

DHG PHARMA
For a more beautiful and healthier life



DHG PHARMA always provides high quality products and services
to satisfy the aspiration for a more beautiful and healthier life

CÔNG TY CỔ PHẦN DƯỢC HẬU GIANG
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**ANNUAL
REPORT
2010**
DHG PHARMA

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SECURITIES CODE:

DHG

LIST OF ABBREVIATIONS

Abbreviated	Interpretation
LB	Leadership Board
BFO	Business Force One
BOS	Board of Supervision
BMI	Business Monitor International
BIT	Business income tax
GMB	General Management Board
BV	Book value
IP	Information promulgation
ASM	Annual Shareholders' Meeting
DHG	DHG Corporation
DHG Pharma	DHG Pharmaceutical Joint-Stock Company/Parent company
DPS	Dividend per share
EPS	Earning per share
ESOP	Employee Stock Ownership Plan
GDP	Good distribution practice
GLP	Good laboratory practice
GMP	Good manufacturing practice

LIST OF ABBREVIATIONS (cont)

Abbreviated	Interpretation
GPP	Good Pharmacy Practice
GSP	Good Storage Practices
BOD	Board of Directors
IR	Investor Relations
KPI	Key Performance Indicators
P/B	Price-to-Book ratio
P/E	Price to Earning Ratio
PR	Public Relations
RNCOS	A market research consulting Services Company
ROA	Return On Assets
ROE	Return on Equity
ROS	Return On Sales
HOSE	Ho Chi Minh Stock Exchange
SSC	State Securities Commission of Vietnam
GDP	Gross domestic product
WHO	World Health Organization

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PRODUCT

ASSETS

USEFUL

SYSTEM

**HUMAN
- RESOURCE**

**INFORMA
-TION**

BEING USEFUL:

is not only the highest using value; DHG has raised the usefulness into corporate symbol value to satisfy deep desires of its customers, partners, shareholders, employees and the community

USEFUL ASSETS:

are the assets being used efficiently, providing more additional values for the products.

USEFUL HUMANS:

the people with knowledge, culture, knowing how to throw themselves in danger spot, to inspire the individual's talent and to overcome themselves in order to create benefits for the company, the society and for themselves.

USEFUL PRODUCT:

is the product which is not only effective but also carrying the spirit of land, water, profession, human and bringing the value, convenience and feelings to consumers.

USEFUL SYSTEM:

is the continuous operation, positively changes the statutes, regulations, procedures, job descriptions...matching with the practical context, creating not only professional rules but also the fullest capacity of the doer.

USEFUL INFORMATION:

managed and promulgated information is the timely and accurate one which has been processed, analyzed to provide right decisions, risk prevention and a desire to share with everybody.

Preface

Ladies and Gentlemen!

Annual Report is not merely a material for transparently reporting financial figures, production and trading results, investment activities and plan targets; DHG Pharma also wishes to convey to the readers corporate message, gratitude and the real values, which create its position today.

In all sincerity, we would like to share the culture of DHG Pharma's people, the difficulties in the process of building business and other information that our investors, customers and partners have little chance to know. It is also the possibility for all of you to deeply understand and to trust in the assets, the people, the products and the systems as well as the sustainable development of DHG.

With that idea in mind, we have divided 2010 Annual Report into 03 main sections so that our readers can easily follow but it still ensures to supply sufficiently the necessary information as required by current regulations , which are:

RESPECTING THE PAST,

STRENGTHENING THE PRESENT,

and HEADING TO THE FUTURE

The Past is honored with a lot of effort, intellectual sweat and willpower of the previous generations, the brilliant historic milestones marked the growth of the Company; the achievements and business results are presented by specific figures. The Past has also given The Future a priceless gift – the DHG Culture features – crystallized from DHG Pharma's people through generations.

The Present is stated objectively, truthfully and completely through the reports of Board of Directors, Board of Supervision and General Management Board on all activities in the fiscal year 2010 of DHG. In particular, the audited consolidated financial statements, the detailed analysis and comparison of financial data will help readers to reach the best information for their assessment and investment decisions.

And **The Future** is expressed with vivid panorama of pharmaceutical business environment, the specific strategies and the carefully predictive calculations containing high commitments. Since then, readers can visualize the most obvious picture of DHG in the future, opening an accessible and lively door for the young generation.

Please take your time exploring DHG from the history to current and future aspirations.

We hope to get your warm reception and suggestions so that DHG Pharma's Annual Report will better improved.

ON BEHALF OF IMPLEMENTATION TEAM
Doan Dinh Duy Khuong



Gratitude towards the ones who have contributed to DHG's values today and forever

TO THE SHAREHOLDERS AND INVESTORS

First, we would like to thank the shareholders who have closely attached to DHG stocks since the company's toddler steps to move to equitization, until posted up and then IPO. After the vicissitudes of the stock market, you are still constantly sending your assets; keep your trust in DHG Pharma's Management Board and its people.

With all appreciation, we acknowledge the feelings of the SCIC officials, the domestic and foreign investors who always show their concern to the Company and share the benefits to corporate employees.

TO THE CUSTOMERS AND CONSUMERS

Please take sincere sentiments and profound words to appreciate all customers from North to South of Vietnam. You are the nuclear elements contributing to the survival and development of DHG; you yourselves have helped the DHG's name to be forever.

We understand that there are always the companionship and attachment of a large number of consumers across the country behind the success of DHG. The clear evidence is that over the past 15 years, DHG's products have always been voted "Vietnam High Quality Goods". Our customers and consumers have favored this invaluable loyal emotion for DHG.

TO DHG'S PARTNERS

We would like to thank our partners who have been going with DHG during last time. The suppliers, the banks... have continuously supported and given us many good ideas, which bring high benefit to the Company. The cooperation for mutual prosperity with our partners will continue to be one of the core strategies of DHG in the future.

TO THE EMPLOYEES THROUGH MANY GENERATIONS

From a rudimentary factory in U Minh forest in the past days, and now in the heart of Tay Do, DHG Pharma has changed its appearance, becoming the first bird in Vietnam Pharmaceutical Industry.

To get this position and to have all the achievements, noble titles and certificates of international quality standards, the human factor must be mentioned first.

The success of DHG Pharma has been contributed by the sweats, the eyes with dark circles after long night shifts of the troops in white shirts directly engaged in production and the sound of the machines running all day and night from the first to the last day of lunar year. It is very touched to the enthusiasm, venturesome spirit, working passion, audacity but science of the engineer team and workers in Engineering Division, who brought to the company billions VND from their innovations. The young, innocent but meticulous, precise official staffs in the laboratory silently keep a close watch over the input and output to protect product's quality day and night. The hard work of R&D's staffs is remembered for their

scientific works . It can be seen that the people in Supply Division are monitoring the market, finding the raw material source with high quality, bargaining the prices, making a reasonable inventory and ensuring adequate supply of raw materials, which meet the demands for production.

We sincerely thank the people from Administrative Office and Human Resources Department. They have coordinated to take care of employees and to implement policies to recruit and nurture the talent. DHG is also built by the persons who always practice thrift, protect the Company's assets. They are from the Department of Finance Administration.

To have current DHG's position in the market, the credit of the sales staffs would be noted. They are our strongest and biggest competitive advantage and a dream of many other businesses. The great love is reserved for the men, the loyal hearts for DHG Pharma overcoming the cold of northeast monsoon, the heat of harsh Lao's wind in the central, the sadness due to missing families of the soldiers in highland regions, the steamy rain in the southern delta. They have traveled from Lang Son to Ca Mau Cape day by day, bringing DHG prestige and products to every village, hamlet.

The more deeply love is reserved for the people calling each other at midnight on the highways. The tiredness quickly goes by because not only one person but most of drivers, escorts and siblings in the Warehouse have traveled all night and carried on their shoulders heavily all day; they just know to finish the job and do not pay attention to the time.

The construction team have worked hard day and night with the project of building warehouses which should be complied with GDP standards for distribution systems, to construct new soft- capsule factory and draw a plan to build a new modern factory which will have the largest production capacity in Vietnam Pharmaceutical Industry.

Thank for the Marketing soldiers: brand managers, Trade Marketing Group, PR - IR, Event, Export, Design and Product Development. You have sounded the urgent drum opening the campaign to explore the market and bringing DHG trademark and its soul closer to the consumers through the events and the mass media.

Finally, the gratitude will be sent to the team leaders. Your flexible, consistent and brave operation has made DHG go up firmly; you have been writing great achievements into the glorious history of DHG.

Although each person has his own position, from the gardeners planting the flowers to create beautiful landscape to the Company, to the sanitation workers or the people are always being with the computers to make resolutions, regulations and announcement, all of them have only one common goal that is to create credibility and collective strength, and for a more beautiful and healthier life.



TO THE AGENCIES AND MASS MEDIA

The success of DHG is also originated from the leading role of the Ministry of Health, Drug Administration, and the supports of People's Committee in Can Tho City, Can Tho Health Department, and the State Securities Commission, HCMC Stock Exchange, Vietnam Securities Depository and many other agencies within and outside the province.

We always keep in mind that the supports from reporters and mass media also contribute to our today achievements. Thanks to you DHG trademark, its products and stocks have opportunity to fly faster, higher and to be more closer to Vietnamese community as well as to other countries in the world.

Message from DHG PHARMA

Beginning from the temporary camps under crown canopy of U Minh Ha forest, we - the white soldiers serving in Ho Chi Minh historical campaign over the Western Front were assigned to work at the 2/9 Pharmaceutical Factory - the first state-owned enterprise in the South West area and also the precursor of DHG Pharma.

From the rudimentary factory in the forest moving to the urban, DHG Pharma concentrated its effort on equipment, technological innovation and production process to supply high-quality products to the market and assert its position as a typical pharmaceutical business model.

In front of the threshold of global economic integration, we once again prepare for the journey to new heights. The company has achieved the noble title "Hero of labour" along with the compliance of international quality standards, from ASEAN-GMP to WHO- GMP, ISO 9001, ISO/IEC 17025:2005. The recognition as Vietnam High Quality Goods for DHG's products, the awards for DHG Trademark, for DHG's stock as one of reputable securities in Vietnamese market are so great. However, its remarkable team with more than 2,000 staffs should be considered as the most outstanding point of DHG. They are the ones who have been harshly tested, trained and matured in the common house. And surely, we will continue to work together to create future victories.

No matter being called as the 2/9 Pharmaceutical Factory, Hau Giang Pharmaceutical United Factory or DHG Pharmaceutical Joint-Stock Company or DHG Pharmaceutical Corporation,... even in which name, we always acknowledge the supports of local and central authorities through many generations, of all our dear customers, doctors, friends, colleagues, investors and all shareholders. You all have been engaging, caring and always giving us a favor during the long way. We pledge that we will try to do our best not only for DHG Pharma but also for being forever worthy of those love and trust.

The prep has been ready; the door of integration gradually opens: with the passionate dedication to the development of the homeland and the desire to conquer the global market, we always know what to do to get through the fierce competition for the glory of DHG Pharma trademark.

We have a strong confidence by knowing that, around us there are the hearts that always trust in us.

Our acknowledgement as well as the promise for a prosperous future will remain from today to tomorrow and forever...

CHAIRPERSON & CEO



PHAM THI VIET NGA





**Respecting
The past**

DHG Culture Features – the generations'gift



“To have a collective team that always strive for corporate common goals, DHG has spent much effort to train, instruct and educate in order to encourage its employees showing their consideration and feelings for one another from matter to spirit; together creating a unique corporate culture which is the proud of DHG's people.

DHG Culture Features” is shown in a greater and deeper way in the collective workers who have been living and working together. We call it “The big DHG family” or “the DHG common house”, and “When a horse is sick, the whole stable refuses grass”. The people not only embrace each other crying when the company achieves a big success, or a new victory in the New Year's eve, but also show their joy when their colleagues having happiness events such as wedding, having a new house or when the children passed entrance college exams. And they shoulder together, sharing the pain of every person in front of miserable loss or serious illness, etc...

Through “the sharing action”, no one can forget the moment of sharing his life story, the past of his family and his growing up circumstance to the others. Then, they sympathize more with each other and forgiving one another when there is no agreement or someone has made a mistake.

And the embodiment of “DHG Culture Features” is strongly presented via the salesmen who are away from their families for months; during a year they gather together, eating the same food, living in the same houses, sharing a hard day with many changes in the market and getting the double happiness when the relationship with customers is better and better.

DHG Corporate culture is also the feelings of sincere hearts towards consumers, the actions to preserve product quality, to improve customer care activities as well as to better the relationships between DHG's staffs with our healthcare colleagues. It helps to construct a firm DHG Pharma trademark in the minds of its consumers.

“DHG Culture Features” are the gift, which the previous generations have given back to today and future generation in order to continue building the company image. It also serves as an orientation, a corporate culture institute and helps to create outstanding individuals who have sufficient qualifications such as politeness, courage, faithfulness, and being in harmony with everyone.

Please respect, conserve and continue to develop them!

History of formation & Development

There are no big and small successes

Which do not have difficulties from the time.

The historical nature of DHG includes pictures, will, intelligence and enthusiasm. From the live witnesses and specific records, we are pleased to present its historical movies through the ages:



Wartime

The precursor of DHG is 2/9 Pharmaceutical Factory which was established on 02/Sep/1974 at Dat Set Channel 5, Khanh Lam (now Khanh Hoa) Commune, U Minh District, Ca Mau Province. The factory was fully located in the deep forest; production and living conditions were very difficult and deprived. The production equipment was also simple, rudimentary and mostly done by hand. The raw materials were mainly home-made medicinal herbs such as distilling wine to get alcohol, taking glue from trees to produce cold medicines, collecting the grains of Combretum quadrangulare to make antiparasitic agent, buying the skins of Calophyllum inophyllum to make stomach ache

medicine, taking Passiflora foetida and Erythrina variegata to produce the sedatives, buying old bottles of inhabitants, rinsing them for the reuse of containing liquid medicines.

It was frequently relocated due to the war conditions, so the facilities in the factory were built with rude materials available on site. The manufacturing, preparing, and testing areas were the houses with leaf roofs, walls - floor by mangroves. Normally we traveled by boats. The total staffs at that time was only about 50 people divided into 03 production teams: tablet-production group, injection-production group and liquid-production group. Each team had only around 10 people responsible for both professional work and doing logistics.

After 30/Apr/1975, The Civil Medical Service Board of South West Area was dissolved; the 2/9 Pharmaceutical Factory was assigned to be under the management of the Hau Giang Health Service Department.





In 1982, Hau Giang Pharmaceutical United Factory was founded based on the consolidation of three units: 2/9 State-owned Pharmaceutical Factory, Pharmaceutical Company Level 2 and Herbal Medicine Station. Since becoming Hau Giang Pharmaceutical United Factory, DHG journey is enlarged faster.



In 1988, People's Committee of Hau Giang Province decided to merge Hau Giang Materials – Medical Provider Company in Hau Giang Pharmaceutical United Factory and its Director was Ms. Pham Thi Viet Nga and Vice Director was Mr. Tran Cong Ky.

Transferring period



Being a young business, DHG at that time just assigned to distribute the medicines made by the pharmaceutical companies in the central; therefore, the Company did not have any equipment – machinery: only 1 - 2 rudimentary tablet compression machines, old apothecary's mortar, factory house was only the part of buildings left by the former military regime.



During difficult years of the Country, domestic producers faced a hard time due to the limitation of imported raw materials. DHG, at such situation, determined to make use of domestic raw materials by feeding bees to take honey, breeding snakes to get their venom, growing more plants in its herbal gardens; going to Long Phu to plant citronella, peppermint to take its essential oil etc.

DHG's products were not widely known with a small output; the wages for workers were tight but their contributions and attachment at that time really were corporate admirable property.

From the first step to learn about customer needs

The subsidized period, the time when we only sold what we had but did not sell what the consumers needed; it was also impossible to do differently because any production and distribution plans were controlled by the Province and the Industry at that time. Then the renewal wind of the country has given us a new spirit as we had accessed to consumers' needs; we were allowed to be independent in setting plans for production, trading and investment.

Through the early access the customers, we were truly disappointed because at that moment customers were not trust in DHG's product quality at all. We understood that the time when all produced goods were completely sold out because of having the consumption plans had already ended. The sincere comments of customers, from then on, had given us the choice for "quality product" as our top priority.

Innovative Stage



In 1996, DHG was honorably awarded the noble title "Hero of Labor" with the record as a leading pharmaceutical enterprise in term of sales, production capacity and market share in Vietnam pharmaceutical market by the State President. It was also the first year that DHG's products were voted Vietnam High Quality Goods and the year that the Company production value reached VND 100 billion.

Then, confirming the product quality

In 1997, DHG mobilized "60-day campaign for corporate survival and development". By the hearts and minds together with the determination of more than 1,000 employees, we started for ASEAN GMP without consultation, just only an English document book: "How to do GMP"

Finally, DHG then became one of the first three companies in Vietnam recognized as ASEAN-GMP compliance, but more specifically, this achievement was derived by the entirely self-studied process of DHG. The strict principles of GMP have given DHG's staffs a great sense of protecting product quality.



And then expanding the market, building distribution systems

In the West, according to the characteristics of the Mekong River, we have to deliver medicines by boats, from the medical stations in the communes and districts to individual homes, which we can sell the so-called "family medicine bag." In the North, at that time, any companies had hardly done bringing goods to the customers' home. Nevertheless, for DHG, even if it was a small medical bag, with only including one or two blisters, we had to take tens of kilometers to deliver to the customers. Therefore, it has left a great impression. At that time, we have also started exporting our products to some neighboring countries such as Laos and Cambodia.

More than 15 years of building distribution systems, we can say, the remarkable market-share that DHG has obtained today is due to the success of our customer care activities. Each of DHG's salesperson, with his patience and diligence, has captured our customers' feelings as well as created emotions for them by our love and our own culture. Therefore, with around 20,000 customers currently on the market, we have had more than 1/3 close customers becoming the members in "Mutual prosperity club", being the member in the "DHG Big Family". They are also the one who give valuable contributions to DHG's strategies for corporate market development.

Development period



However, the biggest success is perhaps the task of building brand

Sometimes, the products of DHG seemed to have no place to stand in the market; the product could not be sold, so we had to sell them at the cheaper price to our friends' enterprises. And then, we had to buy our own products, which had been already branded under the name of these enterprises, with high price to resell them to the market. Since then, every DHG employee has been aware that just having a well-known trademark, we can create our own advantages in competition.

"Poor business" started building his trademark by focusing on popularizing "Hau Giang Pharmaceutical United Factory". Though there were many efforts, the consumers appeared to be hard to remember its business's name. We again refined 03 words "Duoc Hau Giang" and these three words are also formed from the dear familiar voice of our customers.

However, do the consumers go to the drug store and asking "a Duoc Hau Giang tablet" (?)

Therefore, since 2002 DHG chose the specific products to put energy into promoting and spreading in the customers' hearts. Starting brand is EFF-PHA C, orange-flavored effervescent tablets, dietary supplement, then, FUBENZON (antiparasitic agent). Next are the brands: HAPACOL, HAGINAT, KLAMENTIN, UNIKIDS, DAVITA, EYELIGHT, GLUMIFORM, NATURENZ, SPIVITAL and APITIM. These brands are methodically invested, managed by a professional marketing team consisting of 80 outstanding individuals with modern and effective marketing methods.

What makes these achievements, the resounding victory for the DHG? Does it come from the enthusiastic hearts of the ones who always force their minds and hands working ceaselessly, and together with the others to create the greatest common spirit; that is the spirit of overcoming difficulties, not surrendering?! Now we can name this spirit with a catchy and different phrase "The skill and spirit of DHG!"

The difficult periods have already passed, now, over 37 years of formation and development, DHG has to face a new challenge - the challenge to overcome its own success - the challenge in glory. We still admit that human factor is the most important key to overcome this challenge. However, the people are now not confined to the employees' extent, but are extended to: DHG's shareholders, customers, consumers and suppliers as well as the whole society going abreast with us.

By the act of gratitude, in the sense of social responsibility and environmental awareness, with the professional etiquette, from the thinking of a business and by "DHG skill and spirit", we have been done:

- Apply effectively the usage of modern management tools (10.5S, Balance Score Card);
- Create an effective "Tripod strategy" (shareholders, customers and employees);
- Build facilities for our distribution network;
- Invest in construction of new factory to improve production capacity;
- Deeply invest in R&D to develop outstanding products;
- Establish distribution subsidiaries, diversified subsidiaries and invest in business concerns;
- Build Risk Management System and Internal Inspection;
- Prepare and develop inherited staffs
- Invest in the software management system BFO;
- Transparent and healthy finance, publish information in time and lawfully.

in order to obtain higher revenue from year to year, to protect the leading position in Vietnam pharmaceutical industry in term of business results, to let the corporate value growing day by day, and to share corporate achievements with the community, we will try our best to fulfill the vision "For a more beautiful and healthier life".

The Improvement Period



DHG continued its way by being equitized on 02/Sep/2004, then listed its shares on HOSE on 21/Dec/2006 as well as IPO on July 2007, collecting nearly VND 399 billion, of which VND 379 billion is the share premiums.

The production capacity, product quality, market share, and business results are now in the top position of Vietnam Pharmaceutical Industry. DHG stocks are always trading at the price of more than VND 100,000 per share even if the market has sometimes fallen very deeply because of the economic fluctuation.

With the great things had done in the past, we have a strong belief that we will certainly come off well in the future, because our paths for corporate development have been defined correctly.

Key milestones

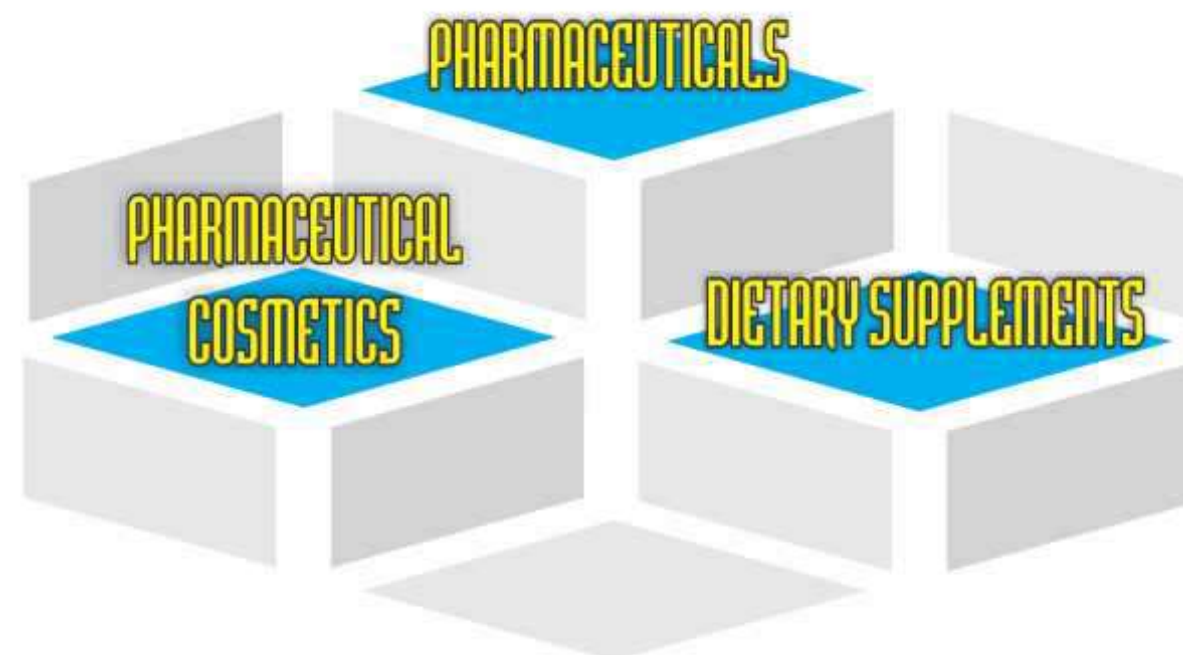


Noble titles



Year	Titles	Conferred by
1988	Third-class Labor Medal	State President
1993	Second-class Labor Medal	State President
1996	Hero of Labor (Period 1991 - 1995)	State President
1998	First-class Labor Medal	State President
2004	Third-class Independence Medal	State President
2005	Certificate "Decade of Quality" (1996 - 2005)	Prime Minister
2006-2007	Certificate of Merit "The Enterprise achieved the title "Vietnam High Quality Goods" for its products in many successive years, contributed to the task of building and protecting the Country"	Prime Minister
2010	Second-class Independence Medal	State President

Scope of business



Increased chartered capital

UNIT: 1,000 VND

Time	Subjects to enjoy	Capital before issuance	Added amount	Capital after issuance
06/2007 – 08/2007	- Current shareholders; - Strategic investors; - Employees; - Public	80,000,000	20,000,000	100,000,000
11/2007 – 12/2007	Current shareholders	100,000,000	100,000,000	200,000,000
10/2009 – 12/2009	Current shareholders	200,000,000	66,629,620	266,629,620
06/2010 – 09/2010	Employees	266,629,620	2,500,000	269,129,620

Past data

Business performance in the equitized years

Target	Performance (in billions VND)						Year to year growth rate (%)					
	2005	2006	2007	2008	2009	2010	2005/ 2004	2006/ 2005	2007/ 2006	2008/ 2007	2009/ 2008	2010/ 2009
Net sales (consolidated)	554	868	1,269	1,485	1,746	2,034	23%	57%	46%	17%	18%	16%
<i>in which:</i>												
Pharmaceutical production	493	804	1,200	1,395	1,638	1,891	27%	63%	49%	16%	17%	15%
Profit after tax (consolidated)	55	87	115	129	357	381	132%	58%	32%	13%	177%	7%

(Source: Audited consolidated financial statements from 2005-2010 of DHG)

Production output in the equitized years

No.	Dosage form	Unit (1,000)	Year 2005	Year 2006	Year 2007	Year 2008	Year 2009	Year 2010
1	Tablet	Tablet	1,563,632	1,036,938	1,280,409	1,142,815	1,075,641	1,252,493
2	Sugar coated tablet	Tablet	268,285	259,602	346,114	325,591	320,866	317,673
3	Film coated tablet	Tablet	189,442	204,281	316,375	333,523	410,473	485,877
4	Capsule	Capsule	373,497	418,359	593,339	524,584	507,275	611,678
5	Soft capsule	Capsule	113,641	202,683	234,497	258,642	273,222	255,977
6	Ampoule	Ampoule	16,506	3,947	-	95	1,248	3,398
7	Syrup	Bottle, tube, sachet	4,065	3,803	4,973	5,793	8,216	9,033
8	Granule & powder	Bottle & sachet	74,847	127,564	194,710	194,677	260,534	267,986
9	Cream - ointment	Bottle, tube, sachet	7,493	13,672	17,708	20,014	25,554	24,770
10	Probiotic yeast	Capsule, sachet	-	905	6,654	9,332	10,385	7,260
11	Candy	Piece	-	-	24,059	55,499	81,255	105,780
	Total		2,611,412	2,271,759	3,018,843	2,870,570	2,974,675	3,341,930

(Source: Report on DHG Pharma's analysis of finished product cost)

Export sales

Export sales	Year 2005	Year 2006	Year 2007	Year 2008	Year 2009	Year 2010
USD	400,936	746,908	826,896	1,049,546	896,666	1,114,518
VND (million)	6,360	11,952	13,317	17,073	15,995	19,081
EUR	-	-	-	42,348	99,374	89,392
VND (million)	-	-	-	1,006	2,556	2,273
Total value in VND (million)	6,360	11,952	13,317	18,080	18,552	21,354

(Source: DHG Pharma)

Cost structure/Total revenue

Target	Value (VND billion)						Ratio (%)					
	Year 2005	Year 2006	Year 2007	Year 2008	Year 2009	Year 2010	Year 2005	Year 2006	Year 2007	Year 2008	Year 2009	Year 2010
Total revenue	555	870	1,276	1,509	1,791	2,084	100%	100%	100%	100%	100%	100%
Costs of good sold	299	402	600	694	822	1,015	54.89	46.29	47.07	46.01	45.91	48.74
Selling expenses	155	311	469	521	409	483	27.91	35.85	36.77	34.55	22.86	23.20
Administrative overheads	39	55	59	103	113	134	7.16	6.42	4.69	6.89	6.35	6.47
Financial expenses	5	11	17	38	23	3	1.02	1.29	1.35	2.55	1.32	0.16
Other expenses	0.3	1	0.9	6	12	8	0.06	0.14	0.07	0.40	0.70	0.39

(Source: Audited consolidated financial statements from 2005 - 2010 of DHG)

Basic financial ratios

Target	Unit	Year 2005	Year 2006	Year 2007	Year 2008	Year 2009	Year 2010
Assets Structure							
Current assets/Total assets	%	77.93	68.25	71.86	72.43	79.66	79.24
Long-term assets/Total assets	%	22.07	31.75	28.14	27.57	20.34	20.76
Capital Structure							
Liabilities/ Total capital	%	55.19	64.70	32.16	35.37	32.60	29.16
Owner's equity/Total capital	%	44.81	35.30	67.58	64.33	67.40	70.36
Operating capacity							
Inventory time	Day	138	110	140	162	138	126
Receivable period	Day	43	65	68	53	52	55
Payment period	Day	20	17	34	36	32	31
Liquidity							
Current Liquidity	Time	1.81	1.55	3.11	2.83	3.07	3.43
Quick Liquidity	Time	0.88	0.72	1.48	1.29	1.87	1.36
Profitability Ratios							
Return on Sales	%	10.00	10.03	9.07	8.67	20.45	18.73
Return on Assets	%	18.95	18.03	12.19	11.91	23.46	20.95
Return on Equity	%	42.28	51.08	18.04	18.38	35.34	29.77
Share, dividend							
Earnings per share (EPS)	VND	6,922	10,882	6,114	6,445	13,396	14,234
Dividend per share (DPS)	VND	2,500	2,500	2,500	2,500	3,000	4,000
Book value per share (BV)	VND	13,261	20,163	31,129	34,056	34,234	38,264

(Source: Audited consolidated financial statements from 2005 - 2010 of DHG)

Structure of operating sales

Item	Value (million VND)						Ratio (%)					
	Year 2005	Year 2006	Year 2007	Year 2008	Year 2009	Year 2010	Year 2005	Year 2006	Year 2007	Year 2008	Year 2009	Year 2010
Production sales	494,202	805,584	1,201,637	1,397,942	1,641,224	1,897,433	89.20	92.79	94.67	94.11	94.00	93.26
Pharmaceuticals	492,999	803,860	1,199,826	1,395,048	1,638,028	1,891,948	88.98	92.59	94.53	93.91	93.81	92.99
Packaging	1,203	1,724	1,810	2,185	2,132	2,800	0.22	0.20	0.14	0.15	0.12	0.14
Processing	-	-	-	707	1,063	2,685	0.00	0.00	0.00	0.05	0.06	0.13
Other operating revenues	59,828	62,607	67,642	87,521	104,797	137,092	10.80	7.21	5.33	5.89	6.00	6.74
Goods trading	53,088	50,238	37,584	31,494	37,693	37,585	9.58	5.79	2.96	2.12	2.16	1.85
Materials trading	6,739	12,368	30,058	31,473	39,848	24,472	1.22	1.42	2.37	2.12	2.28	1.20
Travel activities	-	-	-	386	467	5,485	0.00	0.00	0.00	0.03	0.03	0.27
Promotion goods	-	-	-	24,166	26,788	69,552	0.00	0.00	0.00	1.63	1.53	3.42
Net sales	554,030	868,191	1,269,279	1,485,463	1,746,022	2,034,525	100%	100%	100%	100%	100%	100%

(Source: DHG Pharma)

Structure of sales following pharmaceuticals and herbal medicine

Product group	Year 2006		Year 2007		Year 2008		Year 2009		Year 2010	
	Value	Ratio	Value	Ratio	Value	Ratio	Value	Ratio	Value	Ratio
Output	Million (product unit)	%	Million (product unit)	%	Million (product unit)	%	Million (product unit)	%	Million (product unit)	%
Pharmaceuticals	2,180	95.32	2,448	93.05	2,410	90.23	2,008	86.40	2,038	85.60
Herbal	107	4.68	182	6.95	260	9.77	316	13.60	342	14.40
Total	2,287	100	2,631	100	2,671	100	2,324	100	2,381	100
Sales	Billion VND	%	Billion VND	%	Billion VND	%	Billion VND	%	Billion VND	%
Pharmaceuticals	743	95.6	1,121	94.15	1,283	92.08	1,389	90.59	1,535	89.36
Herbal	34	4.39	69	5.85	110	7.92	144	9.41	182	10.64
Total	777	100%	1,191	100%	1,393	100%	1,533	100%	1,718	100%

(Source: Report on analysing product performance of DHG Pharma)

Structure of sales following 12 groups of products

Product group	Year 2006		Year 2007		Year 2008		Year 2009		Year 2010	
	Value	Ratio	Value	Ratio	Value	Ratio	Value	Ratio	Value	Ratio
Selling output	Million (product unit)	%	Million (product unit)	%	Million (product unit)	%	Million (product unit)	%	Million (product unit)	%
Vitamin minerals	677	29.60	602	22.90	588	22.04	367	15.83	371	15.58
Ophthalmic products	1	0.05	3	0.14	5	0.22	8	0.36	9	0.39
Musculoskeletal products	149	6.54	184	6.99	170	6.38	93	4.03	87	3.69
Digestives & hepatic and biliary products	117	5.15	151	5.74	185	6.94	176	7.59	175	7.37
Analgesics - Antipyretics	395	17.28	441	16.76	442	16.56	469	20.19	476	20.01
ENT - Asthma - Coryza products	546	23.90	699	26.57	775	29.05	808	34.77	831	34.90
Diabetic products	1.6	0.07	3.3	0.13	9.8	0.37	12	0.52	14	0.62
Nervous system products	0.75	0.00	3	0.13	10	0.39	19	0.85	26	1.13
Cardiovascular products	11	0.52	20	0.78	30	1.16	32	1.39	38	1.63
Beauty care products	7	0.35	9	0.37	8	0.33	7	0.31	5	0.24
Dermatological products	7	0.33	7	0.28	8	0.30	8	0.39	8	0.34
Antibiotics, antifungals - Antiparasites	370	16.22	505	19.20	434	16.26	320	13.78	335	14.10
Total	2,287	100%	2,631	100%	2,671	100%	2,324	100%	2,381	100%

(Source: Report on analysing product performance of DHG Pharma)

Structure of sales following pharmaceuticals, dietary supplement, and pharmaceutical cosmetics

Product group	Year 2006		Year 2007		Year 2008		Year 2009		Year 2010	
	Value	Ratio	Value	Ratio	Value	Ratio	Value	Ratio	Value	Ratio
Output	Million (product unit)	%	Million (product unit)	%	Million (product unit)	%	Million (product unit)	%	Million (product unit)	%
Pharmaceuticals	2,269	99.23	2,585	98.23	2,516	94.20	2,061	88.67	2,089	87.71
Dietary supplement	17	0.77	46	1.77	154	5.80	262	11.28	292	12.28
Cosmetics	-	0.00	-	0.00	0.93	0.003	1	0.05	0.23	0.01
Total	2,287	100	2,631	100	2,671	100	2,324	100	2,381	100
Sales	Billion VND	%	Billion VND	%	Billion VND	%	Billion VND	%	Billion VND	%
Pharmaceuticals	758	97.57	1,147	96.34	1,302	93.48	1,394	90.93	1,582	92.06
Dietary supplement	18	2.43	43	3.66	89	6.43	132	8.65	134	7.81
Cosmetics	-	0.00	-	0.00	1.2	0.09	6.4	0.42	2.1	0.13
Total	777	100%	1,191	100%	1,393	100%	1,533	100%	1,718	100%

(Source: Report on analysing product performance of DHG Pharma)

Structure of sales following 12 groups of products

Product group	Year 2006		Year 2007		Year 2008		Year 2009		Year 2010	
	Value	Ratio	Value	Ratio	Value	Ratio	Value	Ratio	Value	Ratio
Sales	Million (product unit)	%	Million (product unit)	%	Million (product unit)	%	Million (product unit)	%	Million (product unit)	%
Vitamin minerals	90	11.69	127	10.68	146	10.49	155	10.12	171	9.96
Ophthalmic products	4	0.57	8	0.75	16	1.15	30	1.98	38	2.24
Musculoskeletal products	18	2.35	24	2.09	36	2.60	28	1.89	36	2.15
Digestives & hepatic and biliary products	40	5.20	70	5.95	97	6.97	104	6.79	118	6.92
Analgesics - Antipyretics	137	17.72	179	15.10	193	13.90	244	15.97	253	14.73
ENT - Asthma - Coryza products	91	11.73	144	12.13	196	14.10	237	15.47	260	15.13
Diabetic products	0.9	0.12	2	0.20	4	0.35	8	0.53	10	0.62
Nervous system products	0.1	0.02	5	0.43	10	0.78	15	0.98	20	1.21
Cardiovascular products	9	1.22	16	1.40	24	1.79	30	1.98	34	1.99
Beauty care products	11	1.50	14	1.25	14	1.06	15	1.03	12	0.72
Dermatological products	12	1.64	14	1.19	17	1.28	21	1.43	23	1.37
Antibiotics, antifungals - Antiparasites	359	46.25	581	48.84	634	45.52	64	41.82	738	42.95
Total	777	100%	1,191	100%	1,393	100%	1,533	100%	1,718	100%

(Source: Report on analysing product performance of DHG Pharma)

Structure of Human resource

STRUCTURED BY GENDER

Gender	31/12/2005		31/12/2006		31/12/2007		31/12/2008		31/12/2009		31/12/2010	
	Quantity	%	Quantity	%	Quantity	%	Quantity	%	Quantity	%	Quantity	%
Male	607	51.05%	885	48.65%	1,044	52.10%	1,085	51.03%	1,154	50.39%	1,235	50.29%
Female	582	48.95%	934	51.35%	960	47.90%	1,041	48.97%	1,136	49.61%	1,221	49.71%
Total	1,189	100%	1,819	100%	2,004	100%	2,126	100%	2,290	100%	2,456	100%

(Source: DHG Pharma)

STRUCTURED BY FUNCTION

Function	31/12/2005		31/12/2006		31/12/2007		31/12/2008		31/12/2009		31/12/2010	
	Quantity	%	Quantity	%	Quantity	%	Quantity	%	Quantity	%	Quantity	%
Office staff	380	31.96%	515	28.31%	590	29.44%	634	29.82%	594	25.94%	546	22.23%
Production worker	532	44.74%	826	45.41%	774	38.62%	694	32.64%	729	31.83%	925	37.66%
Sales force	277	23.30%	478	26.28%	640	31.94%	798	37.54%	967	42.23%	985	40.11%
Total	1,189	100%	1,819	100%	2,004	100%	2,126	100%	2,290	100%	2,456	100%

(Source: DHG Pharma)

STRUCTURED BY EDUCATION LEVEL

Gender	31/12/2005		31/12/2006		31/12/2007		31/12/2008		31/12/2009		31/12/2010	
	Quantity	%	Quantity	%	Quantity	%	Quantity	%	Quantity	%	Quantity	%
Post-graduation	16	1.35%	16	0.88%	16	0.80%	17	0.75%	18	0.79%	31	1.26%
PhD in Economics	01		01		01		01		01		02	
Master of Pharmacy	02		02		02		03		04		05	
Master in Economics	02		02		02		03		03		03	
Bsc Pharm. Specialist of degree 1	11		11		11		10		10		21	
Graduation	281	23.63%	299	16.44%	367	18.31%	387	18.25%	397	17.34%	591	24.06%
Pharmacy	38		38		63		69		76		68	
Economics	135		148		162		200		208		204	
Mechanics	08		08		07		07		10		13	
Other	100		105		135		111		103		305	
College	540	45.42%	573	31.5%	769	38.37%	871	40.97%	949	41.44%	1,059	43.12%
Technical workers	28	2.35%	28	1.54%	27	1.35%	27	1.27%	26	1.13%	25	1.02%
Intermediate pharmacists	48	4.04%	48	2.64%	40	2.00%	146	6.87%	171	7.47%	185	7.53%
High school	276	23.21%	855	47.00%	785	39.17%	678	31.89%	729	31.83%	565	23.00%
Total	1,189	100%	1,819	100%	2,004	100%	2,126	100%	2,290	100%	2,456	100%

(Source: DHG Pharma)



**STRENGTHENING
THE PRESENT**



INTRODUCTION OF ADMINISTRATION BOARD



Mrs. Pham Thi Viet Nga
Chairperson
Chief Executive Officer

Date of birth: 1951

Professional skills: Ph.D of Business Administration (HCMC University of Economics)
BSc Pharm (HCMC University of Medicine and Pharmacy)

Seniority in the Company: 31 years

Management experience: 31 years

Position in other company: Chairperson of Vinh Hao Algae processing JSC (SPIVIHA)

Employment History:

- 7/1980 – 7/1986: Manager of Thot Not Drugstore
- 7/1986 – 4/1988: Director of Hau Giang Materials – Medical Provider Company
- 4/1988 – 9/2004: Director of Hau Giang Pharmaceutical United Factory
- 9/2004 – now: CEO of DHG Pharmaceutical Joint-Stock Company

Date of birth: 1959

Professional skills: Bachelor of Business Administration (HCMC University of Economics)
Bachelor of Administrative Science (National Administrative Institute)

Seniority in the Company: 32 years

Management experience: 24 years

Employment History:

- 1979 – 1981: Employee of Drugstore No. 1 – Hau Giang Pharmaceutical Company
- 1981 – 1987: Employee of Drugstore No. 2 – Hau Giang Pharmaceutical United Factory
- 1987 – 1996: Vice Manager of Department of Planning – Hau Giang Pharmaceutical United Factory
- 1997 – 9/2004: Vice Director of Hau Giang Pharmaceutical United Factory
- 9/2004 – now: Deputy CEO of DHG Pharmaceutical Joint-Stock Company



Mrs. Le Minh Hong
Vice-chairperson of BOD
Deputy CEO

Date of birth: 1959

Professional skills: Master of Business Administration (HCMC University of Economics)

Seniority in the Company: 22 years

Management experience: 22 years

Employment History:

- 1984 – 1985: Manager of Department of Planning of Hau Giang State-owned Livestock Factory
- 1985 – 9/1989: Vice Manager of Department of Planning of Hau Giang State-owned Livestock Company.
- 9/1989 – 11/1989: Vice Manager of Department of Accounting of Hau Giang Pharmaceutical United Factory
- 11/1989 – 3/1997: Chief Accountant of Hau Giang Pharmaceutical United Factory
- 3/1997 – 9/2004: Vice Director of Hau Giang Pharmaceutical United Factory
- 9/2004 – now: Deputy CEO of DHG Pharma



Mr. Le Chanh Dao
Member of BOD
Deputy CEO



Mrs. Nguyen Thi Hong Loan
Member of BOD
Production Director

Date of birth: 1958

Professional skill: Specialized Pharmacist 1 (HCMC University of Pharmacy and Medicine)

Seniority in the Company: 35 years

Management experience: 29 years

Position in other organization: Director of DHG Pharmaceutical One-Member Limited Company (New factory at Tan Phu Thanh IZ)

Employment History:

- 2/1976 – 6/1982: Group Leader of Manufacturing Workshop of 2/9 Pharmaceutical Factory
- 6/1982 – 9/1986: Vice Manager of Manufacturing Workshop of 2/9 Pharmaceutical Factory
- 9/1986 – 9/1989: Taking a crash course in Pharmaceutics at HCMC University of Pharmacy and Medicine
- 10/1989 – 3/1991: Head of Drugstore of Can Tho Pharmaceutical Company
- 4/1991 – 12/2003: Manager of Manufacturing Workshop of Hau Giang Pharmaceutical United Factory
- 01/2004 – 9/2004: Manager of Storehouse of Hau Giang Pharmaceutical United Factory
- 9/2004 – 10/2004: Manager of Production Management Department – DHG Pharmaceutical Joint-Stock Company
- 10/2004 – now: Production Director and Manager of Production Management Department – DHG Pharmaceutical Joint-Stock Company



Mr. Doan Dinh Duy Khuong
Member of BOD
Marketing Director

Date of birth: 1974

Professional Skill: Master of Business Administration (MBA - UBI – Belgium)

Seniority in the Company: 13 years

Management experience: 09 years

Employment History:

- 1993 – 1996: In charge of sampling activities for Unilever Vietnam in Mekong region
- 1996 – 1997: Sales Supervisor - Vietnam Food Industries JSC
- 1997 – 12/1999: Sales & Marketing Supervisor - Foremost Vietnam at Mekong region
- 2000 – 01/2003: Staff of Department of Planning - Hau Giang Pharmaceutical United Factory
- 02/2003 – 9/2004: Managing the activities of Product Development Function and Trademark activities – Hau Giang Pharmaceutical United Factory
- 9/2004 – 10/2005: Trademark Director and Vice Manager of Marketing Department - DHG Pharmaceutical Joint-stock Company
- 10/2005 – now: Marketing Director and Manager of Marketing Department - DHG Pharmaceutical Joint-stock Company

Date of birth: 1962

Professional skills: Master of Business Administration (HCMC University of Economics)

Engineer of Communications (BME – Polytechnique University of Budapest - Hungary)

Position in other company: Vice Chairman of Board of Directors of Long An Export Joint-Stock Company (LAFOOCO)

Employment History:

- 1987 – 1993: Research Engineer - Department of Research – VTC Telecommunications (VTC); General Department of Post and Telecommunications of HCM City
- 1993 – 1996: Manager - Department of Research of VTC1 Center – VITECO VNPT Joint-Stock Company, HCMC
- 1996 – 1999: Vice-Director of VTC1 Center – VITECO VNPT Joint-Stock Company, HCMC
- 1999 – 04/2007: Head of Supervision Board & Manager of Department of Administrative Management – VTC Telecommunications, HCMC
- 19/3/2005 – now: Vice Chairman of Board of Directors - Long An Export Joint-stock Company (LAFOOCO).
- 4/2007 – 4/2009: Member of Board of Supervision – DHG Pharmaceutical Joint-Stock Company
- 4/2009 – now: Member of Board of Directors - DHG Pharmaceutical Joint-Stock Company



Mr. Nguyen Nhu Song
Member of BOD

Date of birth: 1970

Professional skills: Bachelor of Laws (Ho Chi Minh City General University)

Position in other company: Director of the Southern Region Branch - State Capital Investment Corporation (SCIC)

Employment History:

- 1996 – 2000: Lawyer - Hong Kong Law Firm – Johnson, Stokes & Master
- 2000 – 2001: Lawyer – Australian Law Firm – Deacons Vietnam
- 2001 – 2005: Legal Director - Manulife Insurance Company – Viet Nam
- 2005 – 2006: Deputy General Director & Legal Director - Manulife VietNam Fund Management Company
- 2006 – 2007: General Director - Manulife VietNam Fund Management Company
- 2007 – Now: Director of the Southern Region Branch - State Capital Investment Corporation (SCIC).



Mr. Le Dinh Bui Tri
Member of BOD



Mr. Nguyen Si Trung Ky
Member of BOD

Date of birth: 1960

Professional skill: Bachelor of Laws (Chisinau General University, Moldova)

Position in other company: General Director - Vinamex Pharmaceutical Company, Moldova

Employment History:

- 1978 – 1981: Sergeant-major - Vietnam Service soldiers
- 1992 – 1994: Business Director - Antares Company, Moldova
- 1995 – 2000: General Director - Vimex Pharmaceutical Company, Moldova
- 2001 – now: General Director - Vinamex Pharmaceutical Company, Moldova

Date of birth: 1958

Professional skills: Bachelor of Economics – Accounting (HCMC University of Economics)

Seniority in the Company: 29 years

Employment History:

- 1979 – 1983: Teacher - Ben Tre Commercial School
- 1983 – 1988: Chief Accountant - Hau Giang Materials – Medicine Provider Company
- 1988 – 06/2007: Accountant – Financial Administration Department of DHG Pharmaceutical Joint-Stock Company
- 06/2007 – now: Supervisor – Personnel Department of DHG Pharmaceutical Joint-Stock Company



Mr. Tran Quoc Hung
Member of BOS

Date of birth: 1962

Professional skills: Bachelor of Business Administration (HCMC University of Economics)

Seniority in the Company: 31 years

Management experience: 16 years

Employment History:

- 1980 – 1995: Employee - Business Department of Hau Giang Pharmaceutical United Factory
- 1995 – 1997: Vice Manager - Administrative Department of Hau Giang Pharmaceutical United Factory
- 1997 – 10/2004: Manager - Personnel Department of DHG Pharmaceutical Joint-Stock Company
- 10/2004 – now: Personnel Director and Manager of Personnel Department - DHG Pharmaceutical Joint-Stock Company

Date of birth: 1984

Professional skills: Master of Business Administration – ERC Institute, Singapore

Employment History:

- 02/2006 – 06/2006: On-the-job trainee – Can Tho City Customs Department
- 10/2006 – 01/2007: Trainee employee - Vietnam National Petroleum Corporation – Southwest Branch
- 04/2008 – 07/2008: Research student - DHG Pharmaceutical Joint-Stock Company
- 10/2008 – 07/2010: Specialist of Investment Committee 3 - SCIC
- 07/2010 – now: Specialist of Risk Management Committee - SCIC



Mrs. Tran Thi Anh Nhu
Head of BOS
Personnel Director



Mr. Dam Manh Cuong
Member of BOS

Report of Board of Directors

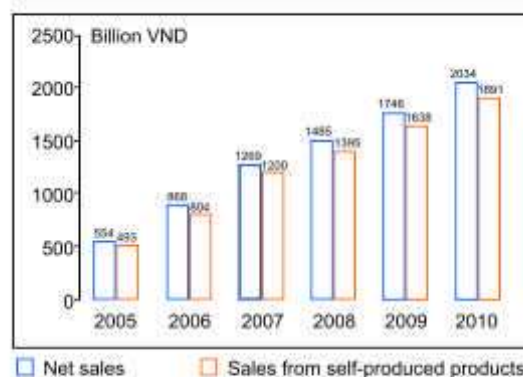
PERFORMANCE AS COMPARED TO PLANNED TARGETS

We have passed the the year 2010 that attaching a great pressure on the Board of Directors and Management leaders for the task of fulfilling corporate planned targets which was approved by Annual Shareholders' Meeting. However, with the utilization of available advantages, the determination of all employees, plus the efficiency of "Tripod strategy" and the support of all partners and agencies, DHG has over-performed its business targets planned for the year, in details as follows:

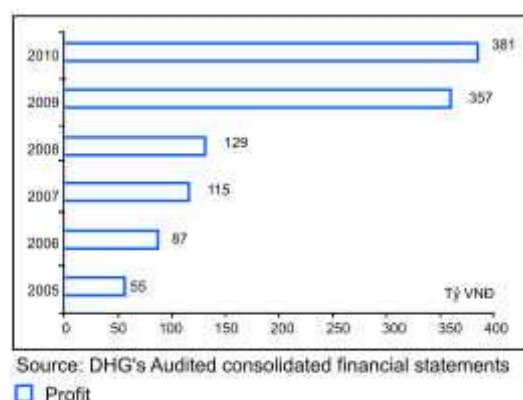
TARGET	Actual 2009 (VND in billions)	Plan of 2010 (VND in billions)	Actual 2010 (VND in billions)	Actual 2010/ Plan 2010	Actual 2010/ Actual 2009
Total production value	1,899	2,130	2,302	108%	121%
Net sales	1,746	1,920	2,034	106%	116%
Profit before tax	410	310	434	140%	106%

From the charts, we can see that DHG's performance steadily increased through years. Particularly, the sales from self-produced products make up 94%, a great ratio in total net sales. This helps DHG continue to stand in top position in Vietnam pharmaceutical industry for 15 consecutive years. DHG's revenue is triple in comparison with the enterprise standing the second and fourfold compared to the ones standing in the third position.

Performance of DHG in equitized years



DHG's sales increased 3.6 times after six years of being equitized, from VND 554 billion to VND 2,034; meanwhile, the profit after tax increased 07 times, from VND 55 billion to VND 381 billion. Profit growth rate increased double compared to the growth rate of sales. This shows that the growth of sales is always accompanied with the outstanding growth of profit. We are so proud to share with you these prominent achievements.



OPERATING RESULTS OF THE YEAR 2010

Prominent achievements

Establish 03 subsidiaries: TG Pharma, TOT Pharma, DHG Pharmaceutical One-member Limited Company.

Quality Control continues to be complied with ISO/IEC 17025 by Vilas. The Company's factories recognized WHO-GMP/ GLP/ GSP in the reassessment of Vietnam Drug Administration

Special awards for Annual Report in two successive years: 2009 and 2010

Continue to be leader in Vietnam Pharmaceutical industry in term of sales, profit, market-share, production capacity, product quality, prestigious trademark and value of stock

Vietnamese high quality product (15th)

Prestigious Stock in Vietnam securities market

Vietnam strong Trademark

"Prestige Trademark, Golden quality product"

Factors for success

The prerequisite elements for 2010 success are proper and effective strategy; closely follow corporate seven core values. The most successful ones are the application of "Tripod strategy" and "20/80 principle" in which the tools such as Balance Score Card, 10.5S, KPI, etc are applied strictly.

Additional factors are:

The trust of therapeutic system as well as customers in DHG's products

The good cooperation of customers in distribution of DHG's products to consumers

Strong sales force, good of transportation and excellent distribution network ensure the perfect delivery of goods.

The good collaboration of commercial banks in Can Tho City

The supports from agencies

The consideration and supports of State Capital Investment Corporation (SCIC) and all honorable shareholders

The determination and efforts of DHG's whole employees

Weaknesses

Unintelligent market forecast results in: 1) Passive in production and supply; 2) The high extraction for provision does not help to reflect real net profits and business results of 2010

The capacity of current factories and warehouses does not satisfy 2010 demand, leading to insufficient product to supply the market. The late completion of new factory causes a limitation to satisfy market demand

The fluctuation of USD – EUR – Yen etc affects the input price because the Company is still import about 80% material for production.

Poor prediction on the changing in material source and price which caused by the effects of natural disaster badly influences on the production plan, finished product cost and business results

Most products are under generic form, but no many specific drugs to replace the foreign ones that are mostly using in hospital system.

Management capability of all level does not keep pace with corporate development. Job-description, standard operating procedure (SOP), work instruction (WI) included in management system have been built, but they are not updated, modified frequently, leading to a poor performance.

CHANGES VS. OUTLINED PLANS

According to the plan submitted to 2009 Annual Shareholders' Meeting on 29 April 2010, phase one of the new factory construction – at Tan Phu Thanh IZ, Chau Thanh District, Hau Giang Province planned to start on Quarter 3/2010. However, there were several problems on land-site, so the project would be postponed.

DHG has started the construction on 27 April 2011. Phase one and phase two of the construction will be carried out parallel. The new factory scheduled to be completed on June/2012.

DHG has fulfilled several tasks as follows:

- + Received investment certificate on 16/Aug/2010
- + Received construction project certificate on 13/Sep/2010
- + Approved the project's detailed planning at 1/500 scale
- + "Environmental Impact Assessment Report" has been approved by Hau Giang People's Committee on 14 Jan 2011
- + "Fire regulations" has been examined and approved by Hau Giang's Police on 09 March 2011
- + Granted building license on 23 March 2011
- + The construction site being leveled completely

The delay of new factory construction

+ Handed over the construction site in two phases: phase one on 24 Feb 2011 and phase two on 15/April 2011; total cost spent for 08 hectares is VND 54 billion (675.000 VND/m² x 80.000 m²); the Company has paid VND 38 billion

Reversal

In 2010, DHG planned to obtain VND 1,920 billion in sales and VND 310 billion in profit before tax.

Business results in 2010: VND 2,034 billion in sales, up VND 114 billion compared to planned target; and VND 434 billion in profit before tax, up VND 124 billion compared to planned target. The absolute figure of added profit is even bigger than the added figure of sales (VND 10 billion higher)

This big disparity caused by the illness of DHG's forecast, which could not exactly measure market fluctuations. Moreover, it is because DHG has a reversal of VND 50 billion which is the provision of the year 2009.

UNCOMPLETED TASKS

Change the usage objectives of the land-space located at 288 Bis Nguyen Van Cu Street

The task of changing the area of 28,330.9m² located at 288 Bis Nguyen Van Cu, An Hoa Ward, Ninh Kieu District, Can Tho (next to the Company's headquarter) from "production area" into "residential area" had been approved by 2009 Annual Shareholders' Meeting (29 April 2010). However, to date this task has not been completed yet.

DHG Pharma has submitted application dossier to the Department of Natural Resource and Environment in 2011. The Company will carry out follow-up formalities to fulfill the task and continue to update this information to investors

The use of Science & Technology promotion fund

The amount in the Science & Technology Promotion Fund (VND 38,700,159,618) was set up in 2009 from the pre-tax profit in 2008 of DHG Pharma. The purposes for setting up this fund are: using for the tasks of R&D, for the implementation of scientific projects, for the investment in equipment and other research projects.

According to the audited financial reports, the balance of this fund at 31/Dec/2010 is VND 37,857,790,502. Therefore, DHG just used VND 842,369,116. As a rule, if not using at least 70% of this fund according to schedule in the allowed time, DHG must make a reversal for this amount and pay the business income tax.

DHG in reality has planned to use the above fund for:

The project "Implementation and application the nutritional value of Spirulina seaweed in preventing diseases to protect people's health." The project will be carried out from 01/Jan/2010 to 31/Dec/2012. The coordinator with DHG in this project is Vinh Hao Seaweed Joint Stock Company (SPIVIHA). Total cost for on project is VND 15 billion which divided into 03 years: VND 4.08 billion in 2010, VND 5.42 billion in 2011 and VND 5.5 billion in 2012. The cost is used to further research on products from Spirulina seaweed (algae mask, algae syrup, algae granules, zinc-rich, selenium-rich and chromium-rich spirogyra....), to advertise algae for clients and consumers and to implement educating activities on healthcare awareness in the community.

The project "Development and application of scientific research KC0417/KHCN 2001-2005 on the production of Naturenz, raising the awareness of prevention and treatment of liver, detoxifying the body, protecting health". This will be implemented from 01/Jan/2010 to 31/Dec/2012. To carry out this project, DHG will coordinate with the Naturenz's researcher who works at Biotechnology Institute - Institute of Science and Technology of Vietnam, Central Hospital of Can Tho City, Can Tho Medical University, Can Tho Dermatology Hospital, Can Tho Tuberculosis Hospital. Total fund for this project is VND 14 billion, divided into 03 years: VND 04 billion in 2010, VND 05 billion in 2011, VND 05 billion in 2012. The expenses are used to receive the transfer of Naturenz production technology (patent formula) from the Institute of Biotechnology; case studies on the patients suffered from hepatitis B, skin diseases, allergies, drug-resistant tuberculosis patients; implementation of seminars on health consultancy and educate the awareness of healthcare in the community.

Purchase machines, equipment, and other expenses for R&D activities: VND 8.86 billion

The rented land-space in Tra Noc IZ

DHG Pharma had decided to change the site for constructing new factory, **from Tra Noc IZ to Tan Phu Thanh IZ, Hau Giang Province in order to utilize BIT exemption policy (estimated VND 710 billion)**. Therefore, to land-space in Tra Noc IZ, the Company has no purpose for use; DHG Pharma has performed necessary formalities to hand it over to Tra Noc IZ's management board

However, the activity of investment withdrawal is facing several problems; so DHG Pharma, at present, just collects a part of investment amount. The rest one, as planned, will be taken back in 2011 and 2012.

Investment in Business concern - Medisun (DHG Soft caps)

After consideration about the effectiveness of the investment in Medisun, the balance between lower production cost and the inconvenience in management & product quality control, DHG Pharma has decided to invest in building a new soft-capsule factory which located on DHG Pharma's head quarter – 288 Bis Nguyen Van Cu Str., Can Tho City and to withdraw its capital at Medisun.

DHG has signed a contract to transfer 30% its share capital at Medisun. The collected amount from the transfer is received in two phases: phase 1: DHG will receive 50% of payment before 28 April 2011; the rest one will continue to be paid before 30 June 2011.

PROFIT DISTRIBUTION, DIVIDEND FOR 2010 OF PARENT COMPANY

ITEMS	RATIO	AMOUNT (VND)
Profit after tax of 2010	100% after-tax profit	374,202,057,470
Profit after tax of parent company		346,820,010,729
Profit after tax of DHG's wholly-owned subcompanies		27,382,046,741
Dividend for 2010	40% nominal value	222,403,220,000
- Phase 1/2010 (already paid)	10% nominal value	26,902,832,000
- Phase 2/2010	30% nominal value	195,500,388,000
Extract for Bonus and welfare fund	15% after-tax profit	41,375,186,813
Remuneration for BOD, BOS, General Management Board and key staffs		9,307,227,636
- Remuneration	1% Plan profit	3,100,000,000
- Bonus	5% above-plan profit	6,207,227,636
The remaining profit will be added to Business Promotion Fund		73,734,376,280



Dividend for 2010 of Parent company

Circulating stocks (stock)	26,902,832
Issuance of ESOPs for 2011 (stock)	250,000
Total (stock)	27,152,832
Issuance of Bonus stock at the ratio 1:1.4 (stock)	38,013,964
Total number of stocks after the issuances (stock)	65,166,796
Second phase dividend, ratio 30% nominal value (VND)	195,500,388,000

Paid first phase dividend for 26,902,832 circulating stocks with the amount VND 26,902,832,000, equivalent to 10% nominal value on 04/April/2010.

Second phase payment, 30% nominal value, expected to be carried out after the issuance of 250,000 ESOP stocks and bonus stock at the ratio 1:1.4, in details as follows:

Extract for Bonus and welfare fund of Parent company

With the ratio 15% after-tax profit (not including financial income and the Reversal of 2009), in details as follows:

EXPLANATION	BEFORE TAX (VND)	AFTER TAX (VND)
Consolidated profit of 2010	434,144,552,718	381,162,247,669
In which:		
- Financial income	40,566,222,890	30,424,667,168
- Reversal of 2009	50,000,000,000	45,000,000,000
Actual operating profit	343,578,329,828	305,737,580,502
Extract for Bonus and welfare fund (15%)		45,860,637,075
In which:		
Parent company		41,375,186,813
For sub companies		4,485,450,262

The remainder of funds and book value after distribution of profit

No.	ITEM	AMOUNT (VND)
1	Owner's capital	268,673,770,000
2	Share premiums	378,761,392,824
3	Business promotion fund	288,049,590,140
4	Financial reserved fund	66,488,071,664
5	Retained profits	27,382,046,741
6	Total owner's capital after distribution of profit	1,029,408,460,153
7	Total circulating shares	26,902,832
8	Par value per share	10,000
9	Book value/share	38,264



ACTIVITIES OF BOARD OF DIRECTORS

Board of Directors work based on their own functions, responsibilities, and rights; strictly follow Enterprise Law, the Company's Charter and related laws.

Working activities performed in accordance with regulations as stipulated in the Charter. Annually check and appraise working results, strategy and business orientation; maintain the stable growth in the context of fragile economy.

Sub-committees show their vital roles in contribution valuable and efficient ideas, keep their periodical activities as well as keep reporting to the Chairperson.

The meetings of Board of Directors organized and implemented as stipulated in the Company's Rules. Minutes, Resolutions, Decisions of the Board of Directors should base on the consensus of all members, saved at the right places.

At present, there are 3/8 members in General Management Board also being members of Board of Directors. Therefore, the implementation of the resolutions of Board of Directors and Shareholders' Meeting is synchronous, fast and effective. That helps the Company's management activities

being more flexible, consistent, and thorough. Besides, with three non-management members who are outside of the Company, contribute ideas related to the issues controlled by the Board of Directors and Board of Supervision (one member outside of the company). That helps to create unprejudiced assessment on vital issues in the Company.

In 2010, Board of Directors carries out 07 meetings as scheduled and sometimes unscheduled to solve the following matters:

Pass the project to invest in Medisun with the value of VND 13.5 billion, equivalent to 30% Medisun's share equity.

Pass 2009 audited financial statements

Pass business targets and profit distribution plan for 2010

Pass the plan for 2009 Annual Shareholders' Meeting

Pass the report on investment in Distribution system in 2009 - 2010.

Agree to dissolve Ninh Kieu Drugstore to establish a wholly owned subsidiary TOT Pharma, with chartered capital VND 5 billion.

Agree to establish a wholly owned subsidiary at Tan Phu Thanh IZ – DHG One Member Limited Company (new factory), with chartered capital VND 100 billion.

Agree to establish Vinh Phuc branch (previously was Vinh Phuc agent). Dissolve Phu Tho Branch.

Agree to redistribute treasury stocks to Mr. Bui Minh Duc (1,350 stocks) and Mrs. Huynh Thi Thuy Loan (680 stocks) with the delivery price of VND 45,000/stock.

Allow inside shareholders including members of Board of Directors, Board of Supervision, General Management Board, Chief accountant to sell their DHG's stock, but not exceeding 50% total holding stock during their term, and not exceeding the amount of stocks being limited to transfer.

Approve the issuance dossier for 250,000 ESOP stocks in 2010 to submit to State Securities Commission and HCM City Stock Exchange.

Approve profit distribution plan for 2010 of the wholly owned subsidiaries:

Financial reserved fund: 5%

Business promotion fund: 20%

Bonus and welfare fund: 10%

Remuneration and bonus for Board Members and Management Board: 5% (not more than VND 300 million to the sub company having Board Members, not more than VND 100 million to the sub company only having President)

The remainder of profit is transferred to Parent company

Agree the policies regarding piece-wages and trading cost for the products not being sold through the distribution system.

Agree to pay in advance first phase dividend of 2010 with 10% nominal value. Ex-right date: 04/Oct/2010. Record date: 06/Oct/2010. Implemented date: 27/Oct/2010.

Agree with the CFO's resignation to leave his post of Chief accountant. Appoint new Chief accountant for DHG Pharma; Board's members, managing director for subsidiaries and branches.

Approve the strategy and targets for 2011:

Production value: VND 2,607 billion

Net sales: VND 2,240 billion

Profit before tax: VND 360 billion, adjusted to VND 380 billion.

Pass the plan for 2010 Annual Shareholders' Meeting, including time, venue and contents.



In general, the transaction of inside shareholders is carried out lawfully, not including the case of Mrs. Dang Pham Huyen Nhung – the Company's chief accountant who recently appointed, did not announce before selling 1,000 DHG's stocks on 18/Oct/2010. It is because she did not know the regulations stipulated for Company's key persons regarding DHG's stock transaction.

Transaction of king shareholders

Name: Templeton Frontier Markets Fund

Registered transactions performed from 07/Dec/2010 to 18/Feb/2011:

AMOUNT BEFORE TRANSACTION	BUY DHG'S STOCKS	AMOUNT AFTER TRANSACTION	CURRENT HOLDING RATIO	FINISHED TIME
1,345,153	268,490	1,613,643	6%	30/Dec/2010
1,613,643	285,340	1,898,983	7.06%	17/Jan/2011
1,898,983	63,490	1,962,473	7.29%	07/Feb/2011
1,962,473	53,790	2,016,263	7.49%	18/Feb/2011

INFORMATION ON CORPORATE GOVERNANCE

Remuneration for Board of Directors and Board of supervision and Management Board through years

UNIT: VND 1,000

CONTENTS	Year 2004	Year 2005	Year 2006	Year 2007	Year 2008	Year 2009	Year 2010
Remuneration	68,400	886,036	1,392,954	2,052,478	1,619,329	10,227,010	9,307,227
Real expense	68,400	598,200	976,225	831,500	716,000	1,738,300	8,387,260
Ending balance	-	287,836	704,565	1,925,544	2,828,873	11,317,584	12,237,551
In details as follows:							
Board of Directors	56,000	529,000	543,500	717,000	608,000	772,000	2,610,500
Board of Supervision	12,400	69,200	69,445	114,500	108,000	184,100	712,800
Sub-committees's members, leaders and excellent staffs			363,280			782,200	5,063,960

Source: DHG Pharma

List of inside shareholders, transactions and holding ratio

In 2010, DHG Pharma's inside shareholders have carried out the transactions of DHG's stock, and their current holding ratio as follows:

FULL NAME	POSITION	BEFORE TRANSACTION	BUY DHG'S ESOP STOCK	SELL DHG'S STOCK	CURRENT	HOLDING RATIO
Pham Thi Viet Nga	Chairperson/CEO	77,333	10,300	(38,600)	49,033	0.18%
Le Minh Hong	Vice chairperson/ Deputy CEO	42,490	7,300	-	49,790	0.19%
Le Chanh Dao	Member of BOD Deputy CEO	31,658	7,300	-	38,958	0.14%
Nguyen Thi Hong Loan	Member of BOD	20,368	6,800	(10,000)	17,168	0.06%
Nguyen Sy Trung Ky	Member of BOD	-	4,000	-	4,000	0.01%
Le Dinh Bui Tri	Member of BOD	-	4,000	-	4,000	0.01%
Nguyen Nhu Song	Member of BOD	28,888	4,000	-	32,888	0.12%
Doan Dinh Duy Khuong	Member of BOD	3,083	6,500	-	9,583	0.04%
Tran Thi Anh Nhu	Head of BOS	19,933	6,500	(10,340)	16,393	0.06%
Tran Quoc Hung	Member of BOS	6,200	3,000	(3,100)	6,100	0.02%
Dinh Duc Minh	Member of BOS Resigned 29/Apr/2011	-	3,000	-	3,000	0.01%
Dam Manh Cuong	Member of BOS	-	-	-	-	0.00%
Dang Pham Huyen Nhung	Chief accountant	1,390	1,000	(1,000)	1,390	0.002%
Le Thi Hong Nhung	Information promulgator	-	520		520	

INFORMATION ON SHAREHOLDERS AND SHARE CAPITAL

Change in shareholder's equity in 2010

In 2010, DHG Pharma carries out to increase chartered capital from VND 266,629,620,000 to VND 269,129,620,000 via the issuance of ESOP stock as follows:

Stock name: DHG Pharmaceutical JSC

Type of stock: Common stock, limited transaction for three years

Nominal value: 10.000 VND/stock

Enjoy subjects: Corporate employees (including subsidiaries' ones).

Starting time: 21/06/2010

Receive the stock payment from ESOP's members: from 01/07/2010 to 19/07/2010

Finished time: 10/08/2010

Total ESOP's members in 2010: 501

Total of stocks delivered: 250,000 stocks, making up 100% of stocks allowed to be issued, and accounting for 0.94% of total circulating stocks

Total amount collected from 2010 ESOP's issuance: 2,500,000,000 (two billion and five hundred million VND)

Listed date: 16/Sep/2010

Date for free transaction of 2010 ESOP's stocks: 16/Sep/2013

Stock statistics

STOCK	21/12/2006	29/02/2008	24/03/2009	26/03/2010	30/03/2011
Circulating stocks	8,000,000	19,997,720	19,993,500	26,651,672	26,902,832
Treasury stocks	-	2,280	6,500	11,290	10,130
Total	8,000,000	20,000,000	20,000,000	26,662,962	26,912,962

Ownership structure

DHG Pharma's ownership structure following the shareholder's list recorded on 30/March/2011

SHAREHOLDERS	NUMBER OF SHAREHOLDERS			QUANTITY OF STOCKS			RATIO		
	Indi	Org	Total	Indi	Org	Total	Indi	Org	Total
Foreign	386	83	469	308,820	12,325,192	12,634,012	1.15%	45.80%	46.94%
Domestic	1,611	55	1,666	1,630,361	12,638,459	14,268,820	6.06%	46.96%	53.02%
Board of Directors	8	0	8	205,420		205,420	0.76%	0.00%	0.76%
Board of Supervision	3	0	3	25,493		25,493	0.09%	0.00%	0.09%
Chief accountant	1		1	1,390		1,390	0.01%	0.00%	0.01%
Employees	676	1	677	770,879	82,673	853,552	2.86%	0.31%	3.17%
SCIC		1	1		11,797,133	11,797,133	0.00%	43.83%	43.83%
Outside	923	53	976	627,179	758,653	1,385,832	2.33%	2.82%	5.15%
Treasury stocks		1	1		10,130	10,130	0.00%	0.04%	0.04%
Total	1,997	139	2,136	1,939,181	24,973,781	26,912,962	7.21%	92.79%	100.00%

Source: DHG Pharma's shareholder list recorded on 30/Mar/2011

List of shareholders own more than 5%

SHAREHOLDER'S NAME	OWNER'S REG. NO	ISSUE DATE	NATIONALITY	CURRENTLY HOLDING	RATIO
STATE CAPITAL INVESTMENT CORPORATION	0101992921	09/07/2010	Viet Nam	11,797,133	43.83%
TEMPLETON FRONTIER MARKETS FUND	CA2795	12/01/2009	Luxembourg	2,016,263	7.49%

Nguồn: Danh sách cổ đông DHG Pharma ngày 30/03/2011



List of shareholders own from 1 % to 5%

SHAREHOLDER'S NAME	OWNER'S REG. NO	ISSUE DATE	NATIONALITY	CURRENTLY HOLDING	RATIO
VIETNAM EQUITY HOLDING	CS8240	06/11/2007	Cayman Island	771,560	2.87%
VIETNAM HOLDING LTD	CS1077	29/05/2006	Cayman Island	673,170	2.50%
CITIGROUP GLOBAL MARKETS LTD	C00226	23/11/2004	United Kingdom	615,501	2.29%
VIET CAPITAL HEALTHCARE FUND	08/TB-UBCK	15/01/2008	Viet Nam	541,313	2.01%
VIETNAM INVESTMENT LTD	C00131	19/02/2004	British Virgin Island	481,510	1.79%
DRAGON CAPITAL VIETNAM MOTHER FUND	CA4373	19/07/2010	Japan	462,146	1.72%
JF VIETNAM OPPORTUNITIES FUND	CS1645	11/10/2006	Cayman Island	440,962	1.64%
KWE BETEILIGUNGEN AG	CA3895	19/03/2010	Switzerland	427,264	1.59%
KITMC WORLDWIDE VIETNAM RSP BALANCE FUND	CS2103	05/12/2006	Korea	417,280	1.55%
BEIRA LIMITED	CS3890	27/03/2007	Cayman Island	399,286	1.48%
VOF INVESTMENT LIMITED	C00126	11/02/2004	British Virgin Island	383,680	1.43%
TEMPLETON GLOBAL INVESTMENT TRUST- TEMPLETON EMERGING MARKETS SMALL CAP FUND	CS6572	24/07/2007	USA	349,510	1.30%
SIGLAP LIMITED	CS3887	27/03/2007	Cayman Island	318,080	1.18%

Source: DHG Pharma's shareholder list recorded on 30/Mar/2011

List of shareholders own from 0.5% to 1%

SHAREHOLDER'S NAME	OWNER'S REG. NO	ISSUE DATE	NATIONALITY	CURRENTLY HOLDING	RATIO
PCA INTERNATIONAL FUNDS SPC	CS2241	15/12/2006	Cayman Island	264,510	0.98%
CITIGROUP GLOBAL MARKETS FINANCIAL PRODUCTS LLC	CS6480	18/07/2007	USA	201,486	0.75%
AMUNDI VIETNAM OPPORTUNITIES FUND	CS9705	15/02/2008	Hong Kong	200,450	0.74%
PHEIM AIZAWA TRUST	CS2022	29/11/2006	Cayman Island	199,493	0.74%
ASIA VALUE INVESTMENT LIMITED	C00151	26/03/2004	British Virgin Island	196,220	0.73%
VIETNAM INVESTMENT PROPERTY HOLDINGS LIMITED	CS7869	09/10/2007	American Virgin Island	189,280	0.70%
UBS AG LONDON BRANCH	CS1585	15/09/2006	Switzerland	187,790	0.70%
VIETNAM EMERGING EQUITY FUND LIMITED	C00413	10/10/2005	Cayman Island	183,076	0.68%
VIETNAM VENTURES LTD	CS0571	23/01/2006	British Virgin Island	173,160	0.64%
CROESUS GLOBAL EQUITY LTD	CS1078	29/05/2006	Seychelles	164,200	0.61%
LION GLOBAL VIETNAM FUND	CS2732	19/01/2007	Singapore	154,419	0.57%
AIZAWA SECURITIES CO.,LTD	CA2521	15/10/2008	Japan	138,630	0.52%
KITMC WORLDWIDE VIETNAM FUND 1	CS1336	24/07/2006	Korea	133,576	0.50%

Source: DHG Pharma's shareholder list recorded on 30/Mar/2011

STRENGTHEN THE EFFICIENCY IN CORPORATE GOVERNANCE



Draw up strategy and set out targets following the vision "For a more beautiful and healthier life", mission and core values. Senior leaders at all levels will be frequently trained on management skills.

Apply corporate governance knowledge and management tools such as "Balance Score Card" and "10.5S". The production and trading activities will be managed to adapt with the fluctuations of market. Annual targets will be clearly established for the whole company and for each functional department and each unit

Apply "Key Personal Indicators" (KPI) to assess the fulfillment of planned targets. Work performance will be checked and analyzed quarterly, and then an assessment will be made to evaluate the results of completed tasks as well as to set out future way or to give an adjustment if needed.

Develop the strong points of each department; decentralization will be applied in the whole company.

The Company has fulfilled its regulations on working, standard operation procedure (SOP), work instruction (WI), and work management based on the regulations as stipulated in current law.

Invest and apply the management software BFO to the General warehouse and several distribution units

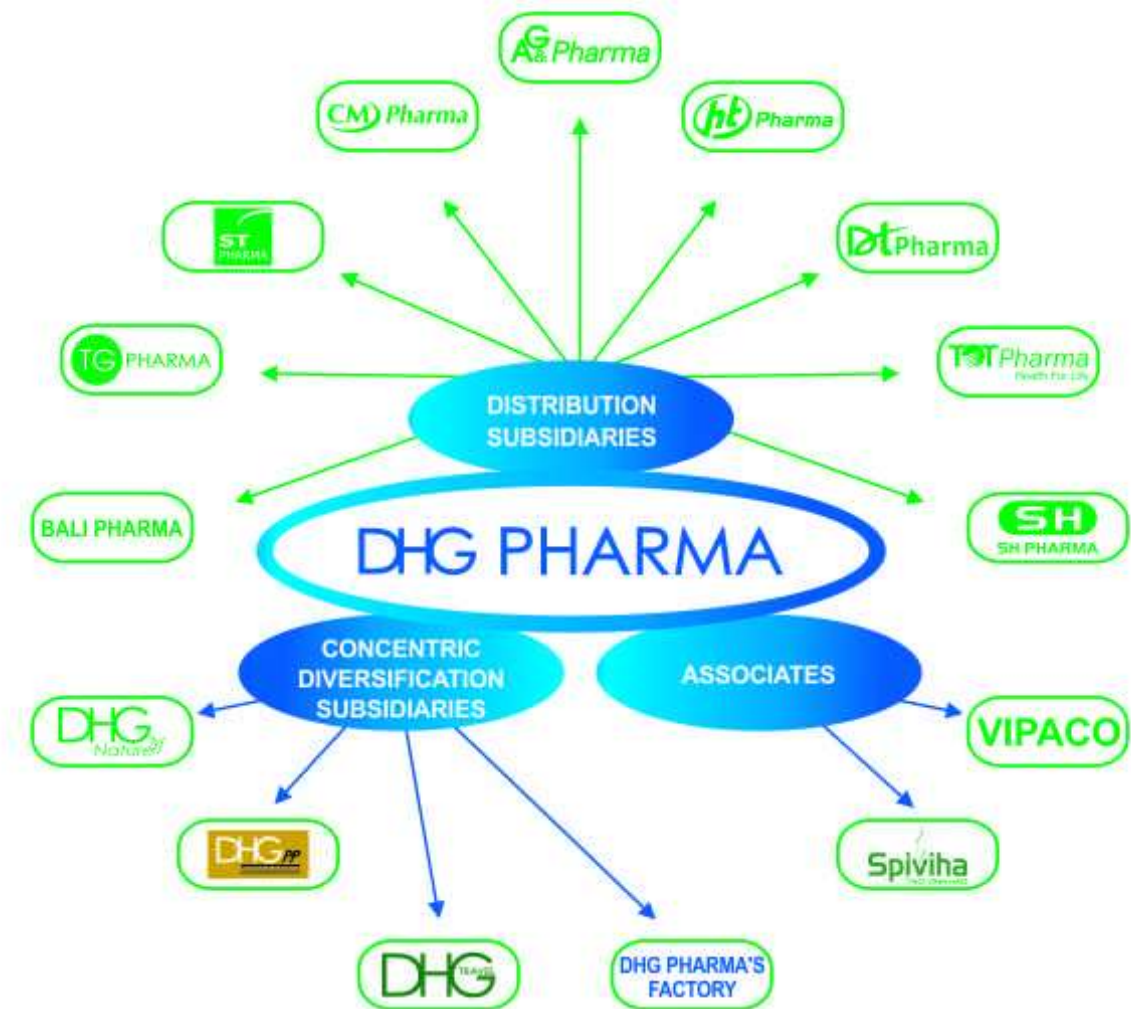
Corporate strategy and targets are discussed and agreed by the whole company. Corporate employee congress will be annually arranged following the regulations of Joint-Stock Company.

Monthly report: business results, the performance of policies related to employees' rights and obligations.

SUBSIDIARIES AND ASSOCIATES

Diagram of Subsidiaries and associates

DHG Pharma's subsidiaries and associates



INTRODUCTION OF SUBSIDIARIES AND ASSOCIATES

GROUP OF DISTRIBUTION SUBSIDIARIES

Scope of business: import, export, trade in pharmaceuticals; medical equipment; dietary supplements, pharmaceutical cosmetics.

Chartered capital: VND 05 billion



SH PHARMACEUTICAL JSC

- Established from Vi Thanh Drugstore and Phung Hiep Drugstore of DHG Pharma.
- Business license issued on 20/July/2007
- Official operation date: 01/Jan/2008
- Head office: Vi Thanh Town, Hau Giang Province
- Abbreviated name: SH Pharma



CM PHARMACEUTICAL ONE-MEMBER LIMITED COMPANY

- Established from Ca Mau Agent of DHG Pharma
- Business license issued on 08/April/2008
- Official operation date: 01/Sep/2008
- Head office: Ca Mau City, Ca Mau Province
- Abbreviated name: CM Pharma



HT PHARMACEUTICAL ONE-MEMBER LIMITED COMPANY

- Established from Kien Giang Branch of DHG Pharma
- Business license issued on 16/May/2008
- Official operation date: 01/Oct/2008
- Head office: Rach Gia City, Kien Giang Province
- Abbreviated name: HT Pharma



DT PHARMACEUTICAL ONE-MEMBER LIMITED COMPANY

- Established from Dong Thap Branch of DHG Pharma
- Business license issued on 28/Aug/2008
- Official operation date: 22/Dec/2008
- Head office: Cao Lanh Town, Dong Thap Province
- Abbreviated name: DT Pharma

ST PHARMACEUTICAL ONE-MEMBER LIMITED COMPANY

- Established from Soc Trang Agent of DHG Pharma
- Business license issued on 11/Apr/2008
- Official operation date: 18/Feb/2009
- Head office: Soc Trang Town, Soc Trang Province
- Abbreviated name: ST Pharma



A&G PHARMACEUTICAL ONE-MEMBER LIMITED COMPANY

- Established from An Giang Agent of DHG Pharma
- Business license issued on 17/June/2009
- Official operation date: 23/Aug/2009
- Head office: Long Xuyen City, An Giang Province
- Abbreviated name: A&G Pharma



TOT PHARMACEUTICAL ONE-MEMBER LIMITED COMPANY

- Established from Ninh Kieu Drugstore of DHG Pharma
- Business license issued on 25/Feb/2009
- Official operation date: 01/Apr/2010
- Head office: Can Tho City
- Abbreviated name: TOT Pharma



TG PHARMACEUTICAL ONE-MEMBER LIMITED COMPANY

- Established from Tien Giang Branch of DHG Pharma
- Business license issued on 13/Nov/2009
- Official operation date: 01/June/2010
- Head office: My Tho City, Tien Giang Province
- Abbreviated name: TG Pharma



BALI PHARMACEUTICAL ONE-MEMBER LIMITED COMPANY

- Established from Bac Lieu Branch of DHG Pharma
- Business license issued on 29/Mar/2011
- Official operation date expected on Q2/2011
- Head office: Bac Lieu City, Bac Lieu Province
- Abbreviated name: BALI Pharma

GROUP OF CONCENTRIC DIVERSIFICATION SUBSIDIARIES



DHG TRAVEL ONE-MEMBER LIMITED COMPANY

- Developed from DHG Pharma's Customer care team
- Business license issued on 26/Dec/2007
- Official operation date: 01/Apr/2008
- Head office: Can Tho City
- Chartered capital: VND 03 billion
- Scope of business: Trade in domestic travel services; advertisement services
- Abbreviated name: DHG Travel



DHG NATURE ONE-MEMBER LIMITED COMPANY

- Developed from DHG Pharma's herbal factory
- Business license issued on 25/Aug/2008
- Official operation date: 01/Feb/2009
- Head office: Can Tho City
- Chartered capital: VND 05 billion
- Scope of business: Growing, processing, manufacture, and trade in herbal materials; Manufacture and trade in pharmaceutical chemistry; Manufacture & trade in dietary supplements
- Abbreviated name: DHG Nature



DHG PACKING & PRINTING ONE-MEMBER LIMITED COMPANY

- Developed from DHG Pharma's Packing & Printing Factory
- Business license issued on 29/Apr/2008
- Official operation date: 01/Aug/2008
- Head office: Can Tho City
- Chartered capital: VND 05 billion
- Scope of business: serve for production and marketing activities of DHG Pharma
- Abbreviated name: DHG PP

DHG PHARMACEUTICAL ONE-MEMBER LIMITED COMPANY

- Established to run new factory at Tan Phu Thanh IZ
- Business license issued on 16/Aug/2010
- Official operation date: expected on Q3 2012
- Head office: Chau Thanh A District – Hau Giang Province
- Chartered capital: VND 50 billion
- Scope of business: Manufacture and trade in pharmaceutical, dietary supplement and cosmetics;

ASSOCIATES

VINH HAO ALGAE PROCESSING JSC

- Business license issued on 04/Feb/2008
- Official operation date: 01/Apr/2008
- Head office: Vinh Hao, Tuy Phong, Binh Thuan Province
- Scope of business: Manufacture and trade in Spirulina algae
- Abbreviated name: SPIVIHA
- Chartered capital: VND 12 billion
- Investment purpose: create a stable source of raw materials in order to produce Spivital product group and other biotechnological products



VINH TUONG HIGH-TECH PACKAGING JSC

- Business license issued on 09/July/2007
- Official operation date: 09/July/2007
- Head office: My Phuoc, Ben Cat, Binh Duong Province
- Scope of business: Manufacture package from primeval Plastics
- Chartered capital: VND 50 billion
- Abbreviated name: VIPACO
- Investment purpose: create a stable source of hygienic packing



BUSINESS RESULTS AND PROFIT DISTRIBUTION IN 2010

Business results in 2010 of subsidiaries and business concerns:

Unit: VND

Item	Net sales in 2010	Profit before tax in 2010	Profit after tax in 2010	After-tax profit/net sales
Diversified subsidiaries				
DHG PP	123,431,888,749	23,219,709,387	22,761,424,166	18.44%
DHG Nature	26,113,794,349	4,523,800,267	4,433,694,335	16.98%
DHG Travel	38,267,008,666	4,540,868,884	3,405,651,663	8.90%
Distribution subsidiaries				
SH Pharma	83,144,659,388	4,550,026,963	4,434,666,657	5.33%
A&G Pharma	110,980,541,723	6,328,390,822	4,746,293,115	4.28%
CM Pharma	39,909,557,749	1,894,964,331	1,421,169,969	3.56%
ST Pharma	37,418,245,405	1,314,119,114	1,289,513,588	3.45%
HT Pharma	42,332,487,743	1,570,397,048	1,450,063,042	3.43%
TOT Pharma	76,205,857,129	3,153,315,854	2,364,986,890	3.10%
TG Pharma	23,391,224,090	930,280,625	697,710,469	2.98%
DT Pharma	33,392,626,211	1,049,753,854	787,315,391	2.36%
Business concerns				
SPIVIHA	7,994,846,000	2,629,624,210	2,629,624,210	32.89%
VIPACO	28,666,917,511	3,191,941,352	2,792,948,683	9.74%

Source: Audited financial statements of companies in 2010

Profit distribution in the year 2010 of Subsidiaries and Business concerns:

- DHG Pharma's wholly-owned subsidiaries (including distribution subsidiaries and diversified subcompanies) have the same extraction ratio: Business promotion fund: 20% of after-tax profit, Bonus and welfare fund: 10% of after-tax profit, Financial reserved fund: 5% of after-tax profit, remuneration for Board of members: 5% of after-tax profit, the remainder distributed to parent company. The ratio for remuneration paid for Board of Members is conditioned as follows: extracted 05% of after-tax profit, but the absolute figure is not allowed to exceed VND 100 million to the subcompany just having the President, but without Board of members, and not exceeding VND 300 million to the subcompany having Board of members
- SH Pharma, a subsidiary with 51% capital owned by DHG Pharma, carries out to distribute profit as follows: Business promotion fund: 45.11% of after-tax profit, Bonus and welfare fund: 10% of after-tax profit, Financial reserved fund: 7% of after-tax profit,

Dividend: 30% of nominal value, equivalent to 33.83% after-tax profit, remuneration for its BOD, BOS and Management Board: 4% of after-tax profit, and 5% of after-tax of above-plan profit.

- SPIVIHA, a business concern with 30% capital owned by DHG Pharma carries out to distribute profit as follows: Business promotion fund: 10% of after-tax profit, Bonus and welfare fund: 7% of after-tax profit, Financial reserved fund: 3% of after-tax profit, Dividend: 16% of nominal value, equivalent to 73.01% after-tax profit, remuneration for its BOD, BOS and Management Board: 3.75% of after-tax profit, and 5% of after-tax of above-plan profit. Undistributed after-tax profit of SPIVIHA in 2009: VND 200 million, the company pays additional VAT for the years 2009 and 2010: VND 191 million. The remainder of SPIVIHA's undistributed profit is VND 6,574,861.

Unit: VND

Item	Dividend/Profit distributed to parent company	Financial reserved fund	Business promotion fund	Bonus & welfare funds	Remuneration for Leadership Boards
Diversified subsidiaries					
DHG PP	14,694,925,708	1,138,071,208	4,552,284,833	2,276,142,417	100,000,000
DHG Nature	2,781,901,318	221,684,717	886,738,867	443,369,434	100,000,000
DHG Travel	2,113,673,581	170,282,583	681,130,333	340,565,166	100,000,000
Distribution subsidiaries					
SH Pharma	1,500,000,000	310,426,666	2,000,885,311	443,466,666	179,888,014
A&G Pharma	2,985,090,525	237,314,656	949,258,623	474,629,312	100,000,000
CM Pharma	852,701,981	71,058,498	284,233,994	142,116,997	71,058,498
ST Pharma	773,708,153	64,475,679	257,902,718	128,951,359	64,475,679
HT Pharma	870,037,825	72,503,152	290,012,608	145,006,304	72,503,152
TOT Pharma	1,418,992,134	118,249,345	472,997,378	236,498,689	118,249,345
TG Pharma	418,626,281	34,885,523	139,542,094	69,771,047	34,885,523
DT Pharma	472,389,235	39,365,770	157,463,078	78,731,539	39,365,770
Business concern					
SPIVIHA	1,920,000,000	78,888,726	262,962,421	184,073,695	186,073,695

Source: Results of profit distribution of companies



BUSINESS PLAN AND PROFIT DISTRIBUTION IN 2011

Business plan for subsidiaries and business concerns in 2011:

Unit: VND

Item	Net sales in 2011	Profit before tax in 2011
Diversified subsidiaries		
DHG PP	138,000,000,000	24,000,000,000
DHG Nature	28,000,000,000	3,500,000,000
DHG Travel	20,000,000,000	1,400,000,000
Distribution subsidiaries		
SH Pharma	87,000,000,000	3,000,000,000
A&G Pharma	135,224,031,168	4,056,720,935
CM Pharma	40,402,581,366	1,212,077,441
ST Pharma	51,976,779,451	1,559,303,384
HT Pharma	53,027,678,744	1,590,830,362
TOT Pharma	101,837,574,017	3,055,127,221
TG Pharma	40,222,698,445	1,206,680,953
DT Pharma	37,554,832,058	1,126,644,962
Business concern		
SPIVIHA	10,000,000,000	3,100,000,000

Plan on profit distribution of subsidiaries and associate in 2011

Item	SPIVIHA	SH Pharma	DHG Pharma's wholly owned ones
Dividend/Profit distributed to parent company	18% nominal value	30% nominal value	The remainder after extraction for funds
Business promotion fund	10% after-tax profit	20% after-tax profit	-
Bonus & welfare funds	10% after-tax profit	10% after-tax profit	10% after-tax profit
Financial reserved fund	1% after-tax profit	5% after-tax profit	-
Remuneration for Board of Members, Board of Directors, Board of Supervision	5% after-tax profit	4% after-tax profit	5% after-tax profit
Bonus for Board of Directors and Board of Supervision	5% of above-plan profit (after tax)	5% of above-plan profit (after tax)	-
Bonus for Management Board	5% of above-plan profit (after tax)	5% of above-plan profit (after tax)	-
Undistributed profit	Remainder	Remainder	-

Notes:

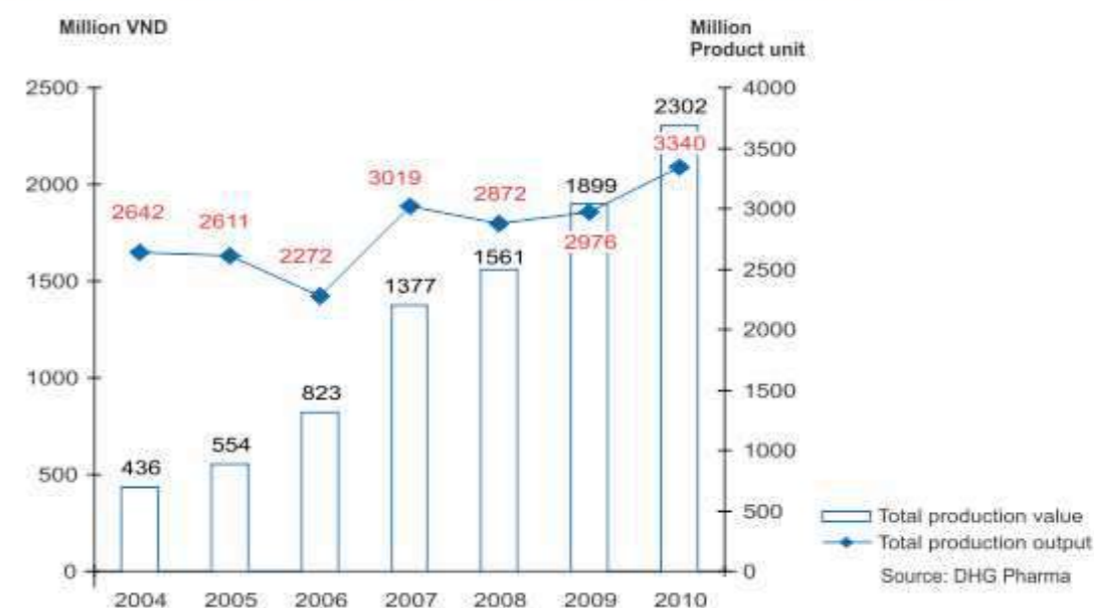
The ratio for remuneration paid for Board of Members of DHG's wholly owned sub companies is conditioned as follows: extracted 05% of after-tax profit, but the absolute figure is not allowed to exceed VND 100 million to the subcompany without Board of members, and not exceeding VND 300 million to the subcompany having Board of members.



Report of General Management Board

PRODUCTION CAPACITY

Total production output and production value through equitized years



- The production output of DHG Pharma in 2010 increased 12.23% as compared to 2009; production value gained VND 2,302 billion, 21.25% up compared to 2009. However, its factories have to work under high pressure; it is because the conditions for manufacture such as factories' premises and material warehouses have not been expanded yet.

Solutions:

- + Factory 1 (tablet compressing) and Factory 2 (-Lactam) work in conjunction with R&D Department and Electromechanical Department to upgrade production process, renew equipment to enlarge production batch, improve output of production line.
- + Replace the old equipment to new technological ones to enhance the capacity of Factory 5 (Packaging Factory)
- + Improve the packing process, use machine to replace handmade works, particularly for eye drops products, to increase capacity and stable the quality of finished products.
- Train operating workers to double labour productivity, re-arrange workers in each production stage, fully exploit equipment capacity, increase product quality and shorten material loss in production.
- Due to its large-scale of production, high demand in raw material and packaging, DHG has been active in importing and storing materials to serve for production in time. The Packaging Company replaces its old machines to modern ones to upgrade its capacity to meet Company's demand as well as to serve for outside customers.

Results:

- + Labour productivity increased 14% compared to the year 2009.
- + Save cost, diminish loss in production: VND 1.43 billion.



RESEARCH & DEVELOPMENT (R&D)

DHG's R&D task has been strongly invested during the years prior 2008, with an average amount of 2%/production sales. At present, this kind of cost increased to 5%/production sales. All costs for R&D activities directly calculated for the period cost.

Exclusive formula products contribute 5% of production sales (Naturenz, Taginba Plus, Eyclight vita, Spivital diet etc). The remaining are mostly generic ones, but they are developed to be better in term of dosage form, combined indication and usage.

R&D Department, directly under Marketing Director, with its main tasks is studying and doing the registration procedure for feasible products following the requirement of Marketing Department.

In 2010, there are 55 products being granted new Reg. No, 49 products re-granted Reg. No. Visa granted by Laos' Ministry of Health: 04 products and 30 new products are launched into the market.

In the future DHG's products will be oriented by biotechnological ones which registered under the form of dietary supplement

In 2010, the Company itself is studying as well as working in conjunction with related partners to carry out research task for the following products:

- Products originated from fermented soybean and brewer's yeast, which support the prevention of cardiovascular diseases.
- Products derived from Spirulina, which studied in Vinh Hao Spirulina Algae Corporation, consulted by leading experts and professions from institutes and universities.
- + A product from spirogyra named Spirulina Zink, which assists lowering blood glucose in diabetics; hypertension, man and children vitality, immune system; prevention of prostate gland diseases and diarrhea in children.

- + A product also derived from spirogyra named Spirulina Selen with antioxidant properties: Beta-carotene, Vitamin E, vitamin C and Selenium. It is so wonderful for Spirulina Selen when it is included three kinds of antioxidants. Beside, it also contains Phycocyanine and Calcium, which have actions on anti-cancer, being highly appreciated by doctors.
- + Study on an antioxidant agent - Phycocyanine that extracted from Spirulina, used for pharmaceutical and cosmetic production. Study on red algae which has a rich source of betacarotene.
- Carry out clinical study on dioxin victims, hepatitis B patients, allergic patients, patients receiving anti-tuberculosis agents in order to enlarge the indications of Naturenz (the invested brand-name)
- Other biotechnology products

MARKETING ACTIVITIES

PERFORMANCE OF BRAND-NAMES

In 2010, DHG continues to invest in 12 major brands via efficient media tools that help minimize cost. The sales generated from them makes up more than 50% of DHG's sales and 30% of corporate profit.

Sales of the invested brands in 2010:

No.	Brands	Sales in 2010	Ratio/Net sales of 2010	Ratio/production sales
1	Hapacol	343 VND billion	16.86%	18.14%
2	Klimentin	267 VND billion	13.13%	14.12%
3	Haginat	137 VND billion	6.74%	7.24%
4	Eugica	120 VND billion	5.90%	6.35%
5	Davita	44 VND billion	2.16%	2.33%
6	Eyelight	42 VND billion	2.06%	2.22%
7	Unikids	36 VND billion	1.77%	1.90%
8	Spivital	30 VND billion	1.47%	1.59%
9	Naturenz	28 VND billion	1.38%	1.48%
10	Apitim	21 VND billion	1.03%	1.11%
11	Diabetic agent	16 VND billion	0.79%	0.85%
Total		1,084 VND billion	53.29%	57.32%

CONTRACTS SIGNED WITH CUSTOMERS

The number of customers joined in "Mutual prosperity Club":

Membership	Diamond	Platinum	Gold	Silver	Copper
Number of members	448	787	1,110	2,556	3,784

In 2010, DHG has signed 2,282 mutual prosperity contracts, equivalent to VND 543 billion and 1,182 "Hapacol" contracts, equivalent to VND 188 billion. We can see that in the number VND 1,891 billion of net sales from Company's own products in 2010, there are VND 738 billion (39%) coming from engaged contracts. This creates a stable market share for DHG as well as a loyal source of customers in the principle of "Mutual prosperity"

CUSTOMER CARE ACTIVITIES

- Organize 150 scientific seminars and conferences with the attendance of 7,500 people including doctors and customers.
- Hold the program "Showing gratitude to parents" on Buddhist holiday for 1,000 customers.
- Organize get-together for 6,000 customers in Hanoi and Can Tho. Invite 200 big customers to join in discussion and distribution of ideas for DHG's 2011 strategy.
- Applied new Microsoft Net C# software for 4 hospitals which have a demand to upgrade their software system. Applied for 29 new hospitals in 15 provinces and cities

ACTIVITIES OF DHG TRAVEL

- Revenue: VND 38 billion, 162% up compared to 2009.
 - Profit: VND 3.29 billion, 120% up compared to 2009.
- In which:
- + The revenue comes from customer care activities served for DHG via inbound and outbound tours: VND 32.7 billion (86%).
 - + The revenue comes from tours serving for DHG's customers' families, employees and out side customers: VND 5.56 billion (14%).
 - The number of tours organized in the year: 250 tours.
 - The quantity of customers to be served in the year: 16,850 individuals.

ACTIVITIES SERVING FOR CONSUMERS

- Participate in 14 domestic and foreign exhibition fairs.
- Coordinate with Can Tho Medical Diagnostic Center to organize "Healthy and Joyful Life" program for 350 diabetic patients on the occasion of World Diabetes Day.
- Carry out roadshows in 14 provinces and cities for Eyelight brand, free eye exam for 1,200 people in Vinh Long and Binh Dinh.
- Carry out free osteoporosis exam for 51,910 women nationwide. Organize Osteoporosis conference in Can Tho City.
- Coordinate with Can Tho Otorhinolaryngologic Hospital to organize "Vietnamese-French otorhinolaryngology conference 2010" with the attendance of 450 foreign and domestic otorhinolaryngologic doctors.
- The brands: Davita Bone, Naturenz, Spivital organize promotion program attracted 10,000 people. The brand Eyelight Vita organizes the contest of "story about the Eyes" attracted 400 participants.

- Coordinate with Can Tho Radio and Television Station to broadcast the program "Doctor talk show". This program is to serve for Mekong Delta with around 600 audiences.

PUBLIC RELATIONS

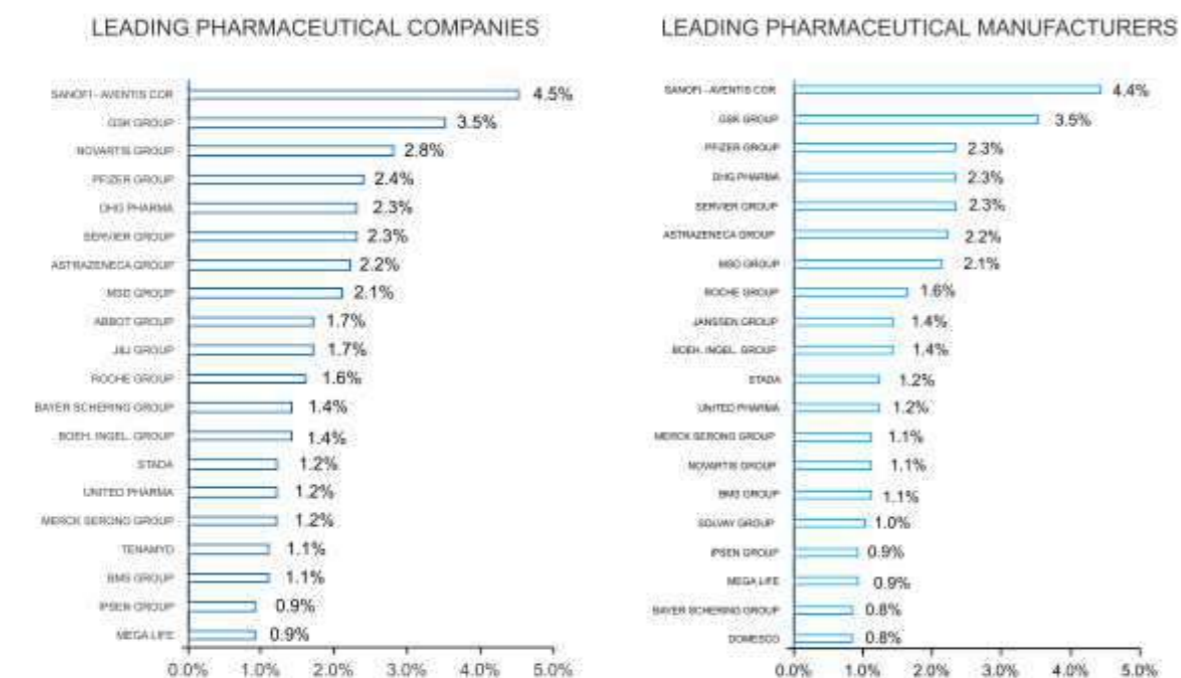
Social activities have been upgraded to higher scale in order to share with the community as well as to assist Corporate standing firmly. In 2010, DHG carries out many useful activities as follows:

- Coordinate with volunteer doctors to carry out free health examination for 85,000 poor people living in remote areas, with spending amount of VND 3.3 billion.
- Sponsor medicines for agencies and hospitals to carry out free health examination and free drug delivery to live-in-poverty people with the amount of VND 1.3 billion.
- Provide aid for people suffered from flood disaster in Central Vietnam with the amount of VND 1.2 billion.
- Fund VND 100 million to poor patients for their cardiovascular surgeries.
- There are 500 members in Blood-donation club always ready to offer their blood to help patients whenever required. There are 292 blood-units donated in the year 2010.

MARKET SHARE

IMS'S SURVEY

According to the assessment of IMS in Q3/2010, DHG's market-share (12 months to date) stands fourth among top leading pharmaceutical manufacturers in Vietnam, and stands fifth among Pharmaceutical Corporation in Vietnam.



Source: IMS in Q3/2010

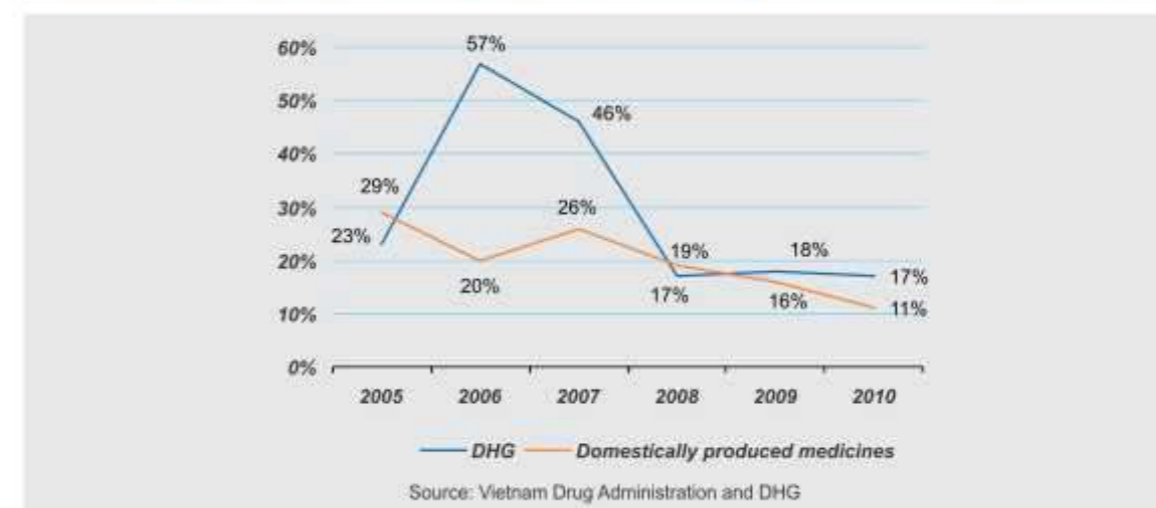
VIETNAM DRUG ADMINISTRATION'S DATA

According to the data from Vietnam Drug Administration and DHG's business performance, in 2010, DHG Pharma's market share slightly decreases, it shared about 10.56% of domestically produced medicines and 5.07% of Vietnam's pharmaceutical consumption. However, DHG's growth rate (17%) is still higher than the growth rate of domestically produced medicines (11%). The reason for the mild decline of DHG's sales is mainly due to the increase in currency exchange rate.

Year	Total amount of medicine consumption in Vietnam pharmaceutical market (USD)	Total amount spent on domestically produced medicines (USD)	Market share of domestically produced medicines (%)	DHG's pharmaceuticals net sales (1,000VND)	USD Exchange rate at 31 Dec of each year (VND)	DHG's pharmaceuticals net sales (USD)	DHG's market share in whole pharmaceutical market of Vietnam	DHG's market share in term of domestically produced medicines
2005	817,396,000	395,157,000	48.34%	492,999,275	15,915	30,977,020	3.79%	7.84%
2006	956,353,000	475,403,000	49.71%	803,860,031	16,061	50,050,435	5.23%	10.53%
2007	1,136,353,000	600,630,000	52.86%	1,199,826,855	16,029	74,853,506	6.59%	12.46%
2008	1,425,657,000	715,435,000	50.18%	1,395,048,853	17,486	79,780,902	5.60%	11.15%
2009	1,696,135,000	831,205,000	49.01%	1,638,028,302	18,479	88,642,692	5.23%	10.66%
2010	1,913,661,000	919,039,000	48.03%	1,891,947,604	19,500	97,022,954	5.07%	10.56%

Source: Vietnam Drug Administration

DHG's growth rate in comparison with Vietnam pharmaceutical industry's



Source: Vietnam Drug Administration and DHG

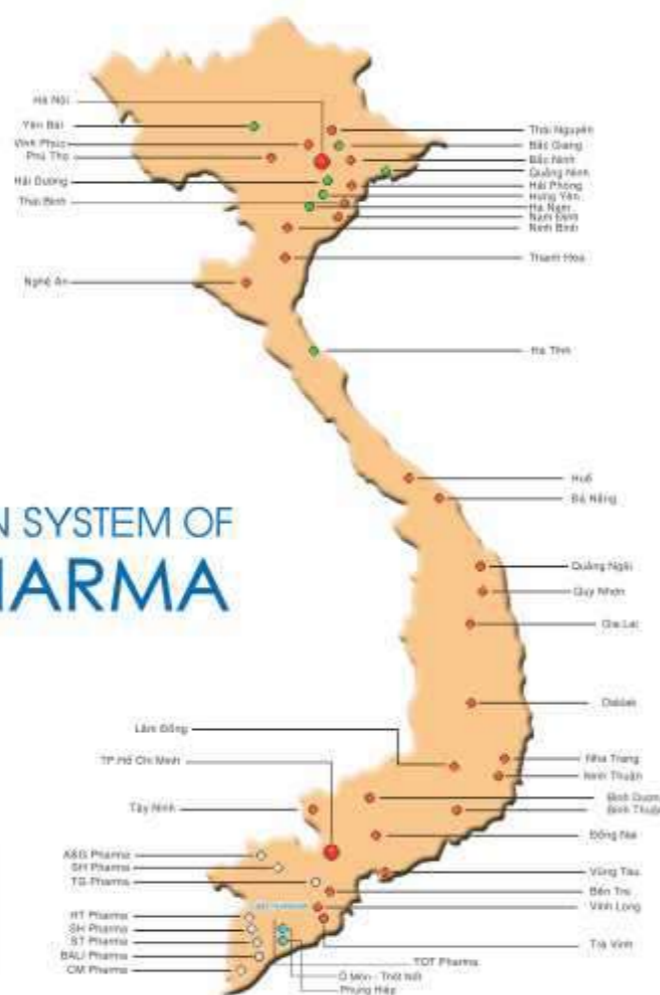
DISTRIBUTION NETWORK

DOMESTIC MARKET

- Domestic market makes up 99% DHG's sales.
- Nine distribution subsidiaries, 30 branches/public drugstores, 2 agents and 61-hospital drugstores nationwide.
- Products distributed to districts, villages and hamlets of 64/64 provinces nationwide.
- 32 Branches/subsidiaries complied with GDP; 21 Public drugstores/hospital drugstores complied with GPP.
- There are nearly 1,000 young and hard working salespersons. They know well the market and possess the outstanding features of DHG culture

DISTRIBUTION SYSTEM OF DHG PHARMA

- Subsidiaries
- Branches
- Agents
- Drugstores



Geographical sales in 2010



Source: DHG Pharma

- Market areas are clearly divided. Each salesman is assigned to undertake an area of market.
- Subsidiaries are active in saving cost and trading other pharmaceutical companies' products to create more profit
- The sales of DHG's trading system increased through years, it makes up 80% of total sales.
- Continue signing long-term contracts in order to stabilize the sales gained from friendly customers. Then, concentrate to exploit new markets
- Coordinate with Marketing and Brands to carry out customer and consumer-oriented programs
- Create emotion and friendliness through customer care activities such as travel tours and other kinds of emotional care
- All formalities regarding accounting issues should be performed lawfully.

EXPORT MARKET

At present, DHG Pharma's export market enlarged to Russia, Moldova, Ukraine, Myanmar, Mongolia, Nigeria, Cambodia, and Laos

- New official customers: 04 customers from Ukraine, Nigeria, Myanmar, and Laos.
- Potential customers: HongKong, Malaysia, Jordan, Pakistan, Taiwan, SriLanka, France
- New product visas: 18
- Export product are mainly the herbal ones which produced by Vietnam's huge herbal source.
- In 2010, although export market is enlarged, its sales does not satisfy corporate demand, just reach VND 1.2 million. The reason for this is that the supply of products from factory did not meet export market requirement (overwork of factory). To improve export sales; the Company has planned to better the production task scheduled for export products in 2011.
- Total export value of Vietnamese pharmaceutical industry in 2010 is USD 43.84 million (including materials, wound-dressing, medical equipment), 10% up compared to 2009. Then DHG's export value just shared 2% in the whole export revenue of Vietnam pharmaceutical industry; therefore, it is required for DHG to have stronger moves to boost up its export activities.



QUALITY MANAGEMENT SYSTEM



- Reassessed and re-achieved WHO-GMP for all production lines.
- The general warehouse again complied with GDP, GSP. Quality Control continues to be complied with ISO/IEC 17025, GLP.
- Coordinate with corporate distribution units to prepare for GDP standards. There are 08 units more achieved GDP, making 32 units achieving GDP altogether at present.
- There are 09 drugstores more complied with GPP, adding to create the number of 21 GPP drugstores in total.

PROMOTION

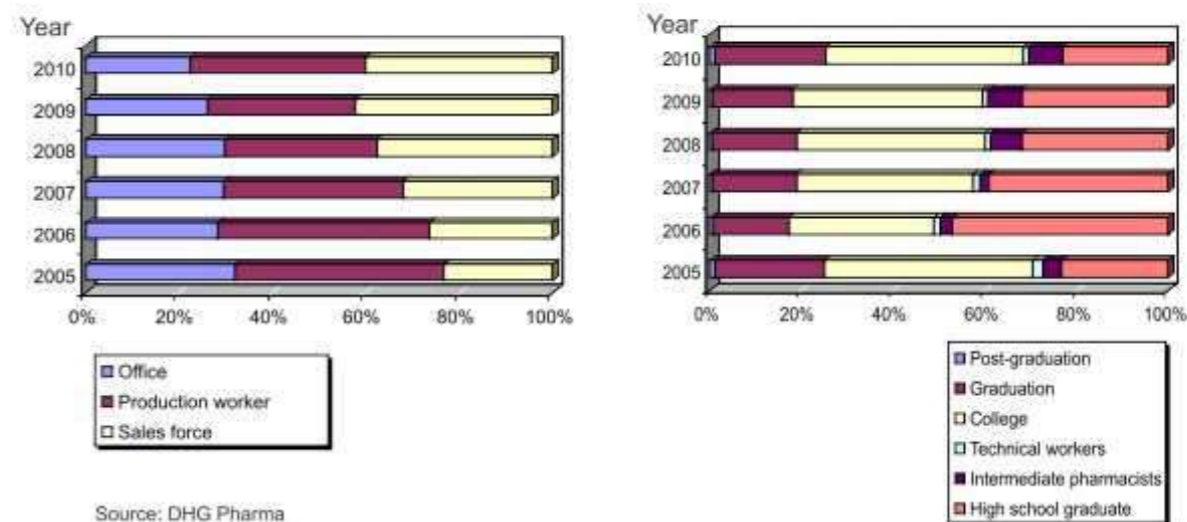


- Invest VND 16.78 billion in production and QC equipment, 66% up compared to 2009.
- Buy land-space and build offices, warehouses for 16 branches, subsidiaries in 2010 with the amount of VND 10.6 billion; nine in-progress constructions with total value of VND 17.4 billion will be finished and put into use in 2011.
- Build new soft-capsule factory with total estimated amount of VND 57.6 billion (not including VAT). The assessment for this factory on WHO-GMP compliance was finished on 15/April/2011. It's expected to run on May/2011
- A certain amount of money has been paid to prepare land-site for the construction of new factory at Tan Phu Thanh IDZ.

ORGANIZATION & HUMAN RESOURCE

PERSONNEL STRUCTURE

Employment structure based on function and level of education:



Total personnel (including subsidiaries's ones) as of 31/Dec/2010 is 2,456 persons. Personnel structure is balanced between male and female.

Employment structure based on function tends to be increased in salesforce. Production workforce has a high ratio through 2005, 2006, 2007, and tends to be stable from 2008. Office personnel tends to be decreased through years. As of 31/Dec/2010, the quantity of office employees makes up 22.23%, production workers 37.66% and salesforce 40.11%. In term of absolute figures, production has a growth from 729 to 925 people (196 people, 27% up), office decreased 48 people, equivalent 8% down (from 594 to 546), salesforce only increased 18 people, equivalent 2% (from 967 to 985)

Regarding education level, the ratio of graduate and post-graduate employees in 2010 grew compared to the last years. The ratio of high-school level strongly downed, it just makes up 23% in total employees currently. Meanwhile, there is an increase in college and intermediate education level.

POLICY TOWARDS EMPLOYEES

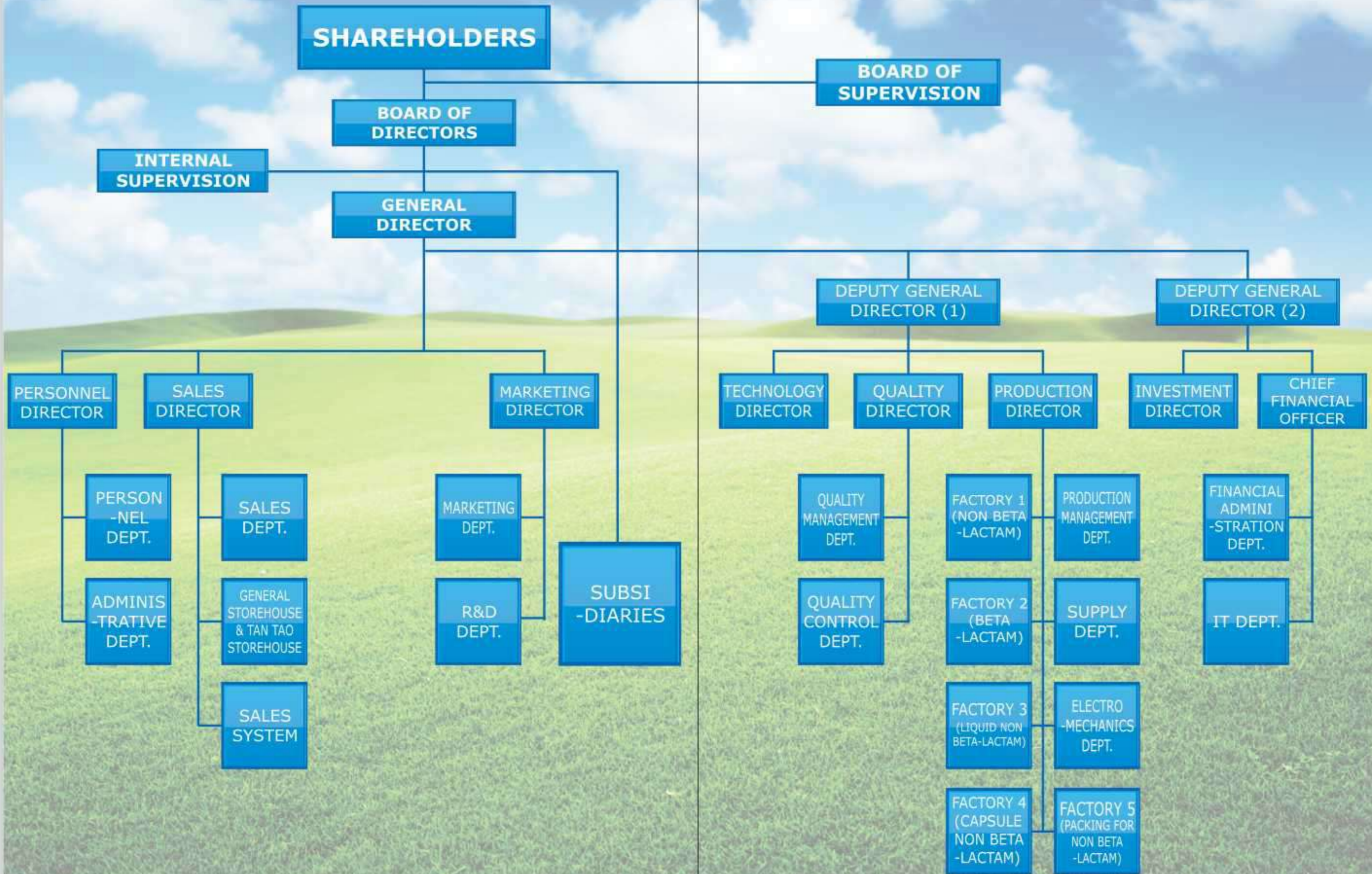
Recruitment:

- Recruit 190 new employees, including 90 official ones and 100 journeymen.
- The recruitment task is strictly carried out by HR Department, in which candidates should be interviewed by the leaders of the departments that have a demand of personnel as well as by HR director.

Training task:

- Training activities is always concerned and renewed. Knowledge, experience and practical methods are mainly applied in training stuff.
- Organize outdoor trainings for 1,900 employees, which include many kinds of games to improve their knowledge, experience and skills
- Total training hours: 120,534 hrs. Average: 60.12 hr/person/year
- Total amount spent for training: VND 3.6 bn, 71% up compared to the year 2009
- Carry out an opinion poll to select inherited staffs, including for senior positions
- Rank employees following grade A,B,C to prepare for training

DHG PHARMA'S FRAMEWORK



Safety in production:

- Train more than 1,428 employees in labour safety; 100 employees in laboratory safety; 45 employees in equipment safety.
- Participate in the labour safety contest of Can Tho City; win First award.
- Train 66 production team leaders in first-add. Train employees in fire regulations.
- The Company's Labour Protection frequently checks the compliance of fire prevention and labour safety, provides necessary equipment in order to prevent incidents in time.

Healthcare for employees:

- Carry out on-site medical examination and treatment for 3,479 turns, with spending amount VND 82 million. Spend VND 764 million per year for noxious prevention.
- Carry out general health examination for more than 2,000 employees at Hoan My Can Tho Hospital, Cho Ray Hospital and other big hospitals with total spending amount VND 3.5 billion. Support health examination for employees' family with spending amount VND 496 million.

Campaign and contest inside company:

- There are two big movements in a year. Youth Union, Labour Union, Veterans Club often coordinate to organize picnics, contests, games, music playing, sport to educate Company's tradition, update social knowledge, working skills, and promote health etc

Results of movements:

- + Personal title: 1,463 good employees; 239 excellent ones.
- + Credit: credits granted by City People's committee: 56; credits granted by Ministry of Health: 22; credits granted by Health Department: 748; credits granted by the Company: 658
- + Collective title: "Excellent Unit" for DHG from Can Tho City People' Committee
- Innovative - useful solution:
 - + 116 ideas, including 45 ideas and 10 innovative, which act on cost-saving, work-improvement

- + There are 1,148 ideas joined in the contest "If I were DHG's CEO", including 128 from customers and consumers, and 1,020 from employees.
- + Project: five of R&D, 1 of production innovative, 1 of equipment improvement, 3 scientific projects and 15 new products.

VND 22.7 billion is the profit from the above innovative. The Company has rewarded VND 673 million for the innovative owners.

Welfare:

To share corporate benefit to employees as well as to put into practice the "Tripod strategy", DHG, in 2010, has carries out the following activities:

- Organize inbound and outbound tours for employees with total spending amount of VND 5.5 billion.
- DHG has completed a swimming-pool, and a football ground in Jan/2011 with the cost of VND 5.86 billion to serve its employees.
- A new dining-room has been completed to serve for employees' daily meals with the amount of VND 5.9 billion.
- The Company is building a tenement to serve for the employees who are living in renting houses, expected to finish in June/2011, with total estimated cost of VND 7.8 billion.
- A day-care center for employees' children is being built with the cost of VND 1.37 billion. This center will help employees feel secure to work with all their heart, particularly to shift-followed employees.
- Organize several "Gratitude programs" for employee's parents, which create profound emotion.
- Organize "summer programs" for 135 children of employees.
- Fund for 16 children attending "Army-semester".

All these above costs are extracted in the Company's welfare fund which accumulated through years. The welfare constructions are placed around Company's area in order to create a beautiful sight and convenient for use.

Salary and bonus:

- Raise salary for low-income employees from VND 1,200,000 to VND 1,320,000. The Company also elevates salary for production workers following their labor productivity.
- Increase basic salary for employees following the State regulations. Pay full social insurance, healthcare insurance, and unemployment insurance for them based on their basic wage.
- The average income in 2010 of DHG Pharma's employee is VND 14,760,408 in which the average of production worker is VND 6,399,337, service staff is VND 9,125,419, office staff is VND 13,066,277, sales force is VND 28,526,318.
- Besides year-end bonus, employees also receive bonus on the occasion of Western new year, Hung King anniversary, 30/April, National Day (DHG's Birthday), Lunar new year. Average bonus: VND 4,492,828/person.

FINANCE AND ACCOUNTING ACTIVITIES

- Financial statements finished and published in time. Ensure a transparent and strong finance; keep DHG Pharma's prestige.
- Coordinate with the auditing company to audit and review annual financial statements.
- Carry out to strike a balance of business income tax with Tax office.
- Assigned accountants coordinate with Inspection Function to check selling units on their observance of accounting rules and corporate regulations.
- The accountants responsible for subsidiaries carry out to prepare quarter financial statements as well as to deal with the issues related to tax, management of salesperson's proceeds and employee's income.
- Prepare and monitor Company's budget for 2010, analyze the performance of each product, material trading, performance of new products; report data analysis following the requirement of Company's operation.
- Utilize the benefits from the good relationship with banks; the supports of banks bring VND 10 billion of profit to the Company in 1010.



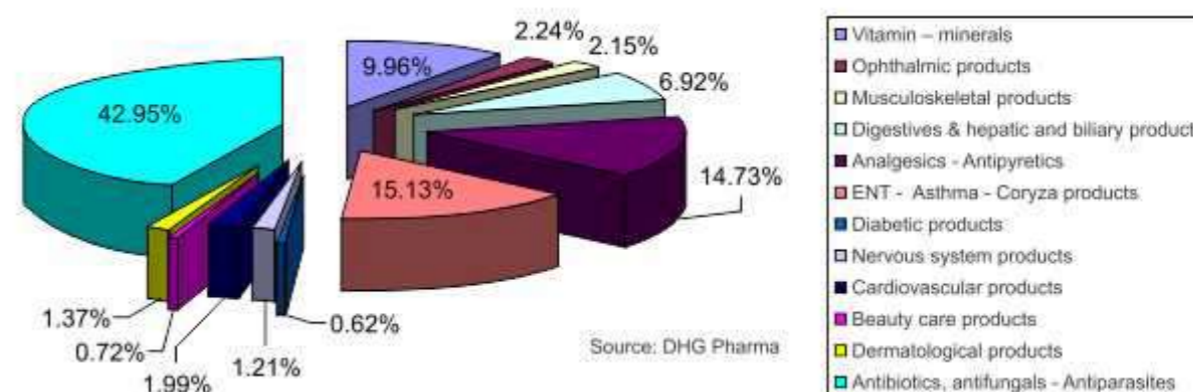
Based on the figures in "Past data" item, the revenue of DHG's self-produced goods makes up 94% in total revenue through many years. This presents that DHG has concentrated to its core competence and professional business. The proportion of DHG's operating revenue is stable through years. Particularly, the activity of trading outside goods tends to be minified in recent years; it has been replaced by the substitute of revenue from DHG Travel and raw-materials trading.

In recent years, there has been an increase in revenue of herbal group. The going-up of herbal revenue (making up 10.64% in 2010) is the joyful sign for DHG in the way to gradually reduce the dependence upon imported active pharmaceutical ingredients, and substitute them by a plentiful herbal source of Vietnam in accordance with the State policy on local pharmaceutical industry.

Revenue following the category of three product groups as pharmaceutical, dietary supplement and cosmetic: the revenue from dietary supplement has a higher growth in comparison with the others - in 2006, it just made up 2.43%, but in 2010, it contributes about 7.81%. It is suitable to the market tendency "Prevention is better than cure" in recent years and matching to DHG's development strategy

Revenue structure of DHG's 12 groups of product in 2010

DHG's revenue is also counted following 12 groups of products, which categorized based on their functional indications. The 12-groups of products from DHG fairly satisfy the demand of market and MoH's expectation. The structure of DHG's product portfolio has a big change since the Company carried out to apply the strategy 20/80. Even so, the revenue structure of product groups has been stable during years. The antibiotic group still rank first with 43% and group of analgesics - antipyretics is the second with 15%.



COST STRUCTURE

DHG's cost structure through equitized years

Ratio of expenses/ Net sales	Year 2005	Year 2006	Year 2007	Year 2008	Year 2009	Year 2010
Cost of goods sold /Net sales	53.97%	46.31%	47.28%	46.73%	47.08%	49.90%
Selling expenses /Net sales	27.98%	35.83%	36.96%	35.08%	23.42%	23.75%
Administrative overheads /Net sales	7.04%	6.34%	4.65%	6.94%	6.47%	6.59%
Financial expenses /Net sales	0.90%	1.27%	1.34%	2.56%	1.32%	0.15%
Other expenses /Net sales	0.05%	0.12%	0.07%	0.40%	0.69%	0.39%

Source: DHG's Consolidated financial statements from 2005-2010

DHG's Cost of goods sold /Net sales has been stable from 2006 – 2009 at ratio 47%/net sales. In 2010, this ratio increased 3% compared to 2009; it is because all of input costs go up while the output prices are not allowed to increase in many successive years. DHG is the enterprise who has the lowest ratio of Cost of goods sold /Net sales in comparison to the peer listed ones (50%). This suggests that the Company has exploited well its advantages in production capacity and large scale.

In general, DHG's Administrative overheads/Net sales and other expenses/Net sales have not significantly changed through years. Particularly, the ratio of financial expenses /Net sales in 2010 strongly declined in comparison with the years 2006 – 2009; it is due to the difference in currency exchange and the Company has utilized the preferential policy from banks such as free of charge in payment transaction and open LC for the transaction of import contracts, tender without deposit, etc. Moreover, DHG is carrying out the policy on discount for customer by directly deducting the payment in invoices based on the discounted ratio assigned for each customer.

The structure of DHG's Selling expenses strongly declined from the year 2009 and being stable from 2010 at the rate 23%. To diminish this kind of ratio, DHG, in one side, has carried out successfully the strategy 20/80 in its product portfolio, customer classification, the Company, on the other side, has been carrying out the policy of directly deducting the payment in invoices for customers based on their assigned discounted ratio. The ratio of Selling expenses /Net sales of DHG is higher than that of the peer ones; however, it also brings the highest sales and profitability ratio. DHG's selling expenses is mainly used for depreciation of assets, investment in distribution network (GDP-compliance), investment in Brands and marketing activities, etc. Then, we can see that it is far better for enterprise to use effective expenses in order to get high profits in return than to practice thrift and receive a low profit back. However, DHG is also reconsidering this item and having a plan to reduce this kind of cost to the most rational rate to ensure a stable development in the future.

Cost structure of listed pharmaceutical enterprises in 2010

Ratio of expenses/ Net sales	DHG	DMC	IMP	TRA	SPM	PMC	MKP	OPC	DCL
Cost of goods sold /Net sales	50%	70%	54%	69%	66%	63%	79%	56%	79%
Selling expenses /Net sales	24%	9%	29%	14%	5%	10%	4%	19%	4%
Administrative overheads /Net sales	7%	9%	5%	5%	3%	9%	7%	8%	3%
Financial expenses /Net sales	17%	2%	1%	1%	4%	0%	1%	0%	5%

Source: Audited financial statements in 2010 of companies

SCALE AND CAPITAL STRUCTURE

In 2010, DHG continues to stand first in Vietnam pharmaceutical industry in term of total assets; its total asset is twofold higher than the enterprises standing second position. The scale of DHG's share capital also stands top (VND 269 billion), then DMC (VND 178 billion), SPM (VND 140 billion), TRA (VND 123 billion), IMP (VND 116.6 billion), the rest one are all under VND 100 billion.

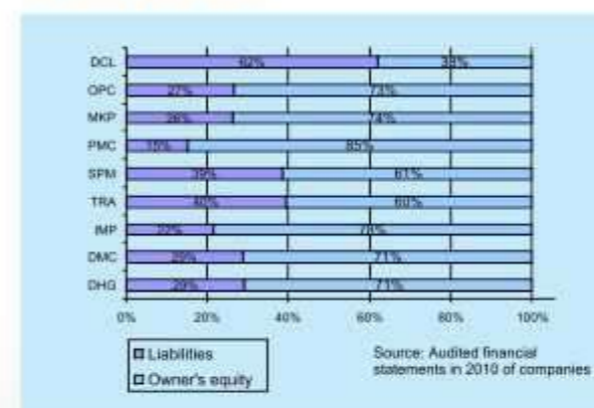
In 2011, DHG has a plan to increase its share capital to VND 651 billion through 02 stock issuance series for its current shareholders and employees. The Company will continue to affirm its leading position in Vietnam pharmaceutical industry.

Total assets and share capital



Nearly all listed pharmaceutical companies have the ratio of owner's equity at 2 - 3 times higher than their liabilities; particularly their borrowings-on-interest make a low proportion in total assets; just DCL is contradictory. This reflects that the liabilities of companies are so safe, especially in the situation of high inflation and high interest rate.

Capital structure



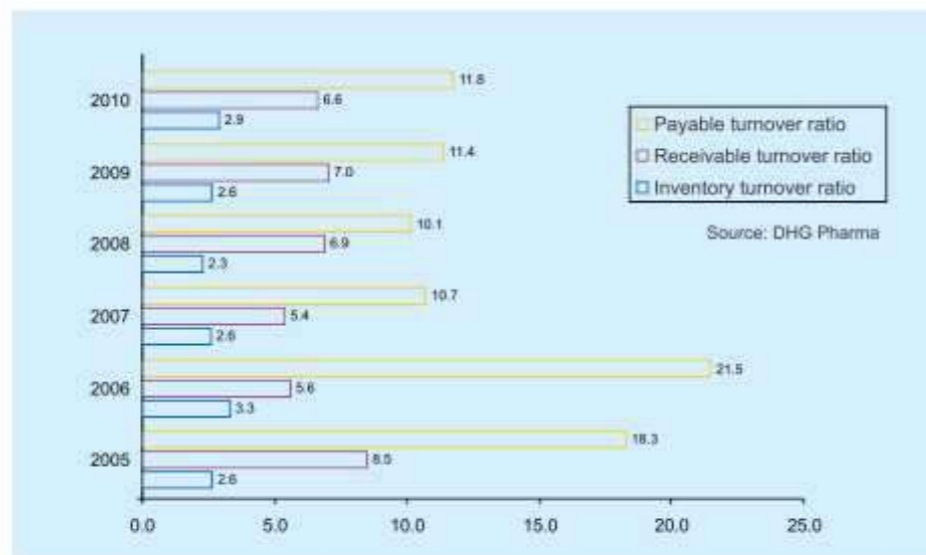
However, when the economy returned to be stable, this structure will not be suitable to the strategy for development anymore. In term of accounting aspect, the companies's profits appear to be increased because they do not have to spend for borrowings interest; however, if calculated the efficiency from financial activities, these companies have missed the benefits from financial leverage, they also bear the pressure on dividend, and profitability due to their structure of owner's equity. DHG is also not an exceptional case!



OPERATING EFFICIENCY

DHG's operating efficiency has been stable in recent years. Its receivables turnover ratio is fairly better than the peer ones. The inventory turnover ratio is stable at the average of 2.5.

DHG's receivables are continued to be managed by many tight measures and regulations. In 2011, salesperson is just paid salary based on his real proceeds. If a salesperson that could not collect debts for three successive months, he will be transferred to another unit or being dismissed.



To the inventory, DHG has a tendency to store at a high level due to the high currency exchange ratio and the increase in input costs appeared in recent years, particularly in inflation period. The Company has balanced between inventory cost, opportunity cost and the increase in price of raw materials, insufficient good that may lead to loss of market-share. However, this ratio is not so differential in comparison with that of the peer enterprises.

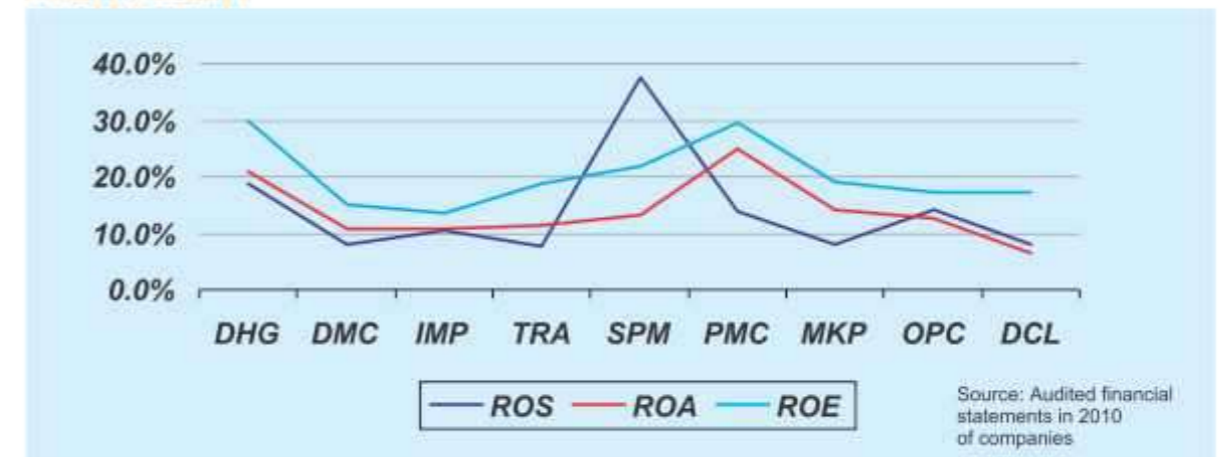
In general, DHG's operating efficiency is far better than the peer enterprises, which also have a large-scale of capital; however, there are some ratios that are not as effective as those of the small-scale enterprises.

Operating efficiency of listed pharmaceutical enterprises in 2010:

Operating capability	DHG	DMC	IMP	TRA	SPM	PMC	MKP	OPC	DCL
Receivable turnover ratio	6.6	5.9	4.0	3.6	1.2	12.0	8.2	5.9	2.3
Payable turnover ratio	11.8	16.9	5.5	5.5	4.9	29.8	22.2	9.5	5.9
Inventory turnover ratio	2.9	3.7	2.4	3.2	8.9	3.6	3.4	1.5	2.8
Working capital turnover ratio	1.4	2.4	1.5	1.8	0.8	2.6	2.4	1.5	1.2
Fixed assets turnover ratio	5.4	3.2	3.0	9.6	0.7	6.0	6.8	2.1	2.7
Total assets turnover ratio	1.1	1.4	1.0	1.5	0.4	1.8	1.8	0.9	0.8

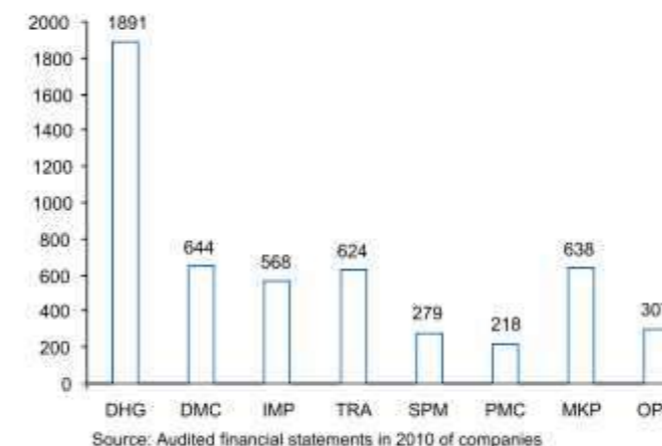
Source: Audited financial statements in 2010 of companies

PROFITABILITY



In the year 2010, DHG's profitability ratios have a light decline in comparison to the year 2009; however, they are still higher than those of peer enterprises. DHG and PMC are the ones who have the highest ratio of ROA and ROE. In 2010, DHG's ROS achieved the rate 18.7%, higher than other peer listed companies, but still standing behind SPM (37.4%). The comparison of profitability ratios just has a relative meaning because there are some enterprises that appear to have unpremeditated profit in the period. Besides, the increase in capital also affects the profitability ratio in the short-term of several companies such as SPM.

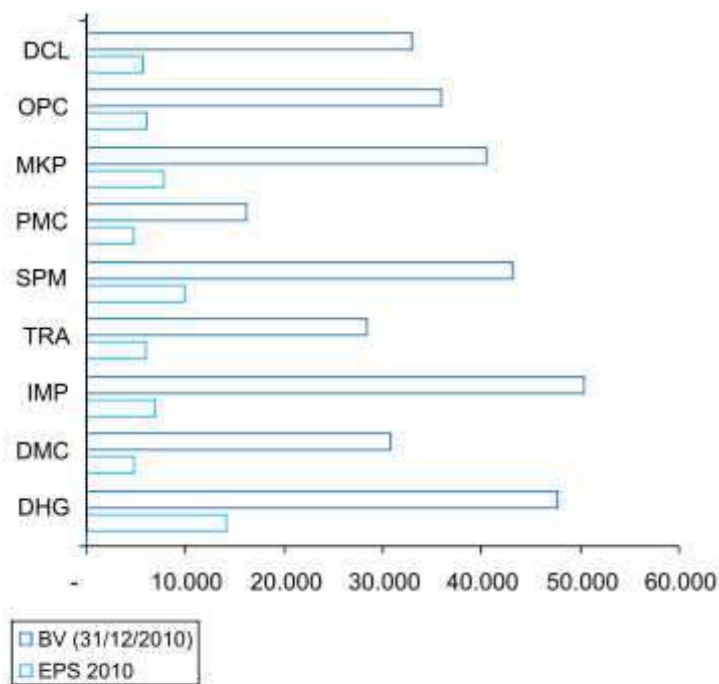
OTHER RATIOS IN COMPARISON WITH PEER ENTERPRISES



PRODUCTION SALES

Most listed pharmaceutical enterprises's production sales increased through years. DHG continues to be the leader in the 15th year in Vietnam pharmaceutical industry, with VND 1,891 billion in 2010, threefold higher in comparison with the group of companies who stand the second position: DMC, IMP, TRA, MKP, and 6-7fold higher in comparison with the third group including SPM, PMC, OPC.

DIVIDEND, EPS AND BOOK VALUE



Source: Audited financial statements in 2010 of companies

Currently, local pharmaceutical industry has 14 enterprises that are listed in HSX and HNX. Most of them are in top position, with total market capitalization is VND 8,400 billion, in which, DHG has the highest capitalization (above VND 3,000 billion), makes up 30% total capitalization of listed pharmaceutical firms. DHG's market capitalization is higher than other listed pharmaceutical enterprises because it has a higher chartered capital and its stocks possess a higher value as well.

Book value and EPS in 2010 of listed pharmaceutical enterprises:

PLAN FOR 2011

According to 2010 Annual Shareholders' Meeting resolutions, the listed pharmaceutical enterprises have released their targets for the year 2011 as follows:

Plan for 2011	DHG	DMC	IMP	TRA	MKP	OPC
Net sales (VND billion)	2,240	1,122	800	1,080	950	340
Growth	10%	8%	5%	26%	6%	-4%
Profit before tax (VND billion)	380	93	100	80 (LNST)	92	59
Growth	-12%	-18%	2%	21%	-1%	-11%
Dividend ratio	20%	20%-22%	-	20%	20%	25%

Essentially, the listed pharmaceutical enterprises have set a prudent target for the year 2011, with the growth rate less than 10%. In the hard context of Vietnam's economy, they set a negative growth for profit before tax because medicine is a kind of product serving for social welfare. TRA, in particular, based on its improvement in recent years, has set the growth for its revenue at ratio 26% and 21% for its profit after tax in 2011. Although the planned growth rate of DHG is far lower than TRA's, the absolute figures do not present a big gap, in which DHG's planned revenue is VND 202 billion up while TRA is VND 220 billion up.



Report of Board of Supervision

In the second year of term 2009 - 2013, from April 2010 until the end of March 2011, DHG Pharma's Board of Supervision has kept on checking, supervising and proposing to implement necessary changes at DHG Pharma in major fields as follows:

RANGE OF SUPERVISION IN THE YEAR 2010

Supervision on strategy: long-term and medium-term business strategy, the implementation of investment project in building new factories, invests in high-valued assets, which used in production activities as planned in the year 2010.

Supervision on activities: the set-up and fulfilment of regulations, including the charter and regulations on the activities of sub-companies, in order to strengthen corporate provision capacity and risk management in daily production activities;

Supervision on finance: check quarter financial statements to measure the appropriateness of financial statistics, coordinate with subcompanies's supervision group, internal inspection, and independent auditors to examine the vital issues concerning to auditing activities on financial reports; as well as to ensure that the management of financial investments complied with the regulations.

BOARD OF SUPERVISION'S ACTIVITIES

In the year 2010, Board of Supervision has organized 02 series of supervision to check the observance of the Law's regulations and internal conventions in production, trading and financial administration at the Company's headquarter and 06 subsidiaries (CM Pharma, HT Pharma, TOT Pharma, ST Pharma, DHG PP, DHG Travel).

After each checking series, Board of Supervision made a detailed report to send to Board of Directors and General Management Board in order to modify the issues that need to be concerned in management activities of all units.

In 2010, one member of BOS resigned due to his personal reason, a new temporary member recommended by SCIC has been added to ensure sufficient quantity of BOS (03) members as regulated in the Charter.

RESULTS OF SUPERVISION ON OPERATION AND FINANCIAL REPORT

- Board of Supervision has agreed with the assessment of financial activities and statements of the Parent company and subsidiaries in 2010, audited by KPMG Vietnam. Through the 2010 financial statements have been audited, Board of Supervision has found no abnormal cases in production and trading activities. The report shows a transparent and healthy state in company's financial activities.
- The over-performance of Company's 2010 results shows in increased owner's equity, decreased debts, high liquidity. However, profit ratio of 2010 decreased compared to 2009. It is because in 2009, the Company has carried out written back of the provisions of previous years.
- The sub-companies show their good performance.

SUPERVISION ON THE ACTIVITIES OF BOARD OF DIRECTOR, GENERAL MANAGEMENT BOARD AND LEADERSHIP

- Board of Directors has 08 members; General Management Board has 03 members. This quantity is complied with the Charter's rules. Board of Directors organizes quarterly meeting and extraordinary meeting if required. These meetings presided by the Chairperson. Board of Supervision also invited to attend the meetings related to the implementation of shareholders' resolution, vital issues, problems raised in production and trading, shareholders' and employee's benefits.
- General Management Board continues to supervise strictly the standards applied for Quality management and SOP. Assign clear rights and duties for each department. Ensure employee's salary, stable job and wage enhancement. Information disclosure performed well.
- Board of Supervision is provided with sufficient information on the Company's production, trading and finance. We have not received any complains from shareholders on the derogation. No abnormal issues raised in the activities of Board of Directors, General Management Board and managing leaders.
- Board of Supervision agree with all reports submitted to 2010 Annual shareholders' Meeting by Board of Directors

ASSESS ON FULFILMENT OF PROPOSALS SET IN THE ANNUAL SHAREHOLDERS' MEETING 2009

At the Shareholders' Meeting 2009, Board of Supervision had proposed some ideas concerning to the activities of supervision, management of the Company. In general, all of the proposals have been concerned, modified by Board of Directors and Company's Leadership. Specifically as follows:

- The earlier deduction of expenditures, provisions: suggest to deduct right ratios which reflects exactly the business status of the company, avoid being adjusted the statistics when being audited.
- Set plan and carry out the construction of new factory. The Company is implementing this plan although there are some objective problems raised (compensation for clearing the ground,...) affected to the project's progress.
- Train inherited staffs, especially for senior positions. Leadership board has built a training plan in the year 2011.
- Complete the procedure for ESOP issuance in 2010.
- Establish Internal Inspection: appoint personnel responsible for this task, especially qualified in finance to inspect Corporate's activities.



SOME POINTS NEED TO BE IMPROVED IN CORPORATE'S ACTIVITIES

- Chartered capital, sub companies's charter: set legal and financial responsibility for each unit, check and modify subcompanies's charter in order to be complied with current laws and DHG's characteristics (united the plan for profit distribution, right and obligation of directors in signing business contracts, investment, borrowing and loan contract etc) in order to prevent the parent company from risks.
- The Regulation on DHG's legal representative issued following the Decision No. 041/QĐ-HĐQT dated 05/Nov/2007 is not relevant to practical context. Besides, the regulation on controlling sub companies issued by DHG accompanied with Decision 055/QĐ-HĐQT dated 14/Nov/2008 has identical points compared to Regulation 041. Suggest uniting these contents.
- Hasten the construction of factory in phase 2 (expected completion time: Q2/2012). Ensure to fulfill in time with perfect quality as approved by Annual Shareholders' Meeting 2009. Notice on accrued expense and inflation ratio, the impacts of input cost due to tardiness.
- It is necessary to have an overall assessment on new factory project: opportunity cost, accrued cost, negative effect regarding to project delaying which causes insufficient product supply to the market, leading to market-share loss. It is required to make a comparison among these kinds of cost.
- Re-examine on the salary policy applied for salesperson regarding to debt receivables. Sales may be impacted in the initial period due to debt allowance. Therefore, it should consider a suitable applied method for this issue because sales force is the one who made greatest distribution to the Company's success.
- Other issues should be noticed are the policies towards employees, allowance for seniority employees who have to work in provinces, policy for three-shift workers. These policies should be performed in complying with Labor law.

SOME PROPOSALS

- Suggest establishing Risk Management function and Internal Inspection function that are separated from each other in order to ensure objective and tight assessment.
- Suggest modifying the Regulation on DHG's legal representative. Unite the contents in the Regulation on controlling sub companies.
- Suggest building a regulation on financial management for new factory at Tan Phu Thanh IZ, Chau Thanh – Hau Giang, publish the financial issues on tender etc during the implementation of project.
- Suggest the Company set a concrete plan; coordinate with local authority to carry out the change of land-use-purpose for the land area located at 288 Bis, Nguyen Van Cu St., Can Tho City.
- There is an unused amount of money, which is the R&D fund. According to current accounting regulations, if this amount has not been used within an allowed time, it should be reversed and it will be imposed. Therefore, we suggest the Company boosts the R&D activity in order to ensure the improvement of business activities as well as the efficient use of capital as approved.
- The deduction and setting of expense items in advance should be followed closely to the practical context and the last data. This will help to limit risks (1) if the amounts are used up, this means that Company's operating cost will be increased, leading to a bad effect on business results. (2) If the amounts are not used up, they must be reversed and be imposed.

Corporate Social Responsibilities

On the way to build corporate trademark, most businesses have taken profit as their first criterion, but DHG has determined that its tasks of serving people health is the first priority among corporate objectives. This attitude has stemmed from the time when DHG produced medicines to supply for the South West battle and for the people in liberated zones. Thus, today, DHG has been always heading to the vision "For a more beautiful and healthier life" and "Benefits for the community centered upon at the start of all activities."

In domestic and international markets, DHG is mentioned as an admirable - esteemed - cooperative enterprise! It is an invaluable asset resulting from the efforts, wisdom and determination of many generations, eloquently demonstrates the value brought by DHG people. It also results from the social activities for the community that its staffs are always willing to share.

The drops of blood sharing with the victims who suffered from the collapse of Can Tho Bridge, or every year at least 683 people voluntarily donate 724 units of blood sent to Can Tho Hematology – Blood Transfusion Center for saving people readily!

The frequent health examination and free distribution of medicines are in not only Can Tho, Mekong Delta but also spread throughout Vietnam, to the poor in Cambodia. The piggy-banks are nursed from employees' monthly salaries. Every year on DHG birthday, the Company will open these piggy banks to take money. This amount of money will be used to build houses for Vietnamese revolutionary martyr and to foster Vietnamese heroic Mothers. The meager salary contributes to the fund to support cardiovascular surgeries for poor children. The hearts of DHG people also share with the Central compatriots being in the floods and natural disasters, share with the Japanese citizens being suffered from the last tsunami.



In 2010, DHG has spent more than VND 06 billion for the community activities; although the amount is not very big, all actions and deeds will seem like a nature derived from "human feelings" which we proudly call as "The love of DHG people".

The social responsibility of DHG is firstly done by the concrete actions for its employees and their families. It is also expressed in the sense of offering high quality products and consistent with the pockets of the low-income people. Besides that, DHG has always been studied to provide consumers with high technological products, which have fewer side effects. Moreover, these products should be derived from the natural herbs in Vietnam. The incomes of Vietnamese farmers in regional planning projects will be also increased.



People often make the text Glory
And forget the word Love in Mind

Through the programs "Medicine Talk", "Doctor Talk-Show", "Your Health", "VOV HCMC traffic" and "Osteoporosis examination", DHG has advanced the community awareness of using medicines correctly, safely and reasonably "for a more beautiful and healthier life." The Company's customer service are always undertaken by the best pharmacists to answer the consumers' questions about the products and about the incident during the treatment or using of medicines as well as other issues related to health, prevention and treatment of diseases.

It is so proud for all members of DHG when right in the 35th birthday, DHG honored to receive the "Heart" awarded by the President.

Environmental Responsibility

Corporate responsibility for the environment is crucial to the survival of the Company. Vedan's lesson and some other enterprises in Vietnam have made clear. Particularly for the companies with manufacturing plants located in the residential areas, DHG Pharma is not an exceptional case.

In fact, to be put into operation, the pharmaceutical manufacturing plants of DHG Pharma have undergone several stages of environmental impact assessment and have fully met very strict standards on wastewater and air treatment. Twice a year, the Company is surveyed on environmental impact by the assessment of Department of Natural Resources and Environment.

On the occasion of DHG's customer get-together day which was held at the Company's headquarter in the end of 2010, there is one work brings interesting surprises and creates strong emotions to the customers; that is "the Packaging Festival."



The skillful hands and creative minds of DHG Pharma's employees have turned the waste materials in production (seem to be removed) into a garden full of colors, vividly but true, natural as the DHG people. The flowers were created as roses, orchids, dahlias, artichokes, maidenhairs, tulips, lilies, queens, poinsettias, and then water-lily pots, hyacinth pots,...."blooming" together. All are made of aluminum foil scraps, discarded aluminum cores, old worn gloves and non-used carton paperboard. The "unique" Christmas tree is made from Hati water bottles filled with colorful capsules making the Christmas air joyful and warm.

Besides, labour environment is also the biggest concern of the Company. Annually, DHG invites the Service Center of Occupational and Environmental Health to assess its labour environment (including smell, noise, humidity, light, etc). In addition, the Company always provides employees with sufficient labour protection equipments and has a good policy on protecting employees' health.

"The Packaging Festival" not only brings the "sweet value" for "the last year festival" of DHG customers, but also gives the message of "environmental protection" of DHG to everyone.

Not only that, the sense of responsibility to the environment of DHG is also done through the use of clean technologies, modern machinery and equipment to save fuel; using friendly self-destroyed and recycled packaging, ect.



Investor Relations

The transparent, accurate, truthful, complete and timely disclosure of information is not only the enterprise's responsibility towards its investors, but also the firm's liability for its own sustainable development

The investor relations tasks have been always focused and innovated by DHG. During the last time, DHG has done well this task though it has no standard model or guidelines for this activity. Besides Annual Report, the Company is trying to make as many channels of information as possible in order to help investors approaching corporate published info.

In 2010, IR Function was officially established, including 03 active members with specialized expertise in financial accounting, securities, strategic management, risk management, investment analysis, and professional competence in communication, law, and IT.

DHG's IR Function has welcomed more than 100 domestic and abroad investors visiting the company, answered their questions and listened to their wishes and demands. From these meetings, we have understood that the value of DHG stocks not only come from the result of annual business, but also from what we will do for the Company's future as well as from what we have made for the community, shareholders, customers and employees.

The Special Award for DHG Pharma's Annual Report in two consecutive years (2009-2010) is the reward for the relentless efforts of the implementation team including Marketing Director, IR Function, Design Division and DHG Printing – Packaging Company. However, most of all, it demonstrates the transparency and faithfulness of DHG towards its investors and the corporate compliance on information disclosure ruled by States Securities Commission and HCMC Stock Exchange.

In 2011, for the tasks of information disclosure and investor relations, IR Function will focus on timeliness, completeness and clarity, will concern more on the shareholders who are corporate employees to create two-way engagement, will upgrade the quality of information and will regularly attend the seminars about IR to get more experiences.



Plan for IR task in 2011

Publish "DHG's IR News" on Company's website and HCM City Stock Exchange's website every two months

Organize meetings for leading stockholders every quarter (after quarter financial statements released).

Provide information, clear up investor's queries via meetings, phone, email, documents, publication.

Join in the Annual Report Contest 2010. Send the publication to investors.

Half-year Report of 2011 will be performed after having Auditor's review report of Quarter 2/2011. Investors will receive the publication then.

The contents in IR section published on the Company's website will be performed in English version as well.

Investors will receive all public information via email.

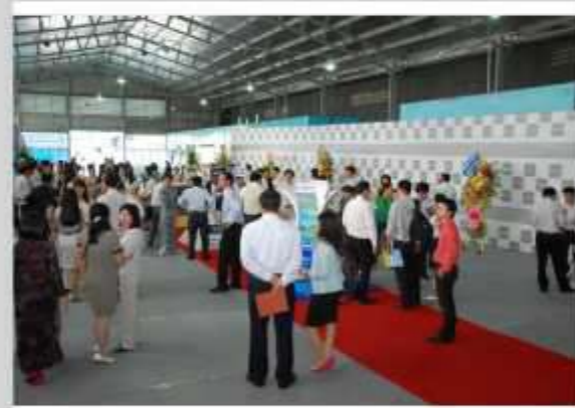
Create emotion in care activities towards investors.



Supplier Relations

Since 2004, one of seven core values of DHG: "Mutual prosperity with partners established as our long-term goal" had been formed and reaffirmed in 2007. However, in the last years, despite getting plenty of support of DHG's suppliers, this value has not been showed evidently to them.

In 2011, the year being opened with the instability of Vietnam economy, most of the input elements has increased. The pharmaceutical industry is even more difficult when its products are the ones, which affects on social welfare and the price is requested to be stabilized by the State and the mass media.



To efficiently exploit the fifth core value, on 27/04/2011, before the eve of 2010 Annual shareholders' Meeting, the first-time of "Get-together day for DHG's suppliers" was solemnly held at DHG Pharma. The festival is the meeting place for all of past, present and future material and service suppliers of DHG.

In the festival, DHG would like to share its difficulties when raw materials' price increased. From suppliers' professional experience, DHG expects to have their suggestions in each period to help the company prepare for its inventory, avoiding being passive. In addition, the relationship of suppliers will give DHG many opportunities in term of the cooperation and consultancy from the worldwide well-known pharmaceutical manufacturers. On the other hand, the close collaboration among Supply Division, Department of Finance Administration and the logistic group with our suppliers is needed to perform better to reduce the costs, time and procedures.

DHG also would like to express its expectation to be a healthcare provider for its material and service suppliers' employees as well as to offer its products to serve the countries that DHG has imported raw materials.

The first meeting with the participation of over 177 suppliers offers the suggestions and opportunities for the suppliers to access the needs of DHG. After the meeting, DHG expects to cooperate with long-term suppliers who have the same our point of view in order to reach the target of mutual development.



Relationship with Banks

The transactions through banks of DHG Pharma in the last years have been very exciting. In 2010, DHG Pharma monthly transfers its payment for local partners from VND 200 to 300 billion, equivalent to around VND 600 million of yearly fees. Most are mainly done through the system of ViettinBank, Eximbank and SCB. All transaction fees are completely been free by these three above banks. Just in early months of 2011, the amount of transactions has increased to VND 300 - 400 billion per month, promising a higher saving in transaction fees in the year.

Having good relationships with the banks will attract more capital and bring more benefit to the Company. Aware of this, DHG Pharma has enlisted over VND 08 billion which resulted from the effects of fluctuations in currency exchange rates (in the situation that currency is rare and increased in exchange rate). In 2010, the company transaction for import has to use around USD 2 million per month; if accounted following the lowest difference rate at 350 VND/01 USD, it would bring to the company about VND 8.4 billion of profit (the actual difference sometimes was up to more than 1,500 VND/ 01 USD). Early months of 2011, the company needs to use from USD 03 to 3.5 million per month for import activity; therefore, the difference amount will be expected to increase higher.

Besides, the activity of bid security and opening L/C without collateral are also profitable for the company. Among USD 2 million in total imports in May 2010, there are 700 to 800 thousand dollars paid via L/C. L/C deposit rate and normal bid are from 10% - 20% of the total contract value. DHG collects the interest from the banks on the money, which should have been deposited, average 12% per year, equivalent to over VND 01 billion.

Thus, the total benefit from financing activities in 2010 has been nearly VND 10 billion. This value has been created based on "mutual prosperity." With the amount deposited in banks (over VND 350 billion) and big payment transactions of DHG help the banks to raise their capital more quickly and reduce the pressure on overnight lending rate to proportionate the balance.

However, DHG will be very interested in the preferential loan funds for business promotion task in the coming time, especially after the period of disbursement for the construction of new factory, current factory and the distribution system... For this, the task of relationship with banks needs to be paid more attention.

The Banks, which have their branches located in Can Tho City that DHG Pharma is currently trading including Vietcombank, Viettinbank, Eximbank, Maritime Bank, SCB, ACB, HSBC, LienVietBank, Vietnam Tin Nghia Bank, AgriBank



**Heading
to the future**



Macroeconomic situation

THE WORLD ECONOMY

At the beginning of this year, people happily believe the world will have a smooth year when the financial crisis in Europe eases, the European debt is not strained and the world's leading economic country (the U.S.) grows well. At that time, the overheating growth of emerging economy group has made the commodity prices increase highly and this is the most concerned issue.

Two months later, the situation turns round:

The instability in the Middle East, the disaster in Japan, the inflation in China and in developing countries, the food crisis and the diseases caused by the natural disasters in some countries in the world etc have been making people worry about the economy. The world has to face new crisis: the political crisis in Arabic countries creates a shock in the oil market. Earthquakes, tsunamis and the nuclear accident in Japan have caused the third largest economy in the world miserable.

With such a double crisis, where will the growth retrogress? And how does the economic policy makers response?

As calculations, for every 10% increase in oil prices, the global economic growth will lose 0.2%. At the beginning of 2011, the world economy is expected to grow from 4% to 4.5%. The initial calculations have showed that only two crises will take away about 0.25% to 0.5% of global economic growth.

Economist Newspaper on 31/Mar/2011

The International Monetary Fund (IMF) has estimated the total amount spent on fuel price subsidies worldwide in 2010 reached USD 250 billion, far higher in comparison to the figure USD 60 billion in 2003. The total energy subsidies in 2011 expected to be higher. When the world oil prices are up above USD 120 per barrel, the fiscal budgets to subsidize for energy of many emerging countries are under pressure. Consequently, the subsidization programs in energy prices have led the government's budget under stress and the funds that should be used for other areas have been dispersed. Moreover, the subsidization programs have made the oil demand increase and inflation push up even further.

Recently in Vietnam, the government's decision to raise fuel prices by 30% in 02 months has showed that there are some significant changes in emerging markets.

Economist Newspaper on 21/Apr/2011

VIETNAM ECONOMY

Inflation Vietnam's economy in 2011 is seen at 02 key indicators: inflation and GDP growth. The GDP plan in 2011 passed by the National Assembly on 08/Nov/2010 is 7 -7.5%; the inflation must not exceed 7%.

According to Mr. Cao Sy Kiem, Vice Chairman of the Advisory Council for the National Monetary Policy and following the recent announcement from General Statistics Office, the Consumer Price Index (CPI) of the country in March 2011 has increased by 2.17% compared to that in February 2011, making the CPI in Quarter I/2011 increased 6.12% compared to that in December 2010 and increased to 12.79% over the same period of 2010. Thus, compared with 7% inflation target setting out by the Congress, CPI in the first quarter is nearly touching the ceiling. The CPI in the second quarter will be raised because all input costs such as electricity, gas, oil etc have already increased. In addition, the pressures from the fluctuations of Libya and Japan will create a new price in the next time.

Mr. Cao Sy Kiem analyses: The inflation in 2011 has the factors affecting the world inflation in which the price of petroleum, steel, machinery and raw materials are rising, strongly impact on our country. Second, due to the internal defects in the economy: the over-expenditure and higher trade deficits for many years have made the macro-economic disadvantage, more and more serious. The subsidization thinking is remained leading the price of some items is lower than the market price. The context of the world's major energy crisis, food and disease has pushed the prices higher. It is should be emphasized that only the food accounts for 41% of the basket price, pulling a series of commodity prices in the country up. This year, as we have adjusted the price of electricity, fuel and interest rates, the prices of many products have skyrocketed. Next time, the wage increases will also affect another, causing the prolonged slide.

According to the Economic Expert Dinh The Hien: The Government's packaged solution (the Resolution 11/NQ-CP) is only a band-aid solution to clear away the instability of the CPI increased sharply in February 2011. The complicated progresses of the world gold prices have made the domestic gold prices increased; and the exchange rates have risen due to an imbalance in the foreign trade scale. A new ground for currency exchange rate is being formed; that is due to the strong and in time measures of the Government to stabilize the exchange rate, not charging the fee to buy and sell foreign currency. The current gold prices stick closely with the world gold prices. Thus, we have controlled the heat instability.

The interest rates are high but it is not only due to the increase in CPI, but also due to the second important reason; it is the loss of liquidity of several small banks for borrowing too heavily on real estate (over 30% even 50%); 30% is the line for red alert. Therefore, it is so hard to reduce interest rate in the coming time. The issue now is whether the credit will be controlled following the direction of Government or not because this places a very important role, PhD Hien says.

According to PhD Vu Dinh Anh, the Former Deputy Director of Price and Market Research Institute (Ministry of Finance), 2011 has been repeating the screenplay of 2008.

The inflation in 2008 was around 20%. The real interest rates at that time were 16% - 20%. In the first 9 months of the year, the CPI was increased highly but gradually reduced in the last months of 2008. The State Bank continuously adjusted to reduce the interest rates. Tight monetary policy was applied, but the interest rates could be up to 24%. The liquidity at that time was 25% in excess of the proposed rate 20%. The lending rate was very high but the total credit had been increased.

Vietnam's growth is going to the bottom in 2011. The credit in 2010 increased approximately USD 130 billion (up far more than economic growth). Currently the development of non-production credit is limited. This is not surprising because the whole world is doing that. The total credit will continue to increase in 2011.

Thus, all experts have a common point of view: If the fluctuation in the world is at a moderate level, the government's package solution and other sync measures will be continuously done; and controlled drastically, at the end of 2011, although it is hard to reach the target of 7% inflation, it would likely to keep it at the rate of being lower double digits. Actually, in the last time, the tasks of tight monetary and fiscal policy, market management, increasing exports following the measures of Government have created initial results. Therefore, the CPI will slow down in the coming time.



GDP Growth

According to Mr. Cao Sy Kiem: in 2011, Vietnam's economic growth will be difficult to achieve the target set by the National Assembly, could be reached 5% or a little more if trying. We sacrifice the growth rate to fight the inflation. The growth cannot be kept at 6.5% - 7%, by this time we should give priority to fight inflation; it means the growth should be reduced.

The report of Asian development outlook in 2011 was announced by the Asian Development Bank (ADB) on 06/04/2011, reducing its forecast for GDP growth of Vietnam in 2011 to 6.1% (compared with 7% forecast made in September 2010). However, according to ADB, Vietnam's GDP growth will rise again to 6.7% in 2012, when the economic environment is more stable which can stimulate the consumption and investment.

In the report published recently on 21/March/2011, the World Bank (WB) evaluated: Vietnam's economy could grow at a rate of 6.3% this year, reducing 0.5% than in 2010 but the inflation is only at 9.5%. Although the GDP expansion rate slows down, the consumer price situation shows the better signs. According to the WB, the reduction of the growth rate in short term has partly been caused by the Government released several strong measures in the early of February 2011 in order to make the macroeconomic stable.



In a series of measures, there are main contents on the exchange rate adjustment, tightening management of gold trading and changing monetary and financial policies... Some specific targets such as administration and supervision ensure that credit growth in 2011 will be below 20%; the total payment is about 15-16%; the state budget deficit in 2011 is reduced less than 5% of GDP; trying to ensure that the trade gap is not more than 16% of total exports;... and saving additional 10% of the recurrent expenditure in the last 9 months of 2011.



Prospects of pharmaceutical sector

OVERVIEW OF THE GLOBAL PHARMACEUTICAL SECTOR

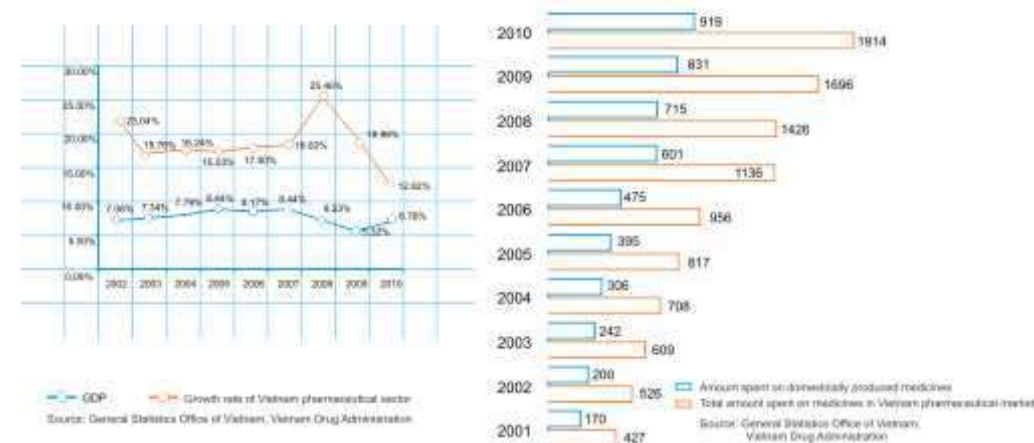
Pharmaceutical sector is one of the fastest growth sectors compared to the average growth rate of the global economy (2000 - 2003: 10%). However, the growth rate has slowed down in recent years (2004 - 2007: 7%). Especially, in some main markets like Europe and US, pharmaceutical markets have been saturated. It is because the population of these nations is stable in one side, and the other side is that the intellectual property rights of some specific medicines with high revenues has been expired.

On the other hand, pharmaceutical sector in the developing countries in Asia - Pacific, Latin America...is developing well; focus much on the generic medicines.

The growth rate of pharmaceutical sector from 2009 - 2012 in developing countries, as estimated by RNCOS, could be from 12 - 15% while the whole world is just about 6 - 8%.

VIETNAM PHARMACEUTICAL SECTOR

Growth rate & Market-share of domestically produced medicines



Total drug consumption

Being the branch of social necessities, however, the growth rate of Vietnam's pharmaceutical industry shows signs of slowdown in recent years, particularly the market of domestically produced medicines. From the year 2004 - 2007, the growth rate of domestically produced medicines reached an average of 25% compared with an average increase of 10% of imported drugs. Beginning in 2008, the total growth of Vietnam pharmaceutical industry was 25.46%, among which the imported drugs increased to 32.57% while the domestic drugs increased only 19.11%. In 2009, 2010, the imported drugs have still dominated with higher growth rate compared with the domestic drugs.

The market of domestically produced medicines in 2010 accounted for 48% of total market demand. In 2007, the amount spent on domestically produced medicines was up to 53% but due to the slow growth of the domestic drug in comparison with the imported ones, the domestic medicines lost its market share and reduced at the same achieved level in 2005 (48%). In total value of pharmaceutical import, there is about 20% of the value of imported raw materials.

The cause of the decrease in domestically produced medicines market is partly due to the growth of the whole industry, which showed signs of leveling off and deeply downed in 2010 (12.82%). On the other hand, due to the increasing exchange rate, the dependence on imported active pharmaceutical ingredients and the increase in prices of imported medicines that leads domestic drugs losing its upper hand. In addition, the domestic medicines with low values although being grown at high level but their real values are not significant compared to the imported drugs values so sometimes they have the number of high growth but their values are not significant compared to the imported drugs.

Drug expenditure per capita

The drug expenditure per capita has tended to increase since 2000 because the people's healthcare awareness has been increasing; the exchange rates increase; therefore, the prices of imported medicines have been increased as well. However, the growth rate from 2009 was slow down and deeply decreased in 2010. The average spending of USD 22.25/person/year in 2010 is still lower than the average expenditure of the world - USD 40/person/year.



Scale and criteria

Quantity of pharmaceutical trading units	Form of enterprise	2007	2008	2009	2010
	Domestic companies	1,330	1,336	1,676	2,318
	Foreign invested companies (has been run in Vietnam)	22	37	39	39
	Companies' branches in provinces	164	160	320	446
	Total medical and healthcare stations	977	1,012	1,099	1,213
	Total retail agencies	39,016	39,172	41,849	43,629
	Total drugstores		9,066	11,629	10,250

The enterprises meeting GPs By the end of 2010, among 200 domestic manufacturers there are 101 factories meeting GMP standards, including 96 enterprises producing western medicines while only 05 factories producing oriental ones; the laboratories of 104 enterprises have met the GLP standards and the warehouses for finished products of 137 companies complied with GSP standards. The factories mainly produce ordinary dosage forms. The number of production lines for tablet and powder belonging to Non - Betalactam group is accounted a majority quantity.

There are 08 firms producing vaccines and biologicals; among them 04 companies recognized as GMP compliance, just satisfy a small amount of national demand. In 2009, the sales of vaccines and domestic biological products were VND 139 billion; while the revenue from the imported ones was more than VND 1,000 billion than VND 1,000 billion.

The drugstore meeting GPP standard In 2010, there are 4,278/10,250 (42%) pharmacies complying with GPP nationwide. There are 1,379 in Hanoi, 1,535 in Ho Chi Minh City and 3,950 drugstores in other areas meeting GPP standards. All pharmacies in the hospitals in HCMC, Can Tho and Da Nang will have reached approximately 100% of GPP. The percentage of pharmacies across the country having GPP is 67%. The business scopes of the pharmacies, which have not met GPP standard, will be limited (only selling the drugs without prescription).

Registration landscape Also according to the figures from Vietnam Drug Administration: Total registered products have been granted for marketing authorization in Vietnamese pharmaceutical market is 25,497 products, of which 12,244 products are domestically produced. Particularly, total registration numbers issued in 2010 was 6,150 products, of which 4,186 domestic products and 1,837 foreign ones.

About 1,000 active pharmaceutical ingredients are used in total; the domestic drugs have used 516 active substances (01 active ingredient equivalent to 24 registered numbers; the foreign drugs use 947 active substances (01 active ingredient equivalent to 14 registration numbers). The active elements having various registration numbers are mainly common medicines. Domestic companies mainly produce the medications, which have lower values and off-patent drugs. From here, we can see the market of domestically produced medicines is more competitive than the imported drugs due to the production of many overlapping products.

Source of active pharmaceutical ingredients

Currently, Vietnam's pharmaceutical industry still needs to import about 80% - 90% raw materials. China and India are 02 countries that have the greatest proportion of exportation into Vietnam in recent years. All over the country, only mekophar is currently able to produce antibiotic materials with considerable scale (500 tons) but has difficulty in marketing since its price is higher than that of the foreign competitors. (According to the Pharmaceutical Industry Report of VDSC on 13/Jan/2011).

The first-level packaging is also mainly imported from abroad. Currently only Cuu Long Pharma is able to produce capsule-shells providing 40% of domestic demand. Most of the packaging suppliers have not met the required standards of GMP. The VIPACO high-tech packaging factory and Tan Thanh Phat are being under construction and GMP standard registration.

The medicinal resources are abundant in Vietnam with nearly 4,000 kinds of plants, which can be used to produce medicines; however, the cultivation technology, harvest and process are not commensurate with the existing potentials. There is a lack of master plan, so the small scales will be mainly developed, not meeting the demand for domestic production of oriental medicines. Some factories producing oriental medicines have signed long-term contracts with farmers, but most of the needs for raw materials producing oriental medicines still have to be imported, mainly from China from China.

Human resources

According to data of Vietnam Drug Administration: The total number of pharmacists who are graduates and postgraduates across the country in 2010 was 15,150; increased 45.38% compared with 2006 and decreased 0.17% compared to 2009. The rate is 1.76 pharmacists / ten thousand people (15,150 pharmacists / 86 million people).

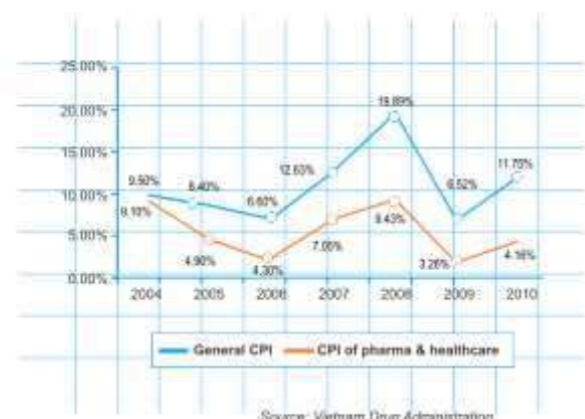
The pharmacy manpower is unevenly distributed among regions, provinces, between the State management agencies and business establishments. Only in Hanoi and Ho Chi Minh City there are 7,328 graduate pharmacists (accounting for 48.37%); and there are only 431 university pharmacists (accounting for 2.84%) in 10 provinces which have the smallest numbers. The pharmacy manpower in the businesses is 12,522 people, accounting for 82.65%; the pharmacists at the drugstore are 8,942/12,522 people.

Research & Development (R&D)

The R&D task of Vietnam pharmaceutical industry has not created outstanding innovative products due to the lack of technology, highly qualified work force and a required capital source. The average cost for R&D is only about 1% - 3% of revenue, mainly for procurement of research equipment. This rate is very low in comparison with 15% of international Pharmaceutical Corporation in the world. (According to the Pharmaceutical Industry Reports of VDSC on 13/Jan/2011).

Market Price situation

According to data from Vietnam Drug Administration and General Statistics Office of Vietnam, CPI of pharmaceuticals and health-care is always lower than the overall CPI for all commodities and usually holds at no. 7 to no. 9 in the speed prices in 11 major commodity groups. Medicine price remains stable because of having the government control, although some problems are still unclear. However, the CPI of the pharmaceutical industry increases mainly due to the increase in currency exchange rates, the demand for imports of finished products up to 50% and the need for imported raw materials more than 80%. products up to 50% and the need for imported raw materials more than 80%.



The price of medicines strongly influences on consumers, especially the poor workers and the population concentrated in rural areas with low incomes. This creates a large market share for domestic enterprises whose product price is reasonable and affordable.

Competitive landscape

The competition in pharmaceutical industry is increasingly fierce when having the contribution of increased number in domestic and foreign enterprises who involve in supplying drugs. Although the effectiveness for "foreign enterprises are allowed to import directly, but they cannot deliver directly" just started from 01/Jan/2009, the number of abroad enterprises increased rapidly from 300 in 2007 to nearly 500 businesses in 2010.

Domestic production factories with many overlapping registration numbers mainly manufacture ordinary medicines, so they one hand are under pressure of competition among the domestic firms; on the other hand they are under great pressure from the foreign firms which have high value products, meeting the essential medical list of the Ministry of Health. Since 2012, the average import duty for the imported drugs will have been 2.5% (currently 5.2%), so the development of domestic pharmaceutical market still has many challenges. Besides that, the popular psychology of liking foreign goods also makes the domestic enterprises more difficult.

Distribution systems

Thanks to their large and deep distribution networks, domestic pharmaceutical companies still have competitive capacity, but the overlapping condition of several levels remains; the activity of merchandizing through many intermediates leading to ineffectiveness still exists. Apart from other competitive advantages, domestic pharmaceutical enterprises have the power on distributing products directly to customers and consumers.

The pharmaceutical distribution system is divided into 02 channels mainly therapeutic system - ETC (enter the hospitals via public bidding) and trade system - OTC (selling on free markets for drugstores, agents, the distribution companies...). The pharmaceutical distribution network is covered all over the country but concentrated mainly in Hanoi and Ho Chi Minh City. According to IMS, only in 02 cities – Ho Chi Minh and Hanoi have consumed nearly 70% of national expenditure.

The distribution enterprises include Vimedimex (Vietnam), Codupha (Vietnam), Mediplantex (Vietnam), Phytopharma (Vietnam), Pharimexco (Vietnam), Diethelm (Switzerland), Zuellig Pharma (Singapore), Mega Product (Thailand). The turnovers of these 03 foreign firms account for nearly 50% of the national drug market. In particular, Vimedimex and Phytopharma specialize in import-export entrust for Diethelm and Zuellig Pharma; Codupha has distribution systems and storages so it is professional on doing distribution for Central pharmaceutical companies and for foreign goods. The revenue made by distribution companies are very big but their profitable rate is low due to its primary activity is entrusted import

Other issues **The counterfeit market:** makes up 0.08% on the 25,497 registration numbers currently circulating in Vietnam, according to data from Vietnam Drug Administration in 2010. The inadequate management of drugs in Vietnam has created a chance for counterfeit drugs to dodge the rules in order to survive in the market. The majority of drugs are shipped from China, Cambodia, Laos and India due to poor management in customs, going to the drugstores, which do not meet GPP standards and other black markets. This causes difficulties for healthy competition in the market.

Pharmaceutical Advertising: Pharmaceutical advertising remains restricted in Vietnam. Prescription drugs cannot be advertised directly to consumers, restricting the potential marketplace. However, these products can be promoted to health officers via qualified representatives of pharmaceutical companies and through product conferences and health seminars. All advertising materials must be registered with the Drug Administration of Vietnam. Advertising laws are more liberal for OTCs than prescription products. In 2010, the registration dossiers for advertising are 25% up compared to that in 2009. There are 18/1,740 violated cases. Consumer marketing is permitted via magazines and newspapers as well as leaflets and brochures. The Ministry of Health issues a list of drugs that can be advertised to consumers through TV, radio and other mass media outlets.

Insurance system: In early 2010, Vietnamese government passed the new law on insurance policy applied on the entire population. In March 2010, the Ministry of Health issued a policy to support free treatment to children under age 6 and this was applied to all children in Vietnam. Besides that, about 600 kinds of medicines for patients including cardiovascular drugs, blood pressure, cancer and diarrhea, psychotropic medicines were supported by the national health insurance fund, which are distributed to all clinics and hospitals in the country insurance fund for distribution to all clinics and hospitals in the country.

THE ORIENTATION OF VIETNAM PHARMACEUTICAL INDUSTRY

According to IMS, the growth rate of Vietnam Pharmaceutical Industry from 2010 - 2014 is forecasted at 17% - 19% per year. This growth is affected by various factors: the economic indicators (GDP growth, the average income per capita), the trends in diagnosis and early treatment, the strong investment in public and private health infrastructure and the growth of investment in pharmaceutical sector both domestically and internationally.

As predicted by BMI, the total amount spent on medicines in 2019 could reach USD 6.1 billion, up 3.6 times compared with 2009 (USD 1.69 billion). In addition, the average medical consumption will increase from USD 19.77/person/year to USD 60.3/person/year in 2019.

In the coming time, the government advocates to develop its investment in Pharmaceutical Industry in term of manufacturing pharmaceutical ingredients, herbal extraction, high-tech packaging production, vaccines and high value medicines. The government also aims to reach 70% of total value of drugs consumed in 2015, of which, the medicines made from medicinal herbs are 30% the total value of drugs consumed in 2015, of which, the medicines made from medicinal herbs are 30%.

GENERAL OUTLOOK

After more than 20 years of development in the competitive environment, it can be said that the Vietnam pharmaceutical market has operated under the market mechanism with the characteristics of a special industry.

DHG, with its outstanding history and leading position in Vietnam Pharmaceutical Industry in all aspects, sure that there will be many opportunities for its development including production expansion and technology transfer when entering the threshold of international integration. However, the company in future will have to face many challenges in the competitive environment, especially with large international corporations.

DHG's current market share (5%) is fluctuating in the position no. 3, no. 4 compared to Vietnam overall pharmaceutical market, standing behind Sanofi Aventis Cor., GSK Group and Pfizer Group. However, it has a big gap from the number one - Sanofi Aventis (8.8%).

Thus, DHG must prepare thoroughly to fully join into the integration. It should be prepared well in all aspects, particularly in human resources with high knowledge and ability to do R&D.



DHG's SWOT analysis

Strengths

1. Having the largest and deepest distribution network in Vietnam pharmaceutical industry.
2. Professional and efficient Marketing.
3. Clear strategic orientation, modern and effective management methods.
4. Investment in key core competence and skilled professionals; Concentric diversification.
5. Being leader in term of market share, production capability and business performance in Vietnam pharmaceutical industry from the year 1996.
6. Attach importance to investment in R&D for immediate products as well as for the long-term ones.
7. Corporate Culture has created a competitive advantage in the market-place.
8. The "Tripod strategy" including shareholders, customers and employees creates good effects.
9. The senses of social and environmental responsibility are shown by concrete actions.
10. Be aware that the supports of corporate partners are important, based on the principle of mutual prosperity.

Weaknesses

1. Most products are under generic form, but no many specific drugs to replace the foreign ones using in hospital system.
2. Must be import about 80% raw materials (in prior time: 90%).
3. The production capacity does not meet the market demand due to the slow progress of new factory construction.
4. Unintelligent market forecast results in passive production and supply.
5. There is no specific method for the task of analyzing, forecasting the fluctuation of input price to manage the risk.
6. The high extraction for provision does not help to reflect corporate real net profits and business results.
7. The management ability does not keep pace with the development of the Company because of its excessive growth.
8. The relationship with suppliers is not actively exploited to ensure the stableness of raw material's price, quality and quantity.
9. Export revenue does not meet the expectation although the Company has been strongly invested in this activity for years.
10. The company is in the period of exploiting efficiency; therefore, the target of sales growth is ranked number 2 following corporate first priority of making a maximum profit.

Opportunities

1. Significant potential of population, which will grow to almost 100 million by 2019
2. Healthcare awareness of Vietnamese improved, leading to the increase in average per capita consumption on medicines.
3. The growth rate of Vietnam pharmaceutical industry expects to be from 17 % - 19% in 2010 - 2014.
4. Domestically produced medicines only meet 50% Vietnamese demand.
5. Following the government policy, domestically produced medicines have to make up 70% Vietnamese market- share in the year 2015.
6. In addition to the available competitive advantages, domestic pharmaceutical companies hold the rights to distribute products directly.
7. The barrier to entry the industry is still high because of the requirement to meet GPs standards.
8. The Government has a policy to invest in Vietnam Pharmaceutical Industry in term of manufacturing active pharmaceutical ingredients, herbal extracts, high-tech packaging, vaccines and high value drugs.
9. Universal public health-care insurance creates opportunities for domestic pharmaceutical enterprises whose products's quality is equivalent to foreign medicines, but having a competitive price.
10. Full WTO membership has given domestic pharmaceutical enterprises many opportunities to enlarge their businesses, transferred technology, choosing suppliers etc.

Threats

1. Vietnam economy has not been stable: lower GDP growth compared to previous years, inflation, the policy on tight monetary limits investment and consumption.
2. The increase in exchange rate; raw material price strongly fluctuated (mainly in the materials derived from oil, food).
3. Medical price strictly controlled by the Government while the price of input materials increased constantly.
4. Full WTO membership creates a severe competition between the Company and other domestic pharmaceutical enterprises as well as with the foreign ones
5. Investors' high expectations have put a heavy pressure on corporate management team in term of making profits, increased corporate value and creating a balance of benefit among shareholders, the company itself and employees.
6. Counterfeit drugs account for a significant amount of market consumption, the highest rate in Asean countries.
7. Lack of human resource for pharmacy field, particularly the pharmacists having ability to use English language well creates a limitation on approaching advance technology from developed countries.
8. The problem of frequent power outages affects the production schedules and product costs.
9. The expenses for advertisements, promotions etc that are controlled lower than 10% of the total rational costs (if in excess, the business income tax will be included) reduce the competitiveness of domestic pharmaceutical companies against foreign enterprises.
10. Several policies on the management of pharmaceutical industry are not synchronous and perfect. It creates difficulties to enterprises.

VISION

For a more beautiful and healthier life

MISSION

DHG PHARMA always provides high quality products and services to satisfy the aspiration for a more beautiful and healthier life

THE OVERALL GOAL IN 2011

Building corporate strategies so that its people, assets, products and services are useful

Building strategies based on

vision

mission

core values



1.

QUALITY, SAFETY, AND EFFECTIVENESS TARGETED AS OUR HIGHEST COMMITMENTS

Orientation	Plan of action
Invest in product quality, service and Management system	<ul style="list-style-type: none">- Reassessed ISO version 9001:2008- New soft-capsule factory complied with GMP-WHO, start working on Q2/2011.- Select potential products for therapeutic system and export; continue doing bioequivalence tests for 03 more products.
Improve supply-demand system and labor productivity	<ul style="list-style-type: none">- Choose quality materials and excipients through the supports of prestigious suppliers- Plan to equip machines for new factory in order to minimize manual work- Improve production capacity of factory by investing new production equipment
Ensure to be safe in production, in finance and in law	<ul style="list-style-type: none">- The strategies and business plans will be re-orientated to ensure trading effectiveness.- The internal control system will be designed in line with the company management situation and not contrary to the provisions of law.
The strategy 20/80 will be performed well to ensure reaching corporate planned targets and to bring benefits to investors and DHG Pharma	<ul style="list-style-type: none">- Deeply apply the principle 20/80 for the whole system, from market to product, humane resource and equipment

2.

KNOWLEDGE AND CREATIVITY SERVED AS OUR FOUNDATION FOR DEVELOPMENT

Orientation	Plan of action
Invest in technology	Apply BFO for the whole system
Invest in R&D	<ul style="list-style-type: none"> - The fulfillment of new factory project at Tan Phu Thanh IZ must be done in time. - Continue to coordinate with biological institutes and PhD professors in order to receive biotechnological projects to create outstanding products. Utilize the business promotion fund effectively. - Marketing activities: exploit the strengths of products
Mobilize innovation movement in employees	<ul style="list-style-type: none"> - Continue to develop new projects and outstanding products - Develop innovation movement to utilize the intelligence of employees
Train in management ability and workers skills	<ul style="list-style-type: none"> - Train inherited staffs on management ability and gradually hand over some works in leadership positions, actively prepare the successors for the period of 2014 - 2019 and subsequent years. - Prepare staffs for leading positions, skillful workers for the new factory. - Upgrade KPI and apply new management tools

3.

Responsibility, cooperation, and promotion prioritized in our motto of action

Orientation	Plan of action
Responsibility towards employees	<ul style="list-style-type: none"> - Employees are cared in not only material (salary, reward) but also in their spirits, emotions in order to create long-term attachment. - Employees' childcare house-rental costs and are shared by the Company - Welfare projects are well exploited
Improve qualifications and working skills	<ul style="list-style-type: none"> - Outdoor training: Da Lat, Nha Trang, Phu Quoc etc... at least once a year for one employee in order to help them have a chance to understand one another
Prepare for inherited staffs	<ul style="list-style-type: none"> - Set training plans for inherited staffs through analysis each person's SWOT and apply KPI for each one to have standards for assessment
Appropriate commendation	<ul style="list-style-type: none"> - Commend for short-term contests - Build contest movement for small units monthly, create good working environment.

4.

DHG PHARMA IDENTITY FEATURES TAKEN AS OUR PRIDE

Orientation	Plan of action
<p>Create a useful human resource:</p> <ul style="list-style-type: none"> - For the society - For the Company - For their families 	<ul style="list-style-type: none"> - Develop the strengths of DHG Pharma's cultures to be a competitive advantage. - Train employees in order to let them to be DHG's good mark in the market and in customers' hearts.

5.

MUTUAL PROSPERITY WITH PARTNERS ESTABLISHED AS OUR LONG-TERM GOAL

Orientation	Plan of action
<p>Tighten the relationship with suppliers based on the principle of "mutual benefit"</p>	<ul style="list-style-type: none"> - Organize meetings with suppliers to share difficulties, report the potential of production and trading; Value-chain will be applied in 2011 and the next years" + Input: suppliers + Internal: producer + Output: customers and consumers

The contributions of VIP customers to DHG's 2012 strategy based on vision, mission and core values

Directions for use – Consumer care
– Carry out parallel strategies Pull & Push

- Continue to exploit VIP customers' contributions to 2012 strategy (propose new products, provide market information)

- Continue to upgrade sales of small customers, increase members of "Friendly Club"

- Upgrade customers' level to help them enjoy preferential policies

- Develop the strategy 20/80 in customer care activities.

- Follow closely long-term contracts.

- Promote import activities

Investors

- Strengthen the activities of IR Function in order to upgrade its roles.

- Set up helpful and informative channels in order to provide investors with update information timely.

- Invest in "Annual Report" with the motto: transparent, honest, and informative.

- Keep in touch with investors – listen and respect their ideas and contributions.

6.

OUTSTANDING DIFFERENTIATION EMPLOYED AS OUR STRENGTH IN COMPETITIONS

Orientation	Plan of action
Develop the advantages of a large and deep distribution network nationwide	<ul style="list-style-type: none"> - Analyze customers to choose suitable products for introduction - Systematize the activities of export - Target for export sales in 2011: VND 25 billion
Invest in Marketing for strong brands which have competitive advantages: exclusive materials, exclusive scientific projects	The fixed revenues are assigned for each brand in 2011. The target sales planned for these brands are 60% of corporate production sales.
Utilize corporate strengths in providing management software to hospitals	Continue to promote corporate competitive advantages in order to: <ul style="list-style-type: none"> - Diversify products (enlarge the product portfolio in term of dietary supplement, pharmaceutical cosmetics) - Being the supporter of therapeutic system (management software, management lectures)
Organize impressive tours, create emotion events, which undertaken by DHG Travel and Event Function	<ul style="list-style-type: none"> - The link with customers is closer based on the principle of mutual prosperity in which the customers are proud when being the partners of DHG - Create emotion in customer care activities: "Show gratitude for customers' parents". Create condition for customers' children to attend "Army semester"

7.

BENEFITS FOR THE COMMUNITY CENTERED UPON AT THE START OF ALL ACTIVITIES

Orientation	Plan of action
Share economic benefits to the community	<ul style="list-style-type: none"> - Take care of customers' families: parents, children - Connect customers, investors, and suppliers in social activities. - Being a pioneer in supporting disaster victims domestically and internationally
Educate employees the awareness of sharing benefits and difficulties with the community	<ul style="list-style-type: none"> - Improve the awareness of sharing benefits with the community - Youth Union coordinates with local government to carry out the supporting activities for 9 new villages in Co Do District, Can Tho City - Brands coordinate with corporate unions to carry out many community programs
Corporate social responsibility will be shown firstly in employees and their families	<ul style="list-style-type: none"> - Take care and visit the families of employees. - Care and show gratitude to theirs parents in Buddhist holiday. - Sponsor their children joining the army semester, learning to swim, visiting Unlce Ho's Mausoleum in summer holidays. Reward the children passing university exam and being good students at all levels to encourage them



Risk management

Risk factors	Risk analysis	Risk measurement	Solutions
Legal risks	<p>The constant changes of laws and sub-law documents</p> <p>Policy and guidelines for tax are changed constantly, and asynchronous with other related regulations</p>	<ul style="list-style-type: none"> - Corporate business results and orientation may be changed. - Risks of being sued, disputed, or compensated if the Company do not understand well current applied laws 	<ul style="list-style-type: none"> - Corporate regulations should be updated, collated and adjusted to be proper to current laws and practical context - Carry out to strike a balance of BIT with Tax Office once a year before inviting the independent auditor to perform corporate financial statements - Legal experts review 100% of contracts and agreements before being signed.
Economic risks	<p>In 2011, Vietnam economy situation is unstable, low GDP growth, high inflation and monetary tight policy; this leads to:</p> <p>A tendency to practice thrift rather than to spend and invest</p> <p>The expenditure for healthcare is affected</p>	<ul style="list-style-type: none"> - Opportunity cost will be higher than previous years - Corporate revenue is impacted. - An across-the-board raise of all costs leads to an increase in cost of gold sold. Time-lag will be occurred depending 	<ul style="list-style-type: none"> - Concentrate to carry out the investment portfolio has been approved by General Shareholders' Meeting and the portfolio, which directly brings benefits to the Company. - Boost up selling activity; classify customers following the

Risk factors	Risk analysis	Risk measurement	Solutions
	All input element prices are increased.	on the inventory level of the Company's finished products	<p>principle 20/80 to take care.</p> <ul style="list-style-type: none"> - Tighten operating expenses, but not to cut down selling expense. "Supply chain management" is applied in order to improve efficiency from input to output
Risks on the fluctuations of input price	<p>Electricity, petroleum and basic salary all increased following the State policy.</p> <p>Imported pharmaceutical material price strongly increased, particularly in food and petroleum originated ones.</p> <p>Price will be raised more when there is an increase in currency exchange rate and inflation in export countries</p>	<ul style="list-style-type: none"> - Input price increased while output one is controlled strictly by the Government => negative affect on corporate profit - Carry out to import materials in different periods - Product portfolio will be changed following the change of profit generated from each product 	<ul style="list-style-type: none"> - Forecast the price of input materials from the beginning of the year through supports from the consultancy of friendly suppliers, and corporate past experience. - Be active in importing materials so as to bring best benefits in price, currency exchange rate, opportunity cost and inventory cost - Improve labor productivity, renew production line and diminish production loss. - Save fuel cost through the activities of thrift practice and renew machines and equipment
Risks on the fluctuations of currency exchange rate	<p>Currency exchange rate increased strongly during the time.</p> <p>DHG Pharma uses by 95% of USD for import task</p> <p>The exchange rate between USD/VND affected by several elements; it is difficult to forecast due to the raise of abnormal fluctuations</p>	<ul style="list-style-type: none"> - Average payment for imported goods of DHG is USD 3 million per month. Impact of exchange rate fluctuation causes an enhancement in additional cost to dozens VND billion - The scarce of USD in fluctuation time causes difficulty to import consignments - Due to high provision for materials, opportunity cost and inventory cost 	<ul style="list-style-type: none"> - Utilize the good relationship with banks in order to be prioritized in buying USD for payment during the scarce time - Carry out import contracts under L/C form (banks will carry out the payments to suppliers) - The full set of import documents will be quickly sent to the bank

Risk factors	Risk analysis	Risk measurement	Solutions
		negatively affects business results and inventory turnover. - The constant increase in currency exchange rate will cause a disadvantage when DHG prepares for a disbursement to import machines and equipment for new factory.	when imported goods arrived. - Enlist the supports from banks to save cost such as buying dollars with the right exchange rates, opening L/C without collateral
Risks on the dependence of imported raw materials	Imported active pharmaceutical ingredients make up 80% of DHG's production demand The average cost of raw materials accounts for 50% of finished product cost Whenever the Company has to change kind of raw materials, it must carry out the registration for the changes before putting them into production	- Generic products are overwhelmed in the Company's product portfolio - Long-term dependence will cause difficulties in making the products, which have outstanding features. - The competitive capacity in term of product portfolio with foreign enterprises has been reduced	- Imported materials will be replaced by self-producing ones or those produced in the country. - Focus on developing products, which are originated by herbal source, consistent with the development objectives of Vietnam's pharmaceutical industry. - Self-study, co-research with Scientific Institute, University and handed over biotechnological projects to create prominent products
Risks from suppliers	Goods delivery is not in time; quality of goods is not complied with related contract.	- Thousands of workers are jobless - Insufficient products to supply the market results in losing market-share - Goods return and compensation may be occurred due to the postponement of goods delivery	- Get-together day for DHG's suppliers will be periodically held in order to create condition to share difficulties between the Company and its suppliers. - When signing agreements or contracts, there will be included the terms of commitment to adequate compensation, if there is a mistake in the performance of contract. - Tight coordination among Supply Division, Financial Administration Dept and the suppliers should be practiced to save costs, losses, time as well as limit the errors and breaches of the contracts.
Risks on bad debts	Receivable period of DHG is stable at the rate <55 from the year 2008. However, there still be bad debts, mainly the old ones	- Costs for debt receivable and management of overdue debts appeared	- Apply BFO software to manage debts and receivables - Carry out to pay salary for salesman based on his real proceeds

Risk factors	Risk analysis	Risk measurement	Solutions
		- Decrease in business results and efficiency in cash flow and asset turnover - Loss of assets and decreased book value - The allowance for overdue and bad debts is highly extracted leading to a decrease in corporate profits.	- The regulations applied for debts should be performed well; + Trade system: debts outstanding for 1 month + Therapeutic system: debts outstanding for 3 months + Ratio of debts/sales: 1:1 + Sales people with new debt management beyond age 02 will be charged interest on the unpaid amount; 03 consecutive months without being paid wages or subtracted the salary when they cannot collecting the debts, or their labor contracts will be terminated.
Risks on overload production capacity	Maximum production capacity will bring high benefit to the Company. However, when the factory is overloaded, it will affect corporate operating when the production capacity does not meet market demand.	- Loss of market-share, prestige and customers when the Company does not supply sufficient products to market demand - Down of sales, profit, salesman's salary. Unsuitable settlement in production leads to an increase in cost.	- Concentrate full efforts to boost the completion of new factory. - Re-structure product portfolio following the principle 20/80; announce to customers on this. - Carry out to manufacture large production batches to save cost and time.





BUSINESS PLAN

Business targets	Plan of 2011	+/-% vs 2010
Net sales	VND 2,240 billion	10%
Total production value	VND 2,607 billion	12%
Profit before tax	VND 380 billion	-12%

Notes to the figures of 2011 business plan

The consolidated business plan in 2011 of DHG with the net sales growing by 10% is much lower than the growth rate that DHG has ever made after equitization. This plan is arranged in the context of Vietnam sets a decline for its GDP growth to fight inflation. In addition, 2011 will be the year that DHG sets the goal for profit as its top priority and the revenue growth should temporarily be stood in the second priority.

The pre-tax profit of DHG in 2010, after subtracting the reversals (VND 50 billion) and the financial income (VND 40 billion) remains VND 343.5 billion, reaching 16.9% of net sales. Based on real data from the business results in 2010 and future forecast, DHG plans to get VND 380 billion pre-tax profits in 2011, equivalent to 17% of net sales.

Learning from the experiences of setting a high defense plan in the past years, DHG has set the plan for year 2011 with lower provisions. However, most input prices have increased greatly while the out prices of medicines are strictly controlled by the State. Moreover, the company has to disburse a large amount of money in 2011 to pay 2010 dividends and investment costs, so the plan cannot be set higher. During operating time, the company will try to use effectively the cost to maximize the profits and to reach its targets.

PLAN FOR BUSINESS PROMOTION

Construction of new factory at Tan Phu Thanh IZ

Pharmaceutical factory and DHG Packaging factory located in Tan Phu Thanh IZ, Tan Phu Thanh, Chau Thanh A Dist., Hau Giang province (including phase 1 and phase 2):

- Started at Quarter II/2011
- Completion time expected: end of Quarter II/2012
- Capital source: 100% of owner's equity
- Total investment amount for both phases: VND 506 billion (not including VAT)

Items	Construction area (m ²)	Expected cost (1,000 VND)	Disbursement in 2010	Disbursement in 2011	Disbursement in 2012	Disbursement in 2013
Non BetaLactam factory + warehouse	10,366	155,170,500		69,636,800	77,775,175	7,758,525
BetaLactam factory + warehouse	3,250	59,475,000		29,737,500	26,763,750	2,973,750
Packaging factory	2,600	13,000,000		6,500,000	5,850,000	650,000
Quality control room	1,206	12,060,000		6,030,000	5,427,000	603,000
Offices	800	8,000,000		4,000,000	3,600,000	400,000
Conference room + Dining room	2,697	26,970,000		13,485,000	12,136,500	1,348,500
Collateral items		11,510,000		5,299,000	5,635,500	575,500
Technical infrastructure system		32,057,450		18,063,480	12,775,097	1,218,872
Production equipment + quality control equipment + other expenses		142,354,908	4,347,864	56,657,143	68,639,856	13,105,506
Allowance: 10%		45,545,061			36,436,049	9,109,012
Total		506,142,920	4,347,864	209,408,923	255,038,727	37,742,666

Construction of Soft-capsule factory located at 288 Bis Nguyen Van Cu Str., Ninh Kieu Dist., Can Tho City

- Completion time : end of Apr/2011
- Total investment amount: VND 57.6 billion (not including VAT)

Investment in upgrading the Company's current factory located at 288 Bis, Nguyen Van Cu Str., Ninh Kieu Dist., Can Tho City

Investment in equipment and transportation means with expected amount VND 53.3 billion (not including VAT), in details as follows:

Item	Expected amount (VND)
Equipment for quality control	6,600,000,000
Equipment for R&D	2,900,000,000
Repair for factory	15,000,000,000
Invest in production equipment	22,000,000,000
Invest in transportation means	6,800,000,000
Total	53,300,000,000

Continue to invest in the distribution system

Purchase lands; build offices and warehouses for sub companies and branches.

Total expected investment amount: VND 70 billion (not including VAT), in details as follows:

Item	Expected amount (VND)
Building house for Hai Duong Branch	2,369,000,000
Building house for Gia Lai Branch	1,808,000,000
Building house for Ben Tra Branch	2,014,000,000
Building house for Bac Ninh Branch	2,431,000,000
Building house for A&G Pharma	4,990,000,000
Building house for Tra Vinh Branch	2,863,000,000
Building house for Binh Thuan Branch	2,399,000,000
Building house for Quy Nhon Branch	4,400,000,000
Building house for Daklak Branch	3,350,000,000
Building house for Lam Dong Branch	2,980,000,000
Building house for Vung Tau Branch	2,600,000,000
Building house for Dong Nai Branch	5,100,000,000
Building house for Binh Duong Branch	3,500,000,000
Building house for Tien Giang Branch	3,700,000,000
Building house at No. 68 Nguyen An Ninh Str., Can Tho City	5,900,000,000
Purchasing land and house for HMC City Representative office	11,000,000,000
Plan for upgrading and repairing	8,596,000,000
Total	70,000,000,000

PLAN TO ISSUE BONUS STOCKS

Stock issuance

- Name of stock: DHG Pharma's stocks
- Stock code: DHG
- Type of stock: common stock
- Nominal value: VND 10,000 /stock
- Ratio issuance: 01:1.4 (10 stocks gains 14 more stocks)
- Purpose of issuance: increased chartered capital
- Form of issue: entitlement
- Total of expected stocks issued: 38,013,964 stocks
- Total expected value of stock issued: VND 380,139,640,000
- Capital source: Share premiums (VND 378.761.392.824) and Business promotion fund (VND 1.378.255.176).

Issuance time expected:

- Submit issuance dossier to State Securities Commission : Mid May/2011
- Record date: June/2011
- List and deposit issued stocks: June/2011
- Time for official transaction: First week of July/2011

Mode of issuance:

a. Subjects to enjoy:

All DHG's shareholders listed on the record date. The ESOP stocks in 2011 which have been paid but not listed yet still have right to receive bonus stocks.

b. Principles for issuance:

- The limited transferred stocks also have right to enjoy the bonus ones
- The enjoyed right is not allowed to transfer.
- The quantity of stocks raised from the bonus issuance will not be limited to transfer.
- Regarding the stocks held by employees which are limited to be transferred issued

in ESOP 2010 and ESOP 2011, in case these employees stop work prior the period of record date but their holding stocks have not retrieved by DHG Pharma's Labour Union, also have right to enjoy bonus ones. However, DHG Pharma's Labour Union will buy back all of the stocks including the bonus ones. The original stocks will be bought with the price VND 10,000/ stock, the bonus ones will be bought with the price VND 0/ stock

c. Principles for calculation:

- The quantity of stocks before issuance: 26,912,962 stocks + 250,000 stocks of ESOP 2011 = 27,162,962 stocks

In which:

+ The circulating stocks: 26,902,832 stocks + 250,000 stock of ESOP 2011 (is performed listing procedure) = 27,152,832 stocks

+ Treasury stocks: 10,130 stocks

- Bonus ratio 01: 1.4 (10 stocks gain 14 more stocks). The circulating stocks: 27,152,832 stocks, bonus stocks rose: 38,013,964 stocks.

- The quantity of bonus stocks will be rounded down to the unit. The decimal number (is have) is not calculated.

d. Mode to treat the quantity of stocks rose from decimal number:

The stocks rose from the decimal number will be considered unissued and being added to Business promotion fund. Total issued stocks will be calculated down following the relevant amount.

e. Implementation site

- To the stocks already listed: shareholders will receive bonus stocks via Securities companies where their stocks listed.

- To the stocks not listed yet: shareholders will carry out the formalities to receive bonus stocks at DHG Pharmaceutical JSC (present holder's ID card)

PLAN ON PROFIT DISTRIBUTION FOR 2011

Plan for the year 2011	Extracted ratio
Profit after tax of 2011	100%
1. Dividend by cash for 2011	20% nominal value
2. Bonus and welfare fund	10% after-tax profit
3. Remuneration and bonus for Board of Directors, Board of Supervision, General Management Board	3,800,000,000 VND
- Remuneration	
- Bonus for over performance: Board of Directors, Sub-committees, Board of Supervision, General Management Board, senior and key staffs	5% of above-plan profit (after tax)
4. Undistributed profits:	Remainder will be added to Business Promotion Fund

PLAN ON CHOOSING AUDITOR

In order to enhance the performance of investment – trading activities, minimize risk, to be transparent in the financial activities and bring value to related parties, DHG Pharma plans to choose KPMG Vietnam to be independent auditor who will carry out auditing for the Parent company as well as its subsidiaries for the fiscal year 2011

Reasons for choosing:

- KPMG Vietnam has been permitted by the State Securities Commission to carry out auditing service for listed companies in Vietnam;
- KPMG is one of the four leading auditing companies in the world; Investors highly appreciate the financial statements done by KPMG;
- KPMG has qualified staffs with much experience in the sector and having high spirit of responsibility;
- KPMG has experience and knowledge about the activities of pharmaceutical companies in Vietnam and in the world as well;
- KPMG has performed audit for DHG in 2010.

Brief information on the chosen Auditing Company:

- Company's name: KPMG Viet Nam
- Address: 10th Floor, 115 Nguyen Hue Street, District 1, Ho Chi Minh City, Vietnam
- Tel: + (848) 3821 9266 - Fax: + (848) 3821 9267
- Website: www.kpmg.com.vn

In case the contract negotiation with KPMG is failed, the Shareholders' Meeting authorizes Board of Supervision and Board of Directors to choose one of the following auditing companies:

1. A&C Auditing company
2. PriceWaterHouseCoopers Vietnam (PWC)
3. Ernst & Young Vietnam
4. Deloitte Vietnam

BRAND SPIRIT

Brand equity includes all specific values that the brand brings to customers, employees, shareholders and communities. That is the loyalty, awareness, feelings and potential value of the brand. To become an everlasting property, the essence of the brand must bear its unique marks.

"Brand spirit" is composed of 04 elements

- * Vocation soul
- * Land soul
- * Human soul
- * Water soul

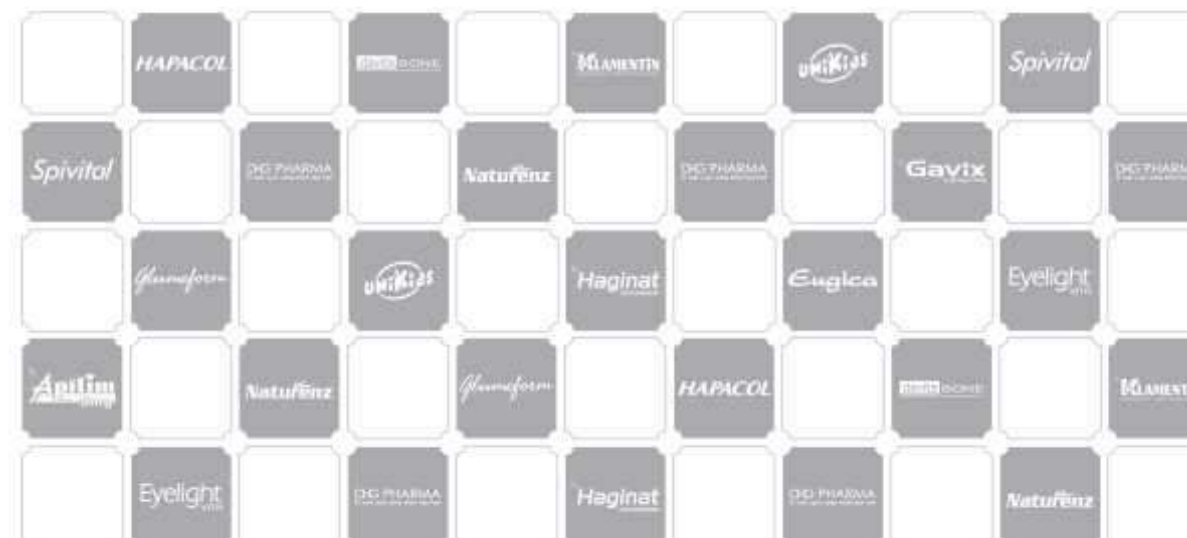
Originated from the "heart" of previous generations, from the time when we had to produce medicines in the woods with homemade materials to cater for the South West warzone and the people in liberation area until becoming a leading pharmaceutical company in Vietnam, which possesses a huge of high quality products serving for public health care; "the vocational soul" and "human soul" have already brought up the brand "DHG Pharma - for a more beautiful and healthier life"

Under the guidance of the parent brand "DHG Pharma", the small brands were born with breath, personality, appearance, identity, manner and "soul" of the parent brand. DHG Pharma has really improved the range of products beyond the practical features to reach its emotional value, the symbol and human values.

From the desires to create a product which acts on detoxifying liver in order to relieve the pain, itching for dioxin victims, "Naturenz" was born following the expectations of the researchers in Biotechnology Institute - Institute of Science and Technology in Vietnam after 20 years (from 1986 - 2007). Naturenz has been tested and treated for nearly 600 veterans suffered from dioxin through the commission investigating the consequences of chemical war in Vietnam. The result has showed that Naturenz helps the above people sleep well, gain weight and particularly reduce itching. Possessing the above uses because Naturenz is a combination of natural components such as momordia cochinchinensis and Pouteria lucuma, peroxidase from raphanus sativus and momordica charantia, papain from carica papaya, proteins hydrolyzed from silkworm cocoon; these active ingredients are well combined in an appropriate ratio to produce a highly effective product. However, we can say, thanks to the "handshake to act for community health" between the Institute of Biotechnology and DHG Pharma, the helpfulness of this product is brought to everyone. Besides, it also raises the living standards for the farmers planting medicinal herbs in Vietnam.

Or the unique gifts that nature has bestowed to the people of Vinh Hao - the area that received only the most severe things of nature "Rigorous wind – Burning sunlight" An invaluable resource has been formed, which is rich in mineral water content of bicarbonate, sodium bicarbonate and other useful trace elements. Thanking to the harsh sun and wind here, Vinh Hao has pioneered receiving Spirulina cultivation in the natural mineral water sources with the largest industrial-scale in Vietnam (since 1980). However, one more time, the coordination between a leading pharmaceutical manufacturer - DHG Pharma with the cherishing of Vinh Hao's people brought Spivital brand to everyone. Now, when referring to the land of Vinh Hao, people also mention "a super food granted by the Nature" being grown in natural mineral water sources at site, to form products with quality, reputation, support people's health which is called Spivital. Has this product focused full essence of heaven and earth: the sun, wind, water, and plants, the convergence of "land soul", "vocation soul", "water soul" and "human soul" so that the customers, consumers and communities can share and feel!

There are many products and brands of DHG Pharma that have been built following the above composition - the brands have been consolidated by the desire, concern, will and commitment of DHG Pharma, and will accompany with corporate partners in the mission of protecting people health.





Be with Hapacol to act for the Community's health



Paracetamol is an analgesic-antipyretic agent, which is widely used for less toxic and safer than other analgesic-antipyretic drugs. The society is growing day by day; Vietnamese people's habitus is improved, so their body weights increased as well. Therefore, the content of 500 mg of Paracetamol, which is so popular in the market, does not meet the demand before this change.

Pacing with modern life, DHG has introduced a special product Hapacol 650 containing suitable treatment content for adults (the body weight over 45 kg). This product has a strawberry flavor, is easy to drink and has quick antipyretic and analgesic actions. In addition, the combination of paracetamol with other active ingredients increases the product's functionality. In addition, to be convenient and suitable to all ages, DHG has developed the group of Hapacol product, which has various contents and different dosage forms.

Be with Hapacol to act for the community through several campaigns e.g "propaganda against dengue", "health protection in the exam seasons" and the program "A helpful life exam seasons" and the program "living and working helpfully"

The planned sales in 2011: **VND 400 billion**



An integral product to every family's medicine cabinet

The planned sales in 2011: **VND 138 billion**

Nowadays, consumers have a trend to choose products derived from nature. To promote the traditional medicine of ethnic groups along with scientific technology, DHG Pharma has launched the product line - Eugica that satisfies the need for cough treatment.

Eugica, a combination of essential oil of medicinal herbs including peppermint, cajeput, country borage, ginger has effects on reducing the symptoms of cough, sore throat, respiratory tract antiseptis.

During last time, Eugica brought blankets and family medical packs to people in flooded areas through the program named "Blankets for winter". The brand also organized events, media activities at drugstores, and several contests to learn about cough on the Internet, and products sampling at supermarkets, schools, etc.

davita BONE For women's perfection

A new choice for modern women to prevent osteoporosis

According to the recommendation of World Health Organization, Human body needs from 1,000 – 1,200 mg of calcium and 400 IU of vitamin D for its daily demand. To avoid the risk of osteoporosis, there are many ways to supplement calcium and vitamin D to the body. Today, many younger and older women choose the effervescent tablets of calcium supplements, "DAVITA Bone". They also shared the secrets of this new osteoporosis prevention with their relatives and friends as well. The high levels of vitamin D3 in Davita Bone help the bones absorbing calcium easily and make the prevention of osteoporosis become more efficient.



Although the rate of osteoporosis is high, if you know how to prevent it, you will be safe and no more worries about the adverse effects caused by osteoporosis. With Davita Bone, women will feel happy with their strong bones to complete all works, and they will be the women who are "excellent in state affairs and good in family business".

The planned sales in 2011: **VND 55.7 billion**

Naturenz Applied biotechnology in liver detoxification

A biotechnological product for liver health

Naturenz is the technological transfer product, is a result of the research topic KC.04.17/KHCN 2001 - 2005: "Research on biotechnology solutions to produce specific biomedical products from the biological resources of Vietnam to protect people's health"; its master is Associate Professor Dr. Nguyen Thi Ngoc Dao. The formula has been given patent No.4972 by the Ministry of Science and Technology of Vietnam on 07/June/2005.

Naturenz is a combination of natural components such as momordia cochinchinensis and Pouteria lucuma, peroxidase from raphanus sativus and momordica charantia, papain from carica papaya, proteins hydrolyzed from silkworm cocoon. These active ingredients are well combined in an appropriate ratio to produce a highly effective product. It acts on removing toxins from the body, helping the liver stay healthy.



Naturenz is also the product forming the bridge links among 04 agents: State - scientific research - the manufacturer - the farm. In particular, DHG Pharma plays a key role in the chain linking the value of the application of scientific research into practice. It carries out the development objectives of Vietnam pharmaceutical sector from natural materials; to increase the income for the Vietnamese farmers through the regional planning aquaculture; to reduce the dependence on imported raw materials, and to supply safe products to the market for daily use

The planned sales in 2011: **VND 33.5 billion**

Eyelight VITA

Product formulated from aspirations, concerns and will

For healthy eyes daily
See your prospects obviously

Eyelight Vita was created from B-group vitamins; it is very safe to use. In 2007, the research topic "Eyelight - ophthalmic preparation solution" was rewarded the First Award at Technological Innovative Contest of Can Tho City and The Third Award at National Technological Innovative Contest. This brand was born from the aspirations of consumers, the expectations of the ophthalmologists at Ho Chi Minh City and the will of every employee in DHG Pharma.

Use Eyelight Vita and you will find your eye refresh and glistening. You will be more active in taking care of the eyes, in using time; and, with the healthy eyes, you can see your future as well as your family's prospects obviously!



The planned sales in 2011: **VND 55 billion**

Spivital

Spirulina alga
Daily nutrition source

Scientific achievement from Vinh Hao's spirulina

Spivital was born from a land full of "sun and wind", is the result of passion and enthusiasm of the scientists who have studied on Spirulina, the efforts of DHG and Vinh Hao Seaweed Company's employees. The highest ideal of this brand is to give people an endurance health, bringing pride to the people of Vinh Hao land.

Spivital provides protein, vitamin and minerals that help supplement nutrition, foster vitality to the ones who need to supplement nutrition: the ones who do not have a balance diet in daily life such as students, high schools pupils, the ones who work so much at nights, the elderly, patients after surgery,...Also, Spivital can be used for diabetics or hypertension people. Moreover, Spivital is so good for athletes.

Spivital has been confirming as a product of high value and a good support for everybody's health.



The planned sales in 2011: **VND 36.7 billion**

Unikids

For a healthy and intelligent generation

helps children have a good appetite

The planned sales in 2011: **VND 42 billion**

Unikids was born in mid 2006 with the desire to create an effective product that is not inferior to imported ones in the market, to reduce the burden of costs with a reasonable price and to help the mothers reduce their worries from children's anorexia.

Unikids contains lysine, calcium and vitamins, helpful for children to have a good appetite and increase resistant ability for children. Unikids is prepared under the form of syrup with fruit smell and sweet taste, especially it does not have odor of active ingredients; so, children are fond of it very much.



Beside concerning to product quality, Unikids also focuses much on creating a funny and useful playground for children and parents through the chain of events of Unikids Festival "Eat much, play well".

Unikids is pleased to be with mothers to care for future generations - for a healthy and intelligent generation of Vietnam!

KlAMENTIN

AMOXICILLIN + CLAVULANIC ACID

A best combination in the treatment of infections

Haginat

CEFUROXIME

Efficacy in the treatment of infections

Products of expectations

DHG Pharma is the first pharmaceutical company introduced 02 product lines of new generation antibiotics agents that used for ETC system. They are Haginat (Cefuroxime) and Klamentin (combination of Amoxicillin and Clavulanic Acid) using materials from Europe combining with high-tech preparation. Both of the two groups of products marked a great success of DHG Pharma in

advanced preparation, competitiveness on quality, package, and price compared to the same imported products, contributing to the stability of medical price. Moreover, DHG Pharma has manufactured these products under powder form, which are sweet and not bitter. This is helpful for children but also complied with treatment regimens.

Haginat and Klamentin are both proved to be bioequivalent to the patent drugs in vivo. These tests has been performed by National Drug Quality Control Laboratory.

The products have been frequently introduced to doctors in hospitals and specialized seminars in order to popularize them to users. Haginat and Klamentin will always be true friends, accompanying with doctors to take care of people health.



Klimentin
The planned sales in 2011: **VND 320 billion**



Haginat
The planned sales in 2011: **VND 152 billion**



For a healthy heart



Long time ago, we knew that cardiovascular disease is a condition of the heart and any kind of related conditions such as hypertension, atherosclerosis, cardiac valve disease, cerebrovascular accident, arteriovenous aneurysm, arterial obstructive disease, etc in which, hypertension is considered as one of 10 dangerous diseases that affected on human health and may cause a decrease from 10 – 20 years in longevity.

Therefore, Apitim was created to treat pains and discomforts as well as to prolong patient's life. This product is prescribed to patients in case of hypertension, chronic stable angina, vasospastic angina. Apitim was recognized as bioequivalence to the patent drug in 2009.

The activities of Apitim are as follows: join in seminars, cardiovascular conferences, hospital conferences; take part in the program "taking care of cardiovascular patients' health" at customer or employees' homes; coordinate with unions to build a program of giving instructions on using cardiovascular medicines for employees and their families; consult and take care of cardiovascular patients' health periodically.

The planned sales in 2011: **VND 24 billion**



HELPS TO STABILIZE BLOOD GLUCOSE

Be healthy and cheerful with Glumeform

Glumeform is a product specifically used for the treatment of diabetes of Type II. On 14 December 2007, It was recognized to be bioequivalent in vivo to the generic original drug - Glucophage (Merck Stane - France) by National Drug Quality Control Laboratory. This was a real evidence to prove the effectiveness of treatment, a basis for choosing and substituting medicine in clinical treatment.

Glumeform was launched with the main task, which is to help the diabetes patients living healthily and happily through joyful activities to share and empathize with diabetics's pains, and sadness. Following these sympathies, Glumeform recognized that the companion with diabetic patients are not only simple to provide them with treatment solutions, but also accompany them on supporting their spirits, educating them on the disease, directing the ways of living, eating and excercing, etc

From these innermost feelings, Glumeform decided to establish the "Be healthy and cheerful Club" only reserved for diabetic patients in order to provide them with basic knowledge about the prevention and treatment of diabetic disease. Moreover, the Club is also a bridge to convey the sentiments and aspirations of Glumeform to its patients.



Glumeform 500

The planned sales in 2011: **VND 19 billion**



Consolidated financial statements

2010

AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED 31 DECEMBER 2010

DHG Pharmaceutical Joint Stock Company Corporate Information

Decision No	2405/QD-CT.UB 5 August 2004 The decision was issued by Can Tho City People's Committee.	
Business Licence	Business Licence 5703000111 issued by Can Tho City Planning and Investment Department on 15 September 2004. The Company's Business Licence has been amended several times, the most recent of which is Business Licence No. 1800156801 dated 6 September 2010.	
Board of Directors	Ms. Pham Thi Viet Nga Ms. Le Minh Hong Mr. Le Chanh Dao Mr. Doan Dinh Duy Khuong Ms. Nguyen Thi Hong Loan Mr. Nguyen Nhu Song Mr. Le Dinh Buu Tri Mr. Nguyen Si Trung Ky	Chairman Vice Chairman Member Member Member Member Member Member
General Management Board	Ms. Pham Thi Viet Nga Ms. Le Minh Hong Mr. Le Chanh Dao	Chief Executive Officer Deputy CEO Deputy CEO
Supervisory Board	Ms. Tran Thi Anh Nhu Mr. Tran Quoc Hung Mr. Dam Manh Cuong Mr. Dinh Duc Minh	Chairman Member Member (from 6 October 2010) Member (until 6 October 2010)
Registered Office	288 Bis Nguyen Van Cu Street, An Hoa Ward, District Ninh Kieu, Can Tho City Vietnam	
Auditors	Auditors KPMG Limited Vietnam	

DHG PHARMACEUTICAL JOINT STOCK COMPANY AND ITS SUBSIDIARIES Consolidated balance sheet at 31 December 2010

ITEM	CODE	31/12/2010 VND	31/12/2009 VND
ASSETS			
Current assets	100	1,442,034,118,769	1,212,468,335,434
Cash and cash equivalents	110	642,519,118,992	584,128,534,956
Cash	111	286,505,741,815	162,206,364,906
Cash equivalents	112	356,013,377,177	421,922,170,050
Short-term investments	120	-	16,037,166,667
Accounts receivable	130	446,197,923,622	296,978,172,666
Accounts receivable - trade	131	306,719,736,511	250,454,852,730
Prepayments to suppliers	132	28,193,510,841	26,407,748,971
Other receivables	135	117,510,052,422	23,553,146,919
Allowance for doubtful debts	139	(6,225,376,152)	(3,437,575,954)
Inventories	140	347,099,608,749	306,731,856,718
Inventories	141	350,125,465,504	311,576,681,540
Allowance for inventories	149	(3,025,856,755)	(4,844,824,822)
Other current assets	150	6,217,467,406	8,592,604,427
Short-term prepayments	151	1,283,164,897	533,511,176
Deductible value added tax	152	408,648	-
Taxes receivable from State Treasury	154	439,785,275	130,507,156
Other current assets	158	4,494,108,586	7,928,586,095
LONG - TERM ASSETS	200	377,700,975,901	309,504,424,142
Fixed assets	220	303,438,987,167	237,015,139,115
Tangible fixed assets	221	167,840,794,676	118,833,144,230
Cost	222	310,198,804,023	231,889,301,477
Accumulated depreciation	223	(142,358,009,347)	(113,056,157,247)
Intangible fixed assets	227	127,878,195,760	112,919,647,760
Cost	228	131,894,976,812	113,634,980,185
Accumulated amortisation	229	(4,016,781,052)	(715,332,425)
Construction in progress	230	7,719,996,731	5,262,347,125
Investment property	240	6,456,882,120	-
Cost	241	7,784,646,717	-
Accumulated depreciation	242	(1,327,764,597)	-
Long-term investments	250	39,979,249,420	31,255,356,135
Investments in associates	252	32,592,080,669	23,868,187,384
Other long-term investments	258	11,901,050,200	11,901,050,200
Allowance for diminution in the value of long-term investments	259	(4,513,881,449)	(4,513,881,449)
Other long-term assets	260	27,825,857,194	41,233,928,892
Long-term prepayments	261	22,430,416,454	36,189,123,770
Deferred tax assets	262	3,785,465,288	3,413,954,004
Other long-term assets	268	1,609,975,452	1,630,851,118
TOTAL ASSETS	270	1,819,735,094,670	1,521,972,759,576



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The Socialist Republic of Vietnam

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INDEPENDENT AUDITORS' REPORT

To the Shareholders
DHG Pharmaceutical Joint Stock Company

Scope

We have audited the accompanying consolidated balance sheet of DHG Pharmaceutical Joint Stock Company ("the Company") and its subsidiaries ("the Group") as of 31 December 2010 and the related consolidated statements of income, changes in equity and cash flows for the year then ended and the explanatory notes thereto which were authorized for issue by the Company's management on 30 March 2011. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The consolidated financial statements of the Company for the year ended 31 December 2009 were audited by another firm of auditors whose report dated 29 March 2010 expressed an unqualified opinion on those financial statements.

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

Audit opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of DHG Pharmaceutical Joint Stock Company and its subsidiaries as of 31 December 2010 and their consolidated results of operations and cash flows for the year then ended in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System and the relevant statutory requirements.

KPMG Limited

Vietnam
Investment Certificate No: 011043000345
Review Report No. 10-01-175


Chong Kwang Puy
CPA No. 48084/KTV
Deputy General Director


Nguyen Thanh Nghi
CPA No. 0304/KTV

Ho Chi Minh City, 30 March 2011

KPMG Limited, a Vietnamese limited liability company and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved.

DHG Pharmaceutical Joint Stock Company and its subsidiaries Consolidated balance sheet at 31 December 2010 (continued)

ITEM	CODE	31/12/2010 VND	31/12/2009 VND
RESOURCES			
LIABILITIES	300	530,696,724,099	496,158,280,749
Current liabilities	310	471,555,878,347	443,215,811,452
Short-term borrowings	311	12,802,412,973	73,979,662,132
Accounts payable - trade	312	86,290,700,781	71,352,673,093
Advances from customers	313	1,413,080,380	1,094,516,164
Taxes payable to State Treasury	314	40,019,223,841	35,634,035,125
Payables to employees	315	100,633,206,342	84,118,277,067
Accrued expenses	316	168,781,105,434	161,165,177,394
Other payables	319	32,127,453,214	15,871,470,477
Bonus and welfare fund	323	29,488,695,382	-
Long-term liabilities	330	59,140,845,752	52,942,469,297
Unearned revenue	333	119,417,273	-
Deferred tax liabilities	335	-	53,099,844
Provision for severance allowance	336	21,163,637,977	14,189,209,835
Science and technology development fund	339	37,857,790,502	38,700,159,618
EQUITY	400	1,280,322,125,140	1,018,033,631,792
Equity	410	1,280,322,125,140	1,010,375,905,079
Share capital	411	269,129,620,000	266,629,620,000
Capital surplus	412	378,761,392,824	378,761,392,824
Treasury shares	414	(455,850,000)	(410,400,000)
Investment and development fund	416	204,329,442,743	4,658,004,486
Financial reserves	418	64,215,412,933	29,744,900,881
Retained profits	420	364,342,106,640	330,992,386,888
Non-business expenditure fund and other funds	430	-	7,657,726,713
Bonus and welfare fund	431	-	7,657,726,713
MINORITY INTEREST	439	8,716,245,431	7,780,847,035
Total resources	440	1,819,735,094,670	1,521,972,759,576

Prepared by:



Dang Pham Huyen
Chief Accountant

Approved by:




Le Chanh Dao
Deputy CEO

30 March 2011

DHG PHARMACEUTICAL JOINT STOCK COMPANY AND ITS SUBSIDIARIES
Consolidated statement of income for the year ended 31 December 2010

ITEM	CODE	31/12/2010 VND	31/12/2009 VND
Total revenue	01	2,052,247,764,060	1,770,344,687,033
Less sales deductions	02	(17,722,522,132)	(24,322,485,821)
Net sales	10	2,034,525,241,928	1,746,022,201,212
Cost of sales	11	(1,015,992,884,307)	(822,445,899,741)
Gross profit	20	1,018,532,357,621	923,576,301,471
Financial income	21	40,566,222,890	31,294,906,087
Financial expenses	22	(3,408,205,843)	(23,597,231,238)
Selling expenses	24	(483,629,769,106)	(409,533,239,836)
General and administration expenses	25	(134,944,063,183)	(113,700,825,796)
Net operating profit	30	437,116,542,379	408,039,910,688
Results of other activities	40		
Other income	31	9,233,695,237	14,224,585,302
Other expenses	32	(8,223,688,183)	(12,571,248,709)
Share of losses in associates	30	(3,981,996,715)	(103,584,949)
Profit before tax	50	434,144,552,718	409,589,662,332
Income tax expense - current	51	(51,233,929,515)	(46,967,925,678)
Income tax benefit/(expense) - deferred	52	424,611,128	(281,354,320)
Net profit	60	383,335,234,331	362,340,382,334
Attributable to:			
Minority interest	61	2,172,986,662	5,269,591,254
Equity holders of the Company	62	381,162,247,669	357,070,791,080
Net profit	60	383,335,234,331	362,340,382,334
Basic earnings per share	70	14,234	13,396

Prepared by:



Dang Pham Huyen
Chief Accountant



30 March 2011

Approved by:



Le Chanh Dao
Deputy CEO

DHG Pharmaceutical Joint Stock Company and its subsidiaries
Consolidated statement of changes in equity for the year ended 31 December 2010

	SHARE CAPITAL VND	CAPITAL SURPLUS VND	TREASURY SHARES VND	INVESTMENT AND DEVELOPMENT FUND VND	FINANCIAL RESERVES VND	RETAINED PROFITS VND	BONUS AND WELFARE FUND VND	TOTAL VND
Balance at 1 January 2009	200,000,000,000	378,761,392,824	(292,500,000)	38,460,772,279	21,962,409,519	62,247,037,940	(5,199,225,356)	695,939,887,206
Bonus shares	66,629,620,000	-	-	(66,629,620,000)	-	-	-	-
Treasury shares repurchased	-	-	(117,900,000)	-	-	-	-	(117,900,000)
Appropriation to equity funds	-	-	-	32,826,852,207	7,782,491,362	(40,609,343,569)	-	-
Transfer to bonus and welfare fund	-	-	-	-	-	(16,370,060,980)	16,539,896,136	169,835,156
Board of Directors bonus fund	-	-	-	-	-	(1,292,029,781)	-	(1,292,029,781)
Net profit for the year	-	-	-	-	-	357,070,791,080	-	357,070,791,080
Dividends (Note 29)	-	-	-	-	-	(29,988,795,000)	-	(29,988,795,000)
Utilisation of funds	-	-	-	-	-	-	(3,682,944,067)	(3,682,944,067)
Other decrease	-	-	-	-	-	(65,212,802)	7,657,726,713	(65,212,802)
Balance at 1 January 2010	266,629,620,000	378,761,392,824	(410,400,000)	4,658,004,486	29,744,900,881	330,992,386,888	(7,657,726,713)	1,018,033,631,792
Reclassification to current liabilities	-	-	-	-	-	-	-	(7,657,726,713)
Shares issued	2,500,000,000	-	-	-	-	-	-	2,500,000,000
Treasury shares repurchased	-	-	(136,800,000)	-	-	-	-	(136,800,000)
Treasury shares reissued	-	-	91,350,000	-	-	-	-	91,350,000
Appropriation to equity fund	-	-	-	199,671,438,257	34,470,512,052	(234,141,950,309)	-	-
Transfer to bonus and welfare fund	-	-	-	-	-	(35,355,144,112)	-	(35,355,144,112)
Board of Directors bonus fund	-	-	-	-	-	(11,435,093,496)	-	(11,435,093,496)
Net profit for the year	-	-	-	-	-	381,162,247,669	-	381,162,247,669
Dividends (Note 29)	-	-	-	-	-	(66,880,340,000)	-	(66,880,340,000)
Balance at 31 December 2010	269,129,620,000	378,761,392,824	(455,850,000)	204,329,442,743	64,215,412,933	364,342,106,640	-	1,280,322,125,140

Prepared by:



Dang Pham Huyen
Chief Accountant

Approved by:



Le Chanh Dao
Deputy CEO

30 March 2011

The accompanying notes form an integral part of these consolidated financial statements

DHG PHARMACEUTICAL JOINT STOCK COMPANY AND ITS SUBSIDIARIES
Consolidated statement of cash flows for the year ended 31 December 2010

ITEM	CODE	31/12/2010 VND	31/12/2009 VND
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax	01	434,144,552,718	409,589,662,332
Adjustments for			
Depreciation and amortisation	02	41,463,499,111	29,778,717,342
Allowances and provisions	03	3,059,549,639	(14,384,007,705)
Unrealised foreign exchange gains	04	-	(16,361,965)
Gain on disposals of fixed assets	05	(1,279,976,595)	(14,773,943)
Dividends and interest income	06	(36,691,910,145)	(14,893,693,574)
Interest expense	07	2,010,709,744	3,389,443,987
Share of losses in associates	08	3,981,996,715	103,584,949
Operating profit before changes in working capital	09	446,688,421,187	413,552,571,423
Change in receivables and other current assets	10	(135,931,407,222)	(44,624,486,304)
Change in inventories	11	(38,548,783,964)	(3,340,301,188)
Change in payables and other liabilities	12	74,342,048,312	48,088,931,657
Change in prepayments	13	(749,653,721)	(19,218,178,770)
		345,800,624,592	394,458,536,818
Interest paid	14	(2,182,859,688)	(3,628,334,868)
Corporate income tax paid	15	(57,225,908,675)	(30,681,344,976)
Other receipts for operating activities	16	-	2,987,628,237
Other payments for operating activities	17	(28,167,068,454)	(9,241,078,958)
Net cash generated from operating activities	20	258,224,787,775	353,895,406,253
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for additions to fixed assets and other long-term assets	21	(124,759,054,121)	(57,436,448,175)
Proceeds from adjustment of purchase price of land use rights	22	5,491,223,499	-
Proceeds from disposals of fixed assets and other long-term assets	22	6,110,475,532	122,895,970
Loans given to other entities	23	(5,095,308,180)	(26,377,492,867)
Loans collected from other entities	24	-	41,100,115,293
Term deposits received	25	16,037,166,667	-
Payments for investments in other entities	26	(13,615,000,000)	(230,000,000)
Collections on investments in other entities	27	157,550,000	-
Receipts of interests and dividends	28	41,441,782,023	26,070,547,994
Net cash used in investing activities	30	(74,231,164,580)	(16,750,381,785)

ITEM	CODE	31/12/2010 VND	31/12/2009 VND
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from equity issued	31	2,591,350,000	-
Payments for shares repurchases	32	(136,800,000)	(117,900,000)
Proceeds from short-term borrowings	33	39,476,967,542	203,434,614,489
Payments to settle debts	34	(100,654,216,701)	(137,910,250,055)
Payments of dividends	35	(66,880,340,000)	(30,018,344,628)
Net cash (used in)/generated from financing activities	40	(125,603,039,159)	35,388,119,806
Net cash flows during the year	50	58,390,584,036	372,533,144,274
Cash and cash equivalent at the beginning of the year	60	584,128,534,956	211,742,360,663
Impact of exchange rate fluctuation	61	-	(146,969,981)
Cash and cash equivalent at the end of the year	70	642,519,118,992	584,128,534,956

NON-CASH INVESTING ACTIVITIES

ITEM	2010 VND	2009 VND
Receivable on cancellation of land lease contract	13,848,944,240	-

Prepared by:



Dang Pham Huyen
Chief Accountant

Approved by:




Le Chanh Dao
Deputy CEO

30 March 2011

DHG PHARMACEUTICAL JOINT STOCK COMPANY AND ITS SUBSIDIARIES
Notes to the consolidated financial statements for the year ended 31 December 2010

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

1. Reporting Entity

DHG Pharmaceutical Joint Stock Company ("the Company") was incorporated as a joint-stock company under Business Licence No. 5703000111 issued by Can Tho City Planning and Investment Department on 15 September 2004. The principal activities of the Company are to produce and trade in pharmaceutical products.

The Company's shares are listed on the Ho Chi Minh Stock Exchange.

The consolidated financial statements comprise the Company and its subsidiaries (together referred to as "the Group") and the Group's interest in associates.

The details of the subsidiaries, which are incorporated in Vietnam, are as follows:

NAME	PRINCIPAL ACTIVITY	BUSINESS LICENCE	% OF OWNERSHIP	
			31/12/2010	31/12/2009
Subsidiaries				
DT Pharmaceutical One Member Limited Company	Trade pharmaceuticals, medical equipment, dietary supplements and pharmaceutical cosmetics	5104000057 issued by Dong Thap province Planning and Investment Department on 28 August 2008	100 %	100 %
DHG Travel One Member Limited Company	Domestic travel services	5704000134 issued by Can Tho City Planning and Investment Department on 26 December 2007	100 %	100 %
HT Pharmaceutical One Member Limited Company	Trade pharmaceuticals, medical equipment, dietary supplements and pharmaceutical cosmetics	5604000048 issued by Kien Giang province Planning and Investment Department on 16 May 2008	100 %	100 %
DHG Nature One Member Limited Company	Grow, process, manufacture, and trade herbal materials; Manufacture and trade pharmaceutical chemistry and dietary supplements	1800723433 issued by Can Tho City Planning and Investment Department on 25 August 2008	100 %	100 %

NAME	PRINCIPAL ACTIVITY	BUSINESS LICENCE	% OF OWNERSHIP	
			31/12/2010	31/12/2009
Subsidiaries				
CM Pharmaceutical One Member Limited Company	Trade pharmaceuticals, medical equipment, dietary supplements and pharmaceutical cosmetics	6104000035 issued by Ca Mau province Planning and Investment Department on 8 April 2008	100 %	100 %
DHG Packaging and Printing One Member Limited Company	Manufacture and trade packaging, plastic, aluminium, paper for pharmaceutical industry; Provide printing services.	5704000183 issued by Can Tho City Planning and Investment Department on 29 April 2008	100 %	100 %
Song Hau Pharmaceutical Joint Stock Company	Trade pharmaceuticals, medical equipment and dietary supplements and pharmaceutical cosmetics	6403000044 issued by Hau Giang province Planning and Investment Department on 20 July 2007	51 %	51 %
A&G Pharmaceutical One Member Limited Company	Trade pharmaceuticals, medical equipment, dietary supplements and pharmaceutical cosmetics	1601171629 issued by An Giang province Planning and Investment Department on 17 June 2009	100 %	100 %
ST Pharmaceutical One Member Limited Company	Trade pharmaceuticals, medical equipment, dietary supplements and pharmaceutical cosmetics	5904000064 issued by Soc Trang province Planning and Investment Department on 11 April 2008	100 %	100 %
TOT Pharmaceutical One Member Limited Company	Trade pharmaceuticals, medical equipment and dietary supplements and pharmaceutical cosmetics	1801113085 issued by Can Tho City Planning and Investment Department on 25 February 2009	100 %	-
TG Pharmaceutical One Member Limited Company	Trade pharmaceuticals, medical equipment and dietary supplements and pharmaceutical cosmetics	1200975943 issued by Tien Giang province Planning and Investment Department on 25 February 2009	100 %	-

As at 31 December 2010 the Group had 2,428 employees (31 December 2009: 2,270 employees).

2. Summary of significant accounting policies

The following significant accounting policies have been adopted by the Group in the preparation of these consolidated financial statements.

(a) Basis of financial statement preparation

The consolidated financial statements, expressed in Vietnam Dong ("VND"), have been prepared in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System and the relevant statutory requirements.

The accounting policies have been consistently applied by the Group.

The consolidated financial statements, except for the consolidated statement of cash flows, are prepared on the accrual basis using historical cost concept. The consolidated statement of cash flows is prepared using the indirect method.

(b) Basis of consolidation

(i) Subsidiaries

Subsidiaries are those entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(ii) Associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Associates are accounted for using the equity method. The consolidated financial statements include the Group's share of the income and expenses of associates, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the associate.

(iii) Transactions eliminated on consolidation

Intra-group balances and any unrealised gains or losses arising from intra-group transactions are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates are eliminated to the extent of the Group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(iv) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiaries and associates at the date of acquisition. Goodwill is amortised over 5 years.

If the fair value of the Group's share of the net assets of the acquired subsidiaries and associates exceeds the cost of its acquisition, the excess is recognised in the statement of income immediately.

(c) Fiscal year

The fiscal year of the Group is from 1 January to 31 December.

(d) Foreign currency transactions

Monetary assets and liabilities denominated in currencies other than VND are translated into VND at rates of exchange ruling at the balance sheet date. Transactions in currencies other than VND during the year have been translated into VND at rates approximating those ruling at the transaction dates.

All foreign exchange differences are recorded in the statement of income in accordance with Vietnamese Accounting Standard No. 10 ("VAS 10") – The Effects of Changes in Foreign Exchange Rates.

(e) Cash and cash equivalents

Cash comprises cash balances and call deposits. Cash equivalents are short-term highly liquid investments that are readily convertible to known amount of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

(f) Investments

Investments in entities over which the Group does not have control or significant influence are stated at cost less allowance for diminution in investment's value. An allowance is made for reductions in investment values if market value of the investment falls below cost or if the investee has suffered a loss. The allowance is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the allowance was recognised. An allowance is reversed only to the extent that the investment's carrying amount does not exceed the carrying amount that has been determined if no allowance had been recognised.

(g) Accounts receivable

Trade and other receivables are stated at cost less allowance for doubtful debts.

(h) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted average basis and includes all costs incurred in bringing the inventories to their present location and condition. Cost in the case of finished goods and work in progress includes raw materials, direct labour and attributable manufacturing overheads. Net realisable value is the estimated selling price of inventory items, less the estimated costs of completion and selling expenses.

The Group applies the perpetual method of accounting for inventory.

(i) Tangible fixed assets

(i) Cost

Tangible fixed assets are stated at cost less accumulated depreciation. The initial cost of a tangible fixed asset comprises its purchase price, including import duties, non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after tangible fixed assets have been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to income in the year in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of tangible fixed assets beyond their originally assessed standard of performance, the expenditure is capitalised as an additional cost of tangible fixed assets.

(ii) Depreciation

Depreciation is computed on a straight-line basis over the estimated useful lives of tangible fixed assets. The estimated useful lives are as follows:

1. buildings	3 - 18 years
2. machinery and equipment	3 - 13 years
3. motor vehicles	3 - 13 years
4. office equipment	2 - 10 years

(j) Intangible fixed assets

(i) Indefinite land use rights

Indefinite land use rights are stated at cost and are not amortised. The initial cost of a land use right comprises its purchase price and any directly attributable costs incurred in conjunction with securing the land use right.

(ii) Definite land use rights

Definite land use rights are stated at cost less accumulated amortisation. The initial cost of a land use right comprises its purchase price and any directly attributable costs incurred in conjunction with securing the land use right. Amortisation is computed on a straight-line basis over 50 years.

(iii) Software

Cost of acquisition of new software, which is not an integral part of the related hardware, is capitalised and treated as an intangible asset. Software is amortised on a straight-line basis ranging from 3 to 7 years.

(k) Construction in progress

Construction in progress represents the cost of construction and machinery which have not been fully completed or installed. No depreciation is provided for construction in progress during the year of construction and installation.

(l) Investment property

(i) Cost

Investment property is stated at cost less accumulated depreciation. The initial cost of an investment property comprises its purchase price, cost of land use rights and any directly attributable costs of bringing the asset to its working condition for its intended use. Expenditure incurred after investment property has been put into operation, such as repairs and maintenance, is charged to the statement of income in the year in which the cost is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in future economic benefits in excess of the originally assessed standard of performance of the existing investment property, the expenditure is capitalised as an additional cost of investment property.

(ii) Depreciation

Depreciation is computed on a straight-line basis over the estimated useful lives of investment property which are ranging from 5 to 16 years.

(m) Long-term prepayments

(i) Leasehold improvements

Leasehold improvements are recorded at cost and amortised on a straight-line basis over 2 to 5 years.

(ii) Prepaid land costs

Prepaid land costs comprise prepaid land lease rentals and other costs incurred in conjunction with securing the use of leased land. These costs are recognised in the statement of income on a straight-line basis over the term of the lease ranging from 39 to 50 years.

(n) Trade and other payables

Trade and other payables are stated at their cost.

(o) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

(p) Taxation

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the statement of income except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(q) Share capital

(i) Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognized as a deduction from equity.

(ii) Treasury shares

When share capital recognized as equity is purchased, the amount of the consideration paid, which includes directly attributable cost, net of any tax effects, is recognized as a deduction from equity. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity.

(r) Equity funds

Allocations are made to equity funds from retained profits each year based on percentage decided by the shareholders in their annual ordinary general meeting.

(s) Revenue

(i) Goods sold

Revenue from the sale of goods is recognized in the statement of income when significant risks and rewards of ownership have been transferred to the buyer. No revenue is recognized if there are significant uncertainties regarding recovery of the consideration due or the possible return of goods.

(ii) Services rendered

Revenue from services rendered is recognized in the statement of income in proportion to the stage of completion of the transaction at the balance sheet date. The stage of completion is assessed by reference to surveys of work performed. No revenue is recognized if there are significant uncertainties regarding recovery of the consideration due.

(iii) Dividend income

Dividends are recognized as income when the right to receive the dividend is established.

(t) Operating lease payments

Payments made under operating leases are recognized in the statement of income on a straight-line basis over the term of the lease. Lease incentives received are recognized in the statement of income as an integral part of the total lease expense.

(u) Borrowing costs

Borrowing costs are recognized as an expense in the year in which they are incurred, except where the borrowing costs relate to borrowings in respect of the construction of qualifying assets, in which case the borrowing costs incurred during the year of construction are capitalized as part of the cost of the assets concerned.

(v) Earnings per share

The Group presents basic earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to the ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the year. The Company does not have any potentially dilutive ordinary shares.

(w) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing related products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. Management is of the opinion that the Group operates in one single business segment, which is the manufacture and sale of pharmaceutical products and one significant geographical segment, which is Vietnam.

(x) Off balance sheet items

Amounts which are defined as off balance sheet items under the Vietnamese Accounting System are disclosed in the relevant notes to these financial statements.

3. Cash and Cash equivalents

	31/12/2010 VND	31/12/2009 VND
Cash on hand	39,653,513,720	39,257,993,826
Cash in bank	246,852,228,095	122,866,971,080
Cash in transit	-	81,400,000
Cash equivalents	356,013,377,177	421,922,170,050
	642,519,118,992	584,128,534,956

Cash and cash equivalents at 31 December 2010 included amounts denominated in currencies other than VND amounting to VND5,067 million (31 December 2009: VND28,376 million).

4. Accounts receivable

Accounts receivable - trade comprised:

	31/12/2010 VND	31/12/2009 VND
Trade receivables from associates	736,208,259	570,773,696
Trade receivables from third parties	305,983,528,252	249,884,079,034
	306,719,736,511	250,454,852,730

Accounts receivable - trade were unsecured, interest free and are receivable within 30 days from invoice date.

Prepayments to suppliers at of 31 December 2010 were amounts prepaid for acquisition of machinery and construction services.

Other receivables comprised:

	31/12/2010 VND	31/12/2009 VND
Commission prepaid	77,087,927,595	7,676,998,375
Interest receivable	1,092,298,387	5,090,610,265
Loan receivables (*)	7,081,051,026	1,985,742,846
Receivables from employees	12,499,149,208	-
Receivables from cancellation of land lease contract	13,848,944,240	-
Others	5,900,681,966	8,799,795,433
	117,510,052,422	23,553,146,919

(*) This represented loans to associates and hospitals with maturity of less than a year which were unsecured and bore interest from 10.2% to 13.0% (2009: 8.4% to 12.0%) per annum during the year.

Movements in the allowance for doubtful debts during the year were as follows:

	2010 VND	2009 VND
Opening balance	3,437,575,954	18,702,735,510
Increase in allowance during the year	4,878,517,706	-
Allowance utilised during the year	(2,090,717,508)	(15,265,159,556)
Closing balance	6,225,376,152	3,437,575,954

5. Inventories

	31/12/2010 VND	31/12/2009 VND
Goods in transit	50,952,551,152	43,137,980,037
Raw materials	130,967,195,036	103,113,760,970
Work in progress	39,156,811,367	23,646,623,630
Finished goods	101,410,778,366	123,666,936,711
Merchandise inventory	24,076,160,744	7,468,594,766
Goods on consignments	3,561,968,839	10,542,785,426
	350,125,465,504	311,576,681,540
Allowance for inventories	(3,025,856,755)	(4,844,824,822)
	347,099,608,749	306,731,856,718

Movements in the allowance for inventories during the year were as follows:

	2010 VND	2009 VND
Opening balance	4,844,824,822	-
Increase in allowance during the year	59,888,644	4,844,824,822
Written back	(1,878,856,711)	-
Closing balance	3,025,856,755	4,844,824,822

6. Tangible fixed assets

	BUILDINGS VND	MACHINERY AND EQUIPMENT VND	MOTOR VEHICLES VND	OFFICE EQUIPMENT VND	TOTAL VND
Cost					
Opening balance	46,320,684,732	107,658,874,657	45,549,529,998	32,360,212,090	231,889,301,477
Additions	3,558,737,090	23,574,147,545	8,726,491,514	8,970,785,628	44,830,161,777
Transfers from construction in progress	27,605,240,507	3,087,528,667	16,243,104,605	1,030,266,557	47,966,140,336
Transfers to investment property	(5,000,196,619)	-	-	-	(5,000,196,619)
Disposals	-	(890,206,156)	(7,450,636,945)	(574,980,100)	(8,915,823,201)
Written off	(300,109,858)	(32,889,002)	-	(237,780,887)	(570,779,747)
Reclassification	-	(11,736,364)	-	11,736,364	-
Closing balance	72,184,355,852	133,385,719,347	63,068,489,172	41,560,239,652	310,198,804,023
Accumulated depreciation					
Opening balance	15,741,251,240	58,151,436,198	18,432,838,029	20,730,631,780	113,056,157,247
Charge for the year	4,681,293,661	17,985,553,115	8,245,394,405	5,040,061,240	35,952,302,421
Transfers to investment property	(1,088,879,610)	-	-	-	(1,088,879,610)
Disposals	-	(853,202,042)	(3,601,005,768)	(566,616,464)	(5,020,824,274)
Written off	(300,109,858)	(32,889,002)	-	(207,747,577)	(540,746,437)
Reclassification	-	(1,304,040)	-	1,304,040	-
Closing balance	19,033,555,433	75,249,594,229	23,077,226,666	24,997,633,019	142,358,009,347
Net book value					
Opening balance	30,579,433,492	49,507,438,459	27,116,691,969	11,629,580,310	118,833,144,230
Closing balance	53,150,800,419	58,136,125,118	39,991,262,506	16,562,606,633	167,840,794,676

Included in the cost of tangible fixed assets were assets costing VND38,370 million which were fully depreciated as of 31 December 2010 (31 December 2009: VND24,550 million), but which are still in active use.

7. Intangible fixed assets

	Indefinite land use rights VND	Definite land use rights VND	Software VND	Total VND
Cost				
Opening balance	58,831,043,545	52,516,207,480	2,287,729,160	113,634,980,185
Additions	-	23,398,284,076	1,167,063,250	24,565,347,326
Adjustment of purchase price	(5,364,173,499)	(127,050,000)	-	(5,491,223,499)
Written off	-	(814,127,200)	-	(814,127,200)
Closing balance	53,466,870,046	74,973,314,356	3,454,792,410	131,894,976,812
Accumulated amortisation				
Opening balance	-	-	715,332,425	715,332,425
Charge for the year	-	2,924,199,102	377,249,525	3,301,448,627
Closing balance	-	2,924,199,102	1,092,581,950	4,016,781,052
Net book value				
Opening balance	58,831,043,545	52,516,207,480	1,572,396,735	112,919,647,760
Closing balance	53,466,870,046	72,049,115,254	2,362,210,460	127,878,195,760

8. Construction in progress

	2010 VND	2009 VND
Opening balance	5,262,347,125	2,002,554,431
Additions during the year	53,323,320,684	30,173,458,859
Transfers to tangible fixed assets	(47,966,140,336)	(26,913,666,165)
Transfers to investment property	(2,784,450,098)	-
Disposals	(115,080,644)	-
Closing balance	7,719,996,731	5,262,347,125

9. Investment property

	Building VND
Cost	
Transfers from tangible fixed assets	5,000,196,619
Transfers from construction in progress	2,784,450,098
Closing balance	7,784,646,717
Accumulated depreciation	
Transfers from tangible fixed assets	1,088,879,610
Charge for the year	238,884,987
Closing balance	1,327,764,597
Net book value	
Closing balance	6,456,882,120

The fair value of investment property has not been determined as there was no recent market transaction for similar property in the same location as the Group's investment property and there is no active market for such property.

10. Long-term investments

	31/12/2010 VND	31/12/2009 VND
Investments in associates		
• Vinh Hao Algae Processing Joint Stock Company	4,138,773,359	3,868,187,384
• DHG Pharmaceutical Soft Capsule Joint Stock Company	11,953,307,310	-
• Vinh Tuong High-Tech Packaging Corporation	16,500,000,000	20,000,000,000
	32,592,080,669	23,868,187,384
Other long-term investments in		
• Cuu Long Pharmaceutical Joint Stock Company	27,420,000	27,420,000
• Binh Duong Pharmaceutical Joint Stock Company	4,286,800,000	4,286,800,000
• Ninh Thuan Pharmaceutical Joint Stock Company	796,675,000	796,675,000
• Nghe An Pharmaceutical Joint Stock Company	3,922,880,000	3,922,880,000
• TV.Pharm Pharmaceutical Joint Stock Company	2,575,315,200	2,575,315,200
• Ba Ria - Vung Tau Pharmaceutical, Cosmetic and Commercial Joint Stock Company	70,000,000	70,000,000
• Tay Ninh Pharmaceutical Joint Stock Company	221,960,000	221,960,000
	11,901,050,200	11,901,050,200

Movements of investments in associates were as follows:

	2010 VND	2009 VND
Opening balance	23,868,187,384	3,741,772,333
Reclassification from other long-term investments	-	20,000,000,000
New investments during the year	13,615,000,000	230,000,000
Liquidation of investment during the year	(157,550,000)	-
Share in net profit/(loss) of associates	108,488,757	(103,584,949)
Amortisation of goodwill	(4,090,485,472)	-
Dividends	(751,560,000)	-
Closing balance	32,592,080,669	23,868,187,384

Movements in the allowance for diminution in value of long-term investments during the year were as follows:

	2010 VND	2009 VND
Opening balance	4,513,881,449	7,000,000,000
Written back	-	(2,486,118,551)
Closing balance	4,513,881,449	4,513,881,449

Details of the investments in associates were as follows:

Name Associates	Principal activity	Business Licence	% of ownership	
			31/12/2010	31/12/2009
Vinh Hao Algae Processing Joint Stock Company	Manufacture and trade spirulina algae.	4803000150 issued by Binh Thuan province Planning and Investment Department on 4 February 2008	30%	30%
DHG Pharmaceutical Soft Capsule Joint Stock Company	Manufacture and trade pharmaceuticals, dietary supplements and pharmaceutical cosmetics under soft-capsule form.	3700634575 issued by Binh Duong province Planning and Investment Department on 25 January 2008	30%	-
Vinh Tuong High-Tech Packaging Corporation	Manufacture package from primeval plastics	4603000373 issued by Binh Duong province Planning and Investment Department on 9 July 2007	20%	20%

11. Long-term prepayments

	Leasehold improvements VND	Prepaid land costs VND	Total VND
Opening balance	2,128,813,850	34,060,309,920	36,189,123,770
Additions	962,100,000	1,099,000,000	2,061,100,000
Amortisation for the year	(843,227,331)	(1,127,635,745)	(1,970,863,076)
Cancellation of land lease contract	-	(13,848,944,240)	(13,848,944,240)
Closing balance	2,247,686,519	20,182,729,935	22,430,416,454

12. Short-term borrowings

	31/12/2010 VND	31/12/2009 VND
Loan from Vietnam Joint Stock Commercial Bank for Industry and Trade	-	58,441,135,487
Loan from the Group's employees (*)	12,802,412,973	15,538,526,645
	12,802,412,973	73,979,662,132

(*) These borrowings were unsecured and bore interest at rates ranging from 0.55% to 1.15% (2009: from 0.55% to 0.60%) per month during the year.

13. Accounts payable - trade

	31/12/2010 VND	31/12/2009 VND
Trade payables to associates	2,682,823,414	497,185,000
Trade payables to third parties	83,607,877,367	70,855,488,093
	86,290,700,781	71,352,673,093

14. Taxes payable to State Treasury

	31/12/2010 VND	31/12/2009 VND
Value added tax	2,808,815,448	5,838,024,488
Corporate income tax	18,975,047,473	24,894,637,621
Personal income tax	18,212,761,047	-
Other	22,599,873	4,901,373,016
	40,019,223,841	35,634,035,125

15. Accrued expenses

	31/12/2010 VND	31/12/2009 VND
Sale rebates	90,204,223,053	112,988,553,921
Sale promotions	48,374,527,539	23,842,585,427
Seminar expenses	16,328,505,475	9,932,467,215
Advertising expenses	3,406,570,664	2,378,127,202
Interest payable	322,236,549	494,386,493
Others	10,145,042,154	11,529,057,136
	168,781,105,434	161,165,177,394

16. Bonus and welfare fund

The fund is established through appropriation from retained profits at the discretion of shareholders at shareholders' meetings. The fund is used to pay bonus and welfare to the Group's employees in accordance with the Group's bonus and welfare policies and Board of Directors fee accordance with the General Meeting of Shareholders resolution of the Group.

Movements of bonus and welfare fund during the year were as follows:

	Bonus and welfare fund VND	Board of Directors bonus fund VND	Total VND
Opening balance	-	-	-
Reclassification from accrual	-	1,127,842,133	1,127,842,133
Reclassification from equity	7,657,726,713	-	7,657,726,713
Allocation to the fund	36,145,582,800	11,882,243,074	48,027,825,874
Utilisation of the fund	(18,537,316,783)	(8,787,382,555)	(27,324,699,338)
Closing balance	25,265,992,730	4,222,702,652	29,488,695,382

17. Provision for severance allowance

Movements of provision for severance allowance during the year were as follows:

	VND
Opening balance	14,189,209,835
Provision made during the year	8,735,130,640
Utilised during the year	(1,760,702,498)
Closing balance	21,163,637,977

Under the Vietnamese Labour Code, when employees who have worked for 12 months or more ("eligible employees") voluntarily terminates his/her labour contract, the employer is required to pay the eligible employee severance allowance calculated based on years of service and employees' compensation at termination. Provision for severance allowance has been provided based on employee years of service and their current salary level.

Pursuant to Law on Social Insurance, effective from 1 January 2009 the Group and its employees are required to contribute to an unemployment insurance fund managed by the Vietnam Social Insurance Agency. The contribution to be paid by each party is calculated at 1% of the lower of the employees' basic salary and 20 times the general minimum salary level as specified by the Government from time to time. With the implementation of unemployment insurance scheme, the Group is no longer required to provide severance allowance for the service period after 1 January 2009. However, severance allowance to be paid to the existing eligible employees as of 31 December 2008 will be determined based on the eligible employees' years of service as of 31 December 2008 and their average salary for the six-month period prior to the termination date.

For the year ended 31 December 2010, the Group contributed VND583 million (2009: VND399 million) to the unemployment insurance fund and the amount is recorded as part of labour and staff costs in the statement of income.

18. Science and technology development fund

In accordance with Circular 130/2008/TT-BTC dated 26 December 2008, entities are allowed to provide for the science and technology development fund for using in research and development activities. Provisions are charged to income. Fund is utilised when research and development activities are carried out and disbursements are made.

Movements of science and technology development fund during the year were as follows:

	VND
Opening balance	38,700,159,618
Utilised during the year	(842,369,116)
Closing balance	37,857,790,502

19. Share capital

The Company's authorised and issued share capital is:

	31/12/2010		31/12/2009	
	Number of shares	VND	Number of shares	VND
Authorised and issued share capital	26,912,962	269,129,620,000	26,662,962	266,629,620,000
Treasury shares	(10,130)	(455,850,000)	(9,120)	(410,400,000)
Ordinary shares currently in circulation	26,902,832	268,673,770,000	26,653,842	266,219,220,000

All ordinary shares have a par value of VND10,000. Each share is entitled to one vote at meetings of the Company. Shareholders are entitled to receive dividend as declared from time to time. All ordinary shares are ranked equally with regard to the Company's residual assets. In respect of shares bought back by the Company, all rights are suspended until those shares are reissued.

Movements in share capital during the year were as follows:

	2010		2009	
	Number of shares	VND	Number of shares	VND
Balance at the beginning of the year	26,653,842	266,219,220,000	19,993,500	199,707,500,000
Ordinary shares issued	250,000	2,500,000,000	-	-
Bonus shares issued	-	-	6,662,962	66,629,620,000
Treasury shares bought back	(3,040)	(136,800,000)	(2,620)	(117,900,000)
Treasury shares reissued	2,030	91,350,000	-	-
Balance at the end of the year	26,902,832	268,673,770,000	26,653,842	266,219,220,000

The Company issued 250,000 shares at par to their employees, in accordance with the Extraordinary Meeting of Shareholders resolution of the Company on 4 August 2009.

20. Minority interest

	2010 VND	2009 VND
Balance at the beginning of the year	7,780,847,035	3,184,746,375
Net earnings attributable to minority interest during the year	2,172,986,662	5,269,591,254
Bonus and welfare fund borne by minority interest	(790,438,688)	(169,835,156)
Board of Directors fee borne by minority interest	(447,149,578)	(62,655,438)
Dividends received	-	(441,000,000)
Balance at the end of the year	8,716,245,431	7,780,847,035

21. Total revenue

Total revenue represented the gross invoiced value of goods sold exclusive of value added tax.

Net sales comprised:

	2010 VND	2009 VND
Total revenue		
• Finished goods sold	1,914,860,239,187	1,665,509,534,337
• Merchandise goods sold	62,371,335,200	77,579,384,894
• Services	5,556,561,333	-
• Promotion goods	69,459,628,340	27,255,767,802
	2,052,247,764,060	1,770,344,687,033
Less sales deductions		
• Sales allowances	-	(22,222,289)
• Sales discounts	(16,626,659)	(9,864,890)
• Sales returns	(17,705,895,473)	(24,290,398,642)
	(17,722,522,132)	(24,322,485,821)
Net sales	2,034,525,241,928	1,746,022,201,212

22. Cost of sales

	2010 VND	2009 VND
Finished goods sold	892,839,487,113	732,895,208,104
Merchandise goods sold	54,495,195,205	60,063,048,091
Cost of services	5,020,671,070	-
Promotion goods	65,456,498,986	24,642,818,724
Allowance for inventories	(1,818,968,067)	4,844,824,822
	1,015,992,884,307	822,445,899,741

23. Financial income

	2010 VND	2009 VND
Interest income	36,238,257,854	27,261,952,502
Dividend income	453,652,291	1,395,781,032
Foreign exchange gains	3,874,312,745	2,637,172,553
	40,566,222,890	31,294,906,087

24. Financial expenses

	2010 VND	2009 VND
Interest expense	2,010,709,744	3,389,443,987
Foreign exchange losses	1,325,496,099	743,908,149
Allowance for long-term investments	-	(3,963,672,971)
Loss from disposal investments	-	11,181,054,420
Cash discounts	-	12,141,792,923
Others	72,000,000	104,704,730
	3,408,205,843	23,597,231,238

25. Other income

	2010 VND	2009 VND
Income from scrap sales	671,181,077	931,386,011
Proceeds on disposals of fixed assets	6,110,475,532	122,895,970
Proceeds from transfer right to contribute share capital	-	11,681,818,182
Others	2,452,038,628	1,488,485,139
	9,233,695,237	14,224,585,302

26. Other expenses

	2010 VND	2009 VND
Net book value of fixed assets disposed and written off	4,715,418,293	108,122,027
Disposals of construction in progress	115,080,644	-
Cost of right to contribute share capital	-	10,752,381,674
Tax penalty	73,403,837	1,192,490,599
Sponsors for hospitals	1,808,227,452	-
Others	1,511,557,957	518,254,409
	8,223,688,183	12,571,248,709

27. Income tax

(a) Recognised in the balance sheet

	31/12/2010 VND	31/12/2009 VND
Deferred tax assets		
Allowances and provisions	2,063,574,358	1,862,190,161
Unrealised profits	1,721,890,930	1,551,763,843
Total deferred tax assets	3,785,465,288	3,413,954,004
Deferred tax liabilities		
Unrealised profits	-	(53,099,844)
Net deferred tax assets	3,785,465,288	3,360,854,160

(b) Recognised in the statement of income

	2010 VND	2009 VND
Current tax expense	51,233,929,515	46,967,925,678
Deferred tax (benefit)/expense	(424,611,128)	281,354,320
Income tax expense	50,809,318,387	47,249,279,998

(c) Reconciliation of effective tax rate

	2010 VND	2009 VND
Profit before tax	434,144,552,718	409,589,662,332
Tax at income rate applicable to the Company	108,536,138,180	102,397,415,583
Tax effect of non-deductible expenses	4,117,480,152	7,102,017,686
Tax exempt income	(113,413,073)	(348,945,258)
Deferred tax assets not recognised	995,499,179	25,896,237
Effect of tax incentives	(62,726,386,051)	(61,927,104,250)
Income tax expense	50,809,318,387	47,249,279,998

(d) Applicable tax rates

The Company

Under the terms of its Investment Licence, the Company has an obligation to pay the government corporate income tax at the rate of 20% of taxable profits from 2005 to 2013 and 25% for the succeeding years. The provisions of the Company's Investment Licence allow it to be exempted from income tax from 2005 to 2006 and receive a 50% reduction in income tax from 2007 to 2011.

The Subsidiaries

Except for DHG Packaging and Printing One Member Limited Company, HT Pharmaceutical One Member Limited Company, DHG Nature One Member Limited Company, ST Pharmaceutical One Member Limited Company and Song Hau Pharmaceutical Joint Stock Company, other subsidiaries in the Group have an obligation to pay the government income tax at the rate of 25% of taxable profits.

DHG Packaging and Printing One Member Limited Company ("DHG Packaging and Printing")

Under the terms of its Investment Licence, DHG Packaging and Printing has an obligation to pay the government corporate income tax at the rate of 25% of taxable profits. The provisions of DHG Packaging and Printing's Investment Licence allow it to be exempted from income tax from 2009 to 2010 and receive a 50% reduction in income tax from 2011 to 2012.

HT Pharmaceutical One Member Limited Company ("HT Pharma")

Under the terms of its Investment Licence, HT Pharma has an obligation to pay the government corporate income tax at the rate of 20% of taxable profits from 2009 to 2018 and 25% thereafter. The provisions of HT Pharma's Investment Licence allow it to be exempted from income tax from 2009 to 2010 and receive a 50% reduction in income tax from 2011 to 2016.

DHG Nature One Member Limited Company ("DHG Nature")

Under the terms of its Investment Licence, DHG Nature has an obligation to pay the government corporate income tax at the rate of 20% of taxable profits from 2009 to 2018 and 25% thereafter. The provisions of DHG Nature's Investment Licence allow it to be exempted from income tax from 2009 to 2010 and receive a 50% reduction in income tax from 2011 to 2013.

ST Pharmaceutical One Member Limited Company ("ST Pharma")

Under the terms of its Investment Licence, ST Pharma has an obligation to pay the government corporate income tax at the rate of 20% of taxable profits from 2009 to 2018 and 25% thereafter. The provisions of ST Pharma's Investment Licence allow it to be exempted from income tax from 2009 to 2010 and receive a 50% reduction in income tax from 2011 to 2014.

Song Hau Pharmaceutical Joint Stock Company ("SH Pharma JSC")

Under the terms of its Investment Licence, SH Pharma JSC has an obligation to pay the government corporate income tax at the rate of 15% of taxable profits from 2008 to 2019 and 25% thereafter. The provisions of SH Pharma JSC's Investment Licence allow it to be exempted from income tax from 2008 to 2009 and receive a 50% reduction in income tax from 2010 to 2014.

All the above tax incentives are not applicable to other income which is taxed at rate of 25%

28. Basic earnings per share

The calculation of basic earnings per share at 31 December 2010 was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding, calculated as follows:

(i) Net profit attributable to ordinary shareholders

	2010 VND	2009 VND
Net profit attributable to ordinary shareholders	381,162,247,669	357,070,791,080

(ii) **Weighted average number of ordinary shares**

	2010 VND	2009 VND
Issued ordinary shares at the beginning of the year	26,653,842	19,993,500
Effect of bonus shares issued during the year	-	6,662,962
Effect of shares bought back in June 2009	-	(1,462)
Effect of shares bought back in March 2010	(1,754)	-
Effect of shares reissued in June 2010	1,185	-
Effect of ordinary shares issued in July 2010	125,342	-
Effect of shares bought back in August 2010	(362)	-
Weighted average number of ordinary shares at the end of the year	26,778,253	26,655,000

29. **Dividends**

The General Meeting of Shareholders of the Company on 29 April 2010 resolved to distribute dividends of 2009 amounting to VND69,966 million which comprised interim dividends of VND29,989 million (15% of par value of shares in circulation at 4 September 2009) and final dividends of VND39,977 million (15% of par value of shares in circulation at 26 March 2010). In addition, the Board of Directors's meeting on 14 July 2010 resolved to distribute interim dividends for 2010 amounting to VND26,903 million (10% of par value of shares in circulation at 27 October 2010).

30. **Significant transactions with related parties**

Identity of related parties

The Group has related party relationship with associates, shareholders, directors and executive officers.

Significant transactions with associates

In additions to balances with associates disclosed in other notes to these financial statements, during the year there were the following significant transactions with associates:

	2010 VND	2009 VND
Vinh Tuong High-Tech Packaging Corporation		
Purchases of raw materials	1,250,115,000	1,144,757,900
Sales of construction	-	2,594,656,000
Dividend income	300,000,000	400,000,000
Vinh Hao Algae Processing Joint Stock Company		
Purchases of raw materials	8,319,400,000	3,823,781,364
Processing fee	-	888,933,440
DHG Pharmaceutical Soft Capsule Joint Stock Company		
Sales of finished goods	1,257,020,186	-
Purchases of raw materials	7,473,458,958	-

Transactions with key management personnel

Total remuneration and business allowances to key management personnel were as follows:

	2010 VND	2009 VND
Board of Directors and General Management Board	7,174,595,605	4,354,365,247

31. **Commitments**

Capital commitments

As at 31 December 2010 the Group had the following outstanding capital commitments approved but not provided for in the balance sheet:

	31/12/2010 VND	31/12/2009 VND
Approved but not contracted	338,828,702,009	5,831,015,050
Approved and contracted	56,351,141,008	5,267,920,545
	395,179,843,017	11,098,935,595

Lease commitments

The future minimum lease payments under non-cancellable operating leases were:

	31/12/2010 VND	31/12/2009 VND
Within one year	5,052,375,146	1,941,600,000
From two to five years	5,767,674,074	3,036,580,000
	10,820,049,220	4,978,180,000

32. **Production and business costs by element**

	2010 VND	2009 VND
Raw material costs included in production costs	921,705,671,578	693,766,586,169
Labour costs and staff costs	456,355,377,514	395,675,098,034
Depreciation and amortization	41,463,499,111	29,778,717,342
Outside services	259,363,536,006	156,317,248,044
Other expenses	105,979,303,029	122,320,513,552

33. **Corresponding figures**

Certain corresponding figures have been reclassified to conform with the current year's presentation as follows:

	31/12/2009 (reclassified) VND	31/12/2009 (as previously reported) VND
Accrued expenses	161,165,177,394	199,865,337,012
Science and technology development fund	38,700,159,618	-

Prepared by:

Dang Pham Huyen
Chief Accountant

Approved by:

Le Chanh Dao
Deputy CEO

30 March 2011

APPENDIX

DHG's Distribution network (as of 31/March/2011)

No.	Name	Address	Tel (+ 84)	Fax (+ 84)
Subsidiary companies				
1.	SH Pharma	49 Hai Thuong Lan Ong St., Ward 1, Vi Thanh Town, Hau Giang Province	0711. 3876409	0711. 3876409
2.	CM Pharma	230 Ngo Quyen St., Ward 9, Ca Mau City, Ca Mau Province	0780. 3831 908	0780. 3831 908
3.	HT Pharma	G08-G09 Huynh Thuc Khang St., Vinh Quang Ward, Rach Gia City, Kien Giang Province	077.3867 625	077.3867 625
4.	DT Pharma	14 Nguyen Van Troi St., Ward 2, Cao Lanh Town, Dong Thap Province	067. 3854 837	067. 3854 837
5.	ST Pharma	08 Pasteur, Ward 8, Soc Trang City, Soc Trang Province	079. 3625 151	079. 3625 151
6.	A&G Pharma	1A Hoang Van Thu Str., My Binh Ward, Long Xuyen City, An Giang Province	076. 3841 438	076. 3841 438
7.	TG Pharma	908 Ly Thuong Kiet Str., My Tho City, Tien Giang	073. 625 5177	073. 625 5177
8.	TOT Pharma	152 Nguyen An Ninh St., Tan An Ward, Ninh Kieu Dist., Can Tho City	0710. 6253 579	0710. 6253 579
9.	BALI Pharma	6A Ba Huyen Thanh Quan Str., Ward 8, Bac Lieu City, Bac Lieu Province	0781. 3822 290	0781. 3822 290
Branches				
1.	Ha Noi	89 Nguyen Van Troi, Phuong Liet Ward, Thanh Xuan Dist., Ha Noi	04. 2212 8665	04. 3664 8272
2.	Hai Phong	No.1 Lot 6, Urban area PG, An Dong, An Duong, Hai Phong City	031. 6270 046	031. 6270 046
3.	Thai Binh	167 Le Dai Hanh St., Ky Ba Ward, Thai Binh Town, Thai Binh Province	036. 3847 231	036. 3641 433
4.	Ninh Binh	18 Tran Hung Dao St., Ninh Binh Town, Ninh Binh Province	030. 3896 772	030. 3899 884
5.	Thai Nguyen	172 CMT8 St., Thai Nguyen City, Thai Nguyen Province	0280. 3652 299	0280. 3652 299
6.	Vinh Phuc	753 Me Linh Str, Khai Quang Ward, Vinh Yen City, Vinh Phuc Province	0211. 3860 088	0211. 3721 052
7.	Nghe An	No, 06, Alley 146B Nguyen Si Sach St., Hung Phuc Ward, Vinh City, Nghe An Province	038. 3843 015	038. 3523 363
8.	Hue	Lot A44 Projected territory of Nam Vi Da, Pham van Dong, Vi Da Ward, Hue City, Thua Thien Hue Province	054. 3813 479	054. 3816 084
9.	Da Nang	703 Dien Bien Phu St., An Khe Ward, Thanh Khe Dist., Da Nang City	0511. 3814 889	0511. 3814 969

No.	Name	Address	Tel (+ 84)	Fax (+ 84)
10.	Quang Ngai	33-34 Nguyen Du St., Quang Ngai City, Quang Ngai Province	055. 3823 266	055. 3831 357
11.	Quy Nhon	34 Le Hong Phong St., Le Loi Ward, Quy Nhon City, Binh Dinh province	056. 3823 768	056. 3820 466
12.	Nha Trang	10A Me Linh St., Nha Trang City, Khanh Hoa Province	058. 3513 137	058. 3513 217
13.	Lam Dong	553 Highway 20, Lien Nghia Town, Duc Trong Dist., Lam Dong Province	063. 3970 916	063. 3652 117
14.	DakLak	115 Le Quy Don St., Tan An Ward, Buon Ma Thuoc City, DakLak Province	0500. 3851 175	0500. 3843 084
15.	Gia Lai	31 Tang Bat Ho St., Yen Do Ward, Pleiku Town, Gia Lai Province	059. 3887 071	059. 3887 080
16.	Binh Duong	31/11 Nguyen Van Len St., Phu Loi Ward, Thu Dau Mot Town, Binh Duong Province	0650. 3897 316	0650. 3842 351
17.	Dong Nai	117-119 - 30/4 Street, Bien Hoa City, Dong Nai Province	0613. 825 167	0613. 819 161
18.	HCM City	Lot 18A, Road 7, Tân T?o IZ, Tan Tao Ward, Binh Tan Dist, HCM City	08. 37545 039	08. 3754 5039
19.	Tien Giang	908 Ly Thuong Kiet St., My Tho City, Tien Giang Province	075. 3818 529	075. 3818 529
20.	Ben Tre	267A Dong Khoi Boulevard, Phu Khuong Ward, Ben Tre Town, Ben Tre Province	074. 3850 950	074. 3850 950
21.	Tra Vinh	126 Nguyen Dang St., Ward 6, Tra Vinh Town, Tra Vinh Province	070. 3853 179	070. 3853 179
22.	Vinh Long	67/1H Pham Thai Buong St., Ward 4, Vinh Long Town, Vinh Long Province	0320.3550 079	0320. 3550 039
23.	An Giang	529 Ha Hoang Ho St., Long Xuyen City, An Giang Province	0241. 3812281	0241. 3812281
24.	Bac Lieu	38 Ba Trieu St., Ward 3, Bac Lieu Town, Bac Lieu Province	037. 3853 120	037. 6251 433
25.	Hai Duong	Kios 01 / 265 Dien Bien Phu St., Hai Duong City, Hai Duong Province	0350.3677 301	0350.3677 301
26.	Bac Ninh	21 Nguyen Van Cu St., Ninh Xa Ward, Bac Ninh Town, Bac Ninh Province	062. 2220 879	062. 6251 231
27.	Thanh Hoa	93 Quang Trung St., Ngoc Trao Ward, Thanh Hoa City, Thanh Hoa Province	064. 3741 888	064. 3741 968
28.	Tay Ninh	A 24 Hamlet Binh Hoa, Thai Binh Ward, Tay Ninh Town, Tay Ninh Province	066. 6272 057	066. 6272075
Distribution Centers directly under DHG Parma (Drugstores)				
1.	O Mon	Health Center of O Mon District, CMT8 St., Chau Van Liem Ward, O Mon Dist., Can Tho City	0710. 3861 836	0710. 3861 836
2.	Thot Not	130 Nguyen Thai Hoc, Highway 91, Thot Not Dist., Can Tho City	0710. 3851 416	0710. 3851 051

No.	Name	Address	Tel (+ 84)	Fax (+ 84)
Distribution agents directly under DHG Pharma				
1.	Bac Giang	Lot 61 lane 2, Nguyen Thi Minh Khai St., Hoang Van Thu Ward, Bac Giang City, Bac Giang Province	0240. 3829476	0240. 3829476
2.	Ninh Thuan	522 Thong Nhat St., Phan Rang Town, Ninh thuan Provicne	068. 3822 451	068. 3824 700

DHG's Retail drugstore system at hospitals (As of 31/Mar/2011)

No.	Name of drugstore	Address	Tel (+ 84)
Central Area			
Quang Ngai Branch			
1.	Drugstore at Quang Ngai Hospital	Le Huu Trac Str., Quang Ngai Province	0553.715 294
East Area			
Gia Lai Branch			
2.	Drugstore at An Khe Hospital	Group 2, An Phu Ward, An Khe Town, Gia Lai	0593. 532 966
Dong Nai Branch			
3.	Drugstore at Dau Giay Hospital	Nam Son Hamlet, Quang Trung Commune, Thong Nhat Dist., Dong Nai Province	061. 8911 706
4.	Drugstore at Cam My Hospital	Suoi Ca Hamlet, Cam My Dist., Dong Nai	0613. 878187
Binh Thuan Branch			
5.	Drugstore at Lagi Hospital	No. 13 Nguyen Hue St., Lagi Town, Binh Thuan Province	062. 6299 669
Binh Dinh Branch			
6.	Drugstore at Bong Son Hospital	Hoai Son Dist., Binh Dinh Province	0563. 961169
Vung Tau Branch			
7.	Drugstore at Le Loi Hospital	22 Le Loi St., Vung Tau City, Ba Ria Vung Tau Province	064. 3833 303
Mekong 1 Area			
Tra Vinh Branch			
8.	Drugstore at Duyen Hai Hospital	Village 1, Duyen Hai Town, Duyen Hai Dist., Tra Vinh Town, Tra Vinh province	074. 6291 950
9.	Drugstore at Chau Thanh Hospital	Village 2, Chau Thanh Town, Chau Thanh Dist., Tra Vinh Town, Tra Vinh Province	074. 6275 950
10.	Drugstore at Cau Ke Hospital	Village 4, Cau Ke Town, Cau Ke Dist., Tra Vinh Town, Tra Vinh Province	074. 6285 950
11.	Drugstore at Tra Vinh Hospital	27 Dien Bien Phu St., Ward 7, Tx, Tra Vinh Town, Tra Vinh Province	074. 6270 950
12.	Drugstore at Obstetrics Dept, in Tra Vinh Hospital	27 Dien Bien Phu St., Ward 7, Tx, Tra Vinh Town, Tra Vinh Province	074. 6271 950
13.	Drugstore at Tra Cu Hospital	Village 2, Tra Cu Town, Tra Cu Dist., Tra Vinh Province	074. 6501 950
14.	Drugstore at Cau Ngang Hospital	Minh Thuan A, Cau Ngang Town, Cau Ngang Dist	0742. 240 950

No.	Name of drugstore	Address	Tel (+ 84)
MeKong 2 Area			
A&G Pharma			
15.	Drugstore at Tinh Bien Hospital	Nha Be Town, Tinh Bien Dist., An Giang Province	076. 3741 593
16.	Drugstore at Cho Moi Hospital	Hamlet Cay Thi 2, Cho Moi Dist., An Giang Province	076. 6257 003
17.	Drugstore at Thoai Son Hospital	Group 1, Trung Binh Hamlet, Thoai Giang Commune, Thoai Chau Dist, An Giang Province	076. 6259 099
18.	Drugstore at Tri Ton Hospital	72 Nguyen Trai, Tri Ton Dist, An Giang Province	076. 3773 260
19.	Drugstore at Long Xuyen Hospital	9 Hai Thuong Lan Ong, My Xuyen Ward, Long Xuyen City, An Giang Province	076. 6253 004
20.	Drugstore at Chau Thanh Hospital	Highway 91, Hoa Long 1, Chau Thanh, An Giang	0766. 269059
SH Pharma			
21.	Drugstore at Hau Giang Hospital	07 Nguyen Cong Tru St., Vi Thanh Town, Hau Giang Province	0711. 3870 971
22.	Drugstore at Hospital for prevention of social diseases	03 Nguyen Cong Tru St., Vi Thanh Town, Hau Giang Province	-
23.	Drugstore at Vi Thanh Hospital	23 - 3/2 Street, Vi Thanh Town, Hau Giang Province	-
24.	Drugstore at Vi Thuy Hospital	61 - Hamlet 4, Nang Mau Town, Vi Thuy Dist, Hau Giang Province	0711. 3572 606
25.	Drugstore at Long My Hospital	99 - 30/4 Street, Long My Town, Long My Dist, Hau Giang Province	0711. 3511 169
26.	Drugstore at Chau Thanh A Hospital	Hamlet 1A, Mot Ngan Town, Chau Thanh A Dist., Hau Giang Province	0711. 3947 471
27.	Drugstore at Chau Thanh Hospital	Km 10, Highway 1A, Chau Thanh Dist., Hau Giang Province	0710. 3911 770
28.	Drugstore at Nga Sau Preventive Medical Center	Nga Sau Town, Chau Thanh Dist., Hau Giang Province	0711. 3956 598
29.	Drugstore at Nga Bay Hospital	64 Le Loi St., Nga Bay Ward, Nga Bay Town, Hau Giang Province	0711. 3960 047
30.	Drugstore at Nga Bay Preventive Medical Center	111 Le Loi St., Nga Bay Ward, Nga Bay Town, Hau Giang Province	-
31.	Drugstore at Phung Hiep Hospital	My Loi Hamlet, Cay Duong Town, Phung Hiep Dist., Hau Giang Province	0711. 3994 098
DT Pharma			
32.	Drugstore at Chau Thanh Hospital	164 Road 854, Cai Tau Ha Town, C hau Thanh Dist., Dong Thap Province	067. 3619 179
33.	Drugstore at Cao Lanh Hospital	23-25 Doc Binh Kieu St., Ward 2, Cao Lanh Town, Dong Thap Province	067. 3851 510
34.	Drugstore at Tam Nong Hospital	Hamlet 4, Tram Chim Town, Tam Nong Dist., Dong Thap Province	067. 3827 033

STT	Tên quầy thuốc	Địa chỉ	Điện thoại
CM Pharma			
35.	Drugstore at Cai Nuoc Hospital	Village 2, Cai Nuoc Town, Cai Nuoc Dist., Ca Mau Province	0780. 3883 974
36.	Drugstore at Dam Doi Hospital	Village 5, Dam Doi Town, Dam Doi Dist., Ca Mau Province	0780. 3856 657
37.	Drugstore at Tran Van Thoi Hospital	Village 7, Tran Van Thoi Town, Tran Van Thoi Dist., Ca Mau Province	0780. 3895 945
38.	Drugstore at Thoi Binh Hospital	No 1, Thoi Binh Town, Thoi Binh Dist., Ca Mau Province	0780. 3860 367
39.	Drugstore at U minh Hospital	Village 3, U Minh Town, U Minh Dist., Ca Mau Province	0780. 980 199
HT Pharma			
40.	Drugstore at An Bien Hospital	Area 3, Third Town, An Bien Dist., Kien Giang Province	077. 3510 073
41.	Drugstore at Giong Rieng Hospital	Area 8, Giong Rieng Town, Giong Rieng Dist., Kien Giang Province	077. 3631 944
42.	Drugstore at Tan Hiep Hospital	Village B, Tan Hiep Town, Tan Hiep Dist., Kien Giang Province	077. 3834 921
43.	Drugstore at Vinh Thuan Hospital	Hamlet Vinh Phuoc 2, Vinh Thuan Town, Vinh thuan Dist., Kien Giang Province	077. 3561 842
ST Pharma			
44.	Drugstore at 30/4 Hospital	468 - 30/4 Street, Ward 3, Soc Trang Town, Soc Trang Province	079. 3626 621
45.	Drugstore at My Tu Hospital	01 Tran Phu St., Huynh Huu Nghia Town, Soc Trang Province	079. 3872 983
46.	Drugstore at Thanh Tri Hospital	Phu Loc Town, Thanh Tri Dist., Soc Trang Province	079. 3818 538
47.	Drugstore at An Lac Thon Hospital	An Lac Thon Commune, Ke Sach Dist., Soc Trang Province	-
48.	Drugstore at Nga Nam Hospital	Hamlet 1, Nga Nam Town, Nga Nam Dist., Soc Trang Province	079. 3523 814
49.	Drugstore at My Xuyen Hospital	01 Ly Thuong Kiet St., Chau Thanh Hamlet, My Xuyen Town, Soc Trang Province	079. 3831 749
TOT Pharma			
50.	Drugstore at Phong Dien Hospital	Thi Tu Hamlet, Phong Dien Town, Phong Dien Dist., Can Tho City,	0710. 3944 399
51.	Drugstore at Binh Thuy Hospital	9/9 Le Hong Phong St., Binh Thuy Dist., Can Tho City	0710. 3880 763
52.	Drugstore at Mental Hospital	37 - 3/2 Street, Hung Loi Ward, Ninh Kieu Dist., Can Tho City	0710. 3781 884

STT	Tên quầy thuốc	Địa chỉ	Điện thoại
BALI Pharma			
53.	Drugstore at Hoa Binh Hospital	Highway 1A, Hamlet Thi Tran B, Hoa Binh Town, Hoa Binh Dist., Bac Lieu Province	0781. 3880 299
54.	Drugstore at Hong Dan Hospital	Tram Trem Hamlet, Ngan Dua Town, Hong Dan Dist., Bac Lieu Province	07813 708 759
55.	Drugstore at Phuoc Long Hospital	Hamlet Noi O, Phuoc Long Town, Phuoc Long Dist., Bac Lieu Province	0781. 3507 042
56.	Drugstore at Vinh Loi Hospital	Tam Hung Hamlet, Vinh Hung Village, Vinh Loi Dist., Bac Lieu Province	0781. 3890 097
O Mon Distribution Center			
57.	Drugstore at O Mon Hospital	CMT8 Street, Chau Van Liem Ward, O Mon Dist., Can Tho City	0710. 3860 748
58.	Drugstore at Thoi Lai Hospital	Thoi Lai Town, Co Do Dist., Can Tho City	0710. 3680 667
59.	Drugstore at Co Do Health Center	Co Do Town, Co Do Dist., Can Tho City	0710. 3695 254
Thot Not Distribution Center			
60.	Drugstore at Thot not Hospital	Phung Thanh area, Thot Not Ward, Thot Not Dist., Can Tho City	0710. 3855 766
61.	Drugstore at Vinh Thanh Hospital	1509 Highway 80, Vinh Tien Hamlet, Vinh Thanh Town, Vinh Thanh Dist., Can Tho City	0710. 3641 266

List of the affiliates achieved GDP (as of 31 March 2011)

No.	Name	Date of being granted certificate (first time)	No.	Name	Date of being granted certificate (first time)
1.	HT Pharma	04/09/2008	17.	Ninh Binh Branch	16/12/2009
2.	CM Pharma	03/11/2008	18.	Thanh Hoa Branch	29/12/2009
3.	SH Pharma	17/12/2008	19.	Nam Dinh Branch	18/01/2010
4.	ST Pharma	14/01/2009	20.	Hai Duong Branch	19/02/2010
5.	A & G Pharma	27/07/2009	21.	Binh Duong Branch	28/02/2010
6.	DT Pharma	18/12/2009	22.	Tay Ninh Branch	27/03/2010
7.	TOT Pharma	19/03/2010	23.	Binh Thuan Branch	26/10/2010
8.	T&G Pharma	28/12/2009	24.	Vinh Long Branch	22/04/2010
9.	BALI Pharma	19/04/2010	25.	Vung Tau Branch	29/03/2011
10.	DHG Pharma's General Warehouse	18/12/2008	26.	Daklak Branch	12/01/2011
11.	HCM Wholesale Branch	10/10/2008	27.	Nghe An Branch	15/05/2010
12.	Quy Nhon Branch	23/03/2009	28.	HaNoi Branch	20/08/ 2010
13.	Thai Nguyen Branch	18/11/2010	29.	Vinh Phuc Branch	10/09/2010
14.	Ben Tre Branch	15/09/2009	30.	Quang Ngai Branch	29/01/2011
15.	Nha Trang Branch	15/07/2009	31.	Da Nang Branch	26/03/2010
16.	Lam Dong Branch	17/11/2009	32.	Dong Nai Branch	28/03/2011

List of the affiliates achieved GPP (as of 31 March 2011)

No.	Name	Address	Date of being granted certificate first time)
1.	Drugstore at Vi Thanh General Hospital (SH Pharma)	07 Nguyen Cong Tru St., Ward 1, Vi Thanh Town, Hau Giang Province	06/11/2008
2.	Drugstore No. 1 - Lock Hospital of Can Tho City (DHG Pharma)	12/1 - 3/2 Street, Hung Loi Ward, Ninh Kieu dist., Can Tho City	31/12/2008
3.	Drugstore at O Mon General Hospital (DHG Pharma)	CMT8 Street, Chau Van Liem Ward, O Mon Dist., Can Tho City	31/12/2008
4.	Drugstore at Long My General Hospital (SH Pharma)	99 - 30/04 Street, Long My Town, Long My Dist., Hau Giang Province	15/01/2009
5.	Drugstore at Cho Moi District General Hospital	Hamlet 2, Cho Moi Town, Cho Moi Dist., An Giang Province	27/07/2009
6.	Drugstore at Tra Vinh General Hospital	27 Dien Bien Phu St., Ward 6, Tra Vinh Town, Tra Vinh Province	10/2009
7.	Drugstore at My Xuyen Hospital - Soc Trang Province	01 Ly Thuong Kiet St., My Xuyen Town, My Xuyen Dist., Soc Trang Province	10/2009
8.	Drugstore at Nga Nam District Hospital - Soc Trang Province	Hamlet 1, Nga Nam Town, Nga Nam Dist., Soc Trang Province	10/2009
9.	Drugstore at Long xuyen General Hospital (A & G Pharma)	09, Hai Thuong Lan Ong, My Xuyen Ward, Long Xuyen City, An Giang Province	13/11/2009
10.	Drugstore at Dam Doi District Hospital (CM Pharma)	Hamlet 5, Dam Doi Town, Dam Doi Dist., Ca Mau Province	2009
11.	Drugstore at Cai Nuoc District Hospital (CM Pharma)	Hamlet 2, Cai Nuoc Town, Cai Nuoc Dist., Ca Mau Province	2009
12.	Drugstore at Tran Van Thoi District Hospital (CM Pharma)	Hamlet 7, Tran Van Thoi Town, Tran Van Thoi Dist., Ca Mau Province	2009
13.	An Tam Drugstore	29 Ngo Quyen St., Tan An Ward, Ninh Kieu Dist., Can Tho City	29/03/2010
14.	Drugstore at Soc Trang General Hospital 30/4 (ST Pharma)	468 Street 30/4, Ward 3, Soc Trang City, Soc Trang Province	06/2010
15.	Drugstore at Thanh Tri District Hospital (ST Pharma)	Phu Loc Town, Thanh Tri Dist., Soc Trang Province	06/2010
16.	Drugstore at My Tu District Hospital (ST Pharma)	01 Tran Phu Str., Huynh Huu Nghia Town, Soc Trang Province	06/2010
17.	Drugstore at An Bien District Hospital (HT Pharma)	Area III, Thu Ba Town, An Bien Dist., Kien Giang Province	07/2010
18.	Drugstore at Giong Rieng District Hospital (HT Pharma)	Giong Rieng District Hospital, Kien Giang Province	07/2010
19.	Drugstore at Tan Hiep District Hospital (HT Pharma)	Tan Hiep District Hospital, Kien Giang Province	07/2010
20.	Drugstore at Hoa Binh Hospital (BALI Pharma)	Highway 1A, Hoa Binh Town, Hoa Binh Dist., Bac Lieu province	08/2010
21.	Drugstore at U Minh District Hospital (CM Pharma)	Cluster 3, U Minh Town, U Minh Dist., Ca Mau Province	12/2010