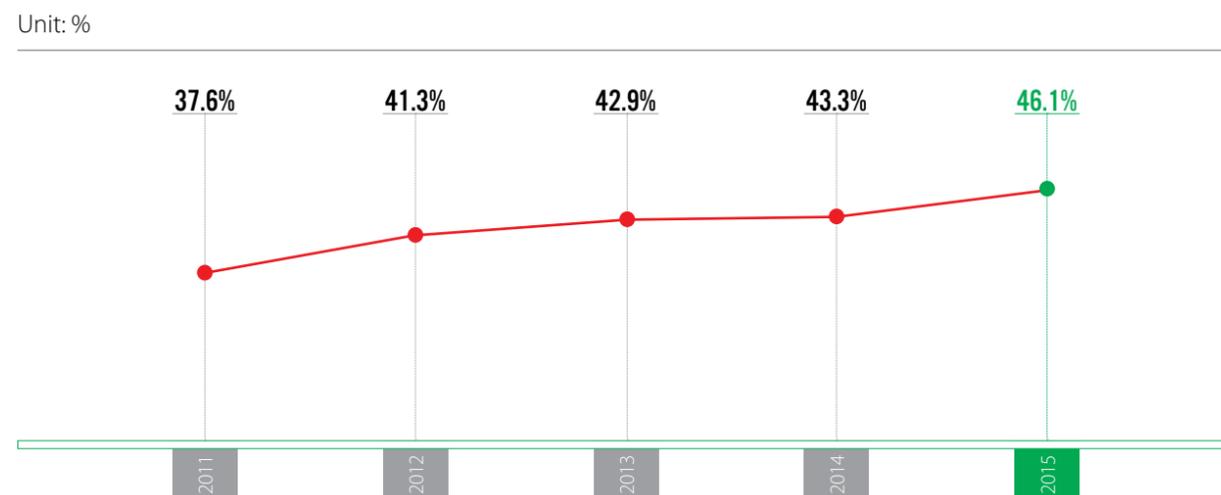
## GROSS PROFIT

The Company's gross profit came to 714 billion, or 43.3% of revenue, which is the highest gross profit margin to date. This result was achieved mainly because:

- » The Company focused on selling manufactured products and maintained an appropriate balance of product mix with high profit margin;
- » Traphaco's brand reputation and product quality allowed the sales team to assert differentiation, and focus on service quality, rather than price competition;
- » Increasing ownership at CNC to over 51% was the right decision which contributed to increased profit margin and increased efficiency in coordinating production between the two factories.

The Company's gross profit in 2015 reached VND909 billion, or 46.1% of revenue, which is the highest gross profit margin to date.

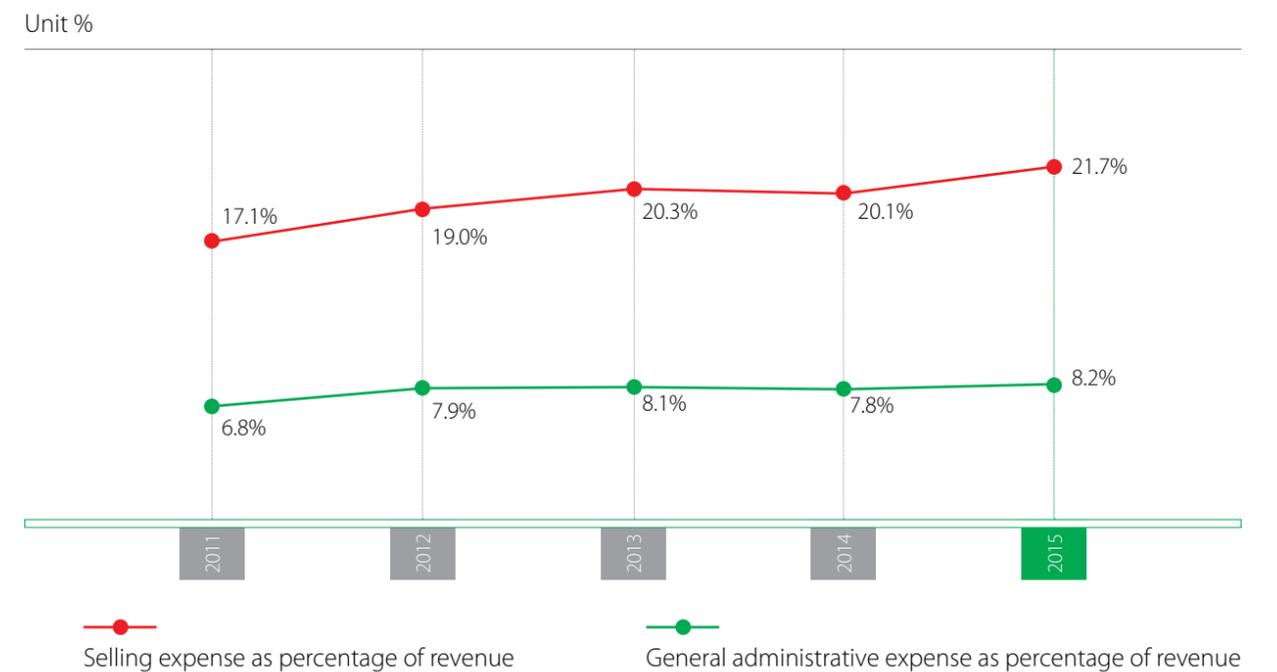
**Graph Gross Profit Margin throughout the years**



## EXPENSES

In the cost structure, there are two main expense items, which needed to be reviewed and analyzed carefully, including general administrative and selling expenses.

**Graph Expense ratios over the years**



In terms of administrative expense, except for 2014 when there was a slight improvement and the administrative expense as percentage of revenue at 7.8%, this expense item had the tendency to increase throughout the term. We need to review and break down this cost item further since revenue was growing but administrative expense as percentage of revenue also increased. As such, we have not solved the problem of improving management efficiency as the enterprise scaled up. The initiatives in the emulation campaign "reducing waste" in 2013 needed to be implemented more widely and consistently. In 2015, administrative expense amounted to VND161.5 billion, accounting for 8.2% of revenue.

In terms of selling expense, selling expense as percentage of revenue was increasing over the years, currently is at 20%. In comparison with other listed pharmaceutical companies, Traphaco's selling expense ratio was at a low level, only higher than Domesco, which is a company specializing in Generics. Nonetheless, rising selling expense is an issue to be paid attention to, especially since we have taken many years to build out the distribution network, reform the sales policy with the intention to improve the efficiency of the sales system.

**Graph Selling expense ration as percentage of revenue**

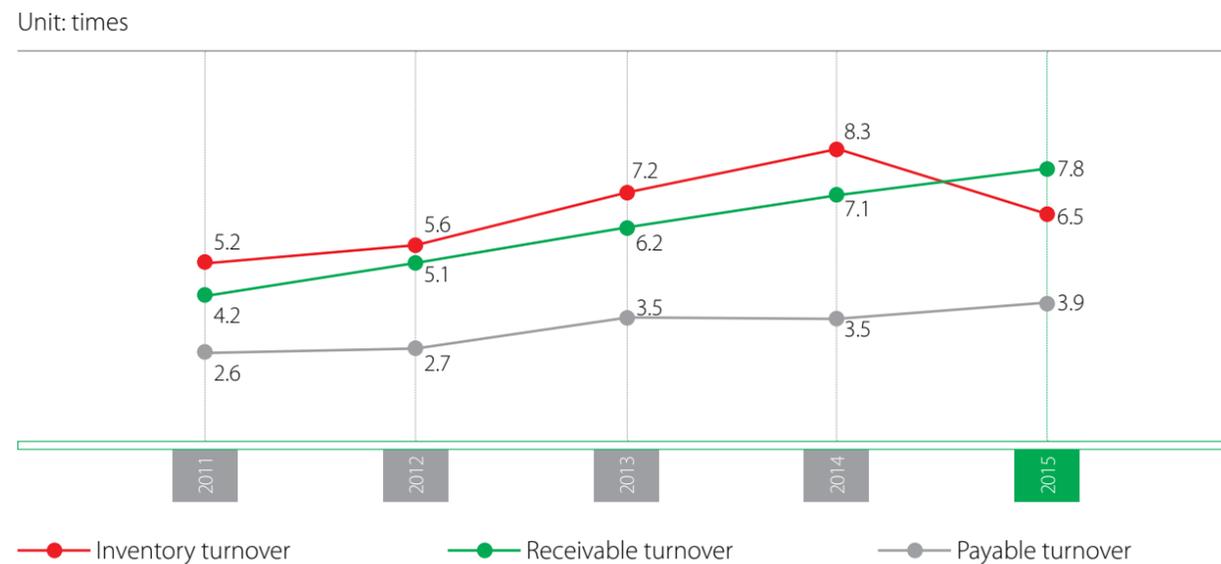


## REPORT OF THE MANAGEMENT TEAM FOR THE TERM 2011 – 2015 (CONTINUED)

### FINANCIAL EFFICIENCY

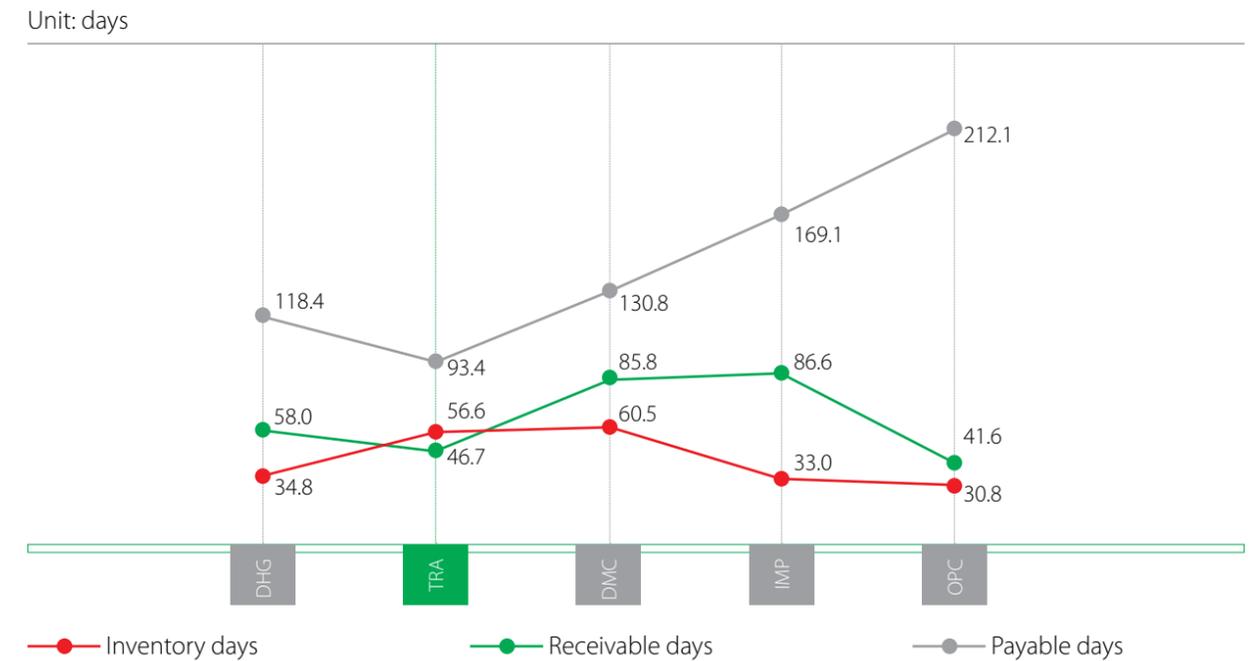
As mentioned before, improving financial efficiency was one of Traphaco's biggest achievements during the term 2011 – 2015. The company's operational efficiency indicators continued to be improved significantly over the years, especially in receivable turnover. Receivable turnover in 2015 was 7.8 times, compared to 7.1 times in 2014. Meanwhile, inventory turnover improved slightly to 3.9 times compared to 3.5 times as in 2014, which was also the highest level over the past 5 years. As such, with the new OTC sales policy in 2014, which requires immediate payment after sales, payment and receivable collection activities were very effective, the financial safety was ensured. The Company was able to provide financial support to its subsidiaries and affiliated companies, at the same time accumulated VND345 billion in cash and cash equivalent balance as of 31 December 2015.

**Traphaco's working capital indicators over the years**



In comparison to the 5 largest listed pharmaceutical companies, Traphaco was among the top companies with the best ratios in terms of receivable days, payable days and inventory days.

**Working capital indicators of comparable listed pharmaceutical companies**



Overall, Traphaco demonstrated superior working management capability through its outperforming cash conversion cycle, calculated as inventory days plus receivable days minus payable days. This indicator shows how long a manufacturer takes to convert cash into materials, products and back to cash. The lower the cash conversion cycle means higher operational efficiency. Traphaco's cash conversion cycle was the lowest among industry peers. This result confirmed the superiority of the new sales policy and Traphaco's right direction to select OTC as the core market.

**Cash conversion cycles of comparable listed Pharmaceutical Companies**

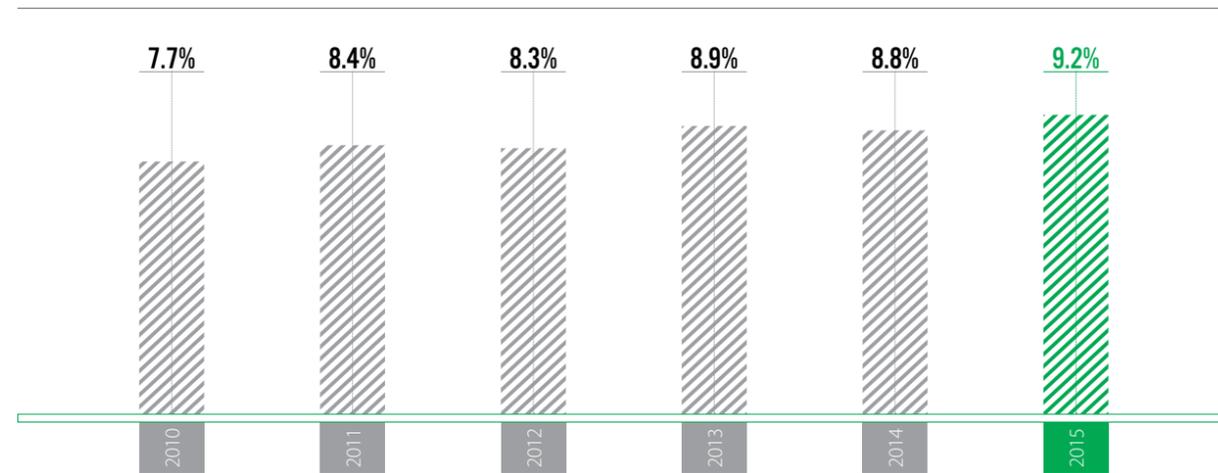


## PROFITABILITY RATIOS

Net profit ratio as percentage of revenue increased over the years.

### Net profit ratio as percentage of revenue over the years

Unit: %



Over the 5 year period, in terms of profitability ratios, Traphaco was among the top 3 listed pharmaceutical companies with the highest profitability ratios. Return on Equity (ROE) was at 24.5% and Return on Assets (ROA) was 21.0% in 2015, showing improvement compared to 2014.

### Profitability ratios of comparable listed pharmaceutical companies

Unit: %



**CONFIDENTLY MOVING FORWARD TO BECOME “THE NO. 1 PHARMACEUTICAL COMPANY IN VIETNAM”**

**Traphaco is a pioneering enterprise to apply information technology in management, break through in business activities, continuously expand the scale and own a high-tech production facility of pharmaceutical products**

# STRATEGY, BUSINESS PLAN FOR 2016 – 2020 AND TARGETS FOR 2016



## STRATEGIC DIRECTIONS FOR THE TERM 2016 – 2020

1. Fully utilize the advantages of the brand, distribution scale, production and financial capacities, strong human resource to expand the market-capture more market share, by 2020 to become the No. 1 pharmaceutical company in terms of revenue, net profit and market capitalization.
2. Accelerate the revenue growth through selection of high quality products to optimize the utilization of the OTC distribution network. Build an effective ETC sales policy.
3. Optimize the capacity and effectiveness of the enterprise management and value chain. Improve operational efficiency through scaling up the business and improving the productivity and quality at Traphaco.
4. Invest in research and development, especially the research activities to explore further the Traditional medical knowledge of the Vietnamese people, and use high quality herbal plants that are native to Vietnam to produce modern products that meet the local demand and export.
5. Monitor the progress of the project to build the pharmaceutical factory Traphaco Hung Yen, launch it into effective operation to produce the leading, modern products in Vietnam's market.
6. Build the Traphaco image to represent a reputable Vietnamese pharmaceutical brand with modern technology and quality, trusted by Vietnamese consumers.
7. Further develop Traphaco's corporate culture "Cooperation, sharing, commitment and honoring commitment", Enterprise with social responsibilities.

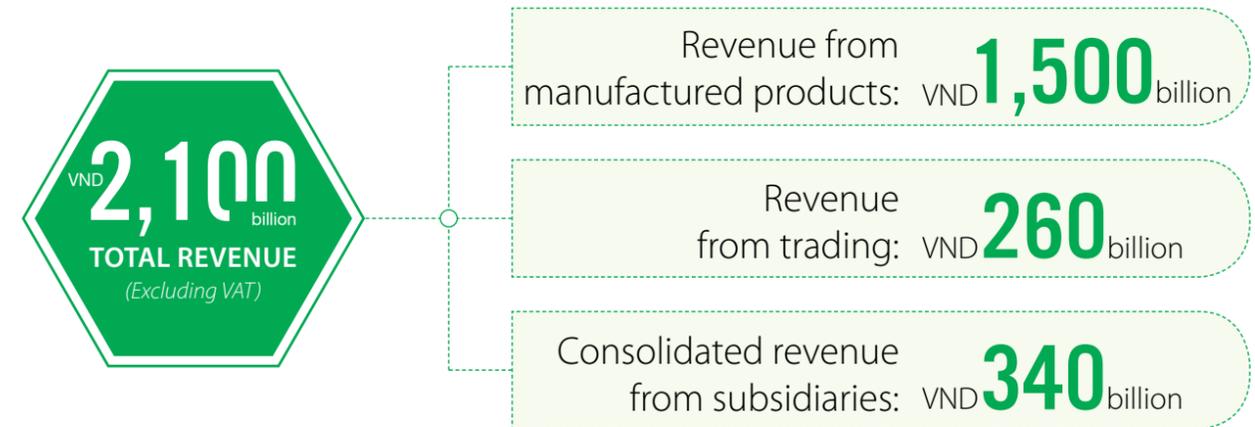
## BUSINESS TARGETS FOR THE TERM 2016 – 2020

1. Revenue growth of at least 12% annually.
2. Net profit growth of 15% annually.
3. Apply for GMP qualification for the Vietnamese pharmaceutical factory, launch the factory into effective operation.
4. Complete the implementation of ERP system in the whole Company.
5. Chartered Capital: Increase by 2 times through share bonus (shareholders do not need to contribute more capital to buy shares, expected to increase over 3 phases:
  - » Năm 2016: Increase chartered capital by 40%
  - » Năm 2018: Increase chartered capital by 20%
  - » Năm 2020: Increase chartered capital by 20%
6. Dividend: 30% of chartered capital per year (even after increasing chartered capital) and paid in cash.



STRATEGY, BUSINESS PLAN FOR 2016 – 2020 AND TARGETS FOR 2016 (CONTINUED)

BUSINESS TARGETS FOR 2016



1. Net profit after tax to shareholders of parent company: VND210 billion.
2. Complete the construction of the Vietnamese pharmaceutical factory.
3. Implemente integration of DMS with accounting software as a step toward full ERP implementation within the Company by 2017.
4. Proactively promote launching of new products, to increase the number of products and carriage at pharmacies.
5. Employees' incomes rise 5-10%.
6. Focus on expanding the markets in the Central and the South.

PROFIT DISTRIBUTION PLAN FOR 2016

Indicator	Percentage deducted
Bonus and welfare fund	8% of net profit at parent Company
2016 dividend	30% of chartered capital in cash
The remaining net profit will be added to the Development Investment fund	The remaining
Compensation for the Board of Directors and Inspection Board (*)	VND 4.100.000.000

(\*) Compensation form the Board of Directors and Inspection Board will be classified as administrative expense.

SELECTION OF AUDITOR FOR FISCAL YEAR 2016

Criteria for selecting auditors	Recommendation by the Inspection Board
<ul style="list-style-type: none"> <li>» An reputable auditing firm approved by the State Securities Commission to perform independent auditing of listed Vietnamese companies in 2016.</li> <li>» Has a qualified and experienced workforce of auditors</li> </ul>	<ul style="list-style-type: none"> <li>» Meets the Company's requirements for the scope and timeline of auditing.</li> <li>» Charges a reasonable fee in line with the contents, scope of work and timeline as required by the Company.</li> </ul> <p>Given the above criteria, the Inspection Board recommends to select one of the Big 4 auditing firm to audit and review the Company's financial reports in 2016.</p>

# 2016 MESSAGE



 **MODERNIZE THE TECHNOLOGY**

 **HEIGHTEN THE STATUS**

 **DEVELOP THE PRODUCTS**

 **SUCCESSFULLY ACHIEVE BREAKTHROUGH RESULTS**



# REPORT BY THE BOARD OF INSPECTION



## REPORT ON THE TERM 2011 – 2015

### ACTIVITIES OF THE BOARD OF INSPECTION

#### Personnel of the Board of Inspection

During the term 2011 – 2015, personnel of the Board of Inspection includes 3 members as follows:

1. Ms. Pham Thi Thanh Duyen
2. Ms. Do Thi Khanh Van
3. Ms. Nguyen Thi Luong Thanh: Added at the Annual Shareholder Meeting on 28 March 2014 to replace Ms. Tran Thi Ngoc Lan, who resigned in November 2013.

All members of the Board of Inspection are capable and meet the criteria for members of the Inspection

Board as specified in the Charter of Traphaco Joint Stock Company and guidelines of the State Securities Commission.

#### Meetings of the Board of Inspection

The Board of Inspection conducted a sufficient number of regular and extra-ordinary meetings as per the guidelines for the Board of Inspection for the term 2011-2015.

#### Operating budget for the Board of Inspection

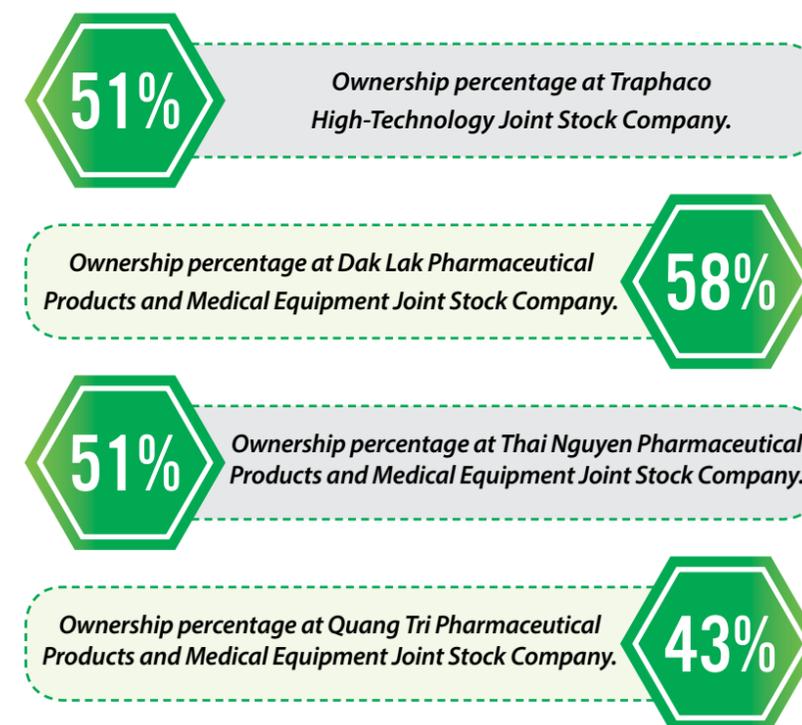
Operating budget for the Board of Inspection was set and paid according to the Annual Shareholder Meeting resolutions.

### Accountabilities of the Board of Inspection in supervising the activities of the Board of Directors (BOD) during the term 2011 – 2015

- » Representatives of the Board of Inspection participated in all Traphaco's BOD meetings. The BOD is open and cooperative with the Board of Inspection in providing information to support the supervision activities of the Board of Inspection in relation to the BOD.
- » BOD conducted the regular meetings in full compliance to the Company's Charter. BOD informed in advance about the agenda of the meetings and providing supporting documents to all participating BOD members and members of the Board of

✓ AFTER TWO YEARS OF LAUNCHING THE NEW SALES POLICY, THE PERCENTAGE OF CUSTOMERS WHO PROMOTE TRAPHACO'S PRODUCTS IS AT HIGH LEVEL, SALES STAFFS ALTHOUGH FACED WITH CHALLENGES ARE STILL DETERMINED TO PERFORM ACCORDING TO GUIDELINES.

- Inspection. The meeting minutes and resolutions were circulated after each meeting in a timely and sufficient manner.
  - » At the meetings, BOD exhibited transparency, straightforwardness, and focus on business strategy to heighten the status of the Company in the sector, aiming to optimizing the operation, ensuring the management team execute on the resolutions of the Annual Shareholder Meetings in each period of the year or quarter.
  - » The objectives, targets in relation to business development of the BOD were in line with the Decisions of the General Shareholder, in compliance with legal framework and the Company's charter.
  - » Decisions in relation to organization structure, human resource and investments made by the BOD were within the rights of the BOD and in compliance with specified process.
  - » Acquired shares of Dak Lak Pharmaceutical Products and Medical Equipment Joint Stock Company to own 58% of chartered capital.
  - » Acquired shares of Thai Nguyen Pharmaceutical Products and Medical Equipment Joint Stock Company to own 51% of chartered capital.
  - » Acquired shares of Quang Tri Pharmaceutical Products and Medical Equipment Joint Stock Company to own 43% of chartered capital.
  - » **Setting up new branches:** 14 new branches were set up to bring the total number of branches to 20, contributing to the expansion of the distribution network nationwide.
- Specifically during the term 2011-2015, the BOD has completed:**
- » **M&A:**
    - » Acquired shares of Traphaco High Technology Joint Stock Company to increase ownership to 51% of chartered capital.



### Assessment of the Board of Inspection on the execution of the resolutions of the General Shareholders/BOD by the management team

- » The management team issued, implemented the plans in relation to development, rolling out business activities, issued and implemented decisions in relation to investments and overall management of the Company in line with the resolutions of the General Shareholders, of the BOD, in compliance with legal guidelines and the Company's charter, with the internal code of conducts and other stipulations of the Company.

REPORT BY THE BOARD OF INSPECTION (CONTINUED)



» In terms of fulfilling the business targets set by the Annual Shareholder Meetings, the annual reports by the BOD and management team reflected fully and accurately the completed and incomplete indicators as well as root cause analysis of the unfulfilled objectives.

**During 2011 – 2015, most notable achievements of the management team are as follows:**

» **New sales policy:** In 2014, the Company changed the sales policy in order to: Stabilize the retail prices in the market; Able to manage the number of customers and the quality of the customers through the application of the information technology; Being proactive in sales and collection of receivables.

After two years of launching the new

sales policy, the percentage of customers who promote Traphaco's products is at high level, sales staffs although faced with challenges are still determined to perform according to guidelines.

» In 2015, revenue growth in the OTC market was 41%. As such, the ratio of OTC revenue over ETC revenue has changed from 70/30 in 2011-2013 to 82/18 in 2015.

» The number of pharmacies which direct sales contract with Traphaco reached close to 22,000 as of 31 December 2015.

As such, the Company's position in the pharmaceutical market of Vietnam has improved greatly, Traphaco has become the pharmaceutical manufacturer with the largest distribution network in Vietnam, creating a strong foundation for future growth in the next 5 years.

» **Methods of management**

The Company has good maintenance of management methods: ISO; GPs, 5S, Kaizen...

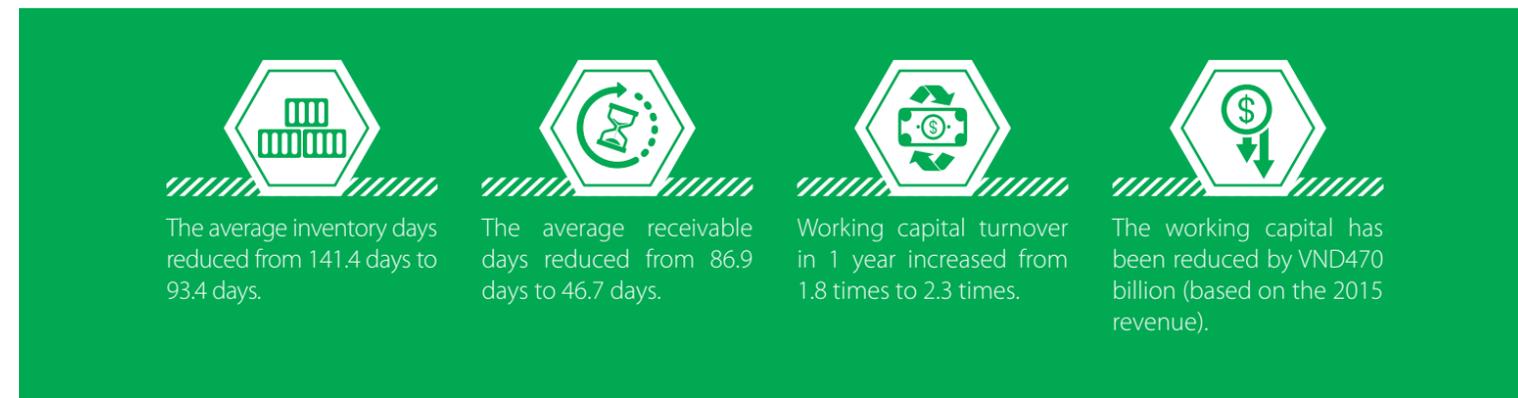
At the same time, the management team hired the professional market research firm TNS to perform market survey service.

Applied the distribution system management software DMS to manage and track sales in a transparent, clear and timely manner.

Applied KPIs in managing the activities within the Company since 2015 with a scientific, concise, easy to understand methodology, which aims at cooperation and proactiveness to deliver results and mutual efficiency..

» **Working Capital Management**

Given results from the reform to reduce inventories in 2012 and the new sales policy applied over the past 2 years 2014-2015, Traphaco's efficiency in managing working capital has improved significantly. In comparing the indicators between 2015 and 2011:



As such, the Company has been completely in control of the funding for annual business activities, ready for investments in the new factory and setting new branches in the coming years.

» **Investment in the Vietnamese Pharmaceutical Factory:** The Inspection Board supervised the planning, inviting and grading bids from contractors and deployment of capital in phases for the Vietnamese Pharmaceutical Factory in terms of investment process, bidding process, legality of the procedures and contracts...

» **Risk management:** Established the risk management department from 2013. The risk management department contributed to improve the analysis, evaluation and mitigation and management of risks arising from the business activities of the Company.

**Inspected the legality, reasonableness and accuracy of the reports on business activities, annual and half-year financial reports of the Company**

» Traphaco Joint Stock Company prepared and published the quarterly and annual financial reports in a full and timely manner

according to guidelines of the State Securities Commission, Ho Chi Minh City Stock Exchange and existing legal stipulations.

» After reviewing and verifying, the Inspection Board agreed with the consolidated financial reports and the financial reports of parent company, which were audited by the independent auditing firms over the 5 years period 2011-2015. The financial statements for the period ended 31 December, the

half year and quarterly financial reports over the years presented reasonably and accurately all key aspects of the financial position and business activities of the Company, in line with Vietnam's accounting standards.

» The Inspection Board also had annual working sessions with the Auditor to ensure the quality of the audited financial reports to meet the expectation of the shareholders.



**REPORT BY THE BOARD OF INSPECTION (CONTINUED)**



**Recommendation to select an independent auditor, auditing fee for the independent auditor**

Over the period 2011-2015, the Inspection Board coordinated with the BOD and management team to evaluate, review and propose to the General Shareholder to select reputable independent auditor to ensure the transparency and objectiveness of the audited financial reports as well as meeting the Company's standards for Financial Reports.

**ASSESSMENTS OF COORDINATION BETWEEN INSPECTION BOARD**

**WITH THE BOARD OF DIRECTORS, MANAGEMENT TEAM AND SHAREHOLDERS**

- » The Inspection Board was invited to all meetings of the BOD and participated in providing opinions within the accountabilities and responsibilities of the Inspection Board.
- » The Inspection Board was also invited to major meetings of the management team to understand more clearly the operation of the Company through the years.

- » The Board of Directors and management team coordinated closely with and accommodated the Inspection Board in fulfilling our duties per guidelines, such as provided personnel support and sufficient information.
- » During the term 2011 - 2015, there was no request from the General Shareholders, group of shareholders or shareholder(s) according to the Enterprise Law for the Inspection Board to examine any particular issue in management activities and operation of the company.

**RECOMMENDATIONS**

- » The BOD and management team build specific business plan for the 05 year term 2016-2020 in order to realize the Company's Vision for 2020.
- » In terms of Human resource: The Company has a plan in place to build and complete the structure for management positions in line with the scale of the Company's development for the term 2016-2020.
- » Propose the General Shareholders to delegate the BOD in coordination with the Inspection Board select one auditor among the Big4 auditing firms approved by the State Securities Commission for the fiscal year 2016.
- » In line with the timetable to develop and apply ERP system in management, the Company has a plan to set up and manage the budget, at the same time monitor on the ERP system to improve the management of expenses according to the annual budget.
- » The Inspection Board proposes the Management team improve the effectiveness of the Risk Management.

# 10 MOST SIGNIFICANT EVENTS IN 2015

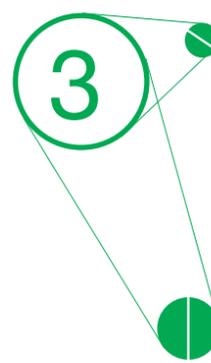


## 2015 – “DEVELOP CORPORATE CULTURE”

Was one of the annual emulation campaigns initiated by the Company’s Party unit. The campaign “Develop corporate culture 2015” was strongly supported and well attended by the entire staffs since the beginning. With 200 registered projects, by October 2015, 180 projects have been reported as completed. The projects were evaluated and graded by the Selection Committee through 3 intense rounds, 20 most outstanding projects were selected and granted prizes at the Company’s anniversary ceremony.

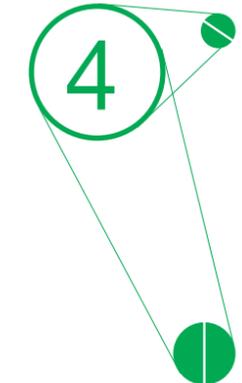
## IMPLEMENTATION OF THE KPI SYSTEM

Traphaco officially promulgated and applied the KPI system in reviewing performance of all functions. Since the KPI system was applied management activities, the Company’s business activities started to go in the exact directions of the Company’s leadership and on the exact progress required by the Company; the management team is now able to supervise the progress in achieving targets of each department, eliminate the unworkable, improve efficiency and increase professionalism in each employee.



## BOGANIC WAS RECOGNIZED AS TOP 10 MOST OUTSTANDING VIETNAMESE BRANDS.

At the Conclusion Ceremony of 5 years campaign “Vietnamese consumers prioritize using Vietnamese products” initiated by the Polibureau, Traphaco’s liver function enhancement drug, Boganic, was proud to be the only pharmaceutical product selected among Top 10 most outstanding Vietnamese brands among other local big names such as Vinamilk, Thaco, Saigon Beer, G7 coffee. With the largest market share in liver function enhancement medicines in Vietnam (according to IMS), Boganic is not only a leading pharmaceutical brand but also has become a National brand.



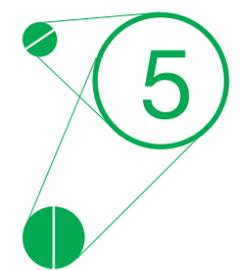
## BROKE GROUND TO START THE CONSTRUCTION OF THE VIETNAMESE PHARMACEUTICAL FACTORY

On 9 May 2015, we officially broke ground to commence construction of the Vietnamese Pharmaceutical Factory at Tan Quang – Van Lam – Hung Yen. The factory is being built on an area of 46.000m2 with total investment amount of almost VND500 billion and will start operation in 4th quarter 2016. It would be a factory with the most advanced and modern production lines. Especially the production line for eye drops and nasal spray is a synchronous-automatic-closed one, with the most advanced technology currently available in the world – exclusive technology of Weiler (U.S.A). The Vietnamese Pharmaceutical Factory, as other factories of Traphaco, is equipped with green, environment-friendly technology.

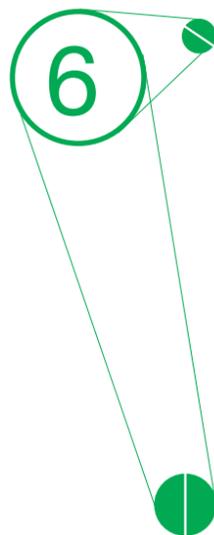


## Congress of Traphaco’s Party Unit for 2016-2020 term

On 12 May, in Hanoi, the IV Congress of the Party Unit of Traphaco Joint Stock Company for the term 2016-2020 was held. The Congress elected 9 comrades to serve in the Executive Committee, 3 comrades to serve in the Standing Committee. Comrade Tran Tuc Ma continued to be elected as the Party Unit Chief for the term 2016 – 2020. The Company’s Party unit was recognized as Top 100 most outstanding party units by the Central Personnel Committee.



10 MOST SIGNIFICANT EVENTS IN 2015 (CONTINUED)

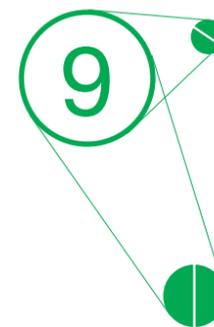


**OFFICIALLY SIGNED EXCLUSIVE DISTRIBUTION PARTNERSHIP WITH SANDOZ**

On 31 July 2015, Traphaco signed exclusive distribution partnership with Sandoz for 38 products within its portfolio. Sandoz, a subsidiary of Novartis, is the global leader in Generic. Sandoz brand is present in 160 countries, Sandoz's products meet the requirements for clinical drugs for almost all therapeutic areas. Traphaco is the first local pharmaceutical company in Vietnam that is successful with its revolutionary overhaul of the distribution network and applying high-technology in managing its distribution network. After a long process of discussions, the two parties realized the strengths of each other and the genuine interest to cooperate for mutual growth, we negotiated, reached agreement and eventually signed the partnership to distribute pharmaceutical products. The partnership between two big names will contribute to better health care for the people of Vietnam.

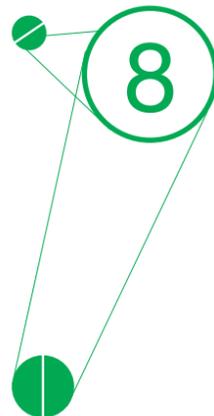
**TRAPHACO CONTINUED TO BE RECOGNIZED AS TOP 10 VIETNAM'S GOLD STAR FOR CORPORATE SOCIAL RESPONSIBILITIES AND TOP 100 VIETNAM'S GOLD STAR**

As a corporation which takes sustainable development very seriously and always acts responsibly to the employees and society as a whole, at the Vietnam's Gold Star Award Ceremony, Traphaco continued to be recognized as "Top 10 Companies with Social Responsibilities" for the third time. With the restructuring of the distribution network and developing GACP-WHO certified farming areas, Traphaco has been on the right track of its time – "The Way of Green Health", to become a manufacturer, which contributes to society modern products and services, yet enriched with traditional values, hence contributes to improve the quality of life. This is a bigger social responsibility that Traphaco has been pursuing.



**THE GOVERNMENT DECIDED TO KEEP STATE OWNERSHIP AT TRAPHACO**

According to the document numbered 1787/TTg-ĐMDN regarding the Proposal to restructure the State Capital Investment Corporation (SCIC) circulated by the Prime Minister on 8 October 2015. The document also allowed SCIC to continue keeping the state investments in 9 companies for the long term, including Traphaco Joint Stock Company (TRA-Hose); Hau Giang Pharmaceutical Joint Stock Company (DHG-Hose), Domesco Medical Products Export-Import Joint Stock Company (DMC-Hose)...The decision to keep state ownership at Traphaco will help the Company execute successfully the business plan, improve efficiency and remove the unworkable, contribute to the Company's stable development and ensure the welfare of the employees.

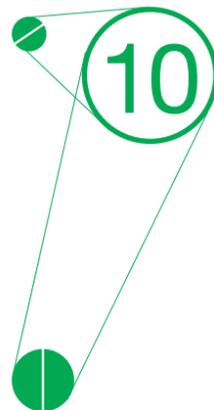


**Vibrant with the Contest "Bonding in showing talents"**

In promoting the year of "Developing corporate culture" 2015 initiated by the Company's Party Unit, the Company's Labor union organized the contest: "Bonding in showing talents", all members showed their bonds through the performances, promoted team work so that every one's hidden talent can shine, at the same time affirmed that Traphaco's creativity is limitless and created a vibrant and energetic environment within the Company. The cultural bond has connected people, helped Traphaco overcome challenges and break through stronger and reach new highs in the coming years.

**43RD ANNIVERSARY CEREMONY OF THE COMPANY**

27 October 2015, at the headquarter of Traphaco Joint Stock Company, the 43 anniversary ceremony of the Company was held. This was an occasion when the entire company could review a year of efforts in achieving business targets and set directions for the next year. At the ceremony, the Company's leadership presented the awards to the 20 most outstanding projects from the contest "Develop corporate culture" as well as 20 top performers. The award for each individual is a business trip overseas. In 2015, Traphaco achieved breakthrough in business activities, we built on the spirit of the previous generations to further develop Traphaco, exactly as in the motto "inherit tradition – committed to the mission – and steadfast in our journey into the future".



# PRESTIGIOUS AWARDS

» **1998 – 2015:** For 18 consecutive years, received the “Consumers’ Choice for High quality Vietnamese products” award.



» **2010:**  
 > Won the title “**Labor Hero**”.  
 > **Received the WIPO award** from the World Intellectual Property Organization.  
 > Won the award for **corporate social responsibilities**.

» **2003 - 2015:** Won the “Vietnam’s Gold Star” award (in the TOP 100 consecutively throughout the period 2008-2015).



» **2011:**  
 > Received the commemorative medal “**Representative Party Unit**”  
 > **TOP 10 enterprises with Corporate Social Responsibilities**.  
 > **Leading brand in Vietnam**.  
 > **Vifotec’s first prize for Boganic**.

» **2005:** Received the recognition “Enterprise for women’s progress” – the Kovalevskaia award for the female scientists of Traphaco.



» **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.  
 > **National Quality Gold Prize Award**  
 > **Vietnam Value Award 2012**.

» **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.



» **2013:**  
 > **Asia-Pacific Global Performance Excellence Award 2013**.  
 > TOP 10 “**Vietnam’s Gold Star**” Award, TOP 10 **Enterprise with Social Responsibilities** (Vietnam’s Gold Star Award).

» **2008:** Gold cup for the most recognized Traphaco brand.



» **2014:**  
 > **Vietnam Value Award**.  
 > **The Star of Vietnamese Medicines Title** for Traphaco brand and 05 of the company’s products by the Ministry of Health.

» **2009:** “Was recognized with “the Most Recognized Pharmaceutical Brand in Vietnam”.”



» **2015:**  
 > **Gold prize National Quality Award**.  
 > **Top 10 Vietnam’s Gold Star Award for Corporate Social Responsibilities**.  
 > **Top 10 outstanding Vietnamese Award** from Ministry of Industries and Trade for Boganic.

CORPORATE  
GOVERNANCE



## Pioneer in technology

Traphaco has applied KPIs in corporate management, implemented ERP for the entire system, equipped the sales staffs with tablets, being the pioneer in using high technology in managing the distribution network and applying the advanced global technology in production to make the high-tech pharmaceutical products that meet the trust and expectation of consumers.

# CORPORATE GOVERNANCE REPORT

## GENERAL SHAREHOLDER MEETING

During the term 2011 – 2015, Traphaco held 05 General Shareholder Meetings and 02 Voting by Proxy, specifically as below:

### AGENDA OF THE GENERAL SHAREHOLDER MEETING:

- » Approved the reports: Report on the business results and business directions; Report by the Board of Supervisors; Audited Financial Reports, Report on net profit distribution, compensation of the Board of Directors and Board of Supervisors.
- » Selected financial reports' auditor.

### OTHER ITEMS ON THE AGENDA:

- 2011**
  - » Approved the proposal to build the Vietnamese pharmaceutical factory at Tan Quang – Hung Yen with total investment amount of VND300 billion.
  - » Elected of the Board of Directors, Board of Supervision for the term 2011 – 2015.
- 2012**
  - » Approved the proposal to amend the Charter of Traphaco Joint Stock Company.
- 2013**
  - » Approved the proposal to increase charter capital and share bonus issuance to existing shareholders (ratio 2:1).
- 2014**
  - » Added 02 new members to the Board of Directors and 01 member to the Board of Supervision for the term 2011 – 2015.
  - » Amended the Company's Charter.
- 2015**
  - » Approved the revised plan to build the Vietnamese pharmaceutical factory with total investment amount increased from VND300 billion to VND420 billion.
  - » Approved the resignation of Mr. Phan Quoc Cong from the Board of Directors and added 01 new member of the Board Ms. Tran Tue Tri.

### VOTING BY PROXY: 02 TIMES

**1**

May 2012 voting by proxy to issue new shares to existing shareholders to increase chartered capital with ratio 1:1 (did not pass)

**2**

December 2013 voting by proxy to increase ownership at Traphaco CNC and increase the number of Board members by 02 (did not pass the motion to increase ownership at CNC; approved the motion to add two new members to the Board.

 DURING THE TERM 2011 – 2015, THE BOARD OF DIRECTORS HAD 49 REGULAR AND EXTRAORDINARY MEETINGS TO DISCUSS, REVIEW, APPROVE AND VOTE ON THE MATTERS WITHIN ITS FUNCTIONS, RESPONSIBILITIES AND RIGHTS ACCORDING TO THE GUIDELINE FOR THE ORGANIZATION AND ACTIVITIES OF THE BOARD OF DIRECTORS ISSUED ON 27 MAY 2011.

## BOARD OF DIRECTORS

### CHANGES IN THE COMPOSITION OF THE BOARD DURING THE TERM 2011 – 2015

No.	Name	Position	Appointed	Changed
1	Vu Thi Thuan	Chairwoman of the Board	25/03/2011	
2	Tran Tuc Ma	Vice Chairman	25/03/2011	
3	Nong Huu Duc	Member of the Board	25/03/2011	
4	Nguyen Thi Lan	Member of the Board	25/03/2011	
5	Le Tuan	Member of the Board	25/03/2011	
6	Tran Manh Huu	Member of the Board	28/03/2014	
7	Phan Quoc Cong	Member of the Board	28/03/2014	Resigned since 12 February 2015
8	Tran Tue Tri	Member of the Board	27/03/2015	Added 27 March 2015

### MEETINGS OF THE BOARD OF DIRECTORS

During the term 2011 – 2015, the Board of Directors had 49 regular and extraordinary meetings to discuss, review, approve and vote on the matters within its functions, responsibilities and rights according to the Guideline for the organization and activities of the Board of Directors issued on 27 May 2011.

Complied fully with the Enterprise Laws, the Company's Charter, existing legal guidelines. Maintained stable development in a changing economy. Implemented the guidelines for activities in compliance with the Charter and the Board's mission, supervised and assessed business activities, strategy and business directors for each year.

All Board meetings were held and conducted in compliance with the Company's Charter. All minutes, resolutions and decision of the Board of Directors were completed based on consensus among members and archived per guidelines.

The Board maintained a system of regular meetings and called for extraordinary meetings when issues arose, delegated accountabilities to each member.



## CORPORATE GOVERNANCE REPORT (CONTINUED)

In 2015, the Board of Directors held 05 regular meetings:

No.	Member Board of Directors	Position	Number of Board meeting attended	Attendance %
1	Vu Thi Thuan	Chairwoman of the Board	05/05	100%
2	Tran Tuc Ma	Vice Chairman	05/05	100%
3	Nguyen Thi Lan	Member of the Board	05/05	100%
4	Nong Huu Duc	Member of the Board	05/05	100%
5	Le Tuan	Member of the Board	05/05	100%
6	Tran Manh Huu	Member of the Board	03/05	60%
7	Tran Tue Tri	Member of the Board	02/04	50%

Agenda of the Board meetings in 2015:

Session	Agenda
<b>Session 1</b> 11 Feb 2015	<ul style="list-style-type: none"> <li>» Preparation for the 2015 General Shareholder Meeting.</li> <li>» Report on the business results in 2014 and January 2015.</li> <li>» The composition of the Board of Directors.</li> </ul>
<b>Session 2</b> 20 Apr 2015	<ul style="list-style-type: none"> <li>» Financial report for 1st quarter 2015</li> <li>» Report on business performance and policy for new products (main expenses).</li> <li>» Delegating of accountabilities to each Board member; Reviewed the structure of the functional subcommittee.</li> <li>» Decided on the schedule for Board meetings (time and agenda).</li> </ul>
<b>Session 3</b> 21 Jul 2015	<ul style="list-style-type: none"> <li>» Report by the General Director on the business results of the first half and projected results for 3<sup>rd</sup> quarter.</li> <li>» Specific assessment report on different topics: finance, technology and planning.</li> <li>» Assigned responsibilities to prepare for the General Shareholder Meeting 2016 to conclude the 5 year term.</li> </ul>
<b>Session 4</b> 22 Sep 2015	<ul style="list-style-type: none"> <li>» Assessment report on business results 3<sup>rd</sup> quarter; projected performance for 4<sup>th</sup> quarter.</li> <li>» Reviewed and assessed results of the term 2011 – 2015.</li> <li>» Discussed the 5 year plan for the term 2016 – 2020.</li> <li>» Report on 3<sup>rd</sup> quarter business results and October 2015.</li> </ul>
<b>Session 5</b> 25 Nov 2015	<ul style="list-style-type: none"> <li>» Cash flow forecast and analysis.</li> <li>» Report on the progress of the new factory.</li> <li>» Preliminary budget for 2016.</li> </ul>

ON 30 MAY 2011, THE BOARD OF DIRECTORS OF TRAPHACO JOINT STOCK COMPANY CIRCULATED DECISION NUMBERED 68/2011/HDQT TO SET UP FUNCTIONAL COMMITMENTS TO SUPPORT THE BOARD OF DIRECTORS AS WELL AS GUIDELINES ON ACCOUNTABILITIES, RESPONSIBILITIES AND RIGHTS OF THE COMMITTEES. ALL COMMITTEES OPERATE UNDER THE BOARD'S GUIDELINES, SUPPORT THE BOARD, PREPARE THE CONTENTS FOR DISCUSSIONS AND OTHER RELEVANT ISSUES AT THE BOARD MEETINGS.

### OPERATION OF THE SUB-COMMITTEES OF THE BOARD OF DIRECTORS

No.	Subcommittees	Main Functions	No. of members
1	Human Resource Committee	Advise and support the Board of Directors in the areas of administration and human resource.	4
2	Research and Development of New Products Committee	Advise and support the Board of Directors in the areas of research and development of new products.	4
3	Investment and Finance Committee	Advise and support the Board of Directors in investment and finance activities.	4
4	Business Development Committee	Advise and support the Board of Directors in business development activities.	5

### ACTIVITIES OF NON-EXECUTIVE, INDEPENDENT MEMBERS OF THE BOARD OF DIRECTORS

- » Contributed opinions and advice during meetings.
- » Supervised, supported the Board of Directors, management team in specific tasks as part of the assigned accountabilities between meetings.
- » Attended events and meetings at the request of the Chairwoman of the Board or the General Director.

### SUPERVISION OF THE MANAGEMENT TEAM BY THE BOARD OF DIRECTORS

The Board of Directors is a corporate body acting on behalf of shareholders to lead the activities of the Company in fulfilling strategic objectives, supervising the management team to overcome challenges and achieve targets, specifically:

- » Supervise the achieving of the Company's business targets.
- » Provide guidance to the Management Team in organizing Annual General Shareholding Meeting.
- » Provide guidance, supervise and support the Management Team in executing the Resolutions of the General Shareholder Meeting, the resolutions of the Board of Directors.
- » Disclose information and submit reports according to existing legal requirements of government authorities.
- » Approve the annual business targets.
- » Supervise risk management and legal compliance.



## CORPORATE GOVERNANCE REPORT (CONTINUED)



## BOARD OF INSPECTION

## CHANGE IN THE COMPOSITION OF THE BOARD OF INSPECTION DURING THE TERM 2011 – 2015

No.	Name	Position	Appointed	Appointed
1	Pham Thi Thanh Duyen	Head of the Board of Inspection	25/03/2011	
2	Do Thi Khanh Van	Member of the Board of Inspection	25/03/2011	
3	Tran Thi Ngoc Lan	Member of the Board of Inspection	25/03/2011	Resigned since 19 November 2013
4	Nguyen Thi Luong Thanh	Member of the Board of Inspection	25/03/2011	Added 28 March 2014

## ACTIVITIES OF THE BOARD OF INSPECTION

- » In 2015, the Supervisory Board held 05 regular meetings per guidelines and participated in all Traphaco's Board of Director meetings.
- » Supervised the activities of the Board of Directors and Management Team such as:
  - » Passed and implemented decisions regarding the investment to build the Vietnamese Pharmaceutical Factory in compliance with the Company's Charter and legal guidelines.
  - » Set up 05 new branches: Tien Giang, Phu Tho, Binh Duong, Bac Giang and Hung Yen.
  - » Supervised the fulfillment of the 2015 Annual Shareholder Meeting's resolutions with regard to dividend payments.
  - » Continued the successful implementation of the new sales policy, at the same time effectively utilized the functions of the DMS software to optimize the management of sales activities.
  - » Launched and implemented the KPI system throughout the Company.
  - » Examined the compliance of the company in its activities to Enterprise laws, decrees, guidelines and stipulations for listed companies as well as for pharmaceutical companies.
  - » Reviewed the annual and quarterly consolidated financial statements prepared by the Company and audited by Deloitte Limited Liabilities Company. At the same time, supervised the compliance to standard accounting practice and tax guidelines.
- » Reviewed the Company's Charter in reference to the 2014 Enterprise Laws.



## COMPENSATION OF THE BOARD OF DIRECTORS AND INSPECTION BOARD

## COMPENSATION OF THE BOARD OF DIRECTORS AND SUPERVISORY BOARD

Compensation of the board of directors and supervisory board was accounted as administrative expense and paid out according to the resolution of the Annual Shareholder Meeting in 2015: VND4.1000.0000, specifically:

- » Compensation of the Board of Directors: VND3.500.000
- » Compensation of the Supervisory Board: VND600.000

## STOCK TRANSACTIONS BY INSIDERS AND RELATED PARTIES

No.	Person(s) transacted	Relationship to insider(s)	Number of shares owned at the beginning of the period		Number of shares owned at the end of the period		Reason to increase, reduce (buy, sell, convert, share bonus received)
			Number of shares	%	Number of shares	%	
1	Mr. Tran Tuc Ma	General Director	628,800	2.55%	759,910	3.08%	Increase ownership at the Company

## CORPORATE GOVERNANCE REPORT (CONTINUED)

## COMPLIANCE TO CORPORATE GOVERNANCE GUIDELINES

The Company's regulations, guidelines and activities are always in compliance with all laws and regulations for enterprises. During the term 2011 – 2015, the Board of Directors organized 2 votes by proxy and was approved by the General Shareholders to pass the amendments and changes in the Company's Charter to be in line with the standard Charter, Circular 121/2012/TT-BTC dated 26 July 2012 by Ministry of Finance and existing legal guidelines (at Annual General Shareholder Meetings in 2012 and 2014).

## ACTIVITIES TO IMPROVE THE COMPANY'S CORPORATE GOVERNANCE

**1. Decisions regarding human resources**

- » In 2014, appointed 01 deputy General Director, Ms. Nguyen Thi Lan.
- » Appointed 02 division Directors: Director of Sales and Director of Export/Import.
- » Branch Directors: 24 decisions to appoint Branch Directors. Dismissed 04 Branch Directors at Khanh Hoa, Can Tho, Gia Lai, Quang Ngai.

**2. Decisions regarding corporate structure: Set up 14 more branches****3. Decisions regarding investments and asset purchases:**

- » Acquired shares of 03 pharmaceutical companies: Dak Lak Pharmaceutical and Medical Equipment Joint Stock Company (Traphaco owns 58%), Thai Nguyen Pharmaceutical and Medical Equipment Joint Stock Company (Traphaco owns 51%) and Quang Tri Pharmaceutical and Medical Equipment Joint Stock Company (Traphaco owns 43%).
- » Conducted tender offer to increase ownership at Traphaco CNC to 51%.
- » Purchased house/land to set up offices for branches at 7 provinces: Hai Duong, Thai Nguyen, Dong Nai, Can Tho, Tien Giang, Bac Giang and Phu Tho.
- » Invested to build infrastructure at: Gia Lai, Quang Ninh, Thai Nguyen, Hai Duong.
- » Approved to purchase 17 cars for the Company, the sales department, the branches in the Central and Southern regions.

**4. The project to build the new factory:**

- » The Vietnamese pharmaceutical factory: Assessment report and proposal to increase the total investment amount for the Vietnamese pharmaceutical factory from VND300 billion to 420 billion. Approved to hire 09 contractors who won the bids to carry out construction contracts out of 14 contracts to build the Vietnamese pharmaceutical factory.
- » Decided to invest in the Herbal Ingredient Processing and Extracting Plant in Lao Cai with total investment of VND22 billion.
- » The Board of Directors was also in timely coordination with the Management Team to implement the strategy of the Company, especially in the process to carry out the project to build the Pharmaceutical Factory of Traphaco in Hung Yen to ensure the on-track progress of the project.

## INVESTOR RELATION (IR) ACTIVITIES

- » 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.
- » 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. During the term 2011 – 2015, there were over 200 meetings with the investors, which included securities firms, local and foreign investment funds, who came to visit and had working sessions with the Company, as well as visiting the manufacturing facilities at Traphaco CNC, the farming areas in Hoa Binh, Sapa...; attended the investor conferences organized by Kim Eng Securities, Viet Capital Securities, Ho Chi Minh Securities, Vietcombank Securities, VnDirecti Securities and SSI Securities.
- » Actively participated in the investor conferences, science, environment and new technology forums to exchange information, share about the Company and at the same time get updated on the policies and the development trend of the country.
- » During the term 2011 – 2015, we issued 05 Annual Reports. Four out of five annual reports made to the list of Top 30 best annual reports in 2011, 2013, 2014 and 2015. Especially, the 2011 Annual Report was ranked AAA in the Vietnam Annual Report for credit rating, which was given to companies with effective business activities, transparency, strong financial health, long term growth prospect, good management of funding and lowest level of risk. Most recently, the 2014 Annual Report was ranked 14/600 among the annual reports participating in the Annual Survey in 2015 and was viewed by the Selection Committee of the Survey to have superior quality compared to the previous years.



# RISK MANAGEMENT REPORT



## OVERVIEW OF VIETNAM'S MACROECONOMIC PICTURE IN 2015

In the context of the global economic recovery with many colors and at different paces, Vietnam is among few countries with impressive recovery pace. In 4 consecutive years (2012-2015), growth rate is faster every year (in 2012, economic growth rate was 5.25%, in 2013: 5.42%, 2014 5.98% and 2015: 6.15%). In 2015, Vietnam's economy saw positive movement,

inflation was contained at 0.6%, which was the lowest in the last 14 years. Overcoming many difficulties and challenges, Vietnam's economy was viewed by many international organizations as "one of the rare bright points of the Asian economy".

However, in addition to the bright factors, the local economy also showed new weaknesses and

imbalances during restructuring, there were many existing issues, which could threaten the development of the enterprise. Traphaco always pays attention to the changes in the overall economy, identifies risks and timely develops mechanisms to mitigate the risks, which directly impact the company's business activities.

## ASSESSMENT OF RISKS



### LEGAL

#### Specification of risks

Vietnam's legal framework is being constructed and completed, the sub-law documents and guidelines are constantly being revised. The government often circulates many solutions and decisions to adjust existing policies. Therefore, failures to update in time and strictly follow the revised legal documents will lead to legal risks for the Enterprise, specifically, legal risks associated corporate governance, legal risks associated with ownership, legal risks associated with intellectual properties, legal risks associated with taxes, legal risks associated with executing business contracts, legal risks associated with insurance.

Risks associated with incompliance to policies which are about to be promulgated by Ministry of Health to govern the pharmaceutical and food supplement industry.

As the company strengthens its international trade activities, there would be a higher level of legal risks.

The risks could arise from every step of negotiation, signing and executing export-import contracts for raw materials, products and equipment.

Risks arise from following the laws and existing governing guidelines.

#### Implication of risks

Legal laws could have direct impact on the company's business activities, negatively affect the Company's incomes, activities and future prospects.

Lawsuits and legal disputes could arise in many transactions at different level, leading to damages for both sides, the Company might not achieve the expected economic benefits.

#### Mechanism to mitigate risks

The Risk Management Department at Traphaco Joint Stock Company in constant coordination with a Law Consulting Firm to:

- » Get updated on the new legal documents, especially the government's specific policies on taxes and pharmaceutical industry. Regularly provide relevant documents in areas of taxes, trade promotion and revised contents in the new enterprise laws, investment laws and relevant guidelines and circulars to the management and different functions/ departments.
- » Review and consult on the legality of documents and contracts throughout the Company's business activities to comply with various guidelines of the current legal framework.
- » In regular discussions and follow closely the legal consultations from lawyers in handling business relationships with international parties.

## RISK MANAGEMENT REPORT (CONTINUED)



### MACRO-ECONOMIC

#### Specification of risks

In 2015, the macro economy was on recovery trajectory, showed more positive signs, gained more resources and overall, in a better position to grow faster in the next year. Specifically, the GDP growth reached 6.5%, which was the highest level over the past 4 years, the growth rate was getting faster and faster every quarter. Vietnam continued to maintain a low level of inflation, estimated at 1%, which was the lowest level over the past 10 years. In addition, there were outstanding fiscal issues such as sovereign debts, budget deficit and growing liabilities as percentage of government's revenue.

2016 will be a year of active international integration with the signed and pending treaties. As such, Vietnam's economy will be impacted more by the global economy including:

- » China's economic fluctuation, especially projected slower

growth rate and changes in China's economic policies.

- » Changes in the economic policies in the U.S., especially monetary policies. Recently, China's yuan got included in the basket of reserved currencies of the International Monetary Fund (IMF); China's continued weakening of the yuan is also a factor to be reviewed and updated on.
- » Currently the oil price is in huge fluctuation, over the recent period, it had set a new record low. Given the U.S. congress's decision to allow export of crude oil, the supply is expected to continue to increase. As the overall demand of the global economy is projected to moderately increase, the likelihood of further decline in oil price is high.

» FED's interest rate hike is affecting the global economy and will have certain effect on Vietnam's economy.

» The geo-political instability at certain countries and regions is likely to have an impact on our economy as well.

» The State Bank of Vietnam is employing a flexible exchange rate policy.

The abovementioned factors could lead to risks to the business environment of the Company, which could come in different forms such as rising exchange rate, inflation, fiercer and fiercer competition, lack of information and unstable source of funding.

 WEAKENING OF THE DONG AND INFLATION WILL INCREASE THE INPUT COSTS AND THE PRICES OF IMPORTED EQUIPMENT AND MACHINERIES WHILE THE PRICES OF THE COMPANY'S PRODUCTS CANNOT INCREASE ACCORDINGLY DUE TO THE PRICE CONTROL MECHANISM APPLIED BY THE MINISTRY OF HEALTH, HENCE THE COMPANY'S PROFIT WILL BE NEGATIVELY IMPACTED.



#### Implication of risks

Weakening of the dong will increase the input costs and the prices of imported equipment and machineries while the prices of the Company's products cannot increase accordingly due to the price control mechanism applied by the Ministry of Health, hence the Company's profit will be negatively impacted.

In addition, the Company also faces fierce competition in terms of price and for market share from international players.

#### Mechanism to mitigate risks

Restructure and further strengthen the nationwide distribution network, enhance corporate governance, develop GACP-WHO certified farming areas, ensure the achievement of all objectives, consistency in executing the long term development strategy "The way of Green health" within the company.

Develop the resources along the value chain: Research and develop products – Develop farming areas of clean ingredients – Manufacturing at factories using GPs-WHO best practices which are also environmentally friendly – Apply quality-control systems ISO 14001:2004, ISO 9001:2008, 5S Kaizen toolkits from Japan – Commercialize products through a socially responsible distribution network.

Research to utilize the advantages and uniqueness of products to increase product differentiation.

Enhance the value chain based on production renovation, stronger ties between production and commercialization, application of bio-technology in research and development of new products.

Enhance the efficiency of the quality assurance system, reduce costs and hence lower product prices.

Apply information technology in sales management, apply modern science and technology in production and sales to increase productivity, better manage cash, reduce inventories, reduce bad debts, improve working capital efficiency.

The Risk management conducts testing, survey and re-assessment of the markets in provinces and branches across the North, Central and the South to ensure strict adherence to the stable pricing and no-channel-overflowing objectives and follow the business principle "Integrity, win-win, and together develop".

Recruit and train a high quality human resource, build a comprehensive working relationship between departments, factories and workshops. Develop and apply KPI system to evaluate performances at Traphaco.

## RISK MANAGEMENT REPORT (CONTINUED)



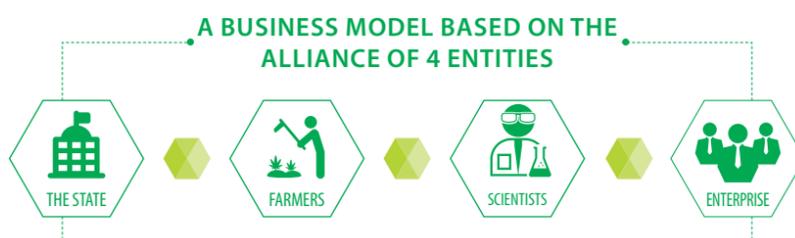
evaluates capabilities of suppliers and proceeds to sign procurement contracts with large, reputable suppliers, who can ensure stable quality and provide the right and sufficient amount of input materials that meet the required standards of Traphaco and at reasonable prices to ensure a stable supply of raw materials.

The process to test the quality of the input materials is 100% in compliance with protocols.

The ingredients are stocked and preserved in GSP-qualified warehouses.

Traphaco has always been determined and steadfast in their effort to develop complete GACP-certified farming areas to secure an ingredient supply for the Company's production activities. With a business model based on the alliance of 4 entities: the State – Farmers – Scientists – Enterprise within the Green plan project. Connecting: Production – Processing – Commercialization – Consumption to establish a breakthrough for the enterprise.

The Company also researched and developed several cultivation, processing and preserving protocols for a number of herbal ingredients of high quality and expand the farming areas for a number of perennial crops.



## RAW MATERIALS

### Specification of risks

**Supplier Risks:** Several suppliers of input materials have not met the quality standards set by Traphaco, unstable supply.

**Input cost Risks:** The prices of raw material inputs are always fluctuating and hugely influenced by exchange rate fluctuation. The prices tend to be boosted up during scarcity.

**Storage Risks:** Risks associated with the storage of products in warehouses such as termites.

**Farming area risks:** seed quality risk, soil risk, climate risk and raw material preservation risk, limited technical skills of farmers risk.

### Implication of risks

Negative impact production and sales, which leads to under stock and losing market share by the Company, hence negatively affected the Company's net profit.

Affect productivity, quality, concentration, activeness of main substances, stability and toxication of the ingredients in the farming areas.

### Mechanism to mitigate risks

On an annual basis, the Company proactively and thoroughly

## COMPETITION AND COUNTERFEITED PRODUCTS

### Specification of risks

In 2015, upon entering AFTA (ASEAN Free Trade Area), Vietnam will be under pressure from the free flow of goods, most of the tax codes will be reduced to 0%. Furthermore, given the low barrier to entry of the pharmaceutical sector, Traphaco is facing fiercer and fiercer competition from domestic and international players with diverse array of products in dosage forms, quality and price.

Risks will arise as many fake and counterfeited products will enter the market and undermine the integrity of the products and brand, thus the consumers will lose confidence in the Company's products and the consumption of our products will decline.

### Implication of risks

The Company faces threats of losing market share, the Company's products can be easily substituted by similar products by competitors.

Traphaco's products sold through ETC system face greater difficulties from price competition (as a direct outcome of the Inter-ministerial decree 01/2012TTTL-BYT-BTC)

Negatively impacted the business results of the Company.

### Mechanism to mitigate risks

Traphaco completely restructured its sales strategy and has implemented the new OTC sales policy that is based on a win-win principle and brings more benefits to its customers.

Employed the DMS software in sales management, improved customer service and ensured delivery of products within 30 hours.

Actively built, developed and completed a strong distribution and sales network of almost 22,000 customers.

Increased communication about the new sales policy to customers so that they understand and become committed to sell at the recommended price and actively promote Traphaco's products.

Invested in technology and modern equipment for the factory to improve productivity, product quality and reduce production cost, hence contribute to improve the efficiency of business activities.

The Company always prioritized protecting its brands against fakes and counterfeited products to minimize damages in business activities. Increased promotion of Traphaco's brand in advertisement programs, PR activities, internet and sponsoring events to build the Company's image and further strengthen consumer's trust in the Company.



## RISK MANAGEMENT REPORT (CONTINUED)


 FINANCIAL

## Specification of risks

- » Overdue receivable risk, inventory risk and risk associated with high level of cash outstanding at branches and provincial offices.
- » Exchangerate risk associated with transactions with international counterparties and interest rate risk for interest-bearing loans with pre-determined rates (based on floating and fixed interest rates).
- » Capital-cost risk from investments and equity-linked instruments.
- » Credit risk arises when customers and counterparties could not fulfill their obligations in business contracts, which will result in financial loss for the company.
- » Liquidity risk.

## Implication of risks

- » Incurs bad debts and reduces working capital turnover.
  - » Leads to insufficient funding to fulfill current and future financial obligations.
  - » Negatively impacts the Company's profit.
- Mechanism to mitigate risks**
- » The Company has mechanism in place to penalize delayed receivable collection
  - » The Company implemented the 2015 OTC sales policy which stipulated clearly credit terms for collecting receivables: cash on delivery for retail distribution channel and less than 01 month credit term for wholesale distribution channel, aggressively

collected outstanding debts.

- » Maintained an appropriate balance between loans with fixed and floating interest rates.
- » Developed a suitable cash flow plan for the year in accordance with the Company's business plan.
- » The Risk Department increased the frequency of supervising and checking the management of cash at tier 1 and tier 2 branches and provincial offices.
- » Regularly monitored current and future liquidity requirements to ensure a sufficient level of cash reserve, liabilities and shareholders' equity to meet all the guidelines for short-term and long term liquidity.

 INFORMATION SECURITY

## Specification of risks

Risks associated with the use of information technology in sales management system.

Risks arise from the lack of understanding and mindsets that underestimate the seriousness of confidentiality among the IT specialized employees and employees who use software frequently within the Company.

Risks arise from the fact that the Company has not prioritized internet security and confidentiality.

## Implication of risks

- » These could lead to unrepairable damages, which could result in not only financial loss to the business activities but also could undermine the Company's brand and credibility.

- » Data might be permanently lost without ways to be retrieved.

## Mechanism to mitigate risks

- » The Company's IT system staffs are sufficiently trained in information security.
- » Increase budget for information security.
- » There should be clear guidelines and responsibilities for end-users.
- » The IT department should regularly review and have plan for periodic system upgrade.
- » In addition, the whole organization should comply with information security guidelines to avoid loopholes for hackers to abuse.





## Develop

in tandem with the locality

Proactively develop GACP-WHO-certified farming areas of herbal plants and align with farmers to ensure a clean and stable supply of raw materials for production, at the same time create thousands of jobs for local areas and contribute to a Green and Sustainable development of Vietnam's pharmaceutical industry.



# OVERVIEW OF THE SUSTAINABLE DEVELOPMENT REPORT



## CONTENTS OF THE REPORT

The Sustainable Development Report of Traphaco is conducted annually to review and assess the principles of Traphaco's Sustainable Development.

The contents of the report reflect Traphaco's approach to sustainable development issues. Since end of 2014, Traphaco has been in active discussions with stakeholders to identify their core issues in regard to the Company's sustainable development activities. As such, the contents of this year's report will

be based on the important issues, which are influential to Traphaco's business activities, and also are focal points of stakeholders' attention. Accordingly, Traphaco's 2015 sustainable development report will include the following contents:

- » Overview of the sustainable development report
- » Responsibilities to stakeholders
- » Product responsibilities

- » Social-community activities
- » Environment-impact report

In addition, through this report, we want to convey to the community and stakeholders the turning points and important events in 2015 as well as our desire to continue to develop and grow sustainably in the future.



 TRAPHACO'S APPROACH TO SUSTAINABLE DEVELOPMENT ISSUES STEM FROM THE COMPANY'S LONG TERM BUSINESS GROWTH TARGETS IN COMBINATION WITH SOCIAL DEVELOPMENT AND ENVIRONMENT PROTECTION TARGETS, AS A FOUNDATION TO CONTRIBUTE TO THE OVERALL DEVELOPMENT OF SOCIETY.



## SCOPE OF THE REPORT

This report is conducted annually, based on the information and data updated between 01 Jan 2015 and 31 Dec 2015. The social and environmental activities were consolidated from the activities of parent and affiliated companies. This report reflects the results achieved during 2015, at the same time conveys the Company's future directions and targets in regard to sustainable development.



## METHOD TO IDENTIFY THE CONTENTS OF THE REPORT

Traphaco's approach to sustainable development issues stem from the Company's long term business growth targets in combination with social development and environment protection targets, as a foundation to contribute to the overall development of society.

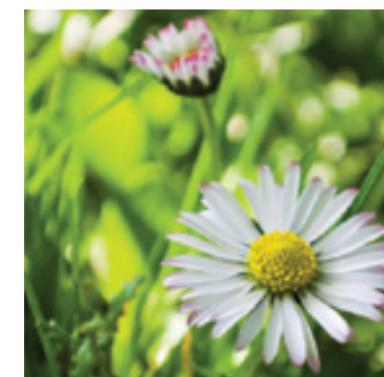
The topics of sustainable development were constantly and proactively shared with stakeholders to identify the issues of keen interests to stakeholders. We will continue to review and assess these issues in the context of current activities, and identify the key issues, in order to evaluate, improve and illustrate an even more complete picture in the 2016 sustainable development report.



## CONTACT INFO

We are making our best attempt to meet the expectation of stakeholders in regard to transparency, sustainable development in business activities and fulfilling our corporate responsibilities to the community. Therefore, we look forward to your comments and contribution.

All comments and inquiries in relation to sustainable development, kindly send to the following address:  
 Email: [quanhedautu@traphaco.com.vn](mailto:quanhedautu@traphaco.com.vn)  
 Hotline: 04. 36830751



# RESPONSIBILITIES TO STAKEHOLDERS

## TO THE SHAREHOLDERS

Shareholders are important stakeholders of the company. The relationship between Traphaco and its shareholders is especially valued. The Company's IR activities are conducted in a flexible manner and to accommodate investors to the most extent in gaining information about the Company in the following forms:

- » Annual Shareholder Meeting.
- » Provide annual reports, financial information and other relevant information to shareholders and investors on the Company's website. Strictly comply with information disclosure requirements.
- » Welcome visits by the investors and shareholders to the Company's headquarter, factories and farming areas...
- » Answer all inquiries, provide all requested information to shareholders and investors through telephones and emails.
- » Readily receive and coordinate to address all concerns as well as providing information directly to shareholders and investors, who visit the Company.
- » Listen authentically to and share with shareholders and investors about the discussed issues for the development of the enterprise.

Traphaco has been proactively maintaining a good working relationship with government regulatory agencies, customers, shareholders and investors. In order to ensure the value accretion to shareholders, Traphaco has always maintained a minimum dividend ratio of 20% per annum.

Given the growing strength of Traphaco, over the past year, many investors, including securities companies, international and domestic investment funds, have visited and held working sessions at the Company. Throughout these working sessions, we have learned that the value of TRA stock does not only come from the underlying business performance but also comes from what we have done for our community, for our shareholders, customers and employees, as well as what we will do for the future sustainable development of the enterprise.

 TRAPHACO SPENT ALMOST 5% OF ITS REVENUE FROM SELLING TO PHARMACIES ON CUSTOMER CARE. TRAPHACO HAS IMPROVED THE FORMAT OF THE CUSTOMERS' CONFERENCES WITH MORE INTERACTIVE AGENDA: CUSTOMERS NOW HAVE THE PLATFORM TO SHARE WITH THE COMPANY'S MANAGEMENT TEAM, ARE TRAINED TO HAVE A BETTER UNDERSTANDING OF TRAPHACO'S PRODUCTS AND SALE POLICY AND IMPROVED SOFT SKILLS IN SALES.

## TO THE STATE'S BUDGET

The Company consistently complies with policies and guidelines from the Government and existing laws in its business activities.

Each year, the Company strictly fulfills its tax obligations and other payments required by laws to the State. In 2015, the Company paid in full and timely its obligations to the State with a total amount of: 115.453 billion dong.



## TO THE CUSTOMERS

Traphaco's new sales policy is based on the win-win principle, which aims at bringing equal benefits and mutual development while clearly defines commission, payment terms, products' value and quality. This change initially caused discontent among a few customers, as a result, the Company's revenue and profit declined during 2014. If in 2014, the Company had over 18,000 signed retail customers, by the end of 2015, there were almost 22,000 signed customers. Customers' information (name, address, phone number, ID number, tax code, birthday, revenue..) is all captured and updated in the distribution network management software DMS, which helps with data analysis and provides directions for better customer care.

Traphaco spent almost 5% of its revenue from selling to pharmacies on customer care. Traphaco has improved the format of the customers' conferences with more interactive agenda: Customers now have the platform to share with the Company's management team, are trained to have a better understanding of Traphaco's products and sale policy and improved soft skills in sales... The Company organized 16 customer appreciation events and conferences for customers from the North and Central regions; organized two overseas tours for customers to visit Hong Kong – Shenzhen and Dubai. In addition, customers also received valuable gifts from the Company on special occasions such as birthdays, holidays and Tet. According to TNS, on average, 10,000 customers were surveyed each month for customer satisfaction and promotion of Traphaco's products.

Traphaco is committed to implement fully the policies and create an environment, in which the pharmacies share the same conditions to develop.

## TO THE EMPLOYEES

The human resource is considered as the vital energy of the enterprise, training is the fundamental factor to fulfill the strategic objective of the organization, the quality of the workforce is one of the most important competitive advantage of the enterprise. Therefore, the Company always pays extra attention to policies toward employees. Traphaco's employees are always ensured to receive satisfying emotional and financial compensation, ensured to have a good working environment where they are respected and have the opportunities to move up.

*(See page 32 for Policies toward employees in greater details).*





## PRODUCT RESPONSIBILITIES

Traphaco has been producing almost all popular dosage forms: tablets, film-coated tablets, sugar-coated tablets, hard capsules, soft capsules, syrup, liquid, in-take medicines, topical medicines, granules, powder...Employing a product-diversification strategy to meet the full demand of most consumers, Traphaco has brought to the market products that are unique in formulae, highly effective, safe for consumers and competitive to imported products.

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



 OVER THE PAST YEARS, WITH THE DEVELOPMENT STRATEGY "THE WAY TO GREEN HEALTH", TRAPHACO HAS LEVERAGED VIETNAM'S BIO-DIVERSITY ADVANTAGE AS WELL AS THE RICH AND LONG-STANDING TRADITIONAL MEDICINE TO PRODUCE MEDICAL PRODUCTS FROM HERBAL PLANTS. TRAPHACO IS RESTLESS IN THE RESEARCH AND DEVELOPMENT OF THE GREEN SUPPLY CHAIN: INGREDIENT – TECHNOLOGY – PRODUCT – DISTRIBUTION SERVICE.

## RAW MATERIAL SUPPLY

Given our strength in Traditional medicines, most of the Company's raw materials come from herbal plants that were grown and harvested by GACP standards (90%). The remaining (10%) raw materials used for producing Western medicines were imported directly from branded and reputable international manufacturers and distributors such as: Univar – UK, Roquette - France, Eastman-Estonia - USA, Merck – Germany...In addition, the Company also has Asian suppliers such as South Korea, Japan, China...Traphaco's current raw material demand amounts to 23 ton per day, including pharmaceutical ingredients, herbal ingredients, packaging, thin aluminum layers, PVC,...The Company sets annual quota for raw material consumption and annual targets to reduce wastage and out-of-date products.

Because of the unique characteristics of domestic production, the quality of the raw materials depends largely on external factors such as weather, seasonality, geographic location, as well as the farming techniques of the farmers. However, compared to other traditional medicine manufacturers, Traphaco has clear

advantages in terms of raw material supply, including weather advantage of being based in the North (which is more conducive to grow and expand certain unique medicinal plants) and transportation/logistical and procurement advantages. However, compared to other traditional medicine manufacturers, Traphaco has competitive advantages in terms of farming areas and convenient

transportation of raw materials. Currently, Traphaco has farming areas of 05 herbal plants (Artichoke, Polyscias fruticosa, Convolvulaceae and Molluginaceae, Ampelopsis cantoniensis) which have been certified by Ministry of Health to meet GACP-WHO standards. These are the main ingredients for flagship products Boganic, Hoat Huyet Duong Nao – Cebraton and Ampelop.



PRODUCT RESPONSIBILITIES (CONTINUED)

TRAPHACO'S VISION IS TO BECOME THE NO. 1 PHARMACEUTICAL BRAND IN VIETNAM, A CONSUMER-DRIVEN BUSINESS, WHICH AIMS TO TAKE CARE OF THE HEALTH OF THE COMMUNITY.



INTELLECTUAL PROPERTY AND INVESTMENT IN BRAND BUILDING

**Intellectual property**

Understanding that protecting intellectual property is one of the activities to protect the consumers. The Company has been actively engaging in intellectual property protection and up until now has owned exclusively 10 patents and industrial design, 3 trademarks, along with 200 product labels. Traphaco brand is not only protected in Vietnam but also registered to be protected in 10 countries such as: Japan, U.S., Australia, Laos, Thailand, Singapore, Malaysia, Cambodia, China and Indonesia. 2015 was the 7th consecutive year in which Traphaco was granted the award "Top 10 leading brands in Vietnam" by Vietnam Intellectual Property Association.

**Investment in brand building**

Traphaco's vision is to become the No. 1 pharmaceutical brand in Vietnam, a consumer-driven business, which aims to take care of the Health of the community. The Company not only strives to meet the high technical requirement, high standards of product quality and function, but also creates a credible and familiar image to customers. With those objectives, over the past years, the Company conducted many activities to within its brand building and promoting strategy. The annual budget for these activities account for 7% of total revenue.



IN-DEPTH RESEARCH

In combining science with practice and employing a humanitarian scientific approach, Traphaco's products from herbal plants are not only the result of State and Ministry-level research projects, but also from the traditional medical knowledge which has been used for thousands of years. In parallel to modernization, Traphaco confirmed effectiveness, safety and quality of its products through conducting clinical trials and toxicity tests in cooperation with major hospitals such as K Hospital, 108 Military General Hospital, Bach Mai General Hospital, Friendship Hospital, etc.



INVESTMENT IN SCIENCE AND TECHNOLOGY

- » With the motto "science-technology as the core, market as the direction, growth as the motivation, quality as the commitment to customers", the strategy of industrializing and modernizing production processes has always manifested in the Company's scientific and technological missions.
- » The Company has always prioritized R&D (research and development) activities. Over the recent years, Traphaco has invested heavily its human and financial resources in R&D activities, with the intention to establish Traphaco brand as the leader in research and development of medicines from herbal ingredients.

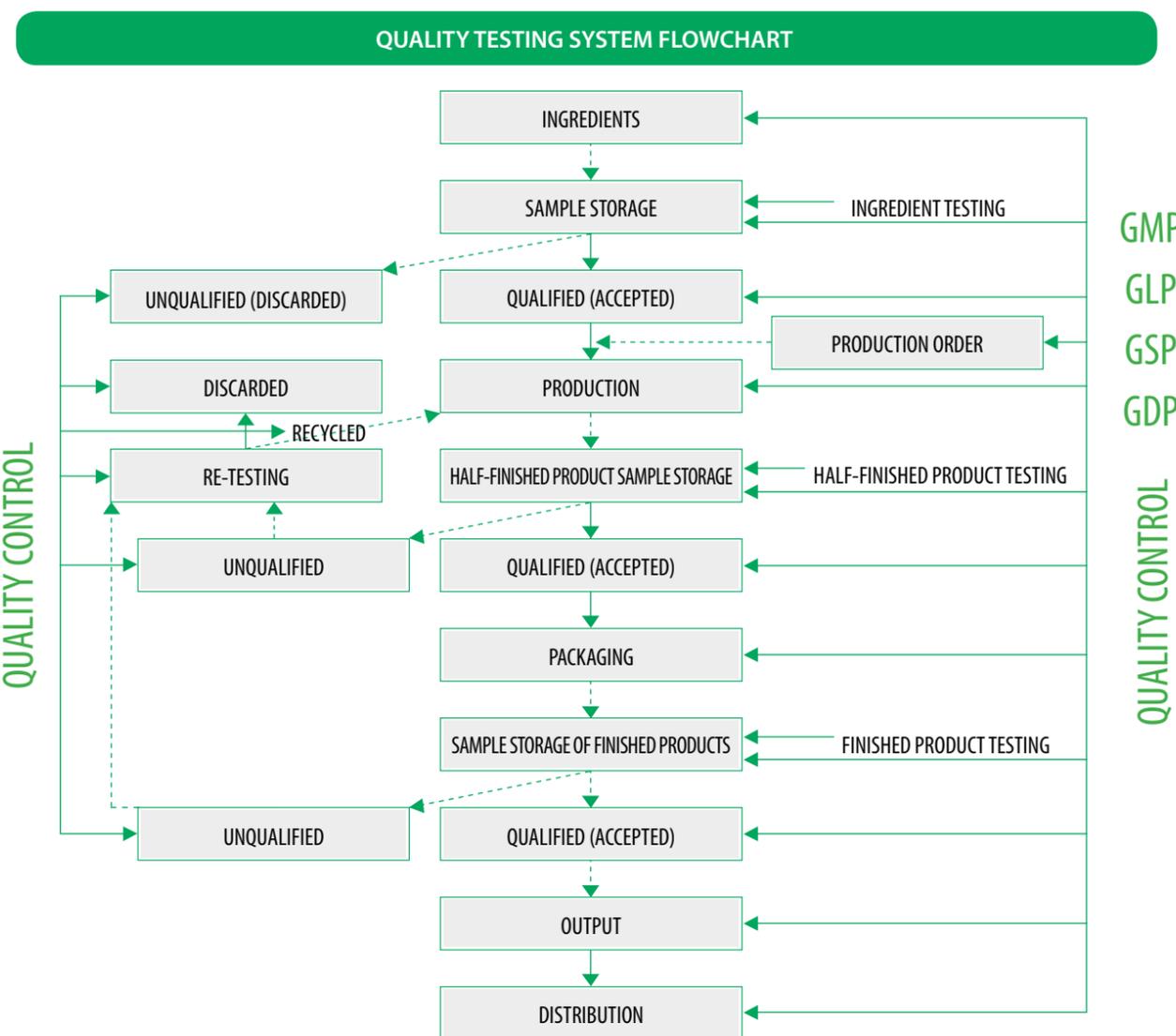
Traphaco currently employs production processes using modern technology, which are in compliance with GPs standards from WHO (GMP, GSP, GLP, GDP), ISO 9001:2000, ISO14001:2004 standards, 5S KAIZEN from Japan and KPI management system.

## PRODUCT RESPONSIBILITIES (CONTINUED)

### PRODUCT AND SERVICE QUALITY CONTROL PROCESS

Understanding the importance of product quality control, Traphaco has set up and effectively applied a quality control system from production stage to distribution stage. The quality control system is regularly updated and upgraded to be in compliance with GPs standards from WHO GMP/GLP/GSP (certified by the

Drug Administration of Vietnam), ISO 9001:2008 (certified by Bureau Veritas). All of Traphaco's products have to go through a strict testing process in terms of quality, packaging and labeling before being distributed to the market. The Company's quality control system is illustrated in the following flowchart.



In order to meet the requirements for sufficiency, timeliness and accuracy of the testing activities, the Company has purchased modern and suitable analytic equipment, which are properly installed and set up. All the testing equipment is operated, appraised/fine-tuned according to approved processes.

### HANDLING OF PRODUCT INQUIRIES AND COMPLAINTS

- » Receiving inquiries and complaints is the responsibility of every employee at Traphaco, which is stipulated in the Process to handle inquiries and complaints circulated by the Company. Not only product inquiries and complaints are received, Traphaco also addresses inquiries and complaints regarding services and policies.
- » The Company also proactively measures customers' satisfaction through an independent survey system done by TNS (10.000 customers were surveyed every month) to fix the outstanding issues in a timely manner and improve customers' satisfaction.
- » The Company obtains feedbacks from every customers from end-users (on dosage, instruction, frequency of treatment, mixing of medicines...), retail and wholesale pharmacies (on the policies, pricing, GACP...), sale reps, marketing staffs, or calls to customer care call center, letters, email, online interactions on website, fan page... Depending on the complaints, the Company either addresses immediately or sets up a committee to review, delegates a staff to resolve right away or reports to relevant regulatory authorities.
- » The Company discloses in a timely fashion information regarding misunderstanding about its products.





## SOCIAL AND COMMUNITY ACTIVITIES

Reaffirmed its pioneering position as the leading pharmaceutical Brand for sustainable development. Traphaco reached out to the farmers in remote and mountainous areas to work together in building and developing farming areas of herbal ingredients. In 2015, Traphaco continued to be granted the GACP – WHO (Good Agricultural Collection Practices by WHO) certification for the farming areas of *Ampelopsis cantoniensis*, bringing the total number of herbal plants, which Traphaco has GACP-WHO for to 05. Traphaco is one of very few enterprises which boldly invest its resources to research for differentiation to

create breakthrough in growth and quickly become a leading brand in Vietnam's pharmaceutical industry. In addition to differentiation in sales strategy, Traphaco also differentiates in investing in developing farming areas. Over the past 2 years, the proportion of Vietnamese ingredients out of the total ingredients used in production was over 90%.

Traphaco's initial successes have created a trend in developing GACP-WHO certified farming areas of herbal plants in the whole pharmaceutical industry. With the change in mindset for developing herbal plants within Vietnam's

pharmaceutical industry, support by the government and the Vietnamese consumers, there would be more and more brands to follow Traphaco's footsteps in building Vietnamese brands to compete in the global arena.

Being a pharmaceutical manufacturer, Traphaco always considers "community interests as the source of all actions". As such, Traphaco is committed to contributing to the stable and sustainable development of the Company through enhancing the quality of life of the employees and their family members, of the community and the entire society.

In addition to fulfilling all the requirements for environment protection and sustainable development, the Company also takes the best care of the employees and creates jobs for farmers through farming of herbal plants. Traphaco is also a role model for proactively engaging in humanitarian and charitable works, as well as appreciation activities, with the intention to contribute to a higher quality standard of living and happiness for the people. Therefore, charitable and social activities have been conducted as regular, inevitable works and warmly welcomed by the entire management team and employees.

### Specifically as follows:

- » For 9<sup>th</sup> consecutive year: Sponsor of the program "Spring for you".

THE BUDGET FOR COMMUNITY ACTIVITIES EACH YEAR IS ABOUT 1-3% OF REVENUE. FOR 2015, THE TOTAL EXPENSE FOR COMMUNITY ACTIVITIES IS OVER VND20 BILLION.

- » Every year: supports the war veterans and invalids, victims of Orange Agents by cash and medicines produced by the company.

- » Every year: sets aside 5 billion worth of products and marketing materials, communication and health consultation for community.

- » Every year: donates money and gifts to the Youth Volunteer Union and provides care for Vietnamese Heroic Mother and orphans.

With a tradition of giving back and caring for the unfortunate, every Tet or New Year, Traphaco always organizes activities to share with the community, providing gifts for the struggling families and families under subsidies. The Company also works with the online publication of the Vietnam's Communist Party to organize art showcases with the theme "Spring with the Party". This is an occasion to pay tribute to the fallen soldiers, the Vietnamese heroic mothers as well as disadvantaged families in different localities across the country.

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; warm clothes for students in remote and mountainous areas...which are conducted annually.

The budget for community activities

each year is about 1-3% of revenue. For 2015, the total amount spent for community activities is over VND20 billion.

In addition to providing high quality medicines, the consultation and guide for effective medicine consumptions are areas of services in which Traphaco has been the pioneer in and has been maintaining for many years. Given the responsibilities of an enterprise operating in healthcare sector, over the past 15 years, Traphaco has been active in healthcare consultation activities, distributing free medicines and Healthy Living Magazine for millions of members of the senior citizen club – women union nationwide, especially in rural, remote and mountainous areas, where people do not have sufficient access to information and healthcare. In addition to Healthcare Consultation Conferences for direct end-users, Traphaco also has other conferences to introduce the Company and sufficient information on the Company's products for pharmacists and sales staffs at the pharmacies and doctors at hospitals. In 2015, Traphaco organized 311 of such conferences and seminars (274 conferences for senior citizen clubs – women unions, 13 seminars for treatment facilities, 24 seminars for pharmacists).

For its social and charity works, Traphaco has been recognized through many awards and recognitions such as: Corporate Social Responsibilities Award – CSR (2009). Top 10 notable enterprises for community (2012), Top 10 notable enterprises for social responsibilities (2011, 2013, 2015).



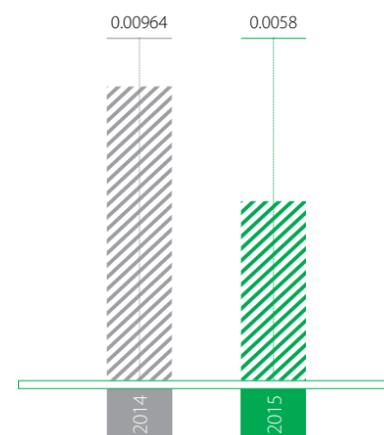
## ENVIRONMENT-IMPACT REPORT

Traphaco Joint Stock Company has a system of modern warehouses and production lines, advanced technology with GMP-WHO, GLP, GSP accreditations granted by the Drug Administration of Vietnam; an ISO 9001:2008 certified quality control system, an ISO 14001:2010 certified environment impact control system and GLP-certified laboratories. The Company has also received award for corporate social responsibility in the area of environment protection (CSR award Vietnam). Total area: 10,000 m2 (the factory in Ngoc Hoi lane, Hoang Liet ward, Hoang Mai district, Hanoi).

### CONSUMPTION OF WATER AND ELECTRICITY

During 2015, the Company continued to maintain conserving water, a stable consumption of electricity for production, a stable consumption of paper for the overall activities of the Company. The total consumption of electricity, water and paper declined by 0.38% compared to the same period in 2014.

SPENDING ON ELECTRICITY, WATER, PAPER/REVENUE FROM MANUFACTURED PRODUCTS (UNIT: %)



 DURING 2015, THE COMPANY CONTINUED TO MAINTAIN CONSERVING WATER, A STABLE CONSUMPTION OF ELECTRICITY FOR PRODUCTION, A STABLE CONSUMPTION OF PAPER FOR THE OVERALL ACTIVITIES OF THE COMPANY. THE TOTAL CONSUMPTION OF ELECTRICITY, WATER AND PAPER DECLINED BY 0.38% COMPARED TO THE SAME PERIOD IN 2014.

Table: Spending on electricity, water and paper and cost-cutting measures

Indicators	Consumption per year	Expense per year (VND mill)	Measures to cut costs/costs cut per year Electricity; water; paper
Total electricity consumption	2,628,640 (kWh)		<ul style="list-style-type: none"> <li>» Using modern production lines and technology which consume less energy and with less impact on the environment.</li> <li>» Raising awareness in conserving electricity in production among employees.</li> <li>» Employing transformers and timers to automatically turn on and off HVAC and sewage water treatment systems.</li> <li>» Arranging shifts more appropriately to reduce waste in operating the backup system of GMP factories.</li> <li>» Setting temperature limit on air conditioners for hot days.</li> </ul>
» In production	2,521,672 (kWh)		
» In administrative activities	106,968 (kWh)	4,893	
Water	30,848 m <sup>3</sup>	352	<ul style="list-style-type: none"> <li>» Optimizing processes for: cleaning tubes and bottles, machineries and warehouses with standardized protocols.</li> <li>» Using the after-treatment water for the right purposes: RO water, distilled water for production.</li> </ul>
Paper	1,400g	82	<ul style="list-style-type: none"> <li>» Using one-sided paper.</li> <li>» Carefully review documents.</li> </ul>



## ENVIRONMENT-IMPACT REPORT (CONTINUED)

### EMISSION

- » Emission from the production process is mainly dust: is handled through the air treatment systems (HVAC) with certification by QCVN 05:2013/BTNMT “National standard for quality of surrounding air”.
  - » The operating technology of the HVAC is a circulatory process. When the system operates, it takes in air from the external environment around the plant, the air will follow pipes to the processing system (the AHUs), which includes 3 filtration stages: pre- filter - intermediate - refined filter; when air is filtered and added to the production room, an equivalent amount of air is taken from the production room back through the pipes to the membrane and sucked out through the venting system.
- Emission Categorization:**
- » Emission from laboratories: the laboratories are equipped with the Hood cabinets with a emission process system. Operating principle: the ventilating fan in the Hood cabinet will extract the toxic emission produced from the experiments performed within the Hood cabinet and pump into the emission processing tower. In the tower, the emission will be sprayed with a solution (light sodium hydroxide (NaOH) solution), which will come from the opposite direction of the emission to absorb and neutralize the toxic emission. Next, the emission will be cleaned one more time through an absorption method by activated charcoal before being pumped out.
  - » Emission from generators: only use generators in emergency situations such as power failures, power outages. To ensure energy saving, emission reduction, the Company has an active plan in place to re-arrange the production schedule as soon as we notice the outage.
  - » Emissions from local air conditioning system: the Company’s energy conservation practice includes guidelines on occasions, operating time, the minimum outdoor temperature, entering and leaving air-conditioned rooms... for every function, department, and employee.
  - » Emission from the transporting vehicles to the factories



- (employees’ vehicles, trucks to transport materials and products to and from the facilities) is minimized, controlled by measures:
  - » Watering to moisture the wall during dry days.
  - » Setting environment-protection commitments with contractors, according to which, there are guidelines for vehicles to transport materials and products to and from the Company’s facilities.
  - » Do not use transportation vehicles that are too old or out-of-date. All vehicles must be inspected regularly to meet standards set by Vietnam Register Agency on environmental safety before being able to operate and these vehicles are maintained regularly.

### SEWAGE WATER

- » Waste water from daily activities: collected and processed by biological technology with a capacity of 50m3 per day and the outputs meet QCVN 14:2008/BTNMT (B) criteria.
- » Waste water from production: All waste water generated from production process is collected and transferred to the central waste water treatment system, which has a capacity of 30 m3 per day and the outputs meet QCVN 40: 2011/BTNMT criteria before being discharged to the sewer system of the city.
- » The test results from analyzing the industrial waste water and daily waste water (according to the Environment Monitoring Report on Hoang Liet factory in 2015) showed that:
  - » The industrial waste water samples at the last point of discharge before entering the environment taken at multiple times of the year all met waste water standards set by QCVN 40:2011/BTNMT (B).
  - » The waste water samples at the last point of discharge before entering the environment taken at multiple times of the year all met waste water standards set by QCVN 40:2008/BTNMT (B).

### WORKING ENVIRONMENT MONITORING TEST AND ASSESSMENT RESULTS

Microclimate conditions, physical factors “light, noise, special physical factors” at the measured points were all within the allowed limits set by the working environment hygiene standards 3733/QĐ-BYT/2002 by Ministry of Health.

**Table: Working environment monitoring test and assessment results 2015.**

No.	Measured and tested factors	Number of samples	Qualified samples Working environment hygiene standards	Unqualified samples Working environment hygiene standards
1	Temperature	29	29	0
2	Humidity	29	29	0
3	Wind speed	29	29	0
4	Light	29	29	0
5	Ambient noise	29	29	0
6	Noise spectrum	09	09	0
7	Thermal radiation	03	03	0
8	Total dust	29	29	0
9	Inhaled dust	07	07	0
10	CO <sub>2</sub>	27	27	0
11	CO	08	08	0
12	NO <sub>x</sub>	08	08	0
13	SO <sub>2</sub>	08	08	0
14	Ethanol	04	04	0
15	Methanol	03	03	0
16	Toluen	04	04	0
17	Aceton	04	04	0
18	Acetonitril	03	03	0
19	HNO <sub>3</sub>	03	03	0
20	NH <sub>3</sub>	03	03	0
21	H <sub>2</sub> S	03	03	0
22	HCL	03	03	0
23	H <sub>2</sub> SO <sub>4</sub>	03	03	0

## ENVIRONMENT-IMPACT REPORT (CONTINUED)

### SOLID WASTE

#### Regular solid waste in 2015 includes:

- » Waste from daily activities 9,600 kg per annum.
- » Recycled waste includes discarded materials, packing carton; the amount of waste is about 41.902 kg.
- » The solid waste is managed by following measures:
  - » Sorting at source: dissemination and implementation of provisions to classify waste as either waste scrap and disposed waste to each department and function.
  - » Bins are put in discharge places and convenient for classification and storage.
  - » Perform regular transport of normal and recyclable waste as per the Company's guidelines.
- » Signs contract to handle recycled waste with Tien Dung Investment Limited Liabilities Company.
- » Signs contract to handle daily waste with Urban Environment Management Company of Thanh Tri district, Hanoi.
- » Hazardous waste: the Company fully complies with Government's guidelines for handling hazardous waste:
  - » Regularly collecting, sorting, storing waste in separate containers, with proper identification of hazardous waste codes as prescribed by Circular 36/2015 /TT- BTNMT.
- » The regulations, guidelines were disseminated to all employees in the Company.
- » Storage places have roofs, walls, door locks and appropriate warning signs according to TCVN 6707: 2009.
- » Assigning specific function to be responsible for monitoring and management of hazardous waste and daily waste within the Company.
- » Performing contract with Urban Environment and Industries 10 JSC - Urenco10 to transport and handle hazardous waste periodically.
- » 2015: the total hazardous waste of the Company amounted to 956kg.



### NOISE AND VIBRATION

- » **Sources:**
  - » Operation of machineries and equipment in the production lines. Currently, the Company has used modern machineries and technology, therefore the impacts due to noise from the equipment has been significantly reduced.
  - » According to the results from monitoring the working environment, noise level is in the range from 64.5 to 84.5 dBA
- » **Measures to control/mitigate:**
  - » In order to ensure noise level is within the allowed standards and factory workers' health is protected, the Company has implemented the following measures to reduce noises and vibration:
    - » Design muffler parts when installing machineries and equipment.
    - » Install anti-vibration cushions for machines which make noises and vibrate.
    - » Periodically maintain equipment (especially equipment which require regular maintenance)
    - » Measure corrosion, lubricate or replace parts on a monthly basis.
    - » Provide protection gears to workers.

### POLICIES FOR ENVIRONMENT POLLUTION PROTECTION, SAFETY AND RISK CONTROL

TRAPHACO strictly adheres to anti-pollution regulations based on ISO 9001:2008, ISO 14001 and GMP, GLP and GSP standards.

Identifies threats, unsafe practices, risks in environment management and puts into training and response drills.

During the year, implements pollution prevention and environmental protection according to the detailed environmental protection project approved in Decision No. 42 / QD-STNMT by the

Department of Natural Resources and Environment of Hanoi on 01/25/2013.

- » Air: conducts environmental monitoring twice annually. The results of monitoring of environmental quality are assessed according to current Vietnam standards.
- » Waste water quality assessment: once every 3 months.



### ASSESSMENT OF COMPLIANCE WITH LEGAL REQUIREMENTS

- » Put in place a process to supervise compliance with legal requirements.
- » Update all legal documents which are relevant to the management system of the Company.
- » File all the relevant legal documents on the Company's internal network and inform relevant department about the effects of the legal documents.
- » Ensure compliance with all relevant legal requirements and guidelines of relevant authorities.





# Strong Foundation for the future

Traphaco has become a vertically-integrated enterprise with a strong brand and a nationwide distribution network. The expansion of production capacity with the construction of the Vietnamese Pharmaceutical Factory, which is of large scale and equipped with modern technology is Traphaco's preparation to bring Vietnamese medicines to a new standard, to become a symbol of traditional values where east meets west in harmony, wearing the green color of Vietnamese herbal plants. We are confident as we "inherit tradition – are committed to the mission – and steadfast in our journey into the future".



## TRAPHACO JOINT STOCK COMPANY

(Incorporated in the Socialist Republic of Vietnam)

### AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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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 2015.

### 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	Chairperson
Mr. Tran Tuc Ma	Vice Chairperson
Mr. Nong Huu Duc	Member
Mr. Le Tuan	Member
Ms. Nguyen Thi Lan	Member
Mr. Tran Manh Huu	Member
Ms. Tran Tue Tri	Member (appointed on 27 March 2015)
Mr. Phan Quoc Cong	Member (resigned on 12 February 2015)

#### Board of Directors

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

15 March 2016



## INDEPENDENT AUDITORS' REPORT

# Deloitte.

No: /VN1A-HN-BC

**TO: THE SHAREHOLDERS  
THE BOARDS OF MANAGEMENT AND DIRECTORS TRAPHACO JOINT STOCK COMPANY**

We have audited the accompanying consolidated financial statements of Traphaco Joint Stock Company (the "Company"), prepared on 15 March 2016, as set out from page 3 to page 29, which comprise the consolidated balance sheet as at 31 December 2015, 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.

**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 consolidated financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2015 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.



**Tran Thi Thuy Ngoc**  
Deputy General Director  
Audit Practising Registration Certificate  
No. 0031-2013-001-1  
**For and on behalf of**  
**DELOITTE VIETNAM COMPANY LIMITED**  
15 March 2016  
Hanoi, S.R. Vietnam

**Nguyen Thanh Huong**  
Auditor  
Audit Practising Registration Certificate  
No. 1415-2013-001-1

**CONSOLIDATED BALANCE SHEET**

As at 31 December 2015

FORM B 01-DN/HN

Unit: VND

ASSETS	Codes	Notes	31/12/2015	31/12/2014 (Reclassified)
<b>A. CURRENT ASSETS</b>	<b>100</b>		<b>949,555,966,017</b>	<b>803,175,163,715</b>
<b>I. Cash and cash equivalents</b>	<b>110</b>	<b>5</b>	<b>345,097,768,053</b>	<b>292,169,010,449</b>
1. Cash	111		89,495,341,186	97,169,010,449
2. Cash equivalents	112		255,602,426,867	195,000,000,000
<b>II. Short-term financial investments</b>	<b>120</b>		<b>2,000,000,000</b>	<b>1,788,845,000</b>
1. Held-to-maturity investments	123		2,000,000,000	1,788,845,000
<b>III. Short-term receivables</b>	<b>130</b>		<b>281,277,688,871</b>	<b>235,816,774,449</b>
1. Short-term trade receivables	131	6	228,504,056,025	182,470,133,670
2. Short-term advances to suppliers	132		38,410,524,507	32,850,665,248
3. Other short-term receivables	136	7	19,020,835,687	24,481,624,388
4. Provision for short-term doubtful debts	137		(5,338,885,318)	(4,235,806,586)
5. Deficits in assets awaiting solution	139		681,157,970	250,157,729
<b>IV. Inventories</b>	<b>140</b>	<b>9</b>	<b>312,487,370,179</b>	<b>264,740,415,866</b>
1. Inventories	141		313,185,417,222	265,376,881,292
2. Provision for devaluation of inventories	149		(698,047,043)	(636,465,426)
<b>V. Other short-term assets</b>	<b>150</b>		<b>8,693,138,914</b>	<b>8,660,117,951</b>
1. Short-term prepayments	151		1,869,609,753	2,615,021,410
2. Value added tax deductibles	152		6,743,458,585	5,292,488,599
3. Taxes and other receivables from the State budget	153		80,070,576	752,607,942
<b>B. NON-CURRENT ASSETS</b>	<b>200</b>		<b>346,967,447,115</b>	<b>328,874,268,205</b>
<b>I. Long-term receivables</b>	<b>210</b>		<b>16,991,157,110</b>	<b>1,182,314,110</b>
1. Long-term advances to suppliers	212		16,300,000,000	-
2. Long-term loans receivable	215		200,000,000	200,000,000
3. Other long-term receivables	216	7	491,157,110	982,314,110
<b>II. Fixed assets</b>	<b>220</b>		<b>235,312,746,043</b>	<b>235,670,315,227</b>
1. Tangible fixed assets	221	10	195,900,617,990	198,372,415,569
- Cost	222		403,927,772,768	371,948,373,887
- Accumulated depreciation	223		(208,027,154,778)	(173,575,958,318)
2. Intangible assets	227	11	39,412,128,053	37,297,899,658
- Cost	228		42,147,480,745	38,857,990,745
- Accumulated amortisation	229		(2,735,352,692)	(1,560,091,087)
<b>III. Long-term assets in progress</b>	<b>240</b>		<b>57,379,298,895</b>	<b>47,529,006,140</b>
1. Construction in progress	242	12	57,379,298,895	47,529,006,140
<b>IV. Long-term financial investments</b>	<b>250</b>		<b>5,122,476,148</b>	<b>19,712,928,837</b>
1. Investments in associate	252	14	4,360,499,166	19,212,928,837
2. Equity investments in other entities	253		509,417,661	500,000,000
3. Provision for impairment of long-term financial investment	254		(9,417,661)	-
4. Held-to-maturity investments	255		261,976,982	-
<b>V. Other long-term assets</b>	<b>260</b>		<b>32,161,768,919</b>	<b>24,779,703,891</b>
1. Long-term prepayments	261		3,267,404,499	3,996,424,658
2. Deferred tax assets	262		1,244,171,195	1,051,003,719
3. Goodwill	269		27,650,193,225	19,732,275,514
<b>TOTAL ASSETS (270=100+200)</b>	<b>270</b>		<b>1,296,523,413,132</b>	<b>1,132,049,431,920</b>

The notes set out on pages 125 to 147 are an integral part of these consolidated financial statements

## CONSOLIDATED BALANCE SHEET

As at 31 December 2015 (Continued)

FORM B 01-DN/HN  
Unit: VND

RESOURCES	Codes	Notes	31/12/2015	31/12/2014 (Reclassified)
<b>C. LIABILITIES</b>	<b>300</b>		<b>329,667,417,867</b>	<b>261,287,002,621</b>
<b>I. Current liabilities</b>	<b>310</b>		<b>329,257,417,867</b>	<b>261,287,002,621</b>
1. Short-term trade payables	311	15	203,655,173,212	126,292,508,292
2. Short-term advances from customers	312		564,818,018	1,343,068,441
3. Taxes and amounts payable to the State budget	313	16	32,475,782,743	35,783,630,767
4. Payables to employees	314		49,720,285,839	33,903,689,496
5. Short-term accrued expenses	315	17	13,551,471,691	12,955,005,299
6. Short-term unearned revenue	318		977,229,098	176,000,000
7. Other current payables	319	18	8,554,745,103	12,473,865,180
8. Short-term loans and obligations under finance leases	320	19	14,630,000,000	34,437,749,427
9. Bonus and welfare funds	322		5,127,912,163	3,921,485,719
<b>II. Long-term liabilities</b>	<b>330</b>		<b>410,000,000</b>	-
1. Other long-term payables	337		110,000,000	-
2. Long-term loans and obligations under finance leases	338	19	300,000,000	-
<b>D. EQUITY</b>	<b>400</b>		<b>966,855,995,265</b>	<b>870,762,429,299</b>
<b>I. Owners' equity</b>	<b>410</b>		<b>964,499,646,230</b>	<b>869,447,995,421</b>
1. Owners' contributed capital	411	20	246,764,330,000	246,764,330,000
2. Share premium	412	20	153,747,160,000	153,747,160,000
3. Treasury shares	415	20	(3,593,000)	(3,593,000)
4. Foreign exchange reserve	417	20	179,264	179,264
5. Investment and development fund	418	20	312,296,798,152	257,064,405,248
6. Retained earnings	421	20	166,416,575,824	129,713,730,991
7. Non-controlling interests	429		85,278,195,990	82,161,782,918
<b>II. Other resources and funds</b>	<b>430</b>		<b>2,356,349,035</b>	<b>1,314,433,878</b>
1. Subsidised funds	431		445,676,486	399,473,286
2. Funds for fixed assets acquisition	432		1,910,672,549	914,960,592
<b>TOTAL RESOURCES (440=300+400)</b>	<b>440</b>		<b>1,296,523,413,132</b>	<b>1,132,049,431,920</b>

Nguyen Ngoc Thuy  
Preparer

Dinh Trung Kien  
Chief Accountant

Tran Tuc Ma  
General Director

15 March 2016

The notes set out on pages 125 to 147 are an integral part of these consolidated financial statements

www.traphaco.com.vn



## CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2015

FORM B 02-DN/HN  
Unit: VND

ITEMS	Codes	Notes	2015	2014
<b>1. Gross revenue from goods sold and services rendered</b>	<b>01</b>	<b>23</b>	<b>1,976,972,983,547</b>	<b>1,660,275,159,181</b>
2. Deductions	02	23	2,971,145,364	9,553,337,567
<b>3. Net revenue from goods sold and services rendered (10=01-02)</b>	<b>10</b>		<b>1,974,001,838,183</b>	<b>1,650,721,821,614</b>
4. Cost of sales	11	24	1,064,756,821,256	936,340,734,687
<b>5. Gross profit from goods sold and services rendered (20=10-11)</b>	<b>20</b>		<b>909,245,016,927</b>	<b>714,381,086,927</b>
6. Financial income	21	25	9,007,106,749	5,495,740,891
7. Financial expenses	22	26	76,776,388,131	45,283,528,203
<i>In which: Interest expense</i>	23		1,437,751,011	3,913,566,637
8. Share of net profit of joint ventures, associates	24		218,299,325	590,330,534
9. Selling expenses	25	28	429,904,857,118	331,656,848,718
10. General and administration expenses	26	28	161,494,043,845	128,310,104,599
<b>11. Operating profit (30=20+(21-22)+24-(25+26))</b>	<b>30</b>		<b>250,295,133,907</b>	<b>215,216,676,832</b>
12. Other income	31		6,918,481,328	2,981,870,874
13. Other expenses	32		2,585,860,540	7,037,771,068
<b>14. Profit/(Loss) from other activities (40=31-32)</b>	<b>40</b>		<b>4,332,620,788</b>	<b>(4,055,900,194)</b>
<b>15. Accounting profit before tax (50=30+40)</b>	<b>50</b>		<b>254,627,754,695</b>	<b>211,160,776,638</b>
16. Current corporate income tax expense	51		51,153,500,149	48,124,062,116
17. Deferred corporate tax (income)	52		(193,167,476)	(327,944,724)
<b>18. Net profit after corporate income tax (60=50-51-52)</b>	<b>60</b>		<b>203,667,422,022</b>	<b>163,364,659,246</b>
18.1. Equity holders of the Holding Company	61		180,966,893,829	145,818,459,163
18.2. Non-controlling interests	62		22,700,528,193	17,546,200,083
<b>19. Basic earnings per share</b>	<b>70</b>	<b>29</b>	<b>6,612</b>	<b>5,367</b>

Nguyen Ngoc Thuy  
Preparer

Dinh Trung Kien  
Chief Accountant

Tran Tuc Ma  
General Director

15 March 2016

The notes set out on pages 125 to 147 are an integral part of these consolidated financial statements

## CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2015

FORM B 03-DN/HN  
Unit: VND

ITEMS	Codes	2015	2014
<b>I. CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>1. Profit before tax</b>	<b>01</b>	<b>254,627,754,695</b>	<b>211,160,776,638</b>
<b>2. Adjustments for:</b>			
Depreciation and amortisation of fixed assets	02	28,953,572,688	25,584,365,308
Provisions	03	1,164,660,349	(2,845,063,966)
Foreign exchange loss/(gain) arising from translating foreign currency items	04	1,652,969,861	(2,053,521)
(Gain) from investing activities	05	(7,783,234,295)	(5,344,695,269)
Interest expense	06	1,437,751,011	3,913,566,637
<b>3. Operating profit before movements in working capital</b>	<b>08</b>	<b>280,053,474,309</b>	<b>232,466,895,827</b>
(Increase)/Decrease in receivables	09	(50,824,927,899)	8,515,863,801
(Increase) in inventories	10	(47,808,535,930)	(808,196,056)
Increase in payables (excluding accrued loan interest and corporate income tax payable)	11	78,947,304,844	25,208,762,765
Decrease/(Increase) in prepaid expenses	12	1,474,431,816	(1,645,654,775)
Interest paid	14	(1,521,503,386)	(4,471,096,717)
Corporate income tax paid	15	(53,716,459,435)	(54,823,747,329)
Other cash inflows	16	3,679,931,731	8,698,466,530
Other cash outflows	17	(18,519,548,725)	(28,184,377,735)
<b>Net cash generated by operating activities</b>	<b>20</b>	<b>191,764,167,325</b>	<b>184,956,916,311</b>
<b>II. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
1. Acquisition and construction of fixed assets and other long-term assets	21	(51,671,671,999)	(45,012,168,456)
2. Proceeds from sale, disposal of fixed assets and other long-term assets	22	127,272,730	95,454,545
3. Cash outflow for lending, buying debt instruments of other entities	23	(2,261,976,982)	(1,788,845,000)
4. Cash recovered from lending, selling debt instruments of other companies	24	1,788,845,000	56,983,146
5. Equity investments in other entities	25	-	(337,598,435)
6. Interest earned, dividends and profits received	27	7,584,240,957	5,012,121,038
<b>Net cash (used in) investing activities</b>	<b>30</b>	<b>(44,433,290,294)</b>	<b>(41,974,053,162)</b>
<b>III. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
1. Proceeds from borrowings	33	300,000,000	37,878,628,574
2. Repayment of borrowings	34	(20,807,749,427)	(117,620,352,511)
3. Dividends and profits paid	36	(73,894,370,000)	(27,656,890,946)
<b>Net cash (used in) financing activities</b>	<b>40</b>	<b>(94,402,119,427)</b>	<b>(107,398,614,883)</b>
<b>Net increase in cash (50 = 20 + 30 + 40)</b>	<b>50</b>	<b>52,928,757,604</b>	<b>35,584,248,266</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>60</b>	<b>292,169,010,449</b>	<b>256,584,762,183</b>
<b>Cash and cash equivalents at the end of the year (70 = 50 + 60)</b>	<b>70</b>	<b>345,097,768,053</b>	<b>292,169,010,449</b>

Nguyen Ngoc Thuy  
Preparer

Dinh Trung Kien  
Chief Accountant

Tran Tuc Ma  
General Director

15 March 2016

The notes set out on pages 125 to 147 are an integral part of these consolidated financial statements

www.traphaco.com.vn

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

FINANCIAL STATEMENTS

FORM B 09-DN/HN

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

### 1. GENERAL INFORMATION

#### Structure of ownership

Traphaco Joint Stock Company (the "Company") is a joint stock company which was transformed from a State-owned enterprise into a Joint Stock Company under Decision No. 2566/1999/QĐ-BGTĐT dated 27 September 1999 issued by the Minister of Transport. On 10 August 2011, 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 issued by Hanoi Authority for Planning and Investment. The Company's 20th amended Business Registration Certificate was granted on 10 June 2014.

The number of employees of the Company and its subsidiaries as at 31 December 2015 is 1,520 (31 December 2014: 1,341).

#### Operating industry and principal activities

Operating activities of the Company are production and trade of food and cosmetics; export and import of pharmaceutical materials and products; consultancy on manufacturing of medicines 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 pharmaceutical materials.

The principal activities of the Company are production and trade of pharmaceutical products, chemicals, medical supplies and equipment.

#### Normal production and business cycle

The Company's normal production and business cycle takes 12 months or less.

#### Important events that occurred in the financial year

According to Decision No. 05/QĐ-HĐQT dated 19 January 2015, the Company's Board of Management decided to increase the proportion of its ownership interest in Thai Nguyen Pharmaceutical and Medical Equipment Joint Stock Company ("Thai Nguyen Pharma") from 49% to 51% of the investee's charter capital by additionally acquiring 870 shares of Thai Nguyen Pharma. Therefore, Thai Nguyen Pharma has officially become a subsidiary of the Company and is no longer its associate.

#### The Company's structure

As at 31 December 2015, the Company's subsidiaries, associates and branches are as follows:

Subsidiaries:

- Traphaco Hi-tech Joint Stock Company;
- TraphacoSapa One Member Limited Company;
- Dak Lak Pharmaceutical Medical Equipment Joint Stock Company;
- Thai Nguyen Pharmaceutical and Medical Equipment Joint Stock Company;
- Traphaco Hung Yen One Member Limited Company.

Associate:

- Quang Tri Pharmaceutical Medical Equipment Joint Stock Company.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 31 December 2015

FORM B 09-DN/HN

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

**1. GENERAL INFORMATION (CONTINUED)****The Company's structure (Continued)**

Branches:

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

**Disclosure of information comparability in the consolidated financial statements**

As stated in Note 3, since 01 January 2015, the Company has adopted Circular No. 200/2014/TT-BTC issued by the Ministry of Finance on 22 December 2014 ("Circular 200") guiding the accounting regime for enterprises and Circular No. 202/2014/TT-BTC issued by the Ministry of Finance on 22 December 2014 ("Circular 202") guiding the preparation and presentation of consolidated financial statements. Circular 200 supersedes the regulations on accounting regime promulgated under Decision No. 15/2006/QD-BTC dated 20 March 2006 issued by the Ministry of Finance and Circular No. 244/2009/TT-BTC dated 31 December 2009 issued by the Ministry of Finance. Circular 202 supersedes section XIII in Circular No. 161/2007/TT-BTC dated 31 December 2007 of the Ministry of Finance guiding the preparation and presentation of consolidated financial statements in accordance with Vietnamese Accounting Standard No. 25 "Consolidated Financial Statements and Accounting for Investments in Subsidiaries". However, the adoption of Circular 200 and Circular 202 does not have any material effect on comparability of figures on the consolidated financial statements.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 31 December 2015

FORM B 09-DN/HN

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

**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 accounting regime for enterprises**

On 22 December 2014, the Ministry of Finance issued Circular No. 200/2014/TT-BTC ("Circular 200") guiding the accounting regime for enterprises and Circular No. 202/2014/TT-BTC ("Circular 202") guiding the preparation and presentation of consolidated financial statements. These circulars are effective for financial years beginning on or after 01 January 2015. Circular 200 supersedes the regulations for accounting regime promulgated under Decision No. 15/2006/QD-BTC dated 20 March 2006 issued by the Ministry of Finance and Circular No. 244/2009/TT-BTC dated 31 December 2009 issued by the Ministry of Finance. Circular 202 will supersede section XIII in Circular No. 161/2007/TT-BTC dated 31 December 2007 of the Ministry of Finance guiding the preparation and presentation of consolidated financial statements in accordance with Vietnamese Accounting Standard No. 25 "Consolidated Financial Statements and Accounting for Investments in Subsidiaries". The Board of Directors has adopted Circular 200 and Circular 202 in the preparation and presentation of the consolidated financial statements for the year ended 31 December 2015.

**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:

**Accounting 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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 31 December 2015

FORM B 09-DN/HN

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

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

Intragroup transactions and balances are eliminated in full on consolidation.

Non-controlling interests consist of the amount of those non-controlling interests at the date of the original business combination (see below) and the non-controlling interests' share of changes in equity since the date of the combination. Losses in subsidiaries are respectively attributed to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

**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 non-controlling interests are initially measured at the non-controlling shareholders' proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

**Investments in associates**

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

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

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 31 December 2015

FORM B 09-DN/HN

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

**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****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 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, financial investments, short-term trade receivables and other receivables, long-term loans receivable.

*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 short-term trade payables and other payables, borrowings and short-term accrued expenses.

**Subsequent measurement after initial recognition**

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

**Cash and cash equivalents**

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

**Receivables**

Receivables represent the amounts recoverable from customers or other debtors and are stated at book value less 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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 31 December 2015

FORM B 09-DN/HH

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

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

**Inventories (Continued)**

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:

	<u>2015</u> Years
Building and structures	15 - 25
Machinery and equipment	6 - 7
Motor vehicles	5 - 8
Office equipment	3 - 6
Others	5 - 15

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

**Intangible assets and amortisation**

Intangible assets represent land use rights and computer software that are stated at cost less accumulated amortisation and are amortised using the straight-line method over their estimated useful lives.

**Construction in progress**

Properties in the course of construction for production, rental or administrative purposes, or for other purposes, are carried at cost. Cost includes costs that are necessary to form the assets in accordance with the Company's accounting policy. Depreciation of these assets, on the same basis as other assets, commences when the assets are ready for their intended use.

**Prepayments**

Prepayments are expenses which have already been paid but relate to results of operations of multiple accounting periods.

Prepayments comprise costs of small tools, supplies and spare parts issued for consumption, which are expected to provide future economic benefits to the Company. 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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 31 December 2015

FORM B 09-DN/HH

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

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

**Payable provisions**

Payable 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 as at the balance sheet date.

**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.

**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". 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 as at the balance sheet date are not treated as part of distributable profit to shareholders.

**Borrowing costs**

Borrowing costs are recognised in the consolidated income statement in the year when incurred.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 31 December 2015

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

**4. T SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**
**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 tax authority and the Company intends to settle its current tax assets and liabilities on a net basis.

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

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

**5. CASH AND CASH EQUIVALENTS**

	31/12/2015 VND	31/12/2014 VND
Cash on hand	4,451,307,873	12,347,197,566
Demand deposits	85,044,033,313	84,821,812,883
Cash equivalents (*)	255,602,426,867	195,000,000,000
	<b>345,097,768,053</b>	<b>292,169,010,449</b>

(\*) Cash equivalents represent time deposits at banks with original terms not exceeding 3 (three) months.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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**6. SHORT-TERM TRADE RECEIVABLES**

	31/12/2015 VND	31/12/2014 VND
<b>a) Short-term trade receivables</b>		
Nam Duong Investment JSC	91,446,980,689	55,908,875,401
Others	134,488,923,818	123,220,971,907
<b>b) Short-term receivables from related parties</b>		
Quang Tri Pharmaceutical Medical Equipment JSC	2,568,151,518	3,340,286,362
	<b>228,504,056,025</b>	<b>182,470,133,670</b>

**7. OTHER SHORT-TERM RECEIVABLES**

	31/12/2015 VND	31/12/2014 (Reclassified) VND
Receivable from bonus and welfare fund	9,893,124,767	7,411,208,000
Advances	2,291,173,737	9,499,001,840
Short-term deposits	2,110,067,717	2,769,207,879
Accrued interest	1,050,787,754	581,722,222
Other receivables	3,675,681,712	4,220,484,447
	<b>19,020,835,687</b>	<b>24,481,624,388</b>

**8. BAD DEBTS**

	31/12/2015 VND		31/12/2014 VND	
	Cost	Recoverable amount (*)	Cost	Recoverable amount (*)
Total amount of receivables past due or not past due but impaired	7,150,710,067	1,811,824,749	6,560,036,677	2,324,230,091
	<b>7,150,710,067</b>	<b>1,811,824,749</b>	<b>6,560,036,677</b>	<b>2,324,230,091</b>

(\*) The Company determined recoverable amount of bad debts at original cost less provision for short-term doubtful debts.

**9. INVENTORIES**

	31/12/2015 VND		31/12/2015 VND	
	Cost	Provision	Cost	Provision
Goods in transit	3,965,572,722	-	2,323,587,109	-
Raw materials	130,274,256,106	(612,591,552)	123,445,698,563	(433,601,103)
Tools and supplies	254,796,553	-	26,922,555	-
Works in progress	25,286,759,880	-	24,871,873,581	-
Finished goods	93,785,390,977	-	75,895,304,980	(202,864,323)
Merchandise	47,196,988,860	(85,455,491)	29,216,723,572	-
Goods in consignment	12,421,652,124	-	9,596,770,932	-
	<b>313,185,417,222</b>	<b>(698,047,043)</b>	<b>265,376,881,292</b>	<b>(636,465,426)</b>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

	Buildings and structures	Machinery and equipment	Motor vehicles	Office Equipment	Other tangible fixed assets	Total
	VND	VND	VND	VND	VND	VND
<b>COST</b>						
<b>As at 01/01/2015</b>	<b>160,014,535,086</b>	<b>149,467,147,405</b>	<b>46,349,109,699</b>	<b>12,464,843,743</b>	<b>3,652,737,954</b>	<b>371,948,373,887</b>
Purchases	523,189,002	11,846,310,508	8,302,897,266	922,789,716	-	21,595,186,492
Transfer from CIP	2,355,931,099	-	-	-	-	2,355,931,099
Increase due to consolidation	6,147,073,133	4,469,834,991	1,480,424,498	-	-	12,097,332,622
Disposals	-	(2,868,775,150)	(214,761,905)	(183,404,004)	-	(3,266,941,059)
Other decrease	(802,110,273)	-	-	-	-	(802,110,273)
<b>As at 31/12/2015</b>	<b>168,238,618,047</b>	<b>162,914,517,754</b>	<b>55,917,669,558</b>	<b>13,204,229,455</b>	<b>3,652,737,954</b>	<b>403,927,772,768</b>
<b>ACCUMULATED DEPRECIATION</b>						
<b>As at 01/01/2015</b>	<b>56,234,878,670</b>	<b>79,407,022,452</b>	<b>24,955,335,600</b>	<b>9,926,228,801</b>	<b>3,052,492,795</b>	<b>173,575,958,318</b>
Charge for the year	7,100,497,437	15,422,702,357	4,292,890,356	783,340,102	201,380,822	27,800,811,074
Increase due to consolidation	5,194,151,507	4,422,564,612	705,375,675	-	-	10,322,091,794
Disposals	-	(2,478,945,282)	(214,761,905)	(175,888,948)	-	(2,869,596,135)
Other decrease	(802,110,273)	-	-	-	-	(802,110,273)
<b>As at 31/12/2015</b>	<b>67,727,417,341</b>	<b>96,773,344,139</b>	<b>29,738,839,726</b>	<b>10,533,679,955</b>	<b>3,253,873,617</b>	<b>208,027,154,778</b>
<b>NET BOOK VALUE</b>						
<b>As at 31/12/2015</b>	<b>100,511,200,706</b>	<b>66,141,173,615</b>	<b>26,178,829,832</b>	<b>2,670,549,500</b>	<b>398,864,337</b>	<b>195,900,617,990</b>
<b>As at 31/12/2014</b>	<b>103,779,656,416</b>	<b>70,060,124,953</b>	<b>21,393,774,099</b>	<b>2,538,614,942</b>	<b>600,245,159</b>	<b>198,372,415,569</b>

The cost of the Company's fixed assets as at 31 December 2015 includes VND 74,560,406,882 (31 December 2014: VND 65,701,182,199) of assets which have been fully depreciated but are still in use.

Traphacosapa One-Member Limited Company (the subsidiary) has pledged a pharmaceutical material extraction assembly-line which has the carrying value of VND 3,371,215,990 as at 31 December 2015 to secure the long-term borrowing from Vietnam Joint Stock Commercial Bank for Industry and Trade - Yen Bai Branch.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## 11. INCREASE, DECREASE IN INTANGIBLE ASSETS

	Land use rights (i)	Computer software	Other assets	Total
	VND	VND	VND	VND
<b>COST</b>				
<b>As at 01/01/2015</b>	<b>37,308,074,275</b>	<b>1,266,587,570</b>	<b>283,328,900</b>	<b>38,857,990,745</b>
Purchases	1,454,200,000	1,795,290,000	-	3,249,490,000
Increase due to consolidation	-	40,000,000	-	40,000,000
<b>As at 31/12/2015</b>	<b>38,762,274,275</b>	<b>3,101,877,570</b>	<b>283,328,900</b>	<b>42,147,480,745</b>
<b>ACCUMULATED AMORTISATION</b>				
<b>As at 01/01/2015</b>	<b>1,169,628,817</b>	<b>186,088,022</b>	<b>204,374,248</b>	<b>1,560,091,087</b>
Charge for the year	164,282,569	945,412,378	43,066,667	1,152,761,614
Increase due to consolidation	-	22,499,991	-	22,499,991
<b>As at 31/12/2015</b>	<b>1,333,911,386</b>	<b>1,154,000,391</b>	<b>247,440,915</b>	<b>2,735,352,692</b>
<b>NET BOOK VALUE</b>				
<b>As at 31/12/2015</b>	<b>37,428,362,889</b>	<b>1,947,877,179</b>	<b>35,887,985</b>	<b>39,412,128,053</b>
<b>As at 31/12/2014</b>	<b>36,138,445,458</b>	<b>1,080,499,548</b>	<b>78,954,652</b>	<b>37,297,899,658</b>

(i) As at 31 December 2015, land use rights include:

Details	Area (m <sup>2</sup> )	Value VND	Useful life
- Land use right at 225 Ton Duc Thang, Lien Chieu, Da Nang city	283.1	2,618,528,525	Permanent
- Land use right in Phuoc Kien ward, Nha Be, Ho Chi Minh city (*)	876	7,795,378,640	
- Land use right in Hoa Vuong new urban area, Nam Dinh city	288.75	2,350,425,000	Permanent
- Land use right in Vinh Tan street, Vinh city (Plot 581)	307.2	1,290,240,000	Permanent
- Land use right in Vinh Tan street, Vinh city (Plot 582)	301.8	1,267,560,000	Permanent
- Land use right in Vinh Diem Trung urban area, Nha Trang city	306	1,873,777,089	Permanent
- Land use right in Cao Xanh new urban area, Ha Long city	340	3,049,800,000	Permanent
- Land use right in Western new urban area, Thanh Binh, Hai Duong city	250	3,518,560,000	Permanent
- Land use right in Van Lam district, Hung Yen (**)	31.047	4,972,028,674	Permanent
- Land use right in Dak lak	-	516,291,335	Permanent
- Land use right at plots K1, K2, zone IV, the urban area in the North of Le Loi Avenue, Dong Huong ward, Thanh Hoa city,	518	3,500,078,454	Permanent
- Land use right at D37, My Thanh Hung, Ward 6, My Tho city, Tien Giang province	151	2,710,406,558	Permanent
- Land use right in residential area No. 2, Dinh Ke ward, Bac Giang city	178	1,845,000,000	Permanent
- Land use right in Minh Phuong ward, Viet Tri city, Phu Tho province	205.1	1,454,200,000	Permanent
	<b>35,051.95</b>	<b>38,762,274,275</b>	

(\*) The land use right in Phuoc Kien ward, Nha Be, Ho Chi Minh City pertains to 2 lots: Lot 647 with the area of 652 m<sup>2</sup> and permanent use term and Lot 646 with the area of 224 m<sup>2</sup> and the use period until 27 August 2016. The Company's land use right of Lot 646 is not amortized. The Board of Directors believes that this does not have a material effect on the consolidated financial statements of the Company.

(\*\*) 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 April 2003 to 03 April 2038 with an area of 31,047 m<sup>2</sup>.

The cost of the Company's intangible assets as at 31 December 2015 includes VND 154,128,900 (31 December 2014: VND 0) of assets which have been fully amortized but are still in use.

10.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### 12. CONSTRUCTION IN PROGRESS

	31/12/2015 VND	31/12/2014 VND
Traphaco pharmaceutical plant construction (*)	45,515,964,726	39,625,039,554
Project on pharmaceutical material processing and production	7,209,646,118	1,153,533,170
Can Tho office construction	2,479,653,636	2,479,653,636
Gia Lai office construction	1,616,180,092	1,616,180,092
Thai Nguyen office construction	201,939,091	201,939,091
Other constructions	355,915,232	680,854,554
Fixed assets acquisition	-	1,771,806,043
	<b>57,379,298,895</b>	<b>47,529,006,140</b>

(\*) The Company established 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 400 billion and the construction time is 5 years. This project was licensed for implementation by People's Committee of Hung Yen province, and the balance of construction in progress regarding the project represents site clearance expenses and construction expense for some items which have been paid up to 31 December 2015.

### 13. INVESTMENTS IN SUBSIDIARIES

Details of the Company's subsidiaries as at 31 December 2015 are as follows:

Name of subsidiaries	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 JSC	Hung Yen Province	51%	51%	Produce oriental medicines.
Dak Lak Pharmaceutical Medical Equipment JSC	Dak Lak Province	58%	58%	Produce and trade pharmaceutical products, functional foods; export and import medicines, pharmaceutical materials and medical equipment.
Thai Nguyen Pharmaceutical and Medical Equipment JSC	Thai Nguyen Province	51%	51%	Produce and trade pharmaceutical products.
Traphaco Hung Yen One Member Limited Company (*)	Hung Yen Province	100%	100%	Produce oriental medicines.

(\*) The Company established Traphaco Hung Yen One Member Limited Company 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. As at 31 December 2015, the Company has not contributed capital for Traphaco Hung Yen.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### 14. INVESTMENTS IN ASSOCIATE

	31/12/2015 VND	31/12/2014 (Restated) VND
Cost of investments in associate	4,274,140,400	20,813,622,400
Accumulated goodwill allocated in share of net profit of associate	(697,641,401)	(2,692,921,104)
Share of post-acquisition profits, net of dividends received	784,000,167	1,092,227,541
	<b>4,360,499,166</b>	<b>19,212,928,837</b>

In accordance with Circular No. 200/2014/TT-BTC dated 22 December 2014, the fair value of above investment as at 31 December 2015 should be presented. However, the Company has not assessed such fair value because the investee's shares have not been listed on any stock exchange and the Company has not obtained other reliable information to assess such fair value; therefore, the fair value of the investment as at 31 December 2015 has not been presented in the Notes to the consolidated financial statements.

Details of the Company's associate as at 31 December 2015 are as follows:

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

### 15. SHORT-TERM TRADE PAYABLES

	31/12/2015		31/12/2014	
	Amount	Amount able to be paid off	Amount	Amount able to be paid off
	VND	VND	VND	VND
Nanum CNC Company Limited	114,916,711,576	114,916,711,576	55,333,946,430	55,333,946,430
Other suppliers	88,738,461,636	88,738,461,636	70,958,561,862	70,958,561,862
	<b>203,655,173,212</b>	<b>203,655,173,212</b>	<b>126,292,508,292</b>	<b>126,292,508,292</b>

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

Items	31/12/2014 VND	Movement in the year		31/12/2015 VND
		Amount payable VND	Amount paid VND	
Value added tax	939,546,241	52,602,124,904	52,795,351,028	746,320,117
Import duty	-	18,669,814,298	18,669,814,298	-
Corporate income tax	30,477,986,872	51,392,727,872	53,716,459,435	28,154,255,309
Personal income tax	4,365,851,654	15,677,872,000	16,473,666,718	3,570,056,936
Other payables	246,000	1,024,712,266	1,019,807,885	5,150,381
	<b>35,783,630,767</b>	<b>139,367,251,340</b>	<b>142,675,099,364</b>	<b>32,475,782,743</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### 17. ACCRUED EXPENSES

	31/12/2015 VND	31/12/2014 VND
Interest expense	292,600,000	376,352,375
Sales discount payable to customers	2,272,254,551	-
Expenses for survey on sales policy	5,057,104,000	5,336,700,000
Collaborators cost	870,151,935	1,438,571,754
Other expenses	5,059,361,205	5,803,381,170
	<b>13,551,471,691</b>	<b>12,955,005,299</b>

### 18. OTHER SHORT-TERM PAYABLES

	31/12/2015 VND	31/12/2014 VND
Board of Management and Board of Supervision's remuneration	1,588,256,651	2,237,213,404
Vietnam Business Challenges Fund	1,548,450,000	-
Dividends payable to shareholders	667,723,278	542,193,278
Union fee	751,324,549	2,512,008,790
Social insurance, health insurance, unemployment insurance	337,286,633	394,203,365
Research team led by Mr. Nguyen Khac Vien	-	4,723,342,000
Othes	3,661,703,992	2,064,904,343
	<b>8,554,745,103</b>	<b>12,473,865,180</b>

### 19. LOANS AND OBLIGATIONS UNDER FINANCE LEASE

Items	31/12/2014		Movement in the year		31/12/2015	
	Amount VND	Amount able to be paid off VND	Increase VND	Decrease VND	Amount VND	Amount able to be paid off VND
<b>a) Short-term borrowings (i)</b>						
Borrowings from bank	16,587,749,427	16,587,749,427	1,000,000,000	17,587,749,427	-	-
Borrowings from individuals	17,850,000,000	17,850,000,000	-	3,220,000,000	14,630,000,000	14,630,000,000
	<b>34,437,749,427</b>	<b>34,437,749,427</b>	<b>1,000,000,000</b>	<b>20,807,749,427</b>	<b>14,630,000,000</b>	<b>14,630,000,000</b>
<b>b) Long-term borrowings (ii)</b>						
Borrowings from bank	-	-	300,000,000	-	300,000,000	300,000,000
	-	-	<b>300,000,000</b>	-	<b>300,000,000</b>	<b>300,000,000</b>

(i) As at 31 December 2015, borrowings from individuals represent borrowings from employees of Traphaco CNC (the Company's subsidiary) to supplement working capital for production and business activities. These unsecured loans bear interest at the rate of 8% p.a.

(ii) As at 31 December 2015, the outstanding balance of the long-term borrowings represents the loan granted by Vietnam Joint Stock Commercial Bank for Industry and Trade - Yen Bai Branch to Traphacosapa One Member Limited Company (the subsidiary) under Credit Contract No. 01/2015- HDTDDA/NHCT170- Traphacosapa dated 26 October 2015. The loan has a term of 84 months from the first withdrawal and is used to finance the project of pharmaceutical materials, medicines and functional food processing and production factory in Dong Pho Moi Industrial Park. The loan bears a preferential interest rate of 7.5% p.a. for the first 12 months; the interest rates for subsequent periods are adjustable on a monthly basis. The loan is secured by future assets acquired under the project of pharmaceutical materials, medicines and functional food processing and production factory and a pharmaceutical material extraction assembly-line.

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	As at 01/01/2014	Profit for the year	Dividends declared	Funds allocation	Remuneration of Board of Management and Board of Inspection	Executive board bonus	Others	As at 31/12/2014	Reclassification under Circular 200	As at 01/01/2015	Profit for the year	Dividends declared	Fund allocations	Executive board bonus	Bonus and welfare fund allocation	As at 31/12/2015
<b>20. OWNER'S EQUITY</b>																
<b>Changes in owner's equity</b>																
Owners' contributed capital	246,764,330,000	-	-	-	-	-	-	246,764,330,000	-	246,764,330,000	-	-	-	-	-	246,764,330,000
Share premium	153,747,160,000	-	-	-	-	-	-	153,747,160,000	-	153,747,160,000	-	-	-	-	-	153,747,160,000
Treasury shares	(3,593,000)	-	-	-	-	-	-	(3,593,000)	-	(3,593,000)	-	-	-	-	-	(3,593,000)
Foreign exchange reserve	179,264	-	-	-	-	-	-	179,264	-	179,264	-	-	-	-	-	179,264
Investment and development fund	155,887,618,612	-	-	85,502,601,156	-	-	-	241,490,719,768	15,573,685,480	257,064,405,248	-	-	55,232,392,904	-	-	312,296,798,152
Financial reserve fund	15,426,539,765	-	-	147,145,715	-	-	-	15,573,685,480	(15,573,685,480)	-	-	-	-	-	-	-
Retained earnings	111,427,775,763	145,818,459,163	(24,673,294,300)	(99,839,895,852)	(237,074,701)	(2,754,829,596)	(27,409,486)	129,713,730,991	-	129,713,730,991	180,966,893,829	(74,019,900,000)	(55,232,392,904)	(1,000,000,000)	(14,011,756,092)	166,416,575,824
Total	683,250,010,404	145,818,459,163	(24,673,294,300)	(14,190,148,981)	(237,074,701)	(2,754,829,596)	73,090,514	787,286,212,503	-	787,286,212,503	180,966,893,829	(74,019,900,000)	(55,232,392,904)	(1,000,000,000)	(14,011,756,092)	879,221,450,240

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 31 December 2015

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**21. OFF BALANCE SHEET ITEMS**

	Currency	31/12/2015	31/12/2014
1. Foreign currencies	USD	55,542	47,801,69
2. Materials and goods held for processing	VND	5,887,950,389	3,791,755,429

**22. BUSINESS AND GEOGRAPHICAL SEGMENTS**

The principal activities of the Company are manufacturing and trading pharmaceutical products. In the year, the Company has no other significant business activities, therefore, the financial information presented in the consolidated balance sheet as at 31 December 2015 and all the income and expenses presented in the consolidated income statement for the year ended 31 December 2015 only related to manufacturing and trading pharmaceutical products. Revenue and cost of sales are presented in Notes 23 and 24.

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

**23. REVENUE**

	2015	2014 (Reclassified)
	VND	VND
<b>a) Sales of merchandise and services</b>		
In which:		
Sales of finished goods	1,293,490,417,503	1,050,143,551,026
Sales of merchandise	682,542,758,159	609,318,068,825
Sales of services	939,807,885	813,539,330
	<b>1,976,972,983,547</b>	<b>1,660,275,159,181</b>
<b>In which:</b>		
<b>Proceeds from sales to related parties</b>		
Quang Tri Pharmaceutical Medical Equipment JSC	13,160,342,951	10,287,782,175
	<b>13,160,342,951</b>	<b>10,287,782,175</b>
<b>b) Deductions</b>		
Sales discount	144,464,635	-
Sales return	2,826,680,729	9,553,337,567
	<b>2,971,145,364</b>	<b>9,553,337,567</b>

**24. COST OF SALES**

	2015	2014 (Reclassified)
	VND	VND
Cost of finished goods sold	468,839,782,659	413,214,534,052
Cost of merchandise sold	594,995,830,143	523,076,953,967
Cost of services rendered	921,208,454	49,246,668
	<b>1,064,756,821,256</b>	<b>936,340,734,687</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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**25. FINANCIAL INCOME**

	2015	2014
	VND	VND
Bank and loan interest	8,053,306,489	5,012,121,038
Foreign exchange gain	92,214,011	122,481,121
Other financial income	861,586,249	361,138,732
	<b>9,007,106,749</b>	<b>5,495,740,891</b>

**26. FINANCIAL EXPENSES**

	2015	2014
	VND	VND
Interest expenses	1,437,751,011	3,913,566,637
Sales discount	69,328,325,272	41,017,694,951
Foreign exchange loss	6,000,894,187	352,266,615
Other financial expenses	9,417,661	-
	<b>76,776,388,131</b>	<b>45,283,528,203</b>

**27. PRODUCTION COSTS BY NATURE**

	2015	2014
	VND	VND
Raw materials and consumables	469,791,674,737	382,800,597,230
Labour	337,197,246,584	269,646,347,842
Depreciation and amortisation	28,953,572,688	25,584,365,308
Outsourced services	153,936,853,211	111,318,459,227
Other monetary expenses	177,150,341,068	146,472,370,823
	<b>1,167,029,688,288</b>	<b>935,822,140,430</b>

**28. SELLING EXPENSES AND GENERAL AND ADMINISTRATION EXPENSES**

	2015	2014
	VND	VND
<b>General and administration expenses in the year</b>	<b>161,494,043,845</b>	<b>128,310,104,599</b>
Administrative staff expenses	99,111,060,891	83,199,727,226
Outsourced services	13,554,315,168	5,713,336,602
Other expenses	48,828,667,786	39,397,040,771
<b>Selling expenses in the year</b>	<b>429,904,857,118</b>	<b>331,656,848,718</b>
Staff expenses	170,619,328,052	133,481,186,697
Advertisement expenses	83,073,425,882	60,114,030,651
Sales discount	39,578,926,233	12,623,128,621
Collaborators expenses	12,804,034,861	16,016,587,384
Other selling expenses	123,829,142,090	109,421,915,365



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### 29. 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	2015	2014 (Restated)
		VND	VND
Earnings in the year	VND	180,966,893,829	145,818,459,163
Allocation to bonus and welfare funds	VND	(17,820,233,749)	(13,391,931,719)
Earnings for the purposes of calculating basic earnings per share	VND	163,146,660,080	132,426,527,444
Weighted average number of ordinary share for the purposes of calculating basic earnings per share	Shares	24,673,300	24,673,300
<b>Basic earnings per share</b>	<b>VND</b>	<b>6,612</b>	<b>5,367</b>

### 30. OPERATING LEASE COMMITMENTS

Operating lease commitments represent the total rental amount of offices and pharmacies of the Company.

	2015	2014
	VND	VND
Minimum lease payments under operating leases recognised in the consolidated income statement for the year	3,587,641,387	3,613,546,029

At the end of financial statement, the Company had outstanding commitments under non-cancelable operating leases, which fall due as follows:

	31/12/2015	31/12/2014
	VND	VND
Within one year	4,366,257,696	4,507,341,567
In the second to fifth year inclusive	10,626,431,709	11,655,940,998
After five years	26,255,367,762	28,691,052,816
	<b>41,248,057,167</b>	<b>44,854,335,381</b>

### 31. 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 (comprising borrowings as presented in Note 19 less cash and cash equivalents) and owners' equity of the parent company (comprising capital contributed, reserves and retained earnings).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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#### Gearing ratio

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

	31/12/2015	31/12/2014
	VND	VND
Borrowings	14,930,000,000	34,437,749,427
Less: Cash and cash equivalents	345,097,768,053	292,169,010,449
Net debt	-	-
Equity	964,499,646,230	869,447,995,421
<b>Net debt to equity ratio</b>	<b>-</b>	<b>-</b>

#### 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.

#### Categories of financial instruments

	Carrying amounts	
	31/12/2015	31/12/2014
	VND	VND
<b>Financial assets</b>		
Cash and cash equivalents	345,097,768,053	292,169,010,449
Short-term trade and other receivables	229,245,702,093	192,952,100,835
Financial investments	2,761,976,982	2,288,845,000
Long-term loans receivable	200,000,000	200,000,000
<b>Total</b>	<b>577,305,447,128</b>	<b>487,609,956,284</b>
<b>Financial liabilities</b>		
Borrowings	14,930,000,000	34,437,749,427
Short-term trade and other payables	211,231,307,133	135,860,161,317
Short-term accrued expenses	13,551,471,691	12,955,005,299
<b>Total</b>	<b>239,712,778,824</b>	<b>183,252,916,043</b>

The Company has not assessed fair value of its financial assets and liabilities as at the balance sheet 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.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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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. The Company does not hedge these risk exposures due to the lack of active market for the trading activities of financial instruments.

### Foreign currency risk management

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

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

	Liabilities		Assets	
	31/12/2015	31/12/2014	31/12/2015	31/12/2014
	VND	VND	VND	VND
United States Dollar (USD)	119,478,960,381	56,899,694,250	1,289,140,513	2,694,258,259
Euro (EUR)	-	28,540,253	-	525,932,400

### Foreign currency sensitivity analysis

The Company is mainly exposed to United States Dollar. For a 10% increase/decrease in USD against Vietnam Dong, the profit before tax in the year would decrease/increase by VND 11.9 billion. 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.

### 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 analysing market competition to enjoy favourable interest rates from appropriate lenders.

### Share price risk management

The Company is exposed to equity price risks arising from investments in associates. The Company's Board of Management assesses and approves decisions on investments in associates such as operating industry, investees, etc. Investments in associates are held for long-term strategic investments rather than trading purposes. The Company does not have any intention to trade these investments in the foreseeable future.

### 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 on-going 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 year is kept to manageable levels relative to the amount of funds that the Company believes can generate

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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within that year. 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.

	Within than 1 year	From 1- 5 years	Total
	VND	VND	VND
<b>31/12/2015</b>			
Cash and cash equivalents	345,097,768,053	-	345,097,768,053
Trade and other receivables	228,754,544,983	491,157,110	229,245,702,093
Investments	2,000,000,000	761,976,982	2,761,976,982
Long-term loans receivable	-	200,000,000	200,000,000
<b>Total</b>	<b>575,852,313,036</b>	<b>1,453,134,092</b>	<b>577,305,447,128</b>
<b>31/12/2015</b>			
Borrowings	14,630,000,000	300,000,000	14,930,000,000
Short-term trade and other payables	211,121,307,133	110,000,000	211,231,307,133
Short-term accrued expenses	13,551,471,691	-	13,551,471,691
<b>Total</b>	<b>239,302,778,824</b>	<b>410,000,000</b>	<b>239,712,778,824</b>
<b>Net liquidity gap</b>	<b>336,549,534,212</b>	<b>1,043,134,092</b>	<b>337,592,668,304</b>
	Within than 1 year	From 1- 5 years	Total
	VND	VND	VND
<b>31/12/2014</b>			
Cash and cash equivalents	292,169,010,449	-	292,169,010,449
Trade and other receivables	191,969,786,725	982,314,110	192,952,100,835
Investments	1,788,845,000	500,000,000	2,288,845,000
Long-term loans receivable	-	200,000,000	200,000,000
<b>Total</b>	<b>485,927,642,174</b>	<b>1,682,314,110</b>	<b>487,609,956,284</b>
<b>31/12/2014</b>			
Borrowings	34,437,749,427	-	34,437,749,427
Short-term trade and other payables	135,860,161,317	-	135,860,161,317
Short-term accrued expenses	12,955,005,299	-	12,955,005,299
<b>Total</b>	<b>183,252,916,043</b>	<b>-</b>	<b>183,252,916,043</b>
<b>Net liquidity gap</b>	<b>302,674,726,131</b>	<b>1,682,314,110</b>	<b>304,357,040,241</b>

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

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**32. RELATED PARTY TRANSACTIONS AND BALANCES**

List of related parties:

Related party	Relationship
Quang Tri Pharmaceutical Medical Equipment JSC	Associate

Significant transactions of the Company with its related parties in the year are as follows:

	2015	2014
	VND	VND
<b>Sales</b>		
Quang Tri Pharmaceutical Medical Equipment JSC	13,160,342,951	10,287,782,175
<b>Dividends paid to shareholders</b>	<b>73,894,370,000</b>	<b>24,902,061,350</b>
<b>Remuneraton of the Board of Directors</b>	<b>4,671,052,715</b>	<b>3,291,022,284</b>

Significant balances with its related parties at the balance sheet date are as follows:

	31/12/2015	31/12/2014
	VND	VND
<b>Receivables</b>		
Quang Tri Pharmaceutical Medical Equipment JSC	2,568,151,518	3,340,286,362
<b>Dividends payable to shareholders</b>	<b>667,723,278</b>	<b>542,193,278</b>

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**33. COMPARATIVE FIGURES**

Certain reclassifications have been made to the prior year's figures in accordance with Circular No. 200/2014/TT-BTC and Circular No. 202/2014/TT-BTC dated 22 December 2014 to enhance their comparability with the current year's presentation. Details are as follows:

According to Decision No. 15/2006/QĐ-BTC		According to Circular No. 200/2014/TT-BTC and Circular No. 202/2014/TT-BTC		Changes	
Items	Codes	31/12/2014	31/12/2014	31/12/2014	31/12/2014
<b>Balance sheet</b>					
<b>I. Assets</b>					
1. Short-term investments	121	1,988,845,000	1,788,845,000	123	Figure reclassified and item name changed
2. Trade accounts receivable	131	182,470,133,670	182,470,133,670	131	Change name
3. Other receivables	135	12,213,414,669	24,481,624,388	136	Figure reclassified and item name changed
No corresponding item			250,157,729	139	Figure reclassified and item name changed
4. Other short-term assets	158	12,518,367,448	-	155	Reclassify
No corresponding item			200,000,000	215	Reclassify
5. Other long-term assets	268	982,314,110	982,314,110	216	Reclassify
6. Investments in associates	252	6,028,078,540	19,212,928,837	252	Reclassify
7. Other long-term investments	258	500,000,000	500,000,000	253	Change name
8. Goodwill	269	32,917,125,811	19,732,275,514	269	Reclassify
<b>II. Resources</b>					
1. Trade accounts payable	312	126,292,508,292	126,292,508,292	311	Change name
2. Accrued expenses	316	12,955,005,299	12,955,005,299	315	Change name
3. Unearned revenue	338	176,000,000	176,000,000	318	Figure reclassified and item name changed
4. Other current payables	319	12,473,865,180	12,473,865,180	319	Change name
5. Charter capital	411	246,764,330,000	246,764,330,000	411	Change name
6. Investment and development fund	417	241,490,719,768	257,064,405,248	418	Reclassify
7. Financial reserve fund	418	15,573,685,480	No corresponding item		
<b>Income statement</b>					
1. Basic earnings per share	70	5,910	5,367	70	

Unit: VND



Tran Tuc Ma  
General Director

Dinh Trung Kien  
Chief Accountant

Nguyen Ngoc Thuy  
Preparer

15 March 2016

# Traphaco

The way of green health

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