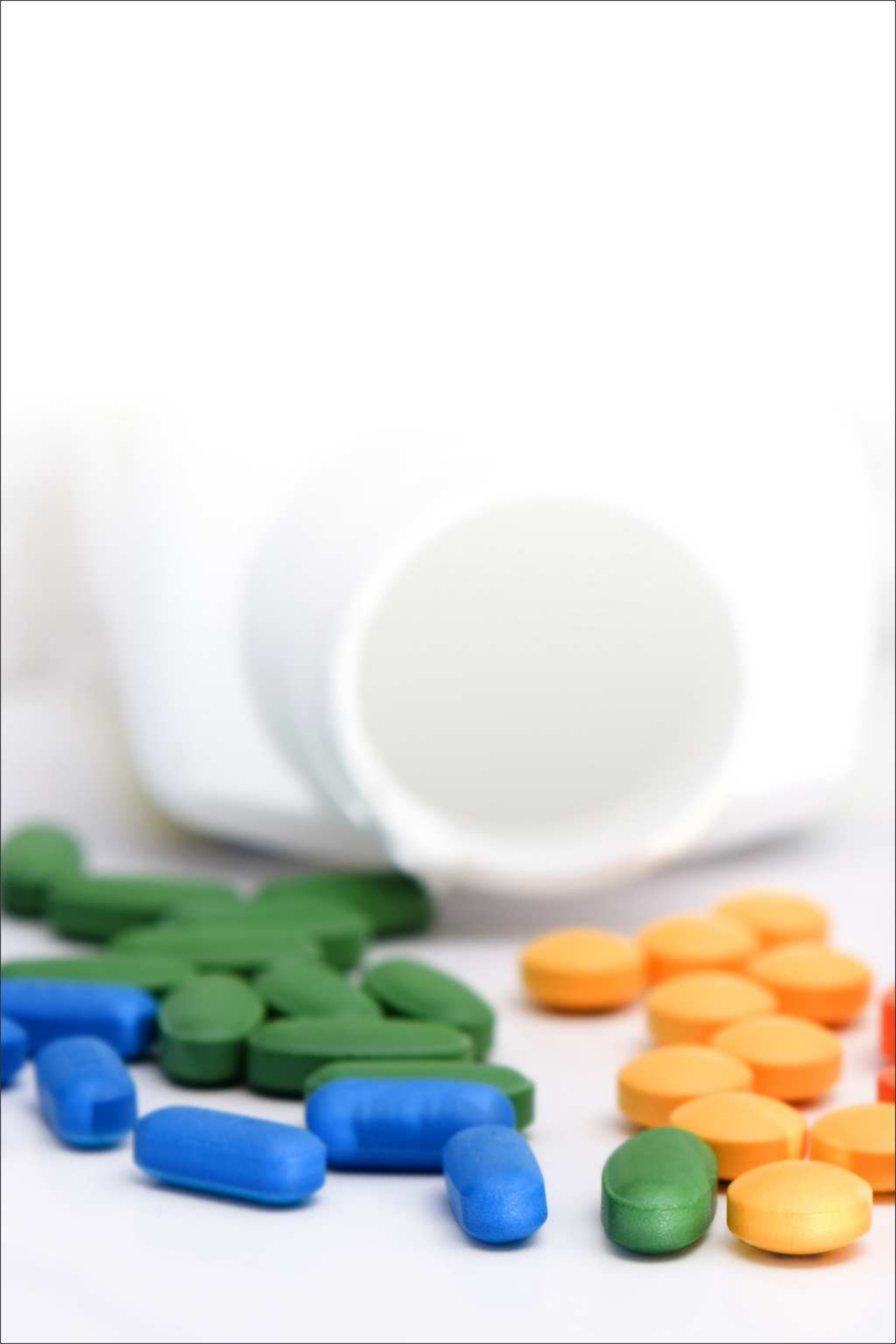


ANNUAL REPORT 2011



DHG PHARMA
For a more beautiful and healthier life



INTRODUCTION

Company's name : DHG Pharmaceutical Joint-Stock Company

Abbreviated name : DHG Pharma

Head office: 288 Bis Nguyen Van Cu St., An Hoa Ward, Ninh Kieu Dist.,
Can Tho City, Vietnam

Foundation : 02/Sep/1974

Tel : (8471) 03 891 433 – (8471) 03 890 074

Fax : (8471) 03 895 209

Email : dhgpharma@dhgpharma.com.vn

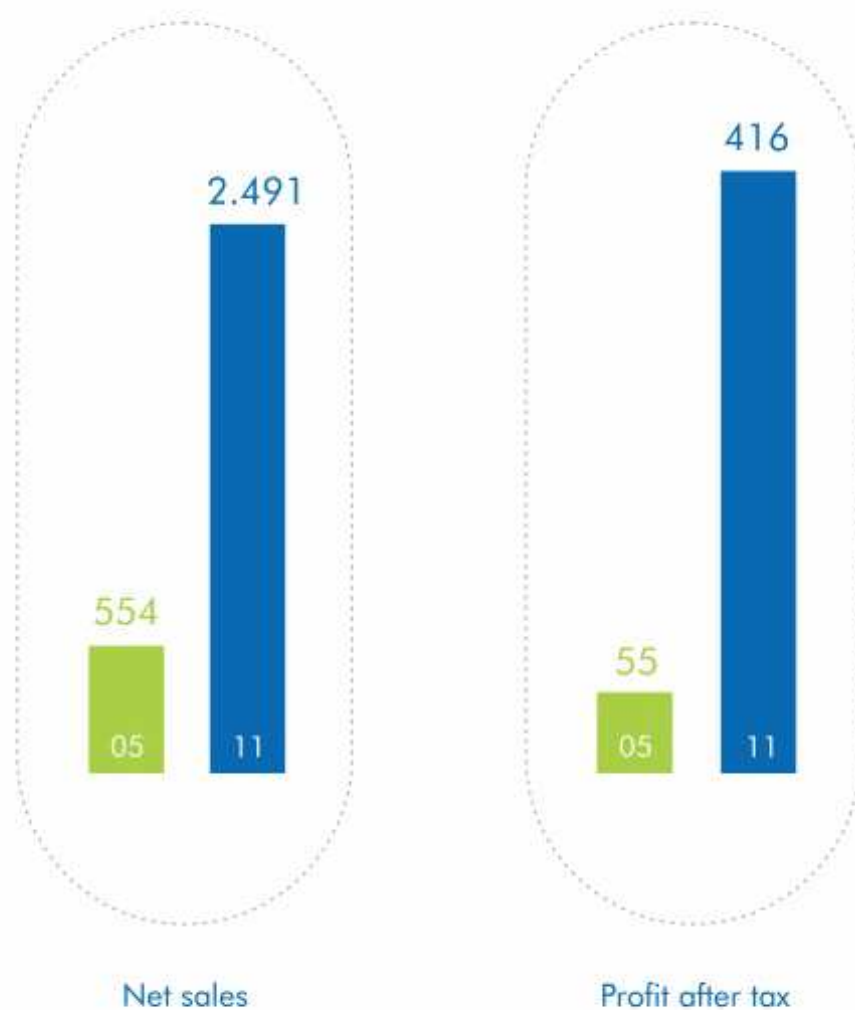
Website : www.dhgpharma.com.vn

Tax code : 1800156801

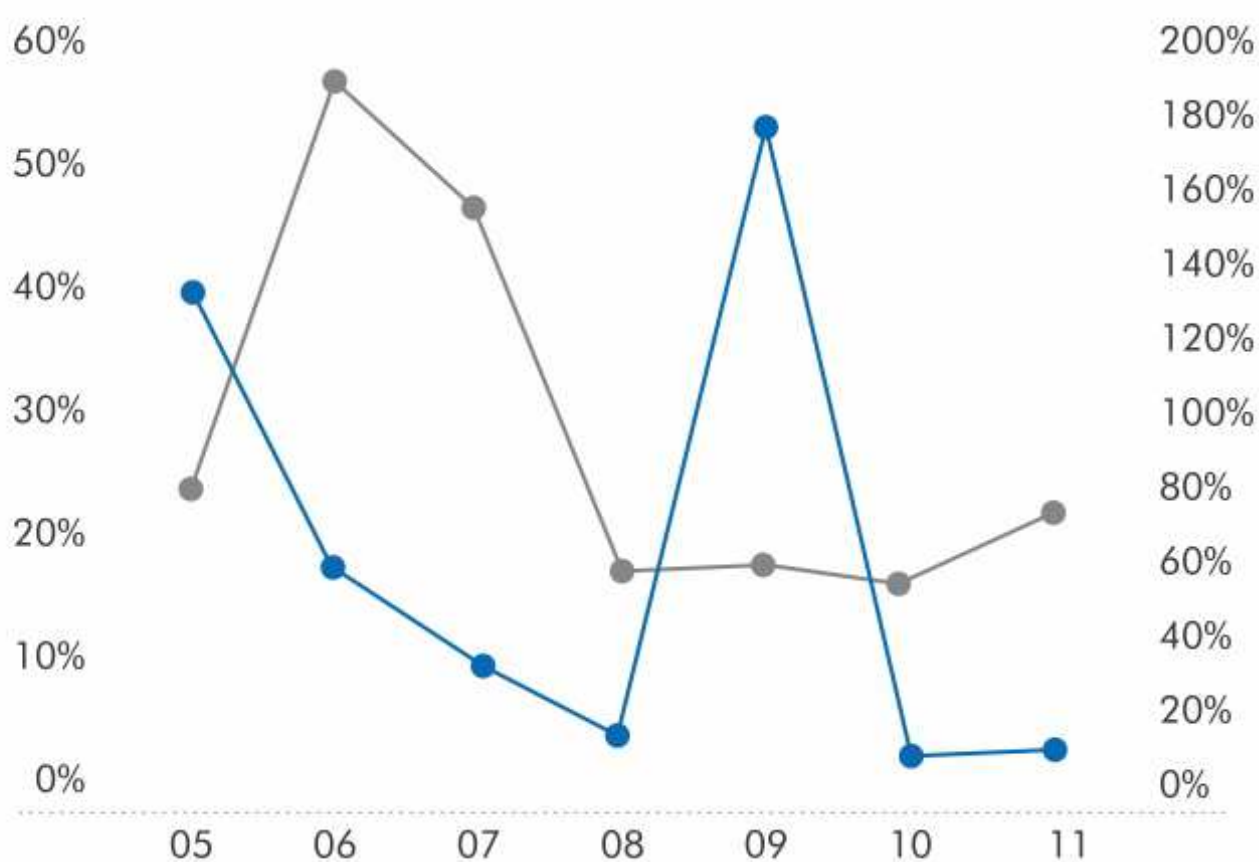


AFTER 07 YEARS
OF BEING EQUITIZED
(2005 - 2011)

DHG's revenue
increased 4.5
times, profit
after tax
increased 7.5
times



Growth rate



FINANCIAL HIGHLIGHTS

(Consolidated)

	2009	2010	2011
Balance Sheet			
Unit: in million VND			
Current assets	1,212,468	1,442,034	1,490,692
Long-term assets	309,504	377,701	505,015
Total assets	1,521,973	1,819,735	1,995,707
Current liabilities	450,874	471,556	544,024
Long-term liabilities	52,942	59,141	58,224
Total liabilities	503,816	530,697	602,248
Equity	1,010,376	1,280,322	1,381,547
Minority interest	7,781	8,716	11,911

	2009	2010	2011
Income Statement			
Unit: in million VND			
Net sales	1,746,022	2,034,525	2,490,880
Gross profit	923,576	1,018,532	1,208,763
Net operating profit	400,342	399,959	464,712
Financial income	31,295	40,566	48,895
Financial expenses	(23,597)	(3,408)	(7,183)
Profit before tax	409,590	434,145	490,942
Profit after tax	362,340	383,335	419,762
Profit of shareholders of the parent company	357,071	381,162	415,527

	2009	2010	2011
Cash flows			
Unit: in million VND			
Net cash generated from operating activities	353,895	258,225	263,444
Net cash used in investing activities	(16,750)	(74,231)	(188,292)
Net cash (used in)/ generated from financing activities	35,388	(125,603)	(250,587)
Cash and cash equivalent at the end of the period	584,129	642,519	467,084

The operation and development of DHG Pharma is always based on its vision, mission, and core values. These are DHG's moral criteria, and the orientation of long-term strategy.

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”

1 Quality, safety, and effectiveness targeted as our highest commitments.

2 Knowledge and creativity served as our foundation for development.

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

CORE
VALUES

4 DHG PHARMA identity features taken as our pride.

5 Mutual prosperity with partners established as our long-term goal.

6 Outstanding differentiation employed as our strength in competitions

7 Benefits for the community centered upon at the start of all activities





SOCIAL RESPONSIBILITY

Social responsibility is a wide definition if being understood completely. It is not only at the side of the enterprise's conduct, community activities, but also at the side of economy and legality. It means that the implementation of social responsibility is an imperative request to all companies. Enterprises who wish to develop steadily should obey the business standard, environment protection, gender equality, labor safety, labor benefit, paying salary fairly, training and developing employees, community development.

Being an enterprise in pharmaceutical field, for ages, DHG has been aware that implementing the social responsibility well not only helps DHG develop steadily, but also participates in steady development of society.

GOOD RELATIONSHIP WITH EMPLOYEES

Social responsibility is expressed firstly through activities which enhance life quality of workers and their family members.

DHG is a place where employees can improve themselves and their careers

DHG is a place where employees feel that they are the managers of the enterprise

DHG is a place where employees are rewarded for what they devoted to the enterprise

DHG is a place to feel the achievements

DHG is a place to balance between life and works



VALUE ADDED TO ALL PARTIES



Maximize the value of the Enterprise and the profit is not only the target of Board of Management, Shareholders, Investors, but also the target of all employees, customers, and partners of DHG. The enterprise operates for the mission "For a more beautiful and healthier life", always ensures "Quality, safety, and effectiveness targeted as our highest commitments". Employees have high income, be cared and rewarded for effort and devotion of intelligence. The current and future bosses

(shareholders, investors) gain much profit because they are always willing to share benefit to stimulate new and creative ideas of employees. Customers increase turnover, devote strategies to mutual development. Partners and suppliers always supply the best services and policy to be mutual prosperity. The value brought to all parties once they accompanied, supported and developed with DHG for the longevity.

ENSURING BENEFIT AND SAFETY OF COSTUMERS

Responsibility to the society of DHG is more effective when combined with devotion products which complied with quality specifications and high content of science and technology for the society.

Besides, DHG researches and co-researches with institutes, universities to study, link scientific research applications into practicality, replaces chemical pharmaceutical raw materials by natural materials;

implement the objective of Pharmaceutical Industry development; increases the income of Vietnamese farmers through aquaculture planning materials projects; decreases the dependency to import materials; applies bio-technology in preparing medicines to bring safety, effective, convenient and economical products to customers and develop others businesses.



GOOD RELATIONSHIP WITH PARTNERS



Investors

Maintain the effective channels of information through IR activities, such as: Carry out more than 80 meetings; face to face communications with shareholders, domestic and foreign investors. Join and meet of foreign investors in conference organized by J.P. Morgan, T.I.M, and Dragon Capital. Publish "DHG's IR News" to provide information to investors timely. Provide annual report in detail, clear and transparent. Announce information as ruled; translate in to English 100% announced information, upload information to the website and send email to investors.

Suppliers

A good relationship with suppliers brings to DHG Pharma the high quality, reasonable prices of materials and machines, many strategic partners in Pharmaceutical Industry. Since then create new methods to development, improve manufacture process; enhance capacity, save expenditure, cut down the price.

Banks

The banks which have branches located in Can Tho City that DHG Pharma is currently trading including: VietComBank, VietinBank, EximBank, Maritime

Bank, ACB, HSBC, LienVietBank, AgriBank, DongA Bank, BIDV. From many years, the activity of bid guarantee, opening L/C without deposit, free for payment transactions through banks helps increase the effect of the operation of the enterprise

Means of information:

The business activity of company is in the field of supplying essential products, situation of manufacture and business of DHG and activities of Brand names are paid attention by the media, communicate to society. Therefore, the trademark DHG Pharma and Brand names of DHG are more and more famous and be used, affirm the quality products of the leading pharmaceutical enterprise.

Agencies

DHG are always timely supported by agencies, authorities, to create conditions for stability and safety in business process. Steering role of agencies inside and outside the city has a major effect on the success of the enterprise.

PROTECTION OF ENVIRONMENT, HEALTH, PROPERTY, AND LABOR SAFETY

To ensure the strategy targets, titles, business targets and risk management, Board of Environment and labor safety set up methods to prevent risk of labor accidents, occupational diseases, fire prevention, safety in manufacture, storage, transportation, using and storage harmful chemicals; monitoring occupational health, labor hygiene conditions, and labor environment. Besides, there is a thoughtful and comprehensive preparation for rescuing people, equipment once there is breakdown.

Specifically, in the year 2011, trained for more than 1,636 employees in labor safety, 144 employees in laboratory safety, 44 employees in steam equipment safety, 70 employees in lifting equipment safety. Set up safe operate rules for 30 equipments, issue safety cards for 85 cases of using equipment which required strict labor safety conditions. Training first aid for: 47 heads of unit,

heads of shift and staff of hygiene; training in fire prevention for 74 employees. The Board of labor protection regularly checks the labor safety and fire prevention, provides fully equipments for worker protection and fire prevention

Environment protection is implemented in all activities of the enterprise. In the year 2012, DHG expects to invest more for waste water treatment system at the current factories with the estimated cost of 6.3 billion VND. Continue to implement and abide by the current law about environment

as the requirements of classification and treatment of solid waste, harmful waste. Implement environment observation, test the labor environment: testing the noise, temperature, moisture, emission, light, dust, etc.

Use clean technology machines, environmental fabric bags instead of nylon bags, plant trees around the campus to create the landscape and fresh air, are activities of DHG to protect health, human life, together to keep the Earth green, establish the country green, clear and nice.



CONTRIBUTE TO SOCIETY

In 2011, DHG Pharma spent 06 billion VND for community activities

Some highlights:

Successfully held the program "Connecting hearts" for sea island people at Ly Son: examining and dispensing medicine to 1,500 inhabitants, deworming for 4,200 primary students; donating 500 gifts.

Carried out 130 programs of free health examination and medicine dispensing, funded for 62,200 people in 44 provinces nationwide with the total amount of VND 2.6 billion. Replicated this model for Youth Union members of sales force to carry out with the participant of customers.

Successfully held the program "Warm with Eugica", offered gifts, examined and dispensed

medicine for 1,000 mountain people of Kpang-Gia Lai, A Luoi-Hue, Nghi Lap-Nghe An.

Brand Hapacol collaborating with Youth Union of the company well carried out 04 programs "Usefully live and work" year 2011 for 600 Youth Union members.

Co-ordinated with Health Services and Centers for Preventive Medicine at 7 provinces and cities to hold the program "propaganda against dengue fever", conference "hand, foot and mouth disease prevention". Measured osteoporosis and directly consulted for 37,333 people.

Co-ordinated with Can Tho Center of Hematology to maintain activities of Club of donating blood, with more than participants. In the year of 2011 there were 434 blood units donated.

Supported Day for the Poor launched by Fatherland Front Committee of Can Tho City; supported 42 cases of difficult

individuals and families inside and outside the company. Supported the program "Stones to build Truong Sa".

Carried out 16 programs "Doctor-Patient Interface" broadcasted on Can Tho VTV, talkshows on some televisions of the Mekong Delta, 17 programs "Health Magazine" on Can Tho Radio Broadcasting – Television.



COMPANY CULTURE

Nowadays, people sense that there are many factors for the success of a company, but the original factor is human resource. Having a devoted human resource requires setting and maintaining a company culture, or "identity of company". This is completely right with DHG Pharma, a Company with a deep tradition and good human resource.

"DHG Culture" was set up at the period of transferring new century (on the occasion of 25th birthday of DHG Pharma) and maintain until today as effective

weapon in competition. In the process of implementation, the enterprise always innovates and perfects the culture to suit to the working condition, social circumstance, for every, individual personality, style of DHG Pharma, easily to recognize in anywhere, anytime.

"DHG Culture" is characterized by kind-hearted people who are always willing to do whatever they can for the development of community and for a more beautiful and healthier life.



*"Benevolent heart"
formed by 1,500
DHG Pharma's
staffs*

CONDUCT RULES OF DHG PHARMA:

Determine to be a prestigious company which has a distinguishing cultural feature

The faithfulness of all staffs is the highest and long lasting criteria.

Do not exchange conduct rules for profit.

Being active and exemplary in implementing articles admitted by legality



DHG PHARMA

CÔNG TY CỔ PHẦN
DƯỢC HẬU GIAN

GLP

GS



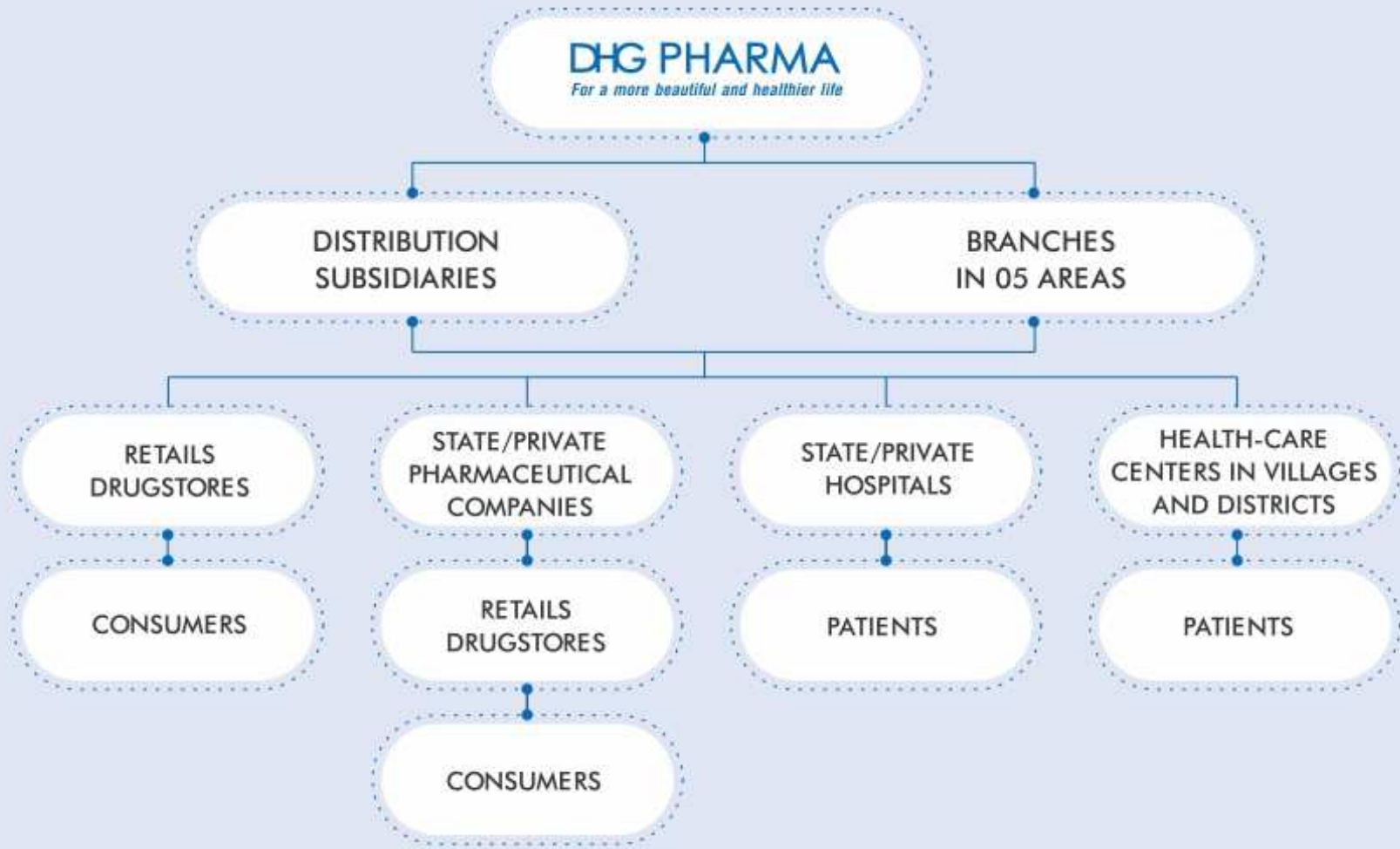


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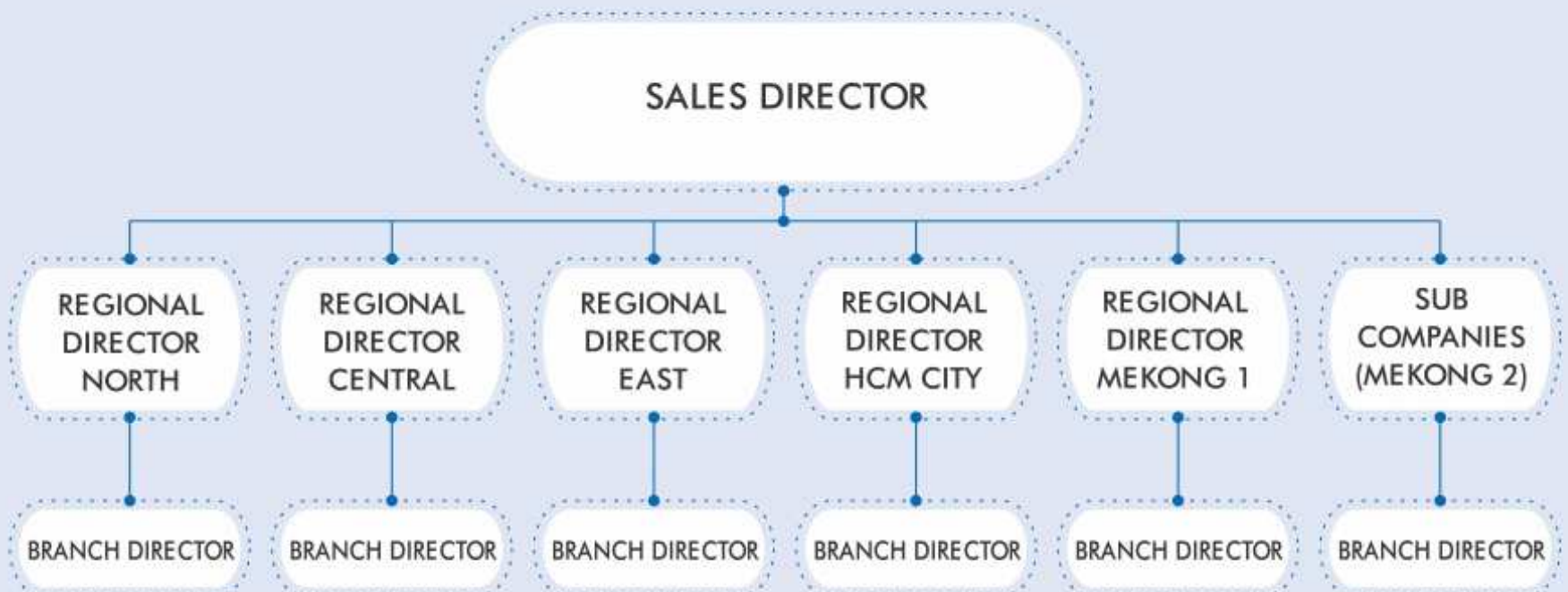
COMPETITIVE ADVANTAGES

DISTRIBUTION SYSTEM

DISTRIBUTION DIAGRAM



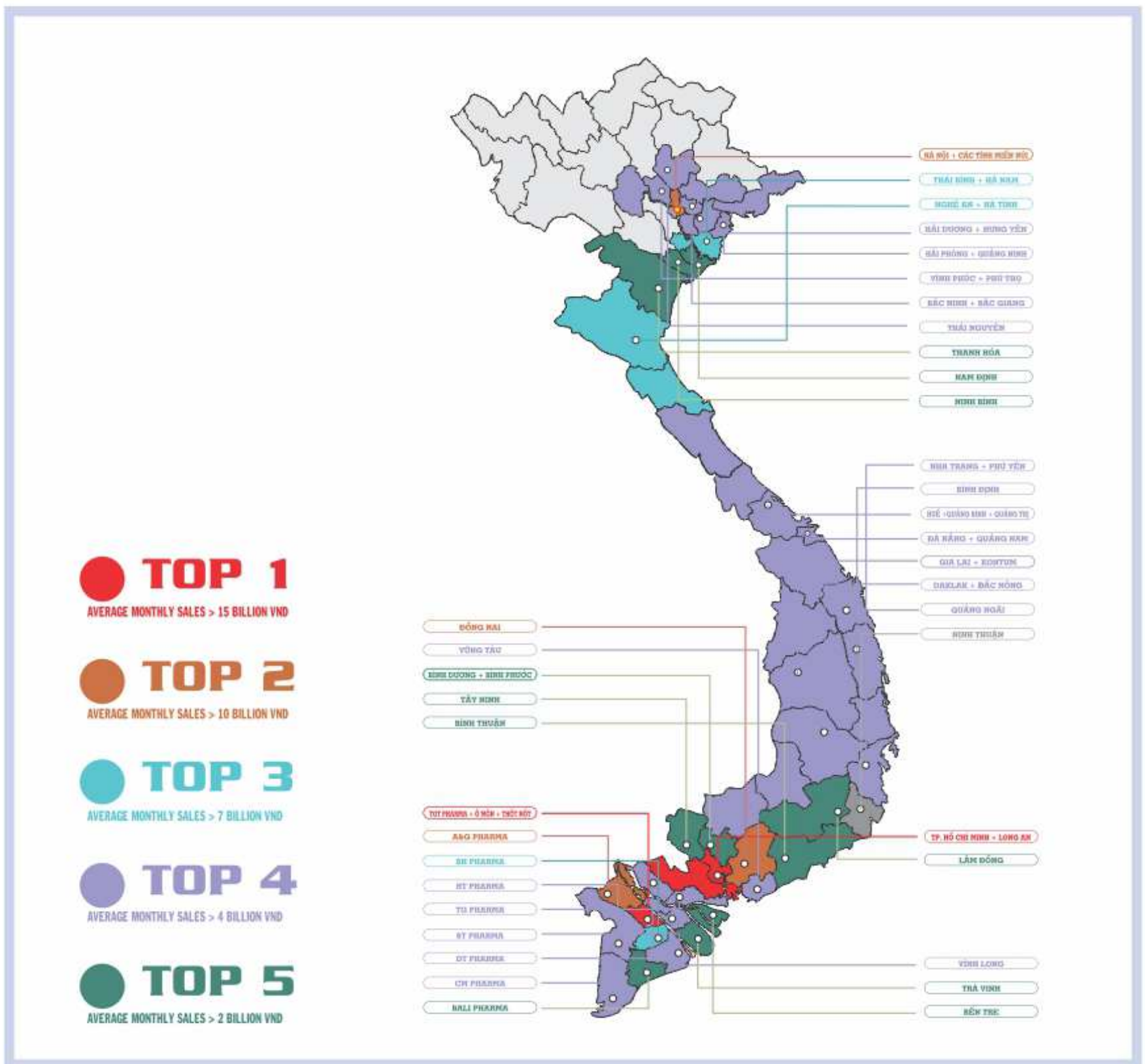
SALES ORGANIZATION STRUCTURE



946 salespersons.

Distribute for more than 20,000 customers, in which there are 9,428 friendly customers

Directly trade with 98% state general hospitals



The distribution network, which has been built upon over **20** years,

is present at **64/64** provinces

09 sub-companies - **28** branches - **67** drugstores at hospitals

278 billion VND is invested in land, house, with GDP-compliance storehouses nationwide
(220 billion VND already spent and 56.7 billion VND is disbursing in 2012).

Taking care of customers based on our friendly and sincerity
is the competitive advantage of DHG PHARMA's distribution system

MARKETING ACTIVITIES

BM (Brand Manager)

Manage **11** Brands

Haginat - Klamentin

Hapacol

Eugica

Davita Bone

Unikids

Spivital

Naturenz

Apitim

Eyelight

Glumefrom

MARKETING

CM (Category Manager)

Manage **10** Product Categories

Antibiotics Cate

Analgesics – Antipyretics Cate

Musculoskeletal Cate

Respiratory system Cate

Nutritional Cate

Hepatic and Biliary Cate

Cardiovascular Cate

Ophthalmic & Nervous system Cate

Digestive Cate

Skin care Cate

DIRECTOR

Event

Organize events
and take care of customers



11 BRANDS

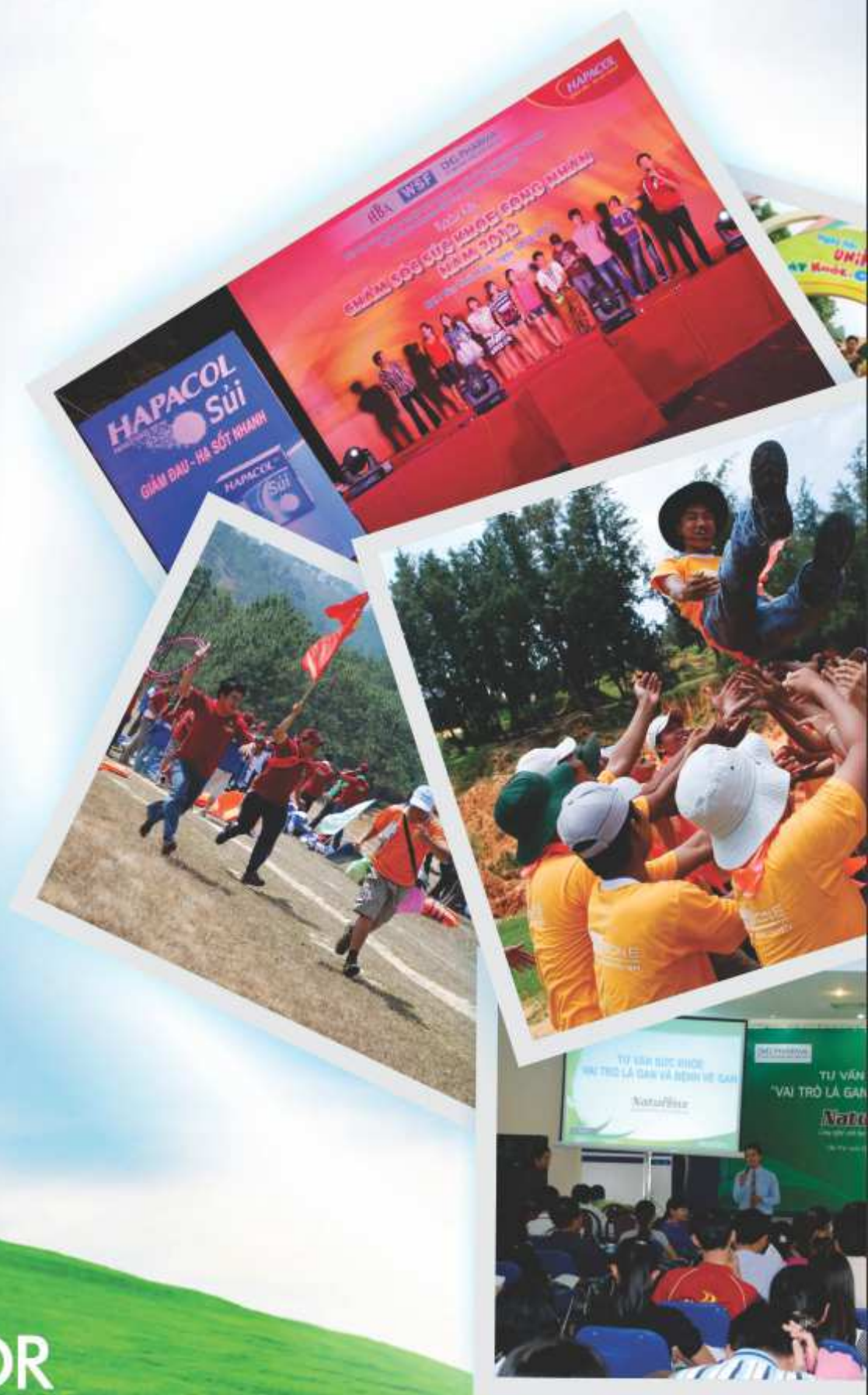


%

of overall Company's revenue



ACTIVITIES FOR BRAND BUILDING AND MARKETING TRAINING





MESSAGE FROM CHAIRPERSON



*Together with the community
to create a more beautiful
and healthier life*

Through 37 years of foundation and development, the vision – the effort leads DHG to stand first in Pharmaceutical Industry and has been standing for that position since 1996. DHG's current success is achieved from the support and cooperation of all people in social community. DHG expects that with our honesty straight from the heart, we will work together with the community to create a more beautiful and healthier life.

Looking back at the past, DHG always want to create new challenges to ourselves to find the most optimal solution. DHG have never been satisfied with achievements in the past and never though that the success in the past could guarantee for the success in the future, because "Today's solutions are tomorrow's problems".

The year 2011 create an unforgettable hallmark to the Manager team, all staffs of DHG Pharma, not only because of overcoming market challenges, overcoming the impact on psychology of the factory break-down, but also the effort, the solidarity spirit of the Board of Directors, Board of Management, all employees; DHG was paid attention, timely supports, and guidance from the leadership of City Council, the Commission, Department of Health, the agencies of Can Tho City, Drug administration, Ministry of Health. Especially, we are thankful and appreciated the share, the consolation of the leadership and specialists of SCIC, investors, customers, partners, and journalists in the incident of the factory. That's the best treatment and property for more energetic and confident to help DHG Pharma continue innovating and perfecting to find today's solution to overcome and prevent for not to be the problem of tomorrow.

As the target exceeding the plan of the year 2012, leads to a stable development in the future, DHG determine to run the new factory at the end of Q1/2013, widen the distribution system of food supplement products, focus on brand names building, researching - development, and exporting.

We always appreciate the role and devotion of employees of many generations, shareholders, customers, investors, partners and agencies.

We are looking forward for your long-term supports.
Best regards.

Chairperson and CEO



Pham Thi Viet Nga

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COMPANY OVERVIEW

HISTORY OF FORMATION

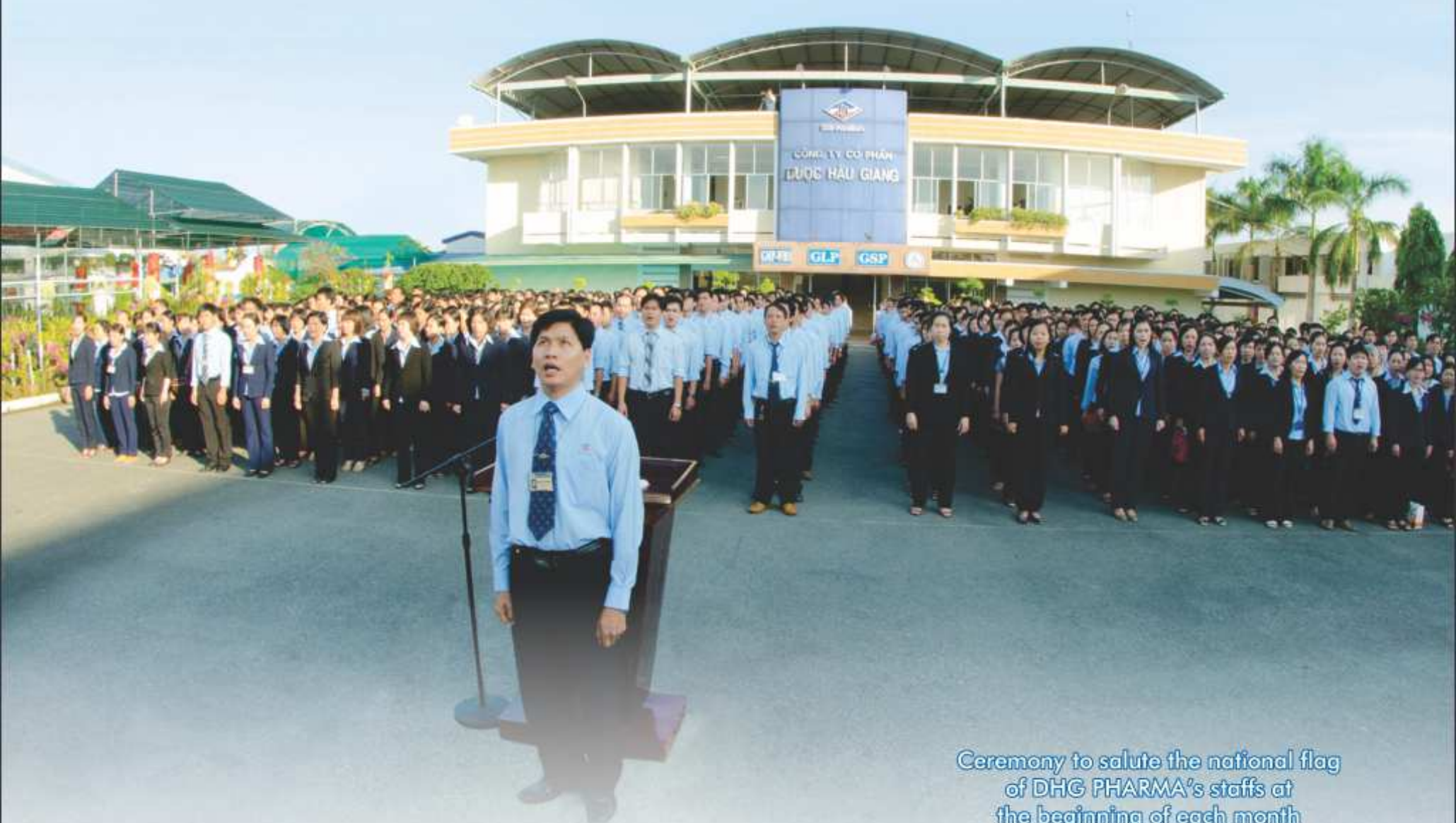
Precursor of DHG Pharmaceutical Joint-Stock Company was 2/9 Pharmaceutical Factory and was founded on 02 September 1974 at Kenh 5 Dat Set, Khanh Lam Commune (Khanh Hoa Commune now), U Minh District, Ca Mau Province.

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.

In 1988, People's Committee of Hau Giang Province decided to merge the Hau Giang Materials - Medical Provider Company in Hau Giang Pharmaceutical United Factory.

On 02/Sep/2004, Hau Giang Pharmaceutical United Factory way equitized to become DHG Pharmaceutical Joint - Stock Company



Ceremony to salute the national flag of DHG PHARMA's staffs at the beginning of each month

KEY MILESTONES IN EQUITIZED YEARS

Year 2011
Perform successfully "The project: Improving capacity of factory" and "The project: Improving the efficiency of sub-companies"

Establish Bali Pharma sub-company

Year 2010
Perform successfully the "Tripod strategy": Shareholders, customers and employees
Establish three more sub-companies: TOT Pharma, TG Pharma, DHG Pharmaceutical One Member Limited Company

Year 2009
Perform well the strategy 20/80 in product, customer and personnel

Establish A&G Pharma sub-company

Year 2008
Apply effectively the usage of modern management tools: 10.5S, Balance Score Card

Establish 06 sub-companies: CM Pharma, DT Pharma, HT Pharma, ST Pharma, DHG PP, DHG Nature



Year 2007
Reaffirmed corporate Vision, Mission and 07 core values

Successful in doing bioequivalence tests for two products: Haginat 250 mg and Glumeform 500 mg

Increased the chartered capital from 80 billion VND to 200 billion VND

Established two first sub-companies SH Pharma and DHG Travel.

Developed the ISO/IEC 17025:1999 to the ISO/IEC 17025:2005

Year 2006
The Shares officially listed on Ho Chi Minh Stock Exchange

Complied with WHO-GMP/GLP/GSP standards

Year 2005
Join the Club of enterprises having production turnover above 500 billion VND.

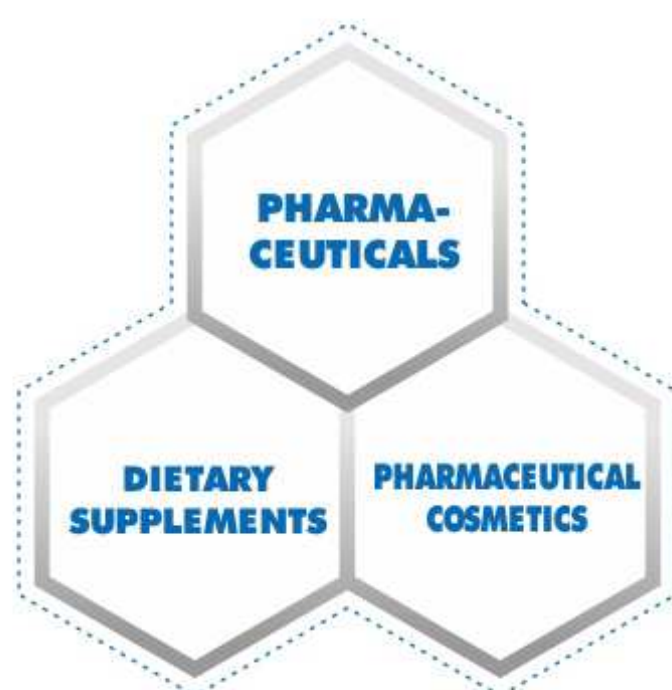
Being the first pharmaceutical company that pioneered in doing bioequivalence tests with 02 products Haginat and Klamentin

Build an effective policy to attract talented people, especially the "4D salary program".

DHG PHARMA
For a more beautiful and healthier life

Year 2004
Being equitized to become a Joint-Stock Company
Declare the Company's Mission and its seven core values.

SCOPE OF BUSINESS



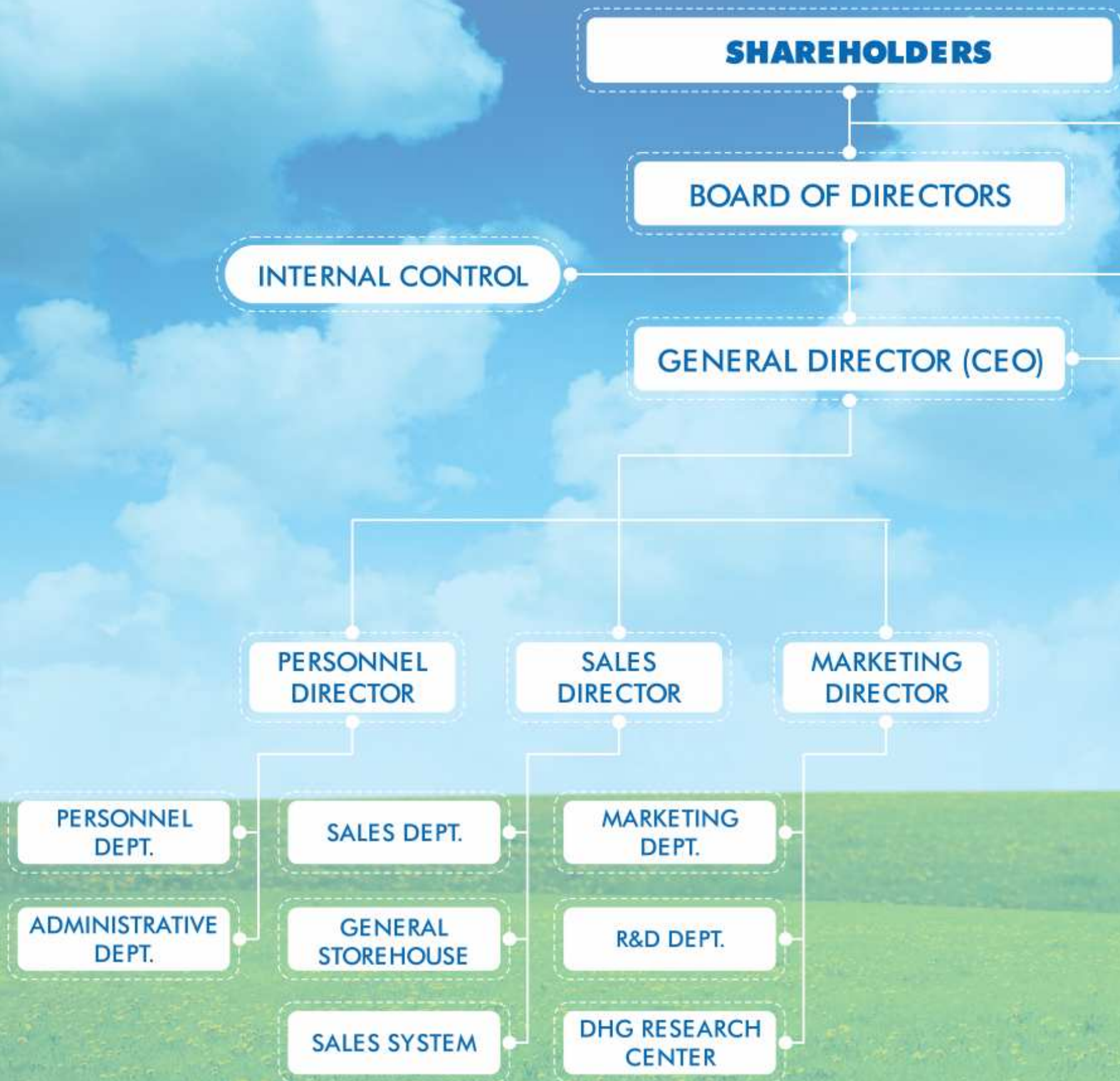
INCREASED CHARTERED CAPITAL

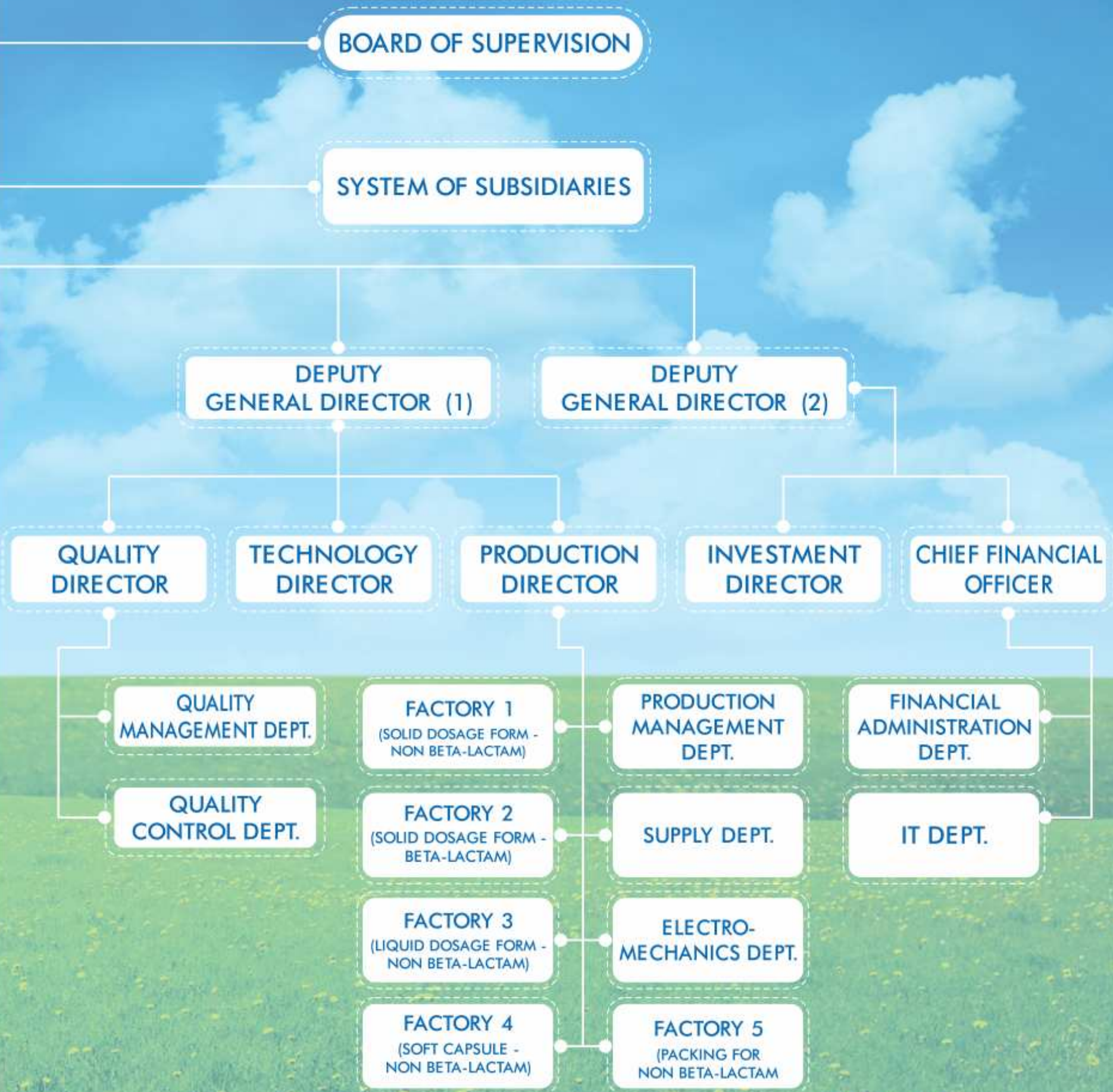
TIME	SUBJECTS TO ENJOY	CAPITAL BEFORE ISSUANCE	ADDED AMOUNT	CAPITAL AFTER ISSUANCE
06/2007 - 08/2007	- Current shareholders; - Strategic investors; - Employees; - Public	80,000,000	20,000,000	100,000,000
11/2007 - 12/2007	Current shareholders (Bonus shares at ratio 1:1)	100,000,000	100,000,000	200,000,000
10/2009 - 12/2009	Current shareholders (Bonus shares at ratio 3:1)	200,000,000	66,629,620	266,629,620
06/2010 - 10/2010	Employees (ESOP 2010)	266,629,620	2,500,000	269,129,620
03/2010 - 06/2011	Employees (ESOP 2011)	269,129,620	2,500,000	271,629,620
06/2011 - 08/2011	Current shareholders (Bonus shares at ratio 1:1.4)	271,629,620	380,134,670	651,764,290

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

ORGANIZATION STRUCTURE





DHG PHARMA'S FRAMEWORK IN 2011

DIAGRAM OF SUBSIDIARIES AND ASSOCIATES

● CONCENTRIC DIVERSIFICATION SUBSIDIARIES

DHG NATURE (100%)
DHG PP (100%)
DHG TRAVEL (100%)
DHG PHARMA LTD. (100%)

● DISTRIBUTION SUBSIDIARIES

SH PHARMA (51%)
CM PHARMA (100%)
DT PHARMA (100%)
HT PHARMA (100%)
AG PHARMA (100%)
ST PHARMA (100%)
TG PHARMA (100%)
TOT PHARMA (100%)
BALI PHARMA (100%)

● ASSOCIATES

SPIVIHA (31%)
VIPACO (20%)

CORPORATE ADMINISTRATION COMMITTEE

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: 32 years

Management experience: 32 years

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

Employment History:

- 7/1980 - 7/1986: Manager of That 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 - 7/2012: Chairperson cum CEO of DHG
Pharma
- From 01/7/2012: Chairperson of DHG Pharma





Mrs. LE MINH HONG
Vice-chairperson of Board of Directors
Deputy CEO

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: 33 years
Management experience: 25 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, Manager of Department of Planning - Hau Giang Pharmaceutical United Factory
- 9/2004 - 7/2012: Deputy CEO of DHG Pharma
- From 01/07/2012: CEO of DHG Pharma



Mr. LE CHANH DAO
Member of Board of Directors - Deputy CEO

Date of birth: 1959
Professional skills: Master of Business Administration
(HCMC University of Economics)
Seniority in the Company: 23 years
Management experience: 23 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. DOAN DINH DUY KHUONG
Member of Board of Directors - Deputy CEO

Date of birth: 1974
Professional Skill: Master of Business Administration
(MBA - UBI – Belgium)
Seniority in the Company: 14 years
Management experience: 10 years
Position in other company: Chairperson of SH
Pharmaceutical JSC (SH Pharma)

- Employment History:
- 1993 - 1996: In charge of sampling activities for Unilever Vietnam in Mekong region
 - 1996 - 1997: Sales Supervisor - Vietnam Food Industries JSC
 - 1997 - 2000: Sales & Marketing Supervisor - Foremost Vietnam at Mekong region
 - 2000 - 2003: Staff of Department of Planning - Hau Giang Pharmaceutical United Factory
 - 2003 - 2004: Managing the activities of Product Development and Trademark activities - Hau Giang Pharmaceutical United Factory
 - 9/2004 - 10/2005: Vice-Manager of Marketing Department of DHG Pharma
 - 10/2005 - 01/05/2012: Marketing Director and Manager of Marketing Department - DHG Pharma
 - From 01/05/2012: Deputy CEO of DHG Pharma



Mrs. NGUYEN NGOC DIEP
Deputy CEO

Date of birth: 1968
Professional skill: Specialized Pharmacist 1
Seniority in the Company: 21 years
Management experience: 17 years

- Employment History:
- 12/1991 - 06/1995: Staff of Quality Control Dept - Hau Giang Pharmaceutical United Factory
 - 07/1995 – 12/1996: Vice-Manager of Quality Control Dept - Hau Giang Pharmaceutical United Factory
 - 01/1997 - 06/1997: Vice-Manager of R&D Dept - Hau Giang Pharmaceutical United Factory
 - 06/1997 - 09/2004: Manager of Quality Control Dept - Hau Giang Pharmaceutical United Factory
 - 09/2004 - 30/04/2012: Manager of Quality Control Dept - DHG Pharma
 - From 01/05/2012: Deputy CEO of DHG Pharma





Mrs. NGUYEN THI HONG LOAN

Member of Board of Directors
 Director of DHG Pharmaceutical One member Ltd., Co

Date of birth: 1958
 Professional skill: Specialized Pharmacist 1 (HCMC University of Pharmacy and Medicine)
 Seniority in the Company: 36 years
 Management experience: 30 years

Employment History:

- 1976 - 1982: Group Leader of Manufacturing Workshop of 2/9 Pharmaceutical Factory
- 1982 - 1986: Vice Manager of Manufacturing Workshop of 2/9 Pharmaceutical Factory
- 1986 - 1989: Taking a crash course in Pharmaceutics at HCMC University of Pharmacy and Medicine
- 1989 - 1991: Head of Drugstore of Can Tho Pharmaceutical Company
- 1991 - 2003: Manager of Manufacturing Workshop of Hau Giang Pharmaceutical United Factory
- 2003 - 2004: Manager of Storehouse of Hau Giang Pharmaceutical United Factory
- 2004 - 2011: Production Director and Manager of Production Management Dept. of DHG Pharma cum Director of DHG Pharmaceutical One member Ltd., Co
- 2011 - now: Director of DHG Pharmaceutical One member Ltd., Co



Mr. NGUYEN NHU SONG

Member of Board of Directors

Date of birth: 1962
 Professional skills: Engineer of Communications (BME - Polytechnique University of Budapest - Hungary)
 Position in other company: Vice Chairman of Board of Directors of LAFOOCO JSC

Employment History:

- 1987 - 1993: Research Engineer - Department of Research - VTC Telecommunications (VTC); General Department of Post and Telecommunications of HMC 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
- 3/2005 - now: Vice Chairman of Board of Directors of LAFOOCO JSC
- 4/2007-4/2009: Member of Board of Supervision-DHG Pharma
- 4/2009 - now: Member of Board of Directors - DHG Pharma

Mr. LE DINH BUU TRI
Member of Board of Directors

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 - 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. NGUYEN SI TRUNG KY
Member of Board of Directors

Date of birth: 1960

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

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





Mr. TRAN QUOC HUNG

Head of Board of Supervision

Date of birth: 1958

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

Seniority in the Company: 30 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 Pharma
- 06/2007 - now: Supervisor - Personnel Department of DHG Pharma



Mrs. TRAN THI ANH NHU

Member of Board of Supervision - Personnel Director

Date of birth: 1962

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

Seniority in the Company: 32 years

Management experience: 17 years

Employment History:

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

Mrs. NGUYEN PHUONG THAO

Member of Board of Supervision

Date of birth: 1976

Professional skills: Master of Banking and Finance
(Monash University - Australia)

- 05/1997 - 03/2002: Staff of VID Public Bank
- 05/2002 - 07/2005: Taking a Master course at Monash University - Australia
- 08/2005 - 08/2006: Staff of MB Bank
- 08/2006 - 07/2007: Staff of VID Public Bank
- 08/2007 - now: Specialist of Investment Committee 3 - State Capital Investment Corporation (SCIC)



Mrs. DANG PHAM HUYEN NHUNG

Chief Financial Officer - Chief Accountant

Date of birth: 1966

Professional skills: Bachelor of Foreign Trade

Seniority in the Company: 24 years

Management experience: 04 years

Employment History:

- 1986 - 1987: Teacher of Can Tho Business Operations School
- 1987 - 9/2004: Accountant of Hau Giang Pharmaceutical United Factory
- 9/2004 - 2007: Accountant of DHG Pharma
- 2007 - 2008: General accountant of DHG Pharma
- 2008 - 10/2010: Vice manager of Financial Administration Dept of DHG Pharma
- 10/2010 - 30/03/2012: Chief accountant cum Manager of Financial Administration Dept of DHG Pharma
- 30/03/2012 - now: CFO, Chief accountant cum Manager of Financial Administration Dept of DHG Pharma







**REPORT ON
CORPORATE
ACTIVITIES**

In 2011



REPORT OF BOARD OF DIRECTORS

PERFORMANCE AS COMPARED TO PLANNED TARGETS

During the hard times of the global business, right from the beginning of the year, the Board of Directors and Managements oriented the strategy, adjusted flexibly and proposed appropriate solutions. Along with the determination of all employees, the business and manufacture norms results exceeded the planning targets of the year, in detailed as follows:

TARGET	ACTUAL 2010 (BILLIONS VND)	PLAN OF 2011 (BILLIONS VND)	ACTUAL 2011 (BILLIONS VND)	ACTUAL 2011/ PLAN 2011	% OF CHANGING ACTUAL 2011/ ACTUAL 2010
Total production value	2,303	2,607	3,010	115.48%	30.70%
Net sales	2,035	2,240	2,491	111.20%	22.44%
Profit before tax	434	380	491	129.20%	13.08%

EVALUATE THE OPERATING RESULTS IN THE YEAR 2011

Prominent achievements

Established the subcompany Bali Pharma (DHG's wholly-owned subcompany)

Re-evaluated and continue to be complied with the WHO-GMP, GLP, GSP, ISO/IEC 17025.

Special awards for Annual report in three successive years.

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

Continue to gain the title "Vietnam high quality product" (16 successive years)

Gain the title "Prestigious export enterprise in 2010" (05 successive years)

Prestigious Stock in Vietnam securities market in 2010 (04 successive years)

Vietnam famous Trademark in 2010 - Hapacol

Pass 15,000 surveyed enterprises; honor to be one of ten Vietnamese enterprises were voted in "Top 200 best small and medium companies in Asia in 2011" by Forbes magazine.

Factors for success

Board of Directors and Management follow the planned strategies-projects, adjusted flexibly.

All the strategies - projects, Marketing activities were deployed smoothly to each employee, distribution system and customer by The General Management Board

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

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

Wide and deep distribution system, products were delivered nationwide and in most of hospitals.

Most of seniors and junior leaderships have conditions and abilities to approach specifications, management processes, management knowledge, and tools of strategic implementation of business executives. From then, bring the highest satisfaction for customers, and the management process become more and more professional.

The supports of agencies, the determination and efforts of all employees.

Points need to be improved

The market fluctuated and the products list was various. Although the output production increased sharply in 2011; however, at each period, the production capacity still does not meet the demands.

Most of DHG Pharma's products are generic, many of them are specific but still in the stages of branding, the portion of these products is low.

Carrying out building new factory was slower than expected, limited the response fully and timely products in according to demands of market.

The incident occurred on 03/08/2011 at the Workshop 1 and Workshop 5 of DHG Pharma. Although there was no significant loss, it caused bad effects on employee's spirit, customers and caused bad public opinion.

Dividend, Extract for fund and Remuneration

Items	Extracted ratio	Amount (VND)
Profit after tax (consolidated)		415,526,579,901
Profit after tax of parent company		346,489,086,323
Profit after tax of DHG's wholly-owned sub companies		71,697,784,746
Dividend for 2011	20% nominal value	130,332,598,000
- Phase 1/2011 (already paid)	10% nominal value	65,166,299,000
- Phase 2/2011	10% nominal value	65,166,299,000
Extract for Bonus and welfare fund	10% after-tax profit	34,648,908,632
Remuneration for BOD, BOS, General Management Board and collaborators	1% plan profit	3,800,000,000
Bonus for BOD, BOS, General Management Board and key staffs	5% above plan profit (after-tax)	2,929,736,633
The remaining profit added to Business Promotion Fund		174,777,843,058
Returned profit from the fund of/belonging to owning capital of sub companies		
- Financial reserved fund		6,141,991,054
- Business Promotion Fund		21,502,067,559
- Undistributed profit (after tax) added to Business Promotion Fund		27,382,046,738

Remuneration and bonus

Items	Amount (VND)
Ending balance 2010 (31/12/2010)	2,930,323,537
Extract from profit distribution 2010	9,307,227,636
+ Remuneration	3,100,000,000
+ Bonus	6,207,227,636
Already paid in 2011	8,970,785,250
Paid for BOD, BOS	3,848,000,000
+ Remuneration	2,472,000,000
+ Bonus	1,376,000,000
Paid for collaborators (subcommittees)	1,350,000,000
+ Remuneration	624,000,000
+ Bonus	726,000,000
Remuneration and bonus of Board of Supervision and key staffs	3,772,785,250

Remuneration and bonus (cont.)

Items	Amount (VND)
Ending balance 2011	3,266,765,923
+ Remuneration	2,934,323,537
+ Bonus	332,442,386
Extract of profit distribution 2011	6,729,736,633
+ Remuneration	3,800,000,000
+ Bonus	2,929,736,633
Balance after profit-distribution 2011	9,996,502,556
+ Remuneration	6,734,323,537
+ Bonus	3,262,179,019

LIST OF INSIDE SHAREHOLDERS, HOLDING RATIO AND REMUNERATION IN 2011

Full name	Position	Quantity of holding shares (27/03/2012)	Holding ratio	Remuneration, bonus before PIT in 2011 (VND)
Pham Thi Viet Nga	Chairperson/CEO	142,159	0.22%	684,000,000
Le Minh Hong	Vice chairperson/ Deputy CEO	102,042	0.16%	380,000,000
Le Chanh Dao	Member of BOD Deputy CEO	55,779	0.09%	342,000,000
Nguyen Thi Hong Loan	Member of BOD	57,283	0.09%	342,000,000
Doan Dinh Duy Khuong	Member of BOD	38,599	0.06%	342,000,000
Le Dinh Buu Tri	Member of BOD	19,200	0.03%	324,000,000
Nguyen Sy Trung Ky	Member of BOD	19,200	0.03%	324,000,000
Nguyen Nhu Song	Member of BOD	88,531	0.14%	324,000,000
Tran Thi Anh Nhu	Head of BOS BOD's secretary	42,607	0.07%	342,000,000
Tran Quoc Hung	Member of BOS	11,840	0.02%	228,000,000
Dam Manh Cuong	Member of BOS	7,200	0.01%	216,000,000
Dang Pham Huyen Nhung	Chief accountant	6,216	0.01%	66,000,000
	Total	590,656	0.91%	3,914,000,000

TRANSACTION OF INSIDE SHAREHOLDERS

Full name	Position	Before transaction	After transaction	Reasons for increasing, decreasing (buying, selling, transferring, bonus, etc)
Tran Thi Anh Nhu	Head of BOS	16,833	16,393	Selling: - 440 shares.
Tran Thi Anh Nhu	Head of BOS	16,393	42,607	Selling: - 5,340 shares + 6,700 shares of ESOP 2011 + bonus shares
Le Minh Hong	Vice-Chairperson	49,790	57,283	Selling: - 24,500 shares + 7,200 shares of ESOP 2011 + bonus shares
Le Chanh Dao	Member of BOD	110,779	55,779	Selling: - 55,000 shares
Tran Quoc Hung	Member of BOS	21,840	11,840	Selling: - 10,000 shares

TRANSACTION OF PERSONS RELATED TO INSIDE SHAREHOLDERS

Full name	Relationship with inside shareholders/ king shareholders	Before transaction	After transaction	Reasons for increasing, decreasing (buying, selling, transferring, bonus, etc)
Vu Thi Minh Hang	Mr Nguyen Nhu Song's wife Member of BOD	69,331	1	Selling: - 69,330 shares

TRANSACTION OF KING SHAREHOLDERS

Name: FTIF Templeton Frontier Markets Fund

Amount before transaction	Transaction of DHG's stocks	Amount after transaction	Holding ratio after transaction	Finished time
1,613,643	285,340	1,898,983	7.06%	17/01/2011
1,898,983	63,490	1,962,473	7.29%	07/02/2011
1,962,473	53,790	2,016,263	7.49%	18/02/2011
2,016,263	138,700	2,154,963	8.01%	31/05/2011
2,154,963	44,500	2,199,513	8.10%	08/08/2011
2,199,513	3,048,798	5,248,311	8.05%	11/08/2011

INFORMATION ON SHAREHOLDERS AND SHARE CAPITAL

Ownership structure

DHG Pharma's ownership structure following the shareholder's list recorded on 27/March/2012

	Number of shareholders			Quantity of stocks			Ratio		
	Indi	org	Total	Indi	org	Total	Indi	org	Total
Foreign	420	90	510	810,020	31,112,191	31,922,211	1.24%	47.74%	48.98%
Domestic	1,948	59	2,007	3,700,306	29,543,782	33,244,088	5.68%	45.33%	51.01%
Board of Directors	9		9	522,793			0.80%	0.00%	0.80%
Board of Supervision	3		3	61,647			0.09%	0.00%	0.09%
Chief accountant	1		1	6,216			0.01%	0.00%	0.01%
Employees	835	1	836	1,651,014	201,967		2.53%	0.31%	2.84%
SCIC		1	1		28,313,119		0.00%	43.44%	43.44%
Outside	1,100	57	1,157	1,458,636	1,028,696		2.24%	1.58%	3.82%
Treasury stocks		1	1		10,130	10,130	0.00%	0.02%	0.02%
Total	2,368	150	2,518	4,510,326	60,666,103	65,176,429	6.92%	93.08%	100.00%

List of shareholders own more than 5%

Shareholder's name	Owner's Reg. No	Issue date	Nationality	Holding quantity	Ratio
STATE CAPITAL INVESTMENT CORPORATION	0101992921	09/07/2010	Viet Nam	28,313,119	43.44%
TEMPLETON FRONTIER MARKETS FUND	CA2795	12/01/2009	Luxembourg	5,248,311	8.05%

List of shareholders own from 1 % to 5%

No.	Shareholder's name	Owner's Reg. No	Issue date	Holding quantity	Ratio
1	VIETNAM HOLDING LIMITED	CS1077	29/05/2006	1,615,608	2.48%
2	KITMC WORLDWIDE VIETNAM RSP BALANCE FUND	CS2103	05/12/2006	1,460,072	2.24%
3	CITIGROUP GLOBAL MARKETS LTD	C00226	23/11/2004	1,401,302	2.15%
4	KWE BETEILIGUNGEN AG	CA3895	19/03/2010	1,213,433	1.86%
5	VIETNAM INVESTMENT LIMITED	C00131	19/02/2004	1,182,120	1.81%
6	JF VIETNAM OPPORTUNITIES FUND	CS1645	11/10/2006	1,114,308	1.71%
7	VOF INVESTMENT LIMITED	C00126	11/02/2004	1,088,856	1.67%
8	DRAGON CAPITAL VIETNAM MOTHER FUND	CA4373	19/07/2010	1,009,758	1.55%
9	GRINLING INTERNATIONAL LIMITED	C00033	11/07/2001	874,891	1.34%
10	TEMPLETON GLOBAL INVESTMNET TRUST-TEMPLETON EMERGING MARKETS SMALL CAP FUND	CS6572	24/07/2007	838,824	1.29%
11	VIETNAM EQUITY HOLDING	CS8240	06/11/2007	740,274	1.14%
12	TEMPLETON GLOBAL INVESTMENT TRUST-TEMPLETON FRONTIER MARKETS FUND	CA2757	18/12/2008	708,570	1.09%

LIST OF SHAREHOLDERS OWN FROM 0.5% TO 1%

No.	Shareholder's name	Owner's Reg. No	Issue date	Holding quantity	Ratio
1	PHEIM AIZAWA TRUST	CS2022	29/11/2006	598,783	0.92%
2	PEMBERTON ASIAN OPPORTUNITIES FUND	CA4779	30/11/2010	575,730	0.88%
3	BEIRA LIMITED	CS3890	27/03/2007	559,000	0.86%
4	VIET CAPITAL HEALTHCARE FUND	08/TB-UBCK	15/01/2008	518,461	0.80%
5	VIETNAM INVESTMENT PROPERTY HOLDINGS LIMITED	CS7869	09/10/2007	502,252	0.77%
6	KITMC WORLDWIDE VIETNAM FUND 1	CS1336	24/07/2006	498,186	0.76%
7	AMUNDI VIETNAM OPPORTUNITIES FUND	CS9705	15/02/2008	481,080	0.74%
8	ASIA VALUE INVESTMENT LIMITED	C00151	26/03/2004	470,928	0.72%
9	VIETNAM VENTURES LTD	CS0571	23/01/2006	463,584	0.71%
10	SIGLAP LIMITED	CS3887	27/03/2007	445,312	0.68%
11	CITIGROUP GLOBAL MARKETS FINANCIAL PRODUCTS LLC	CS6480	18/07/2007	418,646	0.64%
12	AIZAWA SECURITIES CO.,LTD	CA2521	15/10/2008	381,370	0.59%
13	LOTUS-MEKONG RIVER EQUITY FUND	CA3441	02/11/2009	377,526	0.58%
14	LIONGLOBAL VIETNAM FUND	CS2732	19/01/2007	370,605	0.57%
15	PCA INTERNATIONAL FUNDS SPC	CS2241	15/12/2006	354,824	0.54%
16	VIETNAM ENTERPRISE LTD	CS3763	22/03/2007	347,136	0.53%
17	VIETNAM EMERGING EQUITY FUND LIMITED	C00413	10/10/2005	336,220	0.52%
18	UBS AG LONDON BRANCH	CS1585	15/09/2006	335,126	0.51%
19	FULLERTON VPIC FUND	CS7736	28/09/2007	327,770	0.50%
20	KITMC WORLDWIDE VIETNAM FUND 2	CS2075	03/01/2007	327,380	0.50%

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 law; operate the Company running stable in the situation of fluctuated development economy.

Working activities performed in accordance with regulations as stipulated in the Charter. Annual check and appraise working results, strategy and business orientation.

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

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

In 2011, Board of Directors carried out 11 meetings as schedule and extraordinary, in form of direct consultancy or consultancy via e-mail address in order to solve and approve the following principal contents:

MEETING OF QUARTER 1/2011

Dated: 28/03/2011

Dated: 15/04/2011

Participants: 8/8
Observers: 3/3 Board of
Supervision's members

Preparation of Annual General Meeting of Shareholders 2010 on 04.29.2011 with the contents at the congress includes:

- + 2010 audited consolidated financial statements.
- + Distribution of profits in 2010, plan for 2011.
- + The plan of issuing bonus shares with ratio of 1:1.4 for current shareholders
- + The amendments of Company regulations.
- + Strategies – Plans for business, investment in 2012
- + Passed Mr. Dinh Duc Minh's resignation letter and additional election of Mr. Dam Manh Cuong to Board of supervision's member.
- + Approved the Title of President and CEO.

Approved the issuance dossier of ESOP stocks in 2011.

Established Hau Giang Pharmaceutical Limited Company (the new factory in Tan Phu Thanh) with 100% capital owned by DHG Pharma.

Established and built a new soft capsule factory. Pause processing of soft capsule products at Medisun; withdrew capital investment capital of VND13.5 billion at the end of April 2011.

MEETING OF QUARTER 2/2011

Dated: 16/05/2011

Dated: 25/05/2011

Dated: 15/06/2011

Dated: 12/07/2011

Participants: 8/8
Observers: 3/3 Board of
Supervision's members

Approved the consolidated financial statements, financial statements of Parent Company in Quarter/ 2011.

Approved the deduction of remuneration Fund and bonus of Board of Directors, Board of Supervision, General Management Board for sudden rewards

Approved the issuance dossier and procedure, issuance and listing of bonus shares with ratio 1:1.4

Approved the listing procedures of ESOP stocks in 2011

Established new distribution sub company: BALI Pharmaceutical One-Member Ltd. (BALI Pharma) with 100% capital owned by DHG Pharma

Dissolved DHG Research Center, merged it with DHG's R&D to do research activities, using Science and Technology Promotion Fund of DHG Pharma (following Circular 15/2011/TT dated 09/02/2011 of Ministry of Finance)

Added corporate scope of business: Software Publishing (code 5820), Computer programming (code 6201) and guesthouse, motel business for short-term accommodation service (code 5510); the Company intended to ask for shareholders' opinions by written form via extraordinary Shareholders' meeting, but the issue had not approved; therefore it had to be postponed.

Approved the business report of the subcommittees of the first 06 months in 2011

Approved the consolidated financial statements of the Parent Company of the first 06 months of 2011

Approved the plan for the last 06 months of 2011

Approved the record date and payment date for the second phase dividend of 2010 with 30%.

Changed the capital representative at DHG's wholly-owned subsidiary companies to match the organizational structure of the

MEETING OF QUARTER 3/2011

Dated: 13/08/2011

Participants: 7/8
Observers: 3/3 Board of
Supervision's members

Company: HT Pharma, CM Pharma, ST Pharma, TG Pharma.

Established Board of Members at DHG's wholly-owned subsidiary companies: DT Pharma, CM Pharma.

Merged OMon Pharmacy and That Not Pharmacy to TOT Pharma.

Changed the address of Thanh Hoa Branch, Binh Thuan Branch, Ho Chi Minh City Representative Office

Transfer the land-use right and house-use ownership in Ho Chi Minh City and Daklak

MEETING OF QUARTER 4/2011

Dated: 29/10/2011

Dated: 17/12/2011

Dated: 26/12/2011

Dated: 04/01/2012

Participants: 8/8
Observers: 3/3 Board of
Supervision's members

Passed the business report of the first 9 months of 2011 and estimated performance for the full year of 2011.

Approved the expected strategies and plans in 2012

Approved the record date and payment date to pay in advance the dividend for the first phase of 2010 with 10% nominal value.

Approved subsidiaries' regulation amendment: Adjusted the rights of the Director of Subsidiary companies.

Regulate the approval competent for the payments associated with the implementation of new factory in Tan Phu Thanh.

Transform the investment form of Tan Phu Thanh project: the investor will be transferred to DHG Pharmaceutical One-Member Ltd.

Approved the report on investment state in associated companies.

Nominate candidates to Board of Directors, Board of Supervision of Vinh Tuong High-Tech Packaging Company.

Approved the policy of purchasing land for Dong Nai, Vinh Phuc, Ninh Binh, Thai Binh branches.

Resolutions issued in 2011

RESOLUTION NUMBER	ISSUED DATE	CONTENT
001/NQ.HĐQT	28/03/2011	Approved the issuance dossier for ESOP stocks in 2011 to submit the State Securities Commission.
002/NQ.HĐQT	16/05/2011	Approved the registration documents of issuing bonus shares with ratio 1:1.4 in 2011.
003/NQ.HĐQT	25/05/2011	Agreed the deposit and issuance of 250,000 ESOP stocks in 2011
004/NQ.HĐQT	25/05/2011	Agreed the additional deposit and issuance of bonus shares with ratio 1:1.4.
005/NQ.HĐQT	29/10/2011	Approved the record date and payment date for the second phase dividend in 2010 with 30% nominal value
007/NQ.HĐQT	29/10/2011	Approved the regulations of financial management and Company administration.
008/NQ.HĐQT	29/10/2011	Approved the record date and payment date for the first phase dividend in 2011 with 10% nominal value
009/NQ.HĐQT	29/10/2011	Approved the nomination of candidates to Board of Directors and Board of Supervision in Vinh Tuong High-Tech Packaging JSC (VIPACO).
010/NQ.HĐQT	26/12/2011	Approved the adjusting content of director competent of Subsidiaries
011/NQ.HĐQT	26/12/2011	Approved the content of administrative management
012/NQ.HĐQT	04/01/2012	Approved the profit distribution plan, remuneration in 2011 of the subsidiaries with 100% capital owned by DHG and other contents.

Activities of Board of Directors on monitoring and supporting the General Management Board:

Monitor the implementation of the resolutions issued in Shareholders' Meeting, Minutes and Resolutions of Board of Directors.

Review and comment on administrative activities in terms of investment, finance, marketing, sales, human resources, production and quality.

There are 3/8 members in General Management Board also being members Board of Directors. Therefore, the implementation of the resolutions of Board of Directors and Shareholders' Meeting is synchronous, quick and effective. That helps the Company's management activities be more flexible, consistent and thorough. In addition, three non-management members who do not participate in the administration contribute many objective and effective ideas to Board of Directors' decisions.

Strengthen the efficiency in corporate governance

Draw up strategy and set out strategic target 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 specifications, management process, corporate governance knowledge and strategy building tools. 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 whole distribution system and all office departments.

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

Companies that hold more than 50% of DHG Pharma's share capital: None

Companies that DHG Pharma holds more than 50% of their share capital:

Group of Distribution subsidiaries

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

Chartered capital: 05 billion VND



TOT Pharmaceutical One-member Limited Company (TOT Pharma)

- Official operation date: 01/Apr/2010
- Head office: Can Tho City



TG Pharmaceutical One-member Limited Company (TG Pharma)

- Official operation date: 01/June/2010
- Head office: My Tho City, Tien Giang Province



Bali Pharmaceutical One-member Limited Company (Bali Pharma)

- Official operation date: 01/Aug/2011
- Head office: Bac Lieu City, Bac Lieu Province



Group of Concentric diversification subsidiaries

DHG Travel One-member Limited Company (DHG Travel)

- Official operation date: 01/Apr/2008
- Head office: Can Tho City
- Chartered capital: 03 billion VND
- Scope of business: Trade in domestic travel services; advertisement services



DHG Nature One-member Limited Company (DHG Nature)

- Official operation date: 01/Feb/2009
- Head office: Can Tho City
- Chartered capital: 05 billion VND
- Scope of business: Growing, processing, manufacture, and trade in herbal materials; Manufacture and trade in pharmaceutical chemistry; Manufacture & trade in dietary supplements.



DHG Packing & Printing One-member Limited Company (DHG PP)

- Official operation date: 01/Aug/2008
- Head office: Can Tho City
- Chartered capital: 05 billion VND
- Scope of business: Manufacture and trade in packaging, plastic, aluminium, paper; printing publications; serve for production and marketing activities of DHG Pharma



DHG Pharmaceutical One-member Limited Company

- Business license issued on 16/Aug/2010
- Head office: Chau Thanh A District – Hau Giang Province
- Chartered capital: 50 billion VND
- Scope of business: Manufacture and trade in pharmaceutical, dietary supplement and cosmetics



SUMMARY OF BUSINESS RESULTS OF SUBSIDIARIES

In 2011, the project "Improving the efficiency of subsidiaries" has been deployed since June, 2011. The results shows that distribution subsidiaries have fine growth of revenue, especially most ratios of profit/revenue have increased double. The project "Improving the efficiency of distribution subsidiaries" focuses on restructuring product portfolio, arranging staffs, sale system, specific block norm of expenditure, paying salary for employees based on profit and the actually collected sum of money instead of sales as before.

Company name	Net revenue in 2011	Profit before tax in 2011	Profit after tax in 2011	Profit after tax/revenue 2011	Profit after tax/revenue 2010	The growth of revenue 2011/2010
DHG NATURE	33,957,562,618	3,743,058,988	3,318,056,163	9.8%	17.0%	30%
DHG PP	167,280,663,859	36,112,626,478	31,074,268,318	18.6%	18.4%	36%
DHG TRAVEL	61,354,265,636	9,195,706,932	6,848,352,086	11.2%	8.9%	60%
TOT PHARMA	158,874,516,025	16,152,686,023	11,717,704,454	7.4%	3.1%	108%
AG PHARMA	124,215,305,432	7,750,616,502	5,105,510,499	4.1%	4.3%	12%
CM PHARMA	48,901,388,080	3,128,703,404	1,760,750,473	3.6%	3.6%	23%
DT PHARMA	41,510,550,270	3,761,512,885	2,821,134,663	6.8%	2.4%	24%
HT PHARMA	54,077,977,101	4,045,720,826	3,626,827,363	6.7%	3.3%	28%
ST PHARMA	45,415,928,078	2,771,848,750	2,468,096,938	5.4%	3.4%	21%
SH PHARMA	108,429,293,623	10,261,203,739	8,644,038,126	8.0%	5.3%	30%
TG PHARMA	42,254,279,357	2,569,439,901	1,927,079,925	4.6%	3.0%	81%
BALI PHARMA	19,406,886,907	1,373,338,486	1,030,003,864	5.3%	-	-

Notes: Revenue growth in 2011 in comparison with 2010 reaches 108% of TOT Pharma because of the merge of two areas – O Mon and That Not.

Investment in associates

Vinh Hao Algae Processing JSC (31.5%) - (SPIVIHA)

Official operation date: 01/Apr/2008

Head office: Vinh Hao, Tuy Phong, Binh Thuan Province

Scope of business: Manufacture and trade in Spirulina algae

Chartered capital: 12 billion VND

Investment purpose: create a stable source of raw materials in order to produce Spivital product group and other biotechnological products.



Production output in 2011 reaches 28 tons of algae powder with 17.5% growth over the same period. The business results in 2011 gain net revenue 12 billion VND (114% of plan), profit after tax 4.4 billion VND (143% of plan).

Vinh Tuong High-Tech Packaging JSC (20%) - (VIPACO)

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: 50 billion VND

Investment purpose: create a stable source of hygienic packing.

Total investment in Vinh Tuong Packaging Company is 20 billion VND. Total provision extracted to the date December 31st, 2012 for this investment is 16.5 billion VND.

Business activities of Vinh Tuong Packaging Company face many difficulties, lack of purity of financial matters. Business result in 2011 shows that the company losses 14 billion VND (1.5 billion VND of profit in 2010), 20.7 billion VND of revenue (decreasing 28% compared with 2010).

DHG delegates representatives to participate as candidates in General Management Board, and Board of Supervision to consider, define the causes of loss, reconstruct the development orientation of company. Shareholders' Meeting of Vinh Tuong Packaging Company agrees to inventory asset in order to redefine the company value, appoint Chairperson of Board of Directors, new General Director, arrange, reorganize organizational structure, staffs, and consolidate activities.

Audited consolidated financial reports of DHG Pharmaceutical Joint-Stock Company in 2011 establish the additional reserve fund for financial investment of 9.865 billion VND for association investment with Vinh Tuong Packaging Company, influence of reducing profit compared with unaudited consolidated financial report.

Investment in associate - Medisun company (30%)

Receiving enough money, and completing the transferring procedure of stocks. DHG already has a completion statement for its investment in Medisun Pharmaceutical Joint Stock company in 2011.



REPORT OF BOARD OF SUPERVISION

In the third year of term 2009 -2013, from April 2011 until the end of March 2012, 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:



Material Objectives and Ranges in the year 2011

Supervision on strategy:

The works of planning for long-term and medium term, the works of implementation of investment project - building new factory, the use of high-valued assets in production activities as planned in the year 2011

Supervision on activities:

the set-up and fulfillment of regulations, including the charter and regulations on the activities of sub-companies, in order to strengthen the provision capacity and risk management in daily production and trading activities

Supervision on finance:

Check quarter financial statements to measure the appropriateness of financial statistics; coordinate with subcompanies's supervision group, Internal Control and independent auditors in order to consider the impacts of vital issues on auditing activities on financial reports, ensure the observance on management of financial investments.



2

Board of Supervision's Activities Results and Proposals

Board of Supervision's Activities

Via working plan in the year 2011, Board of Supervision had supervised the activities and financial conditions of the Company, monitored the performance of Board of Directors and Leadership Board;

Board of Supervision did attend the meetings of Board of Directors to comprehend the business activities, investment situations and contribute ideas to concerned issues;

Board of Supervision had done activities to control the observance of Regulations, Charters, and justness in the management of daily activities of the Company. In the year 2011, Board of Supervision had combined with Board of Internal Control checked the subcompanies to test and appraise the observance of the Law's regulations and internal conventions in production, trading and financial administration;

Consider and report certain shortcomings of several subcompanies which are checked and apprised by Board of Internal Control (CM Pharma, HT Pharma, TOT Pharma, ST Pharma, DHG PP, and DHG Travel);

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

Supervision on Company's operation and finance

Board of Supervision respectfully presents to Shareholders' Meeting the outcomes of supervision activities on the strategy, business activities and financial conditions of DHG Pharma in the fiscal year ended 31/Dec/2011 as follows:

Results of business performance of the Company in 2011

Targets	2011 performance (VND)	2010 performance (VND)	% of increase 2011/2010
Net sales	2,490,879,935,732	2,034,525,241,928	22.44%
Net operating profit	506,424,285,861	437,116,542,379	15.86%
Profit /(loss) in business concerns and joint ventures	(10,025,671,093)	(3,981,996,715)	151.77%
Profit before tax	490,941,709,926	434,144,552,718	13.08%
Profit after tax	419,762,158,583	383,335,234,331	9.50%
Net profit attributable to shareholders holding ordinary shares	415,526,579,901	381,162,247,669	9.02%



Assessments on positive points of business results in the year 2011

Net sales of 2011 increased 22.44% compared to 2010.

Profit before tax, profit after tax of shareholders of the Parent company in 2011 also increased compared to 2010.

The business performance of sub-companies was good. In general, all sub-companies have the working charters and regulations for financial management.

Financial activities

The 2011 audited financial statements have been done by KPMG firm auditors, Board of Supervision has agreed with the auditor's assessment of financial activities and statements of the Company in 2011.

In conclusion, through the 2011 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 results of 2011 are outperformed as compared to the plans and targets set by the Annual Shareholders' Meeting 2010. However, profit ratio of 2011 decreased compared to 2010 and debt ratio increased compared to 2010, it caused liquidity of company decreased.



Assess on fulfilment of proposals set in the Annual Shareholders' Meeting 2010

Deploy and carry out the construction of new factory was delaying, not on schedule as planned, not yet building the progress of project due to the changes of estimated investment amount.

According to the Annual Shareholders' Meeting 2010, expected dividends by cash equal 20% of par value. The first phase dividend of 2011 equivalent to 10% nominal value already paid on 07/Dec/2011, the rest dividends expected to be paid after the Annual Shareholders' Meeting 2011.

Completion the procedures for issuance, listing and depository bonus stocks at the ratio 1:1.4 for current shareholders and 250,000 ESOP stocks 2011.

According to the resolution of DHG Pharma's Annual Shareholder's Meeting:

+ Investment in equipment and transportation means for the current factory which located at 288 Bis, Nguyen Van Cu street, Ninh Kieu District, Can tho City with amount 53.3 billion VND. This task has been fulfilled with the actual value 48.9 billion VND; put on the period of 2011 the amount 43 billion VND.

+ Investment in Soft-capsule factory located at 288 Bis, Nguyen Van Cu street, Ninh Kieu District, Can tho City with the amount 56.7 billion VND. Finished with paid amount 49.4 billion VND.

+ Received 50% of value of land in Tra Noc Industrial Park (02 hectares), the rest one is waiting for other investors to lease.



Supervision on the activities of Board of Directors, General Management Board and Leadership Board

Board of Directors has 08 members; General Management Board has 03 members. This quantity is complied with the Company's Charter.

Board of Directors organizes quarterly meeting and extraordinary meeting if required. These meeting 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

The Resolutions made by Board of Directors always complied with their right, function by Law and Company's Charter.

Information announcement performed well as ruled.

In 2011, no abnormal issues raised in the activities of Board of Directors, General Management Board and managing leaders.

Board of Supervision agrees with all reports submitted to 2011 Annual shareholders' Meeting by Board of Directors.

In general, in 2011, Board of Supervision is provided with sufficient information on the Company's production, trading and finance.

Board of Supervision have not received any complains from shareholders about activities of Board of Directors, Board of Supervision and managing leaders.



3

Some proposals

Suggest modifying the Regulation on DHG's legal representative and unite the contents in the Regulation on controlling subcompanies.

Suggest the subcompanies of DHG Pharma transfer the rest profits in 2011 by cash to DHG Pharma after deduction of profits as followed the Resolution 012/NQ.HDQT.

Suggest Board of Internal Control to evaluate periodically the performance in 06 months and in 2012 of each brand, associate with the Board of Supervision to control, review and organize the regulations implemented at the Company.

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 (nearby the headquarter of DHG Pharma).

To comply with the rules of the Finance Ministry in Decision No. 12/2007/QD-BTC on 13/03/2007, the Board of Supervision carried out to arrange a meeting and agreed to elect Mr. Tran Quoc Hung - member of the Board of Supervision to hold the position of Head of BOS instead of Ms. Tran Thi Anh Nhu as from May 2012.



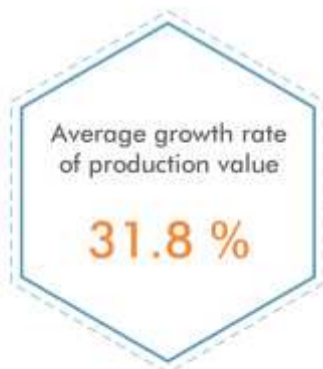
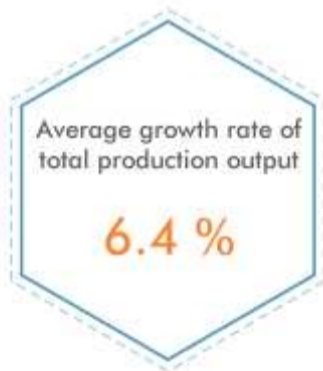
Report of General Management Board



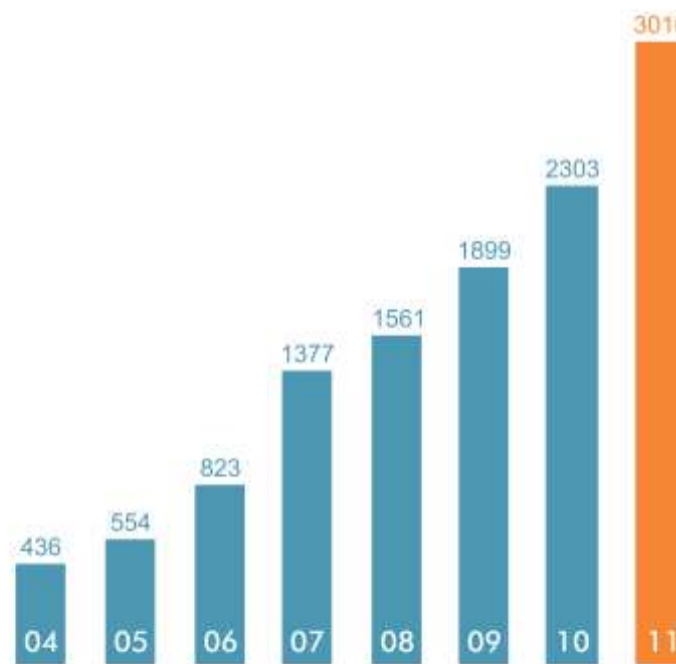
Factory 4

Production activities

The production output of current factory gained 4.07 billion product units in 2011, increased 22% as compared to 2010. Working productivity increased 18%, save cost, and diminished material loss in production, packaging 2.089 billion VND.



Total production output (in billion of product unit)



Production value (in billion VND)



The Soft-capsule factory is completed and starting to run on May 2012



Factory 4



Factory 1



Factory 5



Factory 3

Renew technological equipment, improve production output: replacement sachet compression machine from one sachet into two or four sachets, automatic forming capsule machine, semi-automatic packaging machine for bottle-packaging pills, cream, eye-drops, etc.

The project "Improving working productivity" contributes greatly in increasing production output, saves cost, lowers prices of products, and helps employees have more time to relax reasonably.

Due to its large-scale of production, high demand in raw material and packaging, functional departments of DHG have been active in importing, storing raw material reasonably, diminishing the risk of increasing the price of raw material, fluctuation of rate exchange, and promptly meeting the production needs.

DHG Packing & Printing One-Member Limited Company has the mission to meet the adequate and timely demand of packaging, labels, and leaflets for medicine production, printing according to the orders of Marketing department, and outsourcing for external partners in order to bring more profits for the company.

DHG Nature increases the efficiency of production through the exploitation of seasonal production, being active in plan of providing materials, which have high demand in use. The company also invests, deploys medicine-growing areas, extracts, and processes herbal substances to ensure competitive prices.

2

Research and Development Activities

In 2011, there are 87 products being granted Reg. No, in which there are 32 new products, 35 products re-granted Reg. No, and 20 food supplement products.

Produced 30 new products, 15 products produced at industrial scale.

15 new products are launched into the market.

Investing 3.127 billion VND from fund of scientific research for purchasing equipment, developing new products to further enhance the competitive advantages of DHG Pharma's products on the market. Fund of scientific research currently remains 20.8 billion VND.





Being sole of Nattokinase material resource of company JBSL – Japan, DHG Pharma launches into the market “Nattoenzyme” which helps dissolve the thrombosis (clot) in the blood vessels, and helps treatment and prevention of cerebrovascular accident, myocardial infarction. Nattoenzyme is a raw material, which was granted three patents by USA and two patents by Japan.

Thanks to the help of professors in universities in researching scientific documents to adjust the formula of Eyclight vita Yellow, Eyclight vita Red, these products have increased the efficiency and met the demand of users.



Combine with professors in Ha Noi University of Pharmacy to do bioequivalent studies of long-acting treatment products.

Continue to cooperate with Institute of Biotechnology to develop “Naturenz”, a liver-antidote product, which developed from the technology of aquaculture, extract, and process by Naturenz material biological method.

Combine with professor Duong Duc Tien in scientific and technical guidance in raising and growing Spirulina seaweed containing zinc, selenium, chromium from spores which will be a premise to research and develop the products to help children smart, nutritious, non-obese, anti-aging for men and women ≥ 35 years old and to support the treatment of diabetes.



Launch two new generation of antibiotics Cepodoxime and Cefdinir aimed to supply for treatment system.



Combine with DSM material supplier – the sole Amoxicillin manufacturer by biotechnology method, changing production method of Klamentin to straight compression, limiting exposure time with environment, enhancing quality, long stability time of product, and diminishing prices.

3

Quality Management System

Meet the standards of WHO-GMP/GLP/GSP certified by Drug Administration

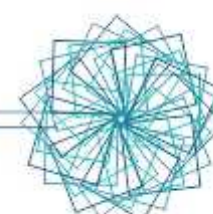
Build WHO-GMP for soft-capsule factory and certified by Drug Administration on April 2011.

Update quality management system according to the requirements of ISO 9001:2008 and certified to be compliance on May 2012

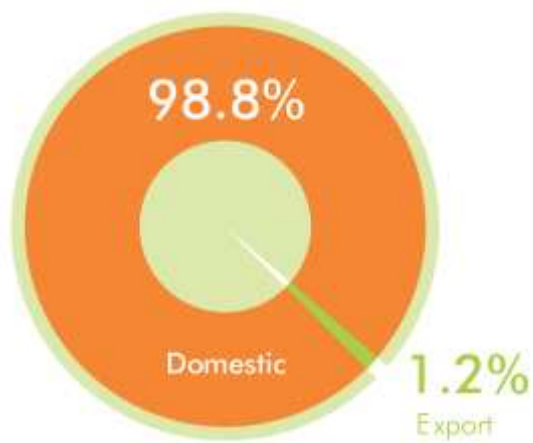
Quality control department continues to be complied with ISO/IEC 17025 certified by Vilas Organization.



DHG Pharma's Quality control department



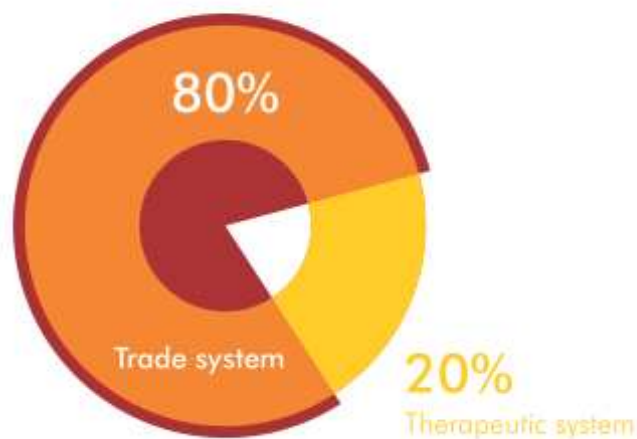
4 Market



Domestic market

Making up 98.8% of total sales of goods self-produced by the Company

In 2011, salary policy for salespersons was based on their real proceeds and was applied for the whole distribution system. The results show the good management of term debt, strongly diminish of bad debt, delaying debt.



The implemented policy of paying salary for salespersons associated with business performance target brings good results (the last 4 months of the year) through the project "Improving the operation efficiency of subsidiaries". These distribution subsidiaries work more and more efficiently. This project will be widened on the whole distribution system in 2012.

Export Market

The export revenue in 2011 gains 27 billion VND, 27% up compared to 2010, shared 1.2% in total revenue of goods self-produced by the company. The main export products in groups of pharmaceuticals, antibiotics, and vitamins, etc. Develop more 25 new products on the orders of customers. Participate in 03 exhibitions at trade fair abroad.

Exported markets: Moldova, Ukraine, Myanmar, Russia, Mongolia, Cambodia, Nigeria, Laos, and Singapore.

New trading markets: Jordan, Taiwan, Malaysia, Czech Republic, Belarus, Kazakhstan, Hong Kong, Indonesia, Sri Lanka, Ghana, France, Pakistan.



5

Brand-building activities



Hapacol

Through brand-building activities by the strategy “pulling” customers, the media tools, workshops, conferences, and sale support activities, brands are increasingly recognized, and occupied the trust of customers, doctors, and consumers.

In 2011, the brands being invested continue to dominate with their contribution of over 51% in total self-production revenue of DHG Pharma. All brands increase with the average growth rate is 32%, higher than the growth rate of other products.

Brands	Sales performance 2010	Assigned revenue 2011	Sales performance 2011	Performance 2011/Assignment	Growth rate 2011/2010
Hapacol	343	400	416	104%	21%
Eugica	120	138	183	133%	53%
Spivital	30	36,7	52,5	143%	75%
Naturenz	28	33,5	42,5	127%	52%
Davita	44	55	49	89%	11%
Unikids	36	42	45	107%	25%
Eyelight	42	55	51	93%	21%
Diabetes	16	19,1	21,2	111%	33%
Gavix	-	3,85	6,9	179%	-
Apitim	21	25,1	31,3	125%	49%
Haginat	137	153,9	176	114%	28%
Klimentin	267	323,7	358	111%	34%

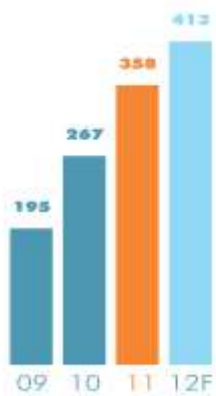
Total

1,084

1,286

1,432

Note: The above sales not including the amount deducted in invoice
Unit: In billion VND



Klimentin



Haginat



Eugica



Davita



Eyelight



Customer Care Activities



Meetings with DHG Pharma's customers in 2011

Organize customer conference program in 2011 in combination with the introduction of new product – NattoEnzym for 14,200 nationwide friendly clients. Nearly 300 VIP clients across the country join in discussion, and distribution of ideas for DHG's 2012 strategy.

Upgrade the quality of members in "Mutual prosperity club", increase the number of friendly clients up to 9,428 clients (572 diamond clients, 915 platinum clients, 1,292 gold ones, 2,795 silver ones and 3,854 cooper ones) until the date of December 31, 2011

DHG Travel makes friendly and emotional impression in organizing 390 tours, serving 23,000 clients in domestic and foreign tours

Organize 171 scientific conferences, workshops to introduce new products for doctors, clients and consumers.



Unikids



Spivital



Naturenz



Apitim



Glumeform

7

Finance activities

Complete the procedures of issuance, listing, and depository ESOP shares in 2011. Official listing: 14/June/2011. Transfer restrictions: until 14/June/2014

Complete the procedures of issuance, listing, and depository bonus shares in proportion 1: 1.4. Official listing: 08/August/2011. Official trading: 11/August/2011. As planned, the dividends in 2011 are divided by cash with 20% of nominal value. Implemented the prepayment 10% dividend of phase 1/2011 on the date of 07/December/2011.

The rest one expected to be paid after the Annual shareholder's meeting 2011.

Prepare report, making finance report, and consolidated report clearly, explicitly on schedule; provide shareholders and investors with timely information.

Implement the payment well - tracking receivable and payable debt, goods and property; managing, choosing, and buying cargo and property insurance with lowest cost to bring the best effectiveness for the company.

Prepare and monitor company's budget with the aim to reflect accurate and timely business results and to help Board of Directors to give quick decisions.



8

Information technology activities

Complete the implementation of ERP system with the use of BFO solution in distribution system (in branches, in distribution subsidiaries) and in office. Planning to complete and deploy on the whole system at the end of quarter 4 2012.

Continue to implement, and upgrade management software for 25 hospitals, and raise the total number of hospitals using the software supported by DHG up to 42 hospitals.

Initially experiment the unified communication solution: voice, video, IP, internet. Plan to perform in 2012.





Human resource and policy for employees

Total personnel as of 31/Dec/2011 are 2,635 persons. Official recruitment in 2011 includes 182 persons. Adjust minimum wage, social insurance salary according to the requirements.

Total training hours in company are 51,520 hours, at the average of 80.6 hours/ person/ year. Total training budget in 2011 is 5.15 billion VND.

Choose senior inheritance staffs through three series of trust vote in 2010, 2011. For mid-level leaders, plan to implement annually through the nomination of units, functional departments.

Delegate 16 leaders, and key staffs to participate in master's degree in business administration – UBI Brussels with total cost nearly 03 billion VND.

Medical examination and treatment in place for 3,125 officers and workers with the cost of 84 million VND, fostering toxic for 324,000 people with the cost of 972 million VND.

Periodic health examination for 1,772 officers and workers and 420 family members of officers and workers in big hospitals with the total amount of 3.9 billion VND.

Organize domestic and foreign sightseeing tours for employees according to company's regulations with the total cost of 6.25 billion VND.



The average income of employees



10

Investment activities

The asset investment in 2011:

Total tangible fixed assets invested in 2011 is 130 billion VND, 194% up compared with 2010 in which:

+ Invest to improve factories, offices, and building houses for branches: 44 billion VND.

+ Invest in machine, equipment for production, QC, R&D: 60 billion VND.

+ Invest in means of transportation to meet the Company's demand and to support customer care activities: 26 billion VND.



Four-sachets filling machines in Factory 5

Invest to buy land and build offices in Ho Chi Minh City, 04 branches in Dong Nai, An Giang, Tien Giang, Soc Trang: 23 billion VND.

Combine with the Company's Labour union to use welfare fund to invest in welfare projects with the value of 22 billion VND for constructions: swimming pool, football ground, kindergarden, tenement, and buy land to build "the stadium for DHG Pharma".



11

The project of new factory in Tan Phu Thanh Industrial Zone

The extraordinary shareholders' meeting in 2011 on 29/December/2011 has approved the adjustment of estimated expenditure for the Pharmaceutical factory and DHG PP in Tan Phu Thanh industrial zone, Chau Thanh A district, Hau Giang province from 506 billion VND to 676 billion VND (not including money to buy land).

To 31/Dec/2011, total disbursement for project is 71.8 billion VND (including money to buy land). Estimated completion time is at the end of Quarter 1/2013, slower than the initial expectation.



Image of the New pharmaceutical factory of DHG

Starting on 26 April 2011
Finished time expected: End of Q1/2013
Source of capital: Owner's equity

The reason for delaying

Adjust to increase the construction area for NonBetalactam factory with 1.600m² more, DHG PP with 2.000 m² more, so the design needs to be redrawn.

Wait for Shareholders' Meeting opinions to approve the new general estimate amount; then, implementing the follow-up procedures.

Package of mass pile does not meet the bid evaluation and must be implemented from the scratch.



AUDITED FINANCIAL STATEMENTS



Audited financial statements of 2011 – Parent company

Please refer to the following link at DHG Pharma's website:

<http://www.dhgpharma.com.vn/dhg/images/stories/quan-he-co-dong/BAO%20CAO%20TC%20HOP%20NHAT-ENG.pdf>



Audited consolidated financial statements of 2011

Please refer to the following link at DHG Pharma's website:

<http://www.dhgpharma.com.vn/dhg/images/stories/quan-he-co-dong/BAO%20CAO%20TAI%20CHINH%20DHG-ENG.pdf>



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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 2011 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 authorised for issue by the Company's management on 20 March 2012. 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.

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 2011 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
Audit Report No. 11-01-023



Chang Hung Chun
CPA No. N0863/KTV
Deputy General Director



Nguyen Thanh Nghi
CPA No. 0304/KTV

Ho Chi Minh City, 20 March 2012

CONSOLIDATED BALANCE SHEET

Item	31/12/2011 VND	31/12/2010 VND
CURRENT ASSETS	1,490,691,786,181	1,442,034,118,769
Cash and cash equivalents	467,084,218,098	642,519,118,992
Cash	343,614,925,745	286,505,741,815
cash equivalents	123,469,292,353	356,013,377,177
Accounts receivable	489,939,062,124	446,197,923,622
Accounts receivable - trade	340,585,766,770	306,719,736,511
Prepayments to suppliers	79,032,748,156	28,193,510,841
Other receivables	73,173,069,305	117,510,052,422
Allowance for doubtful debts	(2,852,522,107)	(6,225,376,152)
Inventories	515,191,425,774	347,099,608,749
Inventories	519,861,087,569	350,125,465,504
Allowance for inventories	(4,669,661,795)	(3,025,856,755)
Other current assets	18,477,080,185	6,217,467,406
Short-term prepayments	1,431,601,904	1,283,164,897
VAT to be deducted	4,301,209,672	408,648
Taxes receivable from State Treasury	4,108,142,811	439,785,275
Other current assets	8,636,125,798	4,494,108,586
LONG-TERM ASSETS	505,014,880,878	377,700,975,901
Fixed assets	459,454,490,641	303,438,987,167
Tangible fixed assets	255,330,772,673	167,840,794,676
Cost	443,230,788,716	310,198,804,023
Accumulated depreciation	(187,900,016,043)	(142,358,009,347)
Intangible fixed assets	157,377,310,396	127,878,195,760
Cost	163,249,725,488	131,894,976,812
Accumulated amortisation	(5,872,415,092)	(4,016,781,052)
Construction in progress	46,746,407,572	7,719,996,731
Investment property	-	6,456,882,120
Cost	-	7,784,646,717
Accumulated depreciation	-	(1,327,764,597)
Long-term investments	17,473,451,017	39,979,249,420
Investments in associates	10,086,282,266	32,592,080,669
Other long-term investments	11,901,050,200	11,901,050,200
Allowance for diminution in the value of long-term investments	(4,513,881,449)	(4,513,881,449)
Other long-term assets	28,086,939,220	27,825,857,194
Long-term prepayments	20,446,170,185	22,430,416,454
Deferred tax assets	5,509,693,831	3,785,465,288
Other long-term assets	2,131,075,204	1,609,975,452
TOTAL ASSETS	1,995,706,667,059	1,819,735,094,670

ITEM	31/12/2011 VND	31/12/2010 VND
RESOURCES		
LIABILITIES	602,248,423,265	530,696,724,099
Current liabilities	544,024,124,947	471,555,878,347
Short-term borrowings	21,115,601,324	12,802,412,973
Accounts payable – trade	123,618,564,257	86,290,700,781
Advances from customers	720,929,252	1,413,080,380
Taxes payable to State Treasury	28,297,625,312	40,019,223,841
Payables to employees	125,958,570,389	100,633,206,342
Accrued expenses	165,931,042,238	168,781,105,434
Other payables	33,834,092,563	32,127,453,214
Bonus and welfare funds	44,547,699,612	29,488,695,382
Long-term liabilities	58,224,298,318	59,140,845,752
Unearned revenue	-	119,417,273
Provision for severance allowance	33,818,985,521	21,163,637,977
Science and technology development fund	24,405,312,797	37,857,790,502
EQUITY	1,381,546,863,475	1,280,322,125,140
Equity	1,381,546,863,475	1,280,322,125,140
Share capital	651,764,290,000	269,129,620,000
Capital surplus	-	378,761,392,824
Treasury shares	(455,850,000)	(455,850,000)
Investment and development fund	286,384,048,884	204,329,442,743
Financial reserves	66,541,621,663	64,215,412,933
Retained profits	377,312,752,928	364,342,106,640
MINORITY INTEREST	11,911,380,319	8,716,245,431
TOTAL RESOURCES	1,995,706,667,059	1,819,735,094,670

Source: DHG Pharma

CONSOLIDATED STATEMENT OF INCOME

ITEM	Year 2011 VND	Year 2010 VND
Total revenue	2,510,825,145,928	2,052,247,764,060
Less sales deductions	(19,945,210,196)	(17,722,522,132)
Net sales	2,490,879,935,732	2,034,525,241,928
Cost of sales	(1,282,117,010,705)	(1,015,992,884,307)
Gross profit	1,208,762,925,027	1,018,532,357,621
Financial income	48,895,136,206	40,566,222,890
Financial expenses	(7,182,687,737)	(3,408,205,843)
Selling expenses	(558,862,870,510)	(483,629,769,106)
General and administration expenses	(185,188,217,125)	(134,944,063,183)
Net operating profit	506,424,285,861	437,116,542,379
Results of other activities		
Other income	9,934,185,563	9,233,695,237
Other expenses	(15,391,090,405)	(8,223,688,183)
Share of losses in associates	(10,025,671,093)	(3,981,996,715)
Profit before tax	490,941,709,926	434,144,552,718
Income tax expense – current	(72,903,779,886)	(51,233,929,515)
Income tax (expense)/benefit – deferred	1,724,228,543	424,611,128
Net profit	419,762,158,583	383,335,234,331
Attributable to:		
Minority shareholders	4,235,578,682	2,172,986,662
Equity holders of the Company	415,526,579,901	381,162,247,669
Basic earnings per share	6,382	5,883

Source: DHG's Audited consolidated financial statements 2011

CONSOLIDATED STATEMENT OF CASH FLOWS

ITEM	Year 2011 VND	Year 2010 VND
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	490,941,709,926	434,144,552,718
Adjustments for		
Depreciation and amortisation	53,597,351,298	41,463,499,111
Allowances and provisions	(1,012,042,080)	3,059,549,639
Gain on disposals of fixed assets	(1,759,732,840)	(1,279,976,595)
Gain on disposals of investments in associate	(1,546,692,690)	-
Dividends and interest income	(42,396,733,860)	(36,691,910,145)
Interest expense	2,038,850,925	2,010,709,744
Share of loss in associates	10,025,671,093	3,981,996,715
Operating profit before changes in working capital	509,888,381,772	446,688,421,187
Change in receivables and other current assets	(4,747,452,261)	(135,931,407,222)
Change in inventories	(169,735,622,065)	(38,548,783,964)
Change in payables and other liabilities	71,282,343,851	74,342,048,312
Change in prepayments	(148,437,007)	(749,653,721)
Interest paid	406,539,214,290	345,800,624,592
Corporate income tax paid	(1,967,602,123)	(2,182,859,688)
Other payments for operating activities	(86,291,647,569)	(57,225,908,675)
Net cash generated from operating activities	(54,835,562,835)	(28,167,068,454)
	263,444,401,763	258,224,787,775
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for additions to fixed assets and other long-term assets	(256,260,211,277)	(124,759,054,121)
Proceeds from adjustment of purchase price of land use rights	-	5,491,223,499
Proceeds from disposals of fixed assets and other long-term assets	5,487,880,667	6,110,475,532
Loans given to other entities	(1,035,537,465)	(5,095,308,180)
Loans collected from other entities	5,999,720,820	
Term deposits received	-	16,037,166,667
Payments for investments in other entities	-	(13,615,000,000)
Proceeds from disposal of associate	13,500,000,000	157,550,000
Receipts of interests and dividends	44,015,852,247	41,441,782,023
Net cash used in investing activities	(188,292,295,008)	(74,231,164,580)

ITEM	Year 2011 VND	Year 2010 VND
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from equity issued	2,500,000,000	2,591,350,000
Payments for shares repurchases	-	(136,800,000)
Proceeds from short-term borrowings	48,180,001,906	39,476,967,542
Payments to settle debts	(39,866,813,555)	(100,654,216,701)
Payments of dividends	(261,400,196,000)	(66,880,340,000)
Net cash used in financing activities	(250,587,007,649)	(125,603,039,159)
Net cash flows during the year	(175,434,900,894)	58,390,584,036
Cash and cash equivalent at the beginning of the year	642,519,118,992	584,128,534,956
Cash and cash equivalent at the end of the year	467,084,218,098	642,519,118,992

Non - cash investing activities	Year 2011 VND	Year 2010 VND
Bonus shares issued by capital surplus and investment and development fund	380,134,670,000	-
Receivable on cancellation of land lease contract	-	13,848,944,240

Source: DHG Pharma





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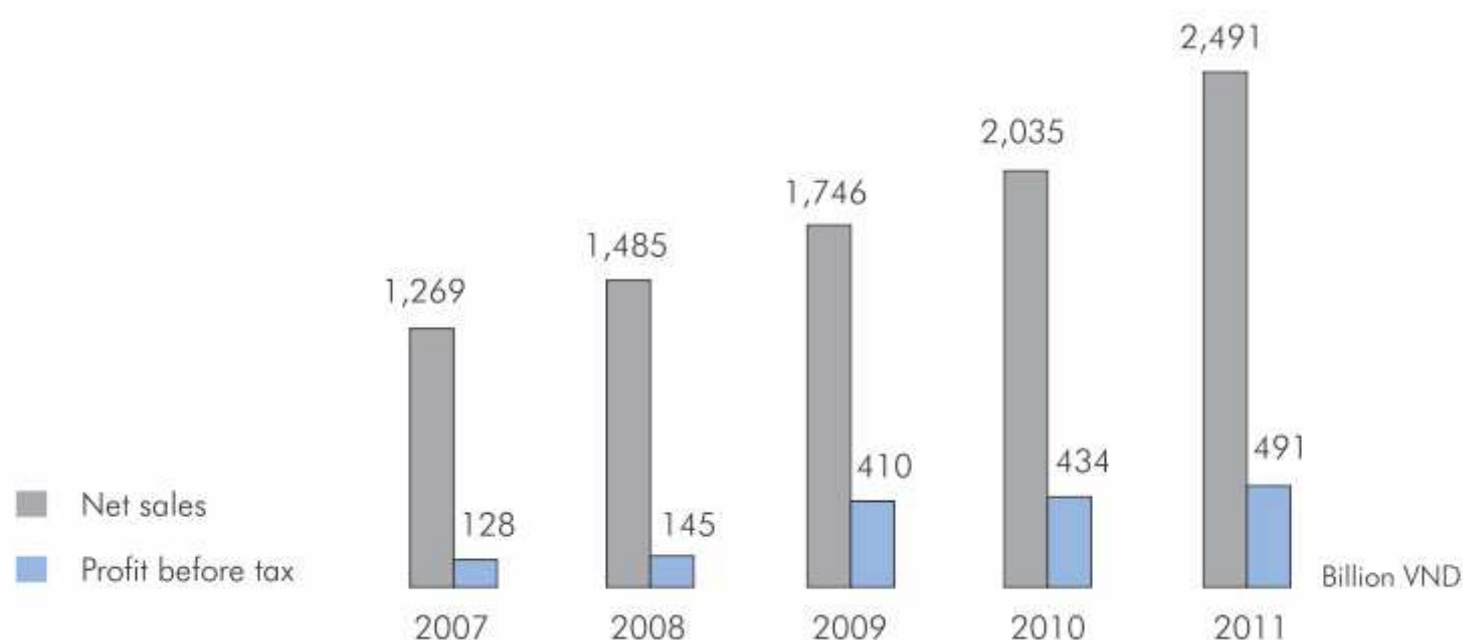
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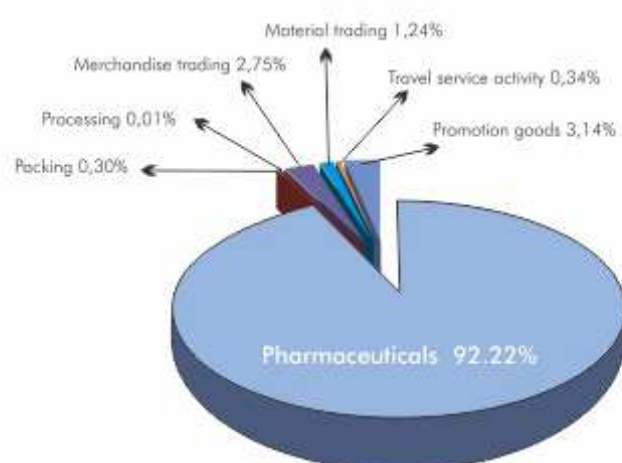
FINANCIAL ANALYSIS



The year 2011 continued to be a successful year that surpassed the planned revenue and profit. Particularly, net revenue from sales reached 2,491 billion VND; increasing 22.4% compared to 2010 and surpassed 11.2% of the plan. Similarly, profit before tax reached 491 billion VND; increasing 13.1% compared to the last year and achieved 129.2% of the plan.



Following functions of DHG Pharma in 2011



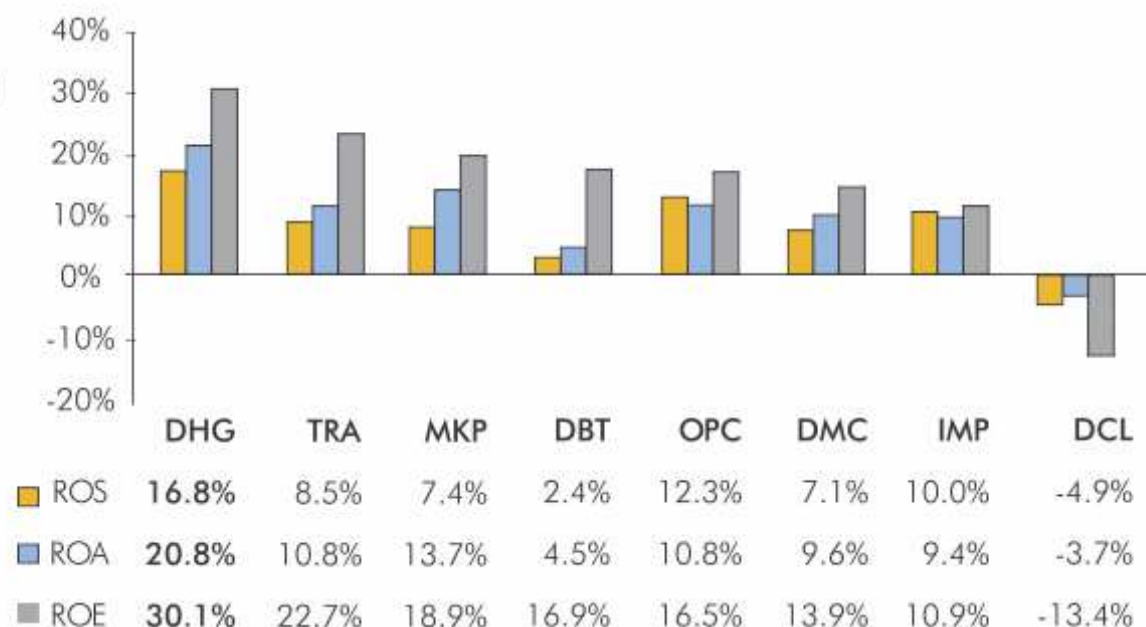
We can see that the growth of revenue is higher than that of profit before tax because the profit margin of the Company decreased compared to previous years. The decrease of profit margin was mainly because the rise of raw materials' price but finished product's price cannot increase accordingly. Despite that fact, the profit margin of DHG, in general, is still at a high extent in comparison with other companies of the same field.

Item	2007	2008	2009	2010	2011
Gross profit margin	52.7%	53.3%	52.9%	50.1%	48.5%
Profit margin before tax and interest	9.1%	10.8%	24.7%	23.2%	21.7%
Profit margin before tax	10.1%	9.8%	23.5%	21.3%	19.7%
Return on sales (ROS)	9.1%	8.7%	20.5%	18.7%	16.7%
Return on equity (ROE)	18.0%	18.4%	35.3%	29.8%	30.1%
Return of assets (ROA)	12.2%	11.9%	23.5%	20.9%	20.8%

Source: DHG's Audited consolidated financial statements

Despite the decrease of profit margin, the ROA and ROE of DHG in 2011 remain at a high extent as in 2010. This achievement thanked to efficiency of activities, which was proved by the improvement of the net revenue over total assets ratio of the year 2011. Profitability indicators of DHG, in comparison with other listing companies of the same field, still take the lead.

Operating efficiency of listing pharmaceutical enterprises



Source: Audited financial statements of companies

DuPont Analysis with the impact of factors

Impact of business income taxes

According to DuPont Analysis, after the stability of two years 2009 and 2010, net profit/EBT ratio tends to decrease in the year 2011; in other words, the burden of taxes slightly affected to the Group's ROE in the year 2011.

In 2012 and 2013, DHG continues to receive the incentive policy that cuts 50% of business income taxes of the tax rate 20% thanks to its listing prior December 31st 2006 (the cut tax rate was 10%). The new factory will receive the incentive policy that cuts 10% of tax rate in 15 years when it is in operation; in details: free for 4 years, 50% free for 09 following years (5% remains), then 10% tax rate for the last 2 years. This will positively effect to the ROE, ROA and ROS in the future.

		2007	2008	2009	2010	2011
Net profit/ Earnings before tax (EBT)	Tax burden	89.7%	89.6%	88.5%	88.3%	85.5%
EBT/Earnings before interest and tax (EBIT)	Impact of earning from interest	91.2%	108.3%	106.2%	108.6%	107.7%
EBIT/Net revenue	Marginal gross profit ratio	11.1%	9.0%	22.1%	19.7%	18.3%
Gross profit/ Net revenue	Gross profit ratio	9.1%	8.8%	20.8%	18.8%	16.9%
Net revenue/ Total assets	Asset-use efficiency	1.34	1.37	1.15	1.12	1.25
Total assets/ Total equity	Financial leverage	1.48	1.55	1.50	1.42	1.44
ROE		18.0%	18.4%	35.3%	29.8%	30.1%

Source: DHG's Audited consolidated financial statements

Impact of income from interest

The impact of income from interest tended to fall in the year 2011 because the Company disbursed a large amount of cash for business promotion (in which: 71.8 billion VND for the new factory, 30.4 billion VND for buying lands, buildings for distribution system) and increase the dividend up to 40% of par value over number of shares after release of bonus shares. Therefore, the interest was high but bank deposits decreased and lead to the fall of the contribution of the income obtained from bank interest to net profit of the Company. Specifically, in 2011, the Group spent 256.3 billion VND to buy fixed assets and other assets, increasing 105.4% compared to 2010. This caused cash and cash equivalents at December 31st 2011 of the Group was at 467.1 billion VND, falling 175.4 billion VND in comparison with the same period last year.

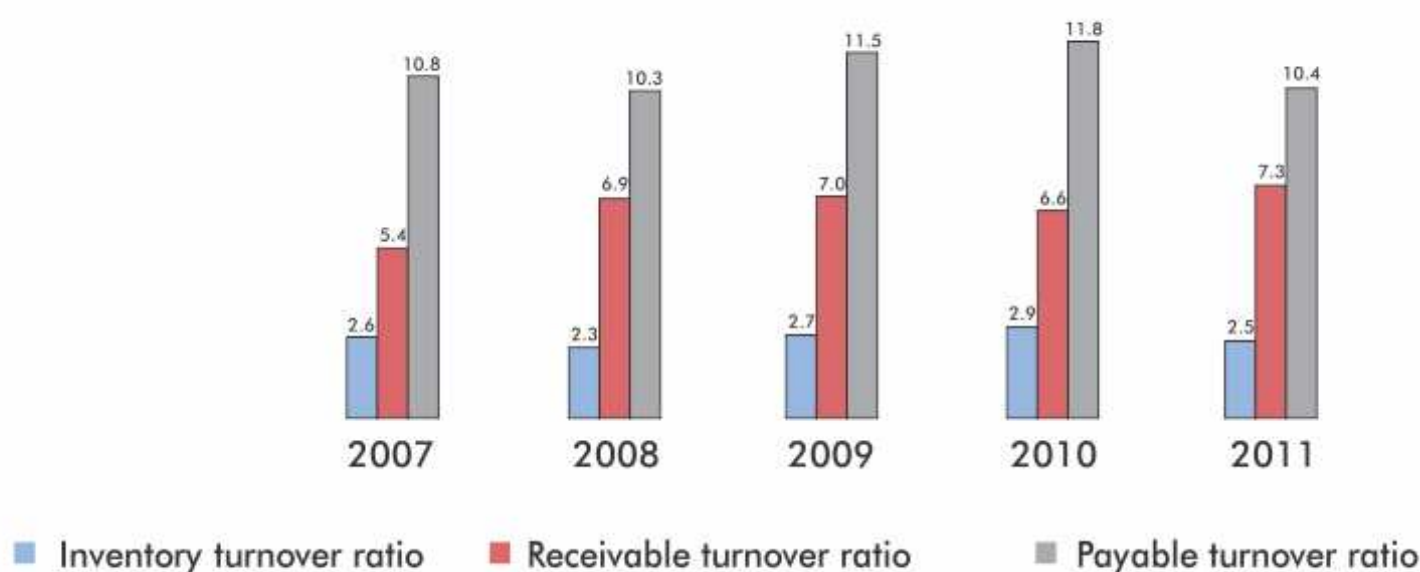
With the need of spending cash of about 600 billion VND in 2012 including: 432.5 billion VND of disbursement for the new factory; 56.7 billion VND to invest in the distribution system, 45.1 billion VND for investment in the modern factory, 65 billion VND for the remaining dividend of the year 2011; 450 billion of the planned in cash flow; income from interest of the Group is predicted to be down in 2012. In short time, this may affect the Group's profit. Thus, the consolidated profits plan 2012 of the Company removed the income from interest.

However, in the context that the interest on savings tends to go down, in terms of opportunity cost in medium-term and long-term, the money disbursed to invest in core business activities is expected to bring higher profit, more stable and sustainable for the Group in the next development period.

Impact of financial leverage and efficient use of assets

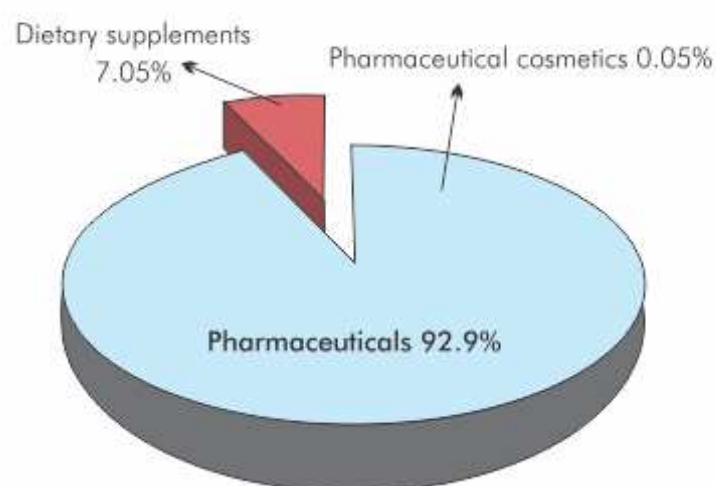
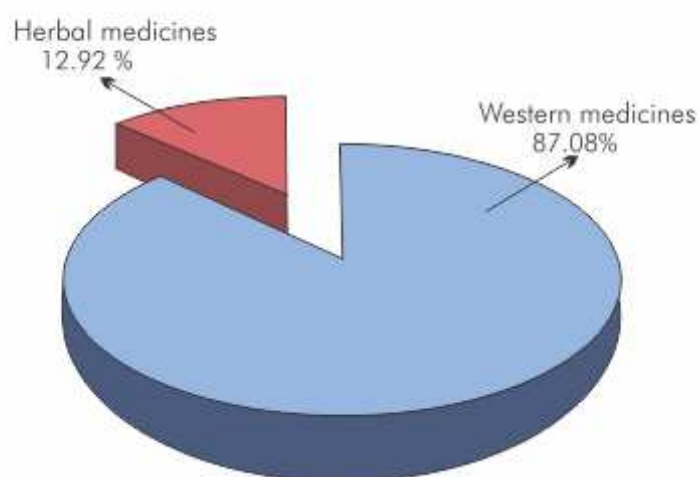
According to DuPont Analysis, that ROE and ROA of DHG continue to stay at a high level in 2011 was because the Group maintained the financial leverage ratio at the equivalent level as last year, as well as lifted its asset-use efficiency ratio. The increase of asset-use ratio and total asset showed that: in the year 2011, together with the increase of asset scale, the Group efficiently used its assets in business activities.

To clarify the efficient use of the Group in 2011, let's examine the efficiency indicators of inventory-use and account receivables (the two assets that made up more than 50% of total assets value of the Group in 2011). The payable turnover ratio shall be also examined because it intimately relates to the two asset-use efficiency indicators stated above.



Source: Audited consolidated financial report of the companies

The performance of the Company, in general, improved compared to last year. Receivable turnover ratio made 7.3 turns, increasing 0.6 turn in comparison with 2010. This was because of the impact of policy paying salaries for sales based on received money, which was applied by the Company in the year 2011 (before that, the salaries were based on sales). Besides, the payable turnover ratio fell to 10.4 turns. The increase of receivable turnover ratio together with the decrease of payable turnover ratio had a positive impact on cash flow of the Company.



Sales structure of DHG in 2011

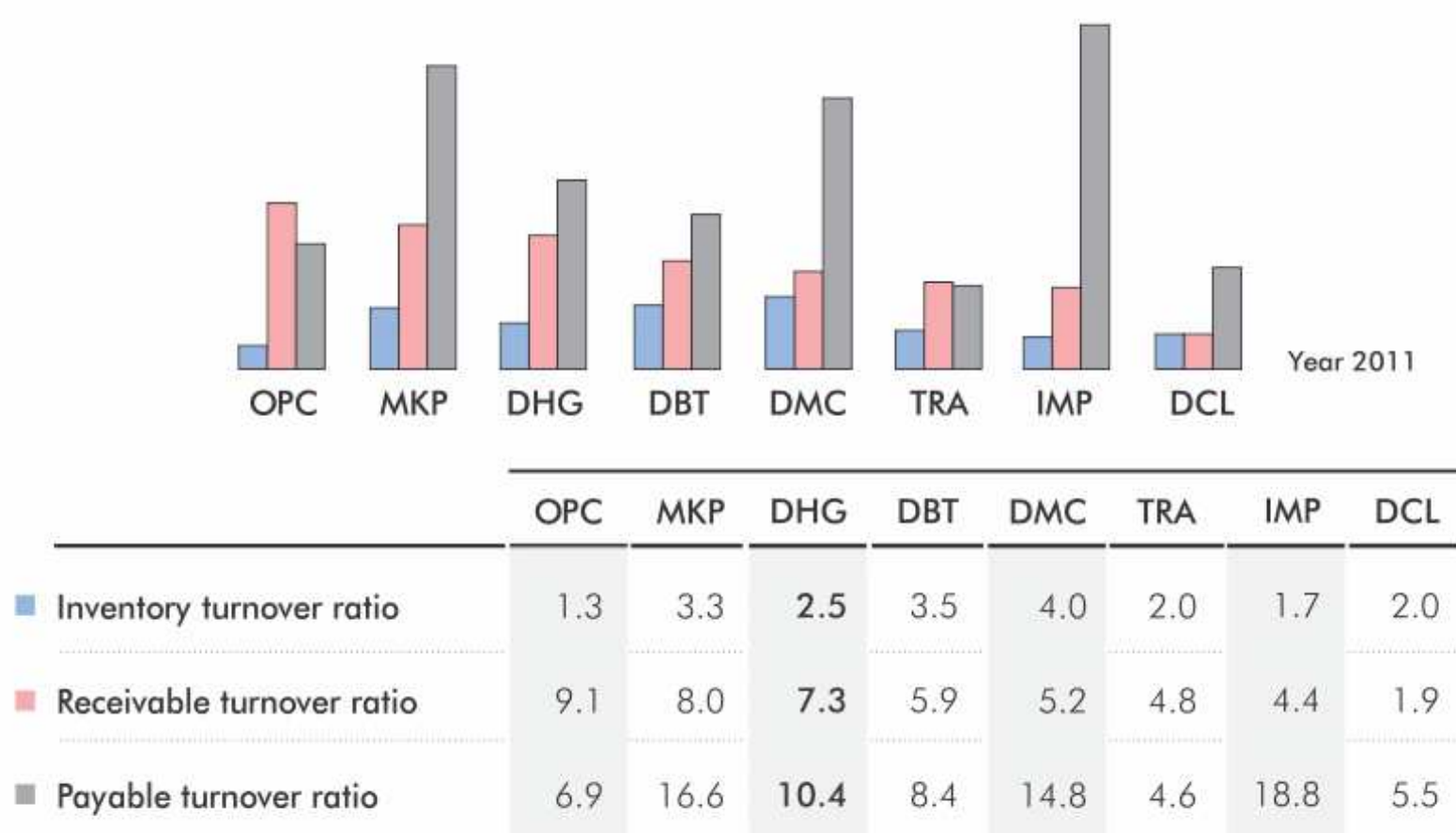
Meanwhile, that the inventory turnover ratio went down compared to 2010 was due to the increase in inventory of material and finished products at the end of the year 2011.

The in-stock finished products increased 101.82% to guarantee sufficient goods in the first months of 2012 due to the discontinuity of manufacture in the period of Tet Holiday.

The in-stock materials increased 40.19%, goods in transit increased 64.87% (mainly materials) because of the followings:

- + Storing and reserving materials for production at least 3 months.
- + The increase in materials price lead to higher cost.
- + The increase in material list due to the production of new products.
- + The change of production plan.

Performance of listing pharmaceutical companies in 2011



Source: Audited consolidated financial report of the companies

In terms of overall, account receivables of DHG were administered more efficient than other companies of the same field, while inventory administration has not been improved in recent years. Much inventory in the period that the amount of cash was abundant and the cost for materials increased brought to the Company certain efficiency. However, from the year 2012 with the density making up 20-25% of total assets, the inventory, if more efficiently managed, shall release a large number of working capital, as well as save interest expense in the future.



It is necessary to look for solutions to enlarge the working capital when we examine the fluctuations of payment indicators in 2010 and 2011.

	2007	2008	2009	2010	2011
Current liquidity ratio (times)	2.24	2.13	2.52	3.06	2.74
Quick liquidity ratio (times)	1.48	1.29	1.88	2.32	1.79
Cash liquidity ratio (times)	0.45	0.58	1.21	1.36	0.86

Source: DHG's Audited consolidated financial statements

The current liquidity showed the difference between short-term assets and short-term debts. This difference is also the amount of working capital of the Group. In 2011, the current liquidity had a sign of going down. This was because of the effort of enhancing the debt collection efficiency, causing the account receivables' growth to be slower in comparison with that of short-term debts.

However, the most importance was the drop of absolute figure of the cash amount, which was presented by the deep decrease of cash liquidity ratio in 2011. With the need of using cash to invest for development in the year 2012, the cash liquidity ratio tends to move towards zero. Thus, the current liquidity is predicted to be lower in the year 2012.

Liquidity ratios of listing pharmaceutical companies in 2011

	IMP	MKP	DHG	OPC	DMC	TRA	DBT	DCL
Current liquidity ratio in 2011	4.86	3.22	2.74	2.30	2.06	1.68	1.23	1.02
Quick liquidity ratio in 2011	2.95	1.29	1.79	0.68	1.29	0.79	0.60	0.61
Cash liquidity ratio in 2011	1.20	0.11	0.86	0.12	0.25	0.12	0.04	0.03

Source: Audited financial statements of companies

Compared to other listing companies of the same field, the current liquidity ratio of DHG is highly secure, especially quick liquidity ratio thanks to the cash amount, which made up a high rate of the structure.

Impact of cost-cutting efficiency

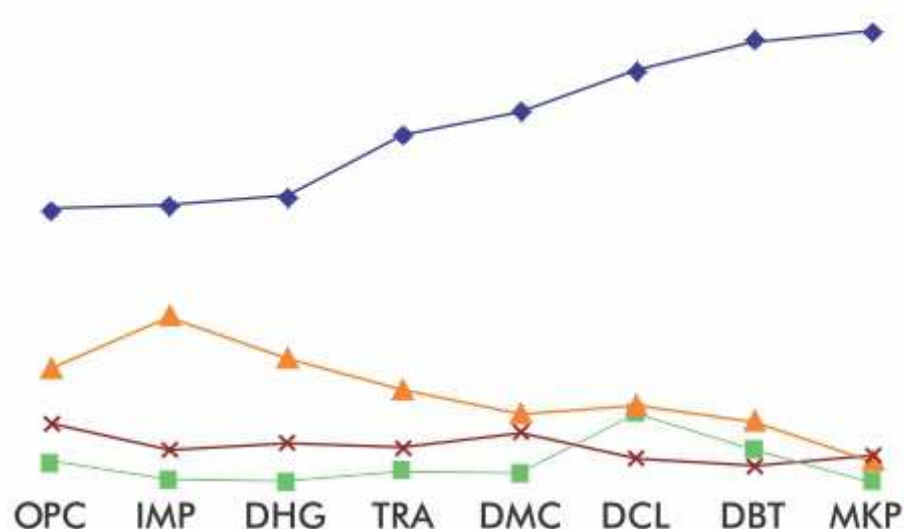
Cost-cutting can be one of the solutions to release the pressure of working capital. In fact, DHG tried its best to cut the ratio of sales cost over net revenue. With the particulars of Vietnamese pharmaceutical market, expanding the distribution system and reasonably using the sales cost play an important role in strategy of the Company.

	2007	2008	2009	2010	2011
Net revenue	100%	100%	100%	100%	100%
Costs of good sold	47.3%	46.7%	47.1%	49.9%	51.5%
Gross profit	52.7%	53.3%	52.9%	50.1%	48.5%
Financial income (interest from banks not included)	0.2%	0.4%	0.2%	0.2%	0.3%
Financial expenses (interest not included)	0.1%	2.2%	1.2%	0.1%	0.0%
Selling expenses	37.0%	35.1%	23.5%	23.8%	22.4%
Administrative overheads	4.7%	7.0%	6.5%	6.6%	7.4%
Other income	0.0%	0.0%	0.1%	0.0%	0.0%
Other expenses	0.0%	0.3%	0.0%	0.1%	0.6%
Earnings before interest and tax (EBIT)	11.1%	9.0%	22.1%	19.7%	18.3%
Earning from interest	0.2%	1.1%	1.6%	1.8%	1.7%
Interest expenses	1.2%	0.4%	0.2%	0.1%	0.3%
Profit before tax	10.1%	9.8%	23.5%	21.3%	19.7%
Business income tax	1.0%	1.0%	2.7%	2.5%	2.9%
Profit after tax	9.1%	8.7%	20.5%	18.7%	16.7%

Source: DHG's Audited consolidated financial statements

We can see that revenue of DHG continuously grows while the Group is able to cut the ratio of selling expenses and build the most complete distribution system compared to its rivals. This is more meaningful when gross profit of the Group tends to be down slightly due to the impact of material cost but the finished product prices are under control of the government.

Cost structure of listing pharmaceutical companies in 2011



	OPC	IMP	DHG	TRA	DMC	DCL	DBT	MKP
◆ Cost of goods sold	49.1%	50.0%	51.5%	62.4%	67.0%	74.0%	79.6%	81.2%
■ Financial expenses	3.9%	0.9%	0.3%	2.6%	1.8%	12.5%	6.0%	0.6%
▲ Selling expenses	20.6%	30.2%	22.4%	17.1%	12.6%	14.2%	11.2%	4.3%
✕ Administrative overheads	10.9%	6.2%	7.4%	6.8%	9.2%	4.9%	3.2%	5.3%

Source: Audited consolidated financial report of the companies

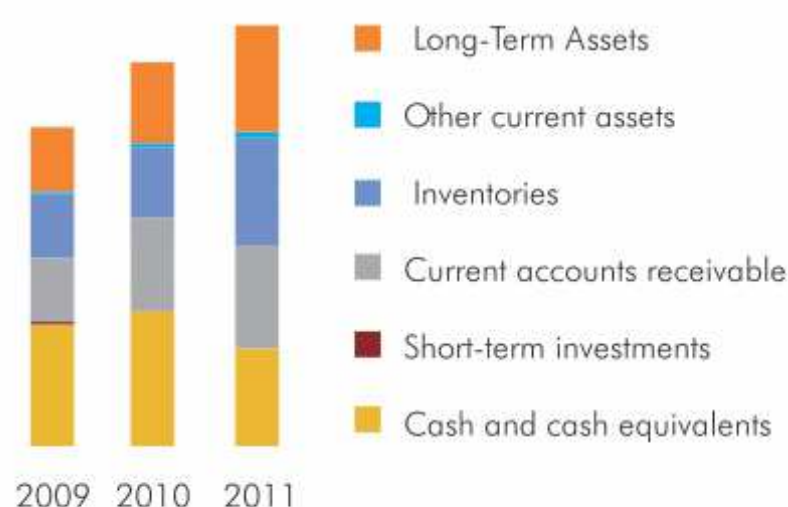
Analysis on assets and capital structure

Reviewing the balance sheet at 31/12/2011, total asset of the Group reached 1,996 billion VND, increasing 9.7% compared to the same period last year. In terms of structure, total long-term assets increased 4.5% to contribute 25.3% to total assets of the Group at the end of the year 2011. In contrast, although the total short-term assets increased in terms of absolute value (about 49 billion VND), in terms of structure, total short-term assets decreased to 74.7% of total assets.

	2007	2008	2009	2010	2011
SHORT-TERM ASSETS					
Cash and cash equivalents	14.3%	19.6%	38.4%	35.3%	23.4%
Short-term investments	5.5%	0.2%	1.1%	0.0%	0.0%
Short-term account receivables	27.2%	23.6%	19.5%	24.5%	24.5%
Inventory	24.4%	28.5%	20.2%	19.1%	25.8%
Other short-term assets	0.4%	0.6%	0.6%	0.3%	0.9%
TOTAL SHORT-TERM ASSETS	71.9%	72.4%	79.7%	79.2%	74.7%
LONG-TERM ASSETS					
Fixed assets	24.2%	19.4%	15.6%	16.7%	23.0%
Investment property	0.0%	0.0%	0.0%	0.4%	0.0%
Long-term financial investments	3.8%	6.2%	2.1%	2.2%	0.9%
Other long-term assets	0.1%	2.0%	2.7%	1.5%	1.4%
TOTAL LONG-TERM ASSETS	28.1%	27.6%	20.3%	20.8%	25.3%
TOTAL ASSETS	100%	100%	100%	100%	100%
LIABILITIES	32.1%	34.0%	29.1%	25.9%	27.3%
In which:					
Payables to sellers	5.9%	6.3%	4.7%	4.7%	6.2%
Taxes and other payables to State Treasury	1.6%	1.7%	2.3%	2.2%	1.4%
Payables to employees	4.3%	5.4%	5.5%	5.5%	6.3%
Accrued expenses	11.5%	17.6%	10.6%	9.3%	8.3%
Long-term liabilities	0.1%	1.4%	3.5%	3.2%	2.9%
In which:					
Provision for severance allowance	0.1%	1.4%	0.9%	1.2%	1.7%
Science and technology development fund	0.0%	0.0%	2.5%	2.1%	1.2%
TOTAL LIABILITIES	32.2%	35.4%	32.6%	29.2%	30.2%
TOTAL EQUITY	67.6%	64.3%	66.9%	70.4%	69.2%
In which:					
Share capital	21.2%	18.5%	17.5%	14.8%	32.7%
Capital surplus	40.1%	35.0%	24.9%	20.8%	0.0%
Treasury shares	0.0%	0.0%	0.0%	0.0%	0.0%
Retained profits	0.1%	5.8%	21.7%	20.0%	18.9%
Interest of minority shareholders	0.3%	0.3%	0.5%	0.5%	0.6%
TOTAL OWNER'S EQUITY	67.8%	64.6%	67.4%	70.8%	69.8%
TOTAL RESOURCES	100%	100%	100%	100%	100%

Source: DHG's Audited consolidated financial statements

The ratio of total assets in 2011 decreased mainly because of the sharp decline of the ratio of cash and cash equivalents. On the other hand, the strong investment in fixed assets was the cause of increase in the ratio of long-term assets.



Source: DHG's Audited consolidated financial statements

In details, the investment in working houses and storehouses for the distribution system were continuously pushed up in 2011. Besides, the finish of building soft-capsule factory and investment for apparatus, solving the overloaded condition of the current factory contributes to raise the value of long-term assets of the Group in the year. Thanks to that, the value of total fixed assets increased to 156 billion VND.

Buildings, structures:

According to the plan, total investment in the distribution system in 2011 was 70 billion VND, increased the total assets by 43 billion VND; some items, which was not completed in 2011, shall be continued in 2012.

ITEM (VND)	Plan in 2011	Performance in 2011	
		Building house	Buying land
Building house for Hai Duong branch	2,369,000,000	2,268,648,181	
Building house for Gia Lai branch	1,808,000,000	1,809,821,487	
Building house for Ben Tre branch	2,014,000,000	2,057,799,100	
Building house for Bac Ninh branch	2,431,000,000	1,992,734,545	
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	1,779,970,549	
Building house for Quy Nhon branch	4,400,000,000		3,517,500,000
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		2,900,000,000
Building house for Binh Duong branch	3,500,000,000		
Building house for Tien Giang branch	3,700,000,000		2,617,054,063
Building house at 68 Nguyen An Ninh, Can Tho city	5,900,000,000		
Buying land and house in Ho Chi Minh city	11,000,000,000	1,454,875,291	10,038,270,000

Items (Unit: VND)	Plan in 2011	Performance in 2011	
		Building house	Buying land
Planned upgrade and repair	8,596,000,000	106,160,000	
Building house for Thanh Hoa branch		1,256,145,455	
Leveling at 288 Bis Nguyen Van Cu st, Can Tho City			2,540,241,968
Buying land in Soc Trang			1,307,600,000
Buying land in Xeo Cao hamlet, Thanh Xuan village, Chau Thanh A district, Hau Giang province (welfare)			7,095,362,000
Total	70,000,000,000	12,726,154,608	30,016,028,031

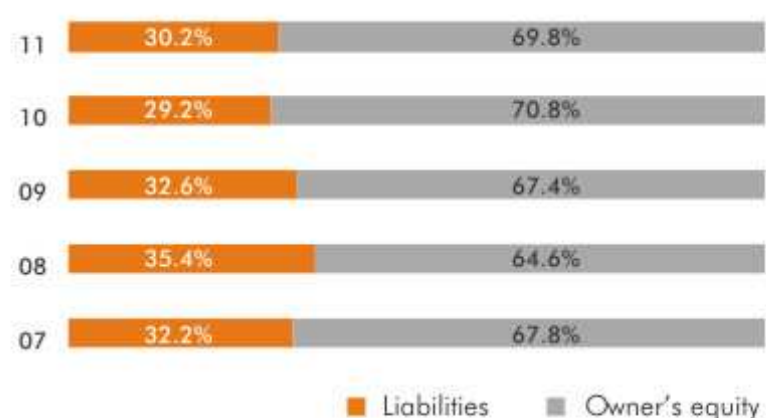
Welfare constructions:

Items (Unit: VND)	Address	Performance 2011
Building the tenement	288 Bis Nguyen Van Cu st., An Hoa ward, Ninh Kieu district, Can Tho City	7,069,261,913
Football yard	288 Bis Nguyen Van Cu st., An Hoa ward, Ninh Kieu district, Can Tho City	1,382,985,292
Building the pool	288 Bis Nguyen Van Cu st., An Hoa ward, Ninh Kieu district, Can Tho City	4,609,210,789
Building the kindergarten	288 Bis Nguyen Van Cu st., An Hoa ward, Ninh Kieu district, Can Tho City	2,048,212,254
Buying land	Buying land Xeo Cao hamlet, Chau Thanh A district, Hau Giang province	7,095,362,000
Total		22,205,032,248

Apparatus, means of transportation for the factory:

Items (Unit: VND)	Plan 2011	Performance 2011
Quality control devices	6,600,000,000	3,370,541,791
Devices for Research & Development	2,900,000,000	3,104,251,031
Major repair for the factory	15,000,000,000	10,667,213,186
Equipment for production	22,000,000,000	20,494,039,701
Means of transportation	6,800,000,000	6,641,243,090
Software		2,403,735,736
Total	53,300,000,000	46,681,024,535

Source: DHG's Audited consolidated financial statements



For capital, the equity remains at 70% of total capital. In 2011, the capital surplus was completely divided under the form of bonus shares. Therefore, the ratio of capital surplus fell down to zero, while that of the owner's equity increased by 17.9%, making 32.7% of total assets.

For the liabilities, at December 31st 2011, short-term liabilities still made up a major amount in total liabilities. At the end of 2011, the ratio of short-term liabilities slightly raised while that of long-term liabilities slightly dropped compared to the same period last year. From 2007 to 2009, DHG borrowed from banks some short-term loans with total from 30 to 186 billion VND for working capital. Since 2010, because the interest went high, especially the good business performance, which helped the Company, always store a large amount of cash (averagely over 550 billion VND in 2010 and 2011), DHG Pharma stopped borrowing from banks. This helped the Group avoid the interest burden that was suffered by most of companies, as well as received 78.2 billion VND of interest from the banks in 2010 and 2011.

However, since 2013, DHG Pharma maybe shall borrow short-term loans to for working capital because the providing money shall be for the new factory project. Thus, profit after tax from 2012 shall be deeply affected due to the loss of earnings from interest and having interest cost.

Among short-term liabilities, due to the increase in inventory of raw materials in the end of 2011, the ratio of payables to sellers at the same period

showed an upward trend compared to that in 2010. The notification was that the ratio of account payables in the end of 2011 presented a gradual decreasing movement as former years. These payables mostly were made by selling expenses such as: sales deductions, promotion cost, seminars and advertising cost. The declination of these costs remarked the effort of decreasing proportion of DHG selling expenses as above analysis.

Conclusion

In conclusion, DHG Pharma financial indicators in 2011 maintained its healthy level. However, the issue of rising inventory value and low inventory turnover is needed to be noted and continuously improved. In 2012, because of the disbursement effect of new factory construction investment, it is estimated that total cash savings should be spent, which leads to the ability of arising some short-term borrowings to add to working capital. Therefore, we can expect that in 2012, the total assets of the Company will increase while the capital structure changes towards the increasing trend of liability per owner's equity. In the situation of decrease tendency of interest, launching to use financial leverage will support remarkably to the efficiency of business operation.

In terms of efficient business performance in 2012, the Group's overall revenue expected to remain its growth level as recent years. In the meanwhile, the profit before tax of the Group is estimated to slowly increase because the contribution of interest income is negligible. Regarding consolidated balance sheet, to the end of 2012, there will be a significant change of the ratio of short-term and long-term assets following the decreasing tendency of short-term assets and the increasing ratio of long-term assets. Meanwhile, capital structure is predicted to remain unchanged according to the data in 2011.

STRATEGY PLAN



PROSPECTS OF VIETNAM PHARMACEUTICAL SECTOR

Growth rate and scale

GDP growth rate and domestically produced medicine growth



According to Vietnam Drug Administration, the total amount spending on medicine in Vietnam pharmaceutical market in 2011 was USD 2,432.5 million, 27.1% up in comparison with the year 2010. In which, domestically produced medicine value was USD 1,140 million (rising 24.04%) with USD 1,095.5 million of domestic consumption, USD 44.5 million of export (increasing 1.5%). In the meantime, finished products and raw materials exported in 2010 was USD 43.84 million.

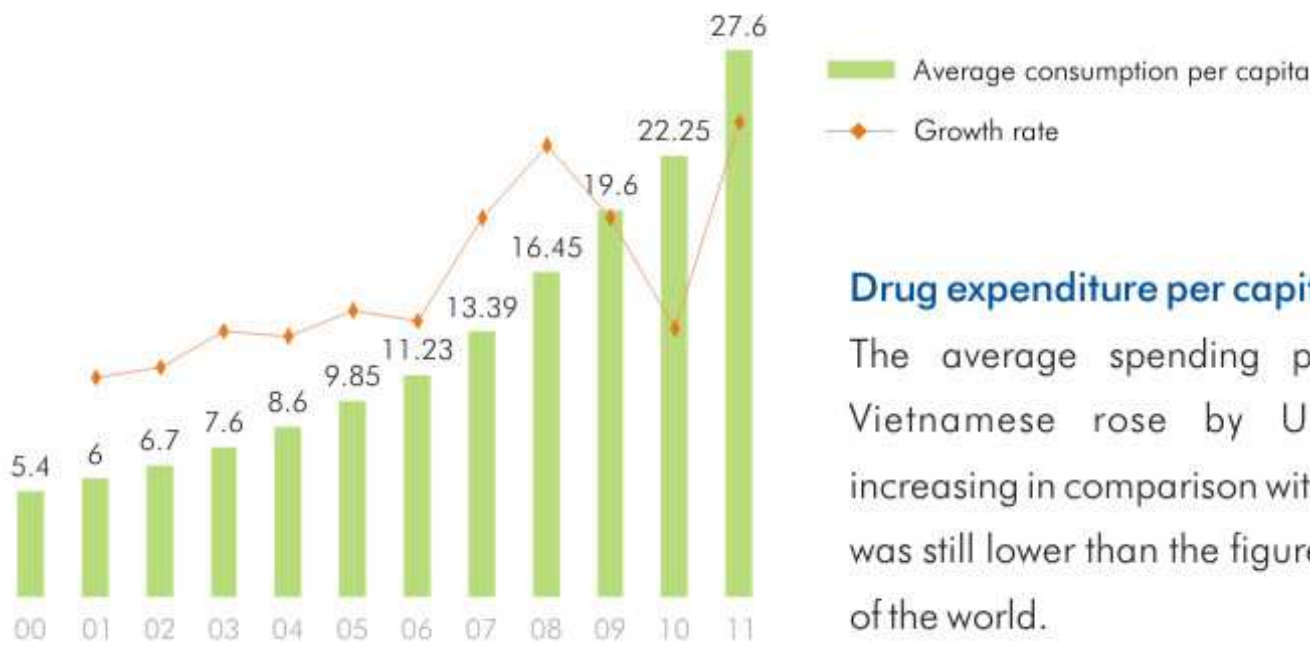
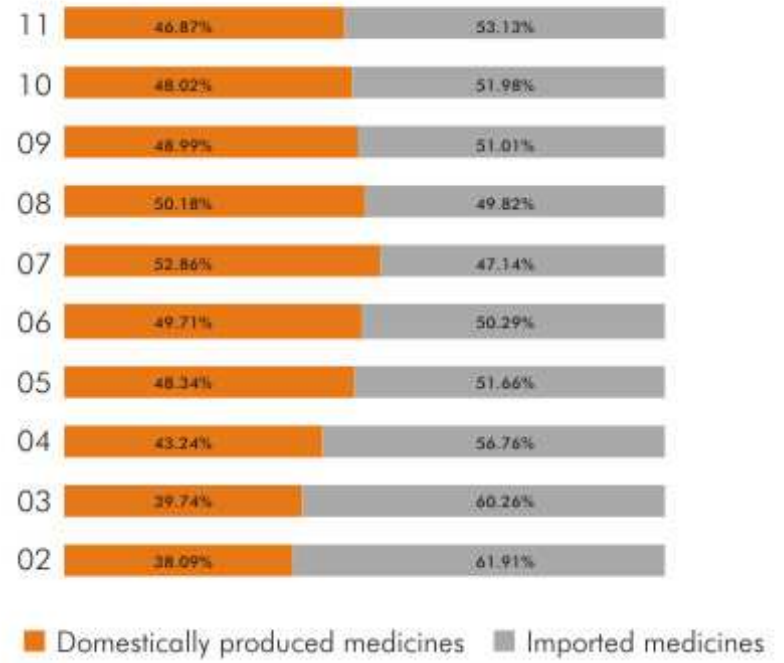
Year	Total amount spending on medicine in Vietnam (million USD)	Pharmaceutical market growth	Value of domestically produced medicine (million USD)	Growth of domestically produced medicine
2002	526	23%	200	18%
2003	609	16%	242	21%
2004	708	16%	306	26%
2005	817	16%	395	29%
2006	956	17%	475	20%
2007	1,136	19%	601	26%
2008	1,426	25%	715	19%
2009	1,696	19%	831	16%
2010	1,914	13%	919	11%
2011	2,433	27%	1,140	24%

Source: Drug Administration of Vietnam

The value of finished product imported in 2011 was USD 1,337 million, increasing 22.33% in comparison with that of the year 2010 (USD 1,038.46 million). The value of raw materials imported in 2011 was USD 190 million, 11.26% down compared with that in 2010 (USD 214.110 million). Total value of medicine and raw materials imported in 2011 was USD 1,572 million.

Market share

There was a downward trend of the market share of domestic medicines compared with imported ones in recent years although there was an overwhelming of 52.86% established in 2007. The main reasons were the upward movement of foreign exchange rate and the entry of various foreign enterprises to Vietnam pharmaceutical market.



Drug expenditure per capita

The average spending per capita in 2011 of Vietnamese rose by USD 27.6/person/year, increasing in comparison with that in 2010, however, it was still lower than the figure of USD 40/person/year of the world.

Human resource for pharmaceutical sector

To 31/12/2011, the total number of pharmacists who were graduates and postgraduates was 16,875. The average rate was 1.92 pharmacists/ten thousand people (estimated on 86 million people), which shows an increasing trend compared with 2010.

Pharmacists	2006	2007	2008	2009	2010	2011
Graduates	9,458	9,075	12,777	13,846	13,741	15,313
Postgraduates	963	1,089	1,146	1,330	1,409	1,562
Total	10,421	10,164	13,923	15,176	15,150	16,875
Average rate of graduates per ten thousand people	1.20	1.19	1.50	1.77	1.76	1.92

Source: Drug Administration of Vietnam

The pharmacy work force in Vietnam was unevenly distributed among regions or cities/ provinces: almost of pharmaceutical resource mainly located in big cities namely Ha Noi, Ho Chi Minh City; which caused the imbalance in human resource on local services.

Moreover, there was uneven distribution of pharmaceutical human resource in State management agencies and business establishments. The number of pharmacists work for businesses accounted for 81.98% (13,834/ 16,875), particularly focusing on drugstores (9,344), private companies (2,600) and enterprises with state capital (1,633).

Drug registration

Content	The valid Reg.No at 31/12/2011			
	Valid registration numbers	Number of active substances	Rate of active substances/ registration numbers	Total of registration numbers issued in 2011
Domestic medicines	13,268	524	3.95%	2,512
Imported medicines	15,552	971	6.24%	2,900
Total	28,820	1,495		5,412

Source: Drug Administration of Vietnam

The number of 13,268 names of drug/ 524 active substances having valid to be circulated over the country produced by domestic enterprises contributed to ensure supply ability of common drug demand and stabilize Vietnam pharmaceutical market, reduce the pressure upon imported medicines. In which, oriental medicine registration numbers were 680, making up 5.13% because most of them were out of valid after 31/12/2010 following the procedure of GMP for oriental medicines.

Nevertheless, the rate of active pharmaceutical ingredients/ registration numbers of domestically produced medicines were 3.95%, less 6.24% than that of foreign ones; which shows that domestically produced drugs were almost overlapping or common products with low value, expiration of drug intellectual property rights and impossibility in supplying treatment medicine list of Ministry of Health.

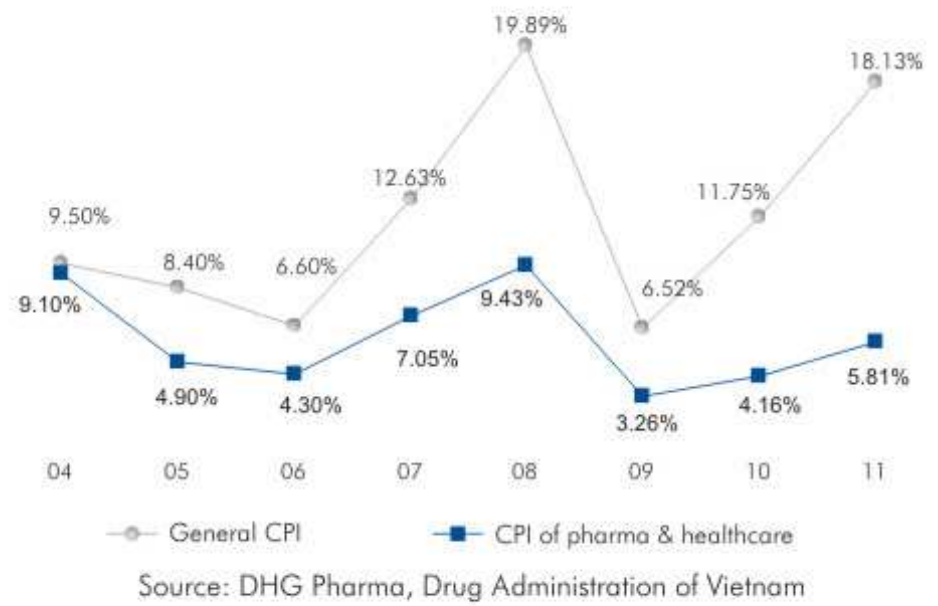
Total registration numbers in 2011 were 5,412, less than figure of 6,150 in 2010. In particular, there was a remarkable decreasing trend in registration numbers of domestic drugs in 2011 of 2,512 compared with that of 4,186 in 2010. In the meanwhile, there was an opposite pattern of foreign drugs, with data from 1,837 to 2,900 registration numbers.

The active substances with the most registration number in quantity were antibiotic medicine, antipyretic and analgesic medicine, vitamin - nutritious medicine, etc. Group of specialists such as anti-cancer, anti-virus, anesthesia drug occupied a very small proportion.

There are 625 foreign companies, which are issued certificate of business registration.

Price situation

In 2011, despite the fact that the market strongly depended on the fluctuation of input respects of business operation, basically, drug market was stable. According to the report of General Statistic Office – Ministry of Planning and Investment of Vietnam, the general Consumer Price Index (CPI) in 2011 was 18.13% while CPI of medicine and health services just around 5.81%, rating 10/11 groups of essential products. Meanwhile, price index of medicine and health services was 4.16%, rating 9/11 in 2010.

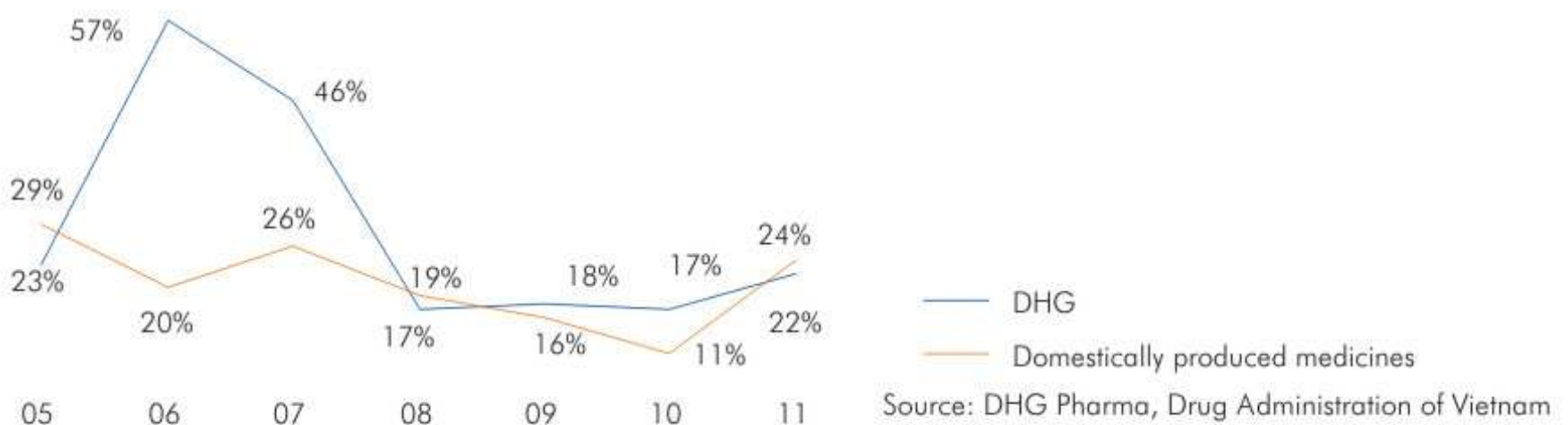


In free market, according to the report of Vietnamese pharmaceutical manufacturing and trading Association, approximate 0.8% of total medicines had price adjustment monthly, and 9.6% were estimated during the year.

General outlook

Vietnam pharmaceutical market has much potential for development, especially to domestic drug manufacturers. The spending on medicine shows an annually considerable growth, much more than figure of GDP growth while the average price of whole industry rises only 5.81%. This figure presented the increase of Vietnam pharmaceutical market based on the quantity with young population and the rise in the need of healthcare. Though, the number also indicates some risks that pharmaceutical enterprises face with: the price under tide management of the Government when most of pharmaceutical companies produce generic medicine, depending on imported raw materials, fluctuating movement of foreign exchange, input aspects. That creates a significant competition in the relationship of domestic produced enterprises together and domestic produced companies with foreign companies.

Despite of the leading position of Vietnam Pharmaceutical Industry though years with the growth rate higher or equivalent to the average growth rate of industry, DHG always identifies that there are many challenges in the front way and equip itself with necessary and sufficient conditions ready for integration and competition.



Strengths

1. Having a 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.

S.W.O.T analysis



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. The management ability does not keep pace with the development of the Company because of its excessive growth.
5. The data processing system is still simple, does not satisfy the demand, ERP is deploying, so work stuff is increased double.

Opportunities

1. Significant potential of population, which will grow to almost 100 million by 2019. Healthcare awareness of Vietnamese improved, leading to the increase in average per capita consumption on medicines.
2. The growth rate of Vietnam pharmaceutical industry expects to be from 17% - 19% in 2010 – 2014. Domestically produced medicines only meet 50% Vietnamese demand.
3. Following the government policy, domestically produced medicines have to make up 70% Vietnamese market- share in the year 2015.
4. In addition to the available competitive advantages, domestic pharmaceutical companies hold the rights to distribute products directly.
5. The barrier to entry the industry is still high because of the requirement to meet GPs standards.

Threats

1. Vietnam's economy growth rate is lower than previous years.
2. Medical price strictly controlled by the Government while the price of input materials increased constantly.
3. Full WTO membership creates a severe competition between the Company and other domestic pharmaceutical enterprises as well as with the foreign ones.
4. 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.
5. 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.

Risk management

Legal risks

Risks	Impacts	Solutions
The constant changes of laws and sub-law documents.	Corporate business results and orientation may be changed.	Corporate regulations should be updated, collated and adjusted to be proper to current laws and practical context.
Policy and guidelines for tax are changed constantly, and asynchronous with other related regulations.	Risks of being sued, disputed, or compensated if the Company do not understand well current applied laws.	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

Risks	Impacts	Solutions
Vietnam economy situation is unstable, low GDP growth.	Opportunity cost will be higher than previous years.	Concentrate to carry out the investment portfolio has been approved by General Shareholders' Meeting and the portfolio, which directly brings benefits to the Company.
A tendency to practice thrift rather than to spend and invest. The expenditure for healthcare is affected.	Corporate revenue is impacted.	Boost up selling activity; classify customers following the principle 20/80 to take care.
All input element prices are increased.	An across-the-board raise of all costs leads to an increase in cost of gold sold. Time-lag will be occurred depending on the inventory level of the Company's finished products.	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

Risks	Impacts	Solutions
Electricity, petroleum and basic salary all increased following the State policy.	Input price increased while output one is controlled strictly by the Government => negative affect on corporate profit.	Forecast the price of input materials from the beginning of the year through supports from the consultancy of friendly suppliers, and corporate past experience.
Imported pharmaceutical material price strongly increased, particularly in food and petroleum originated ones. Price will be raised more when there is an increase in currency exchange rate and inflation in export countries.	Carry out to import materials in different periods. Product portfolio will be changed following the change of profit generated from each product.	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 dependence of imported raw materials

Risks	Impacts	Solutions
Imported active pharmaceutical ingredients make up 80% of DHG's production demand.	Generic products are overwhelmed in the Company's product portfolio	Imported materials will be replaced by self-producing ones or those produced in the country.
The average cost of raw materials accounts for 50% of finished product cost.	Long-term dependence will cause difficulties in making the products, which have outstanding features.	Focus on developing products, which are originated by herbal source, consistent with the development objectives of Vietnam's pharmaceutical industry.
Whenever the Company has to change kind of raw materials, it must carry out the registration for the changes before putting them into production.	The competitive capacity in term of product portfolio with foreign enterprises has been reduced.	Self-study, co-research with Scientific Institute, University and handed over biotechnological projects to create prominent products.

Risks from suppliers

Risks	Impacts	Solutions
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 the fluctuations of currency exchange rate

Risks	Impacts	Solutions
Currency exchange rate tends to be increased during the time.	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 of VND billion.	Utilize the good relationship with banks in order to be prioritized in buying USD for payment during the scarce time. Enlist the supports from banks to save cost such as buying dollars with the right exchange rates, opening L/C without collateral.
DHG Pharma uses by 95% of USD for import task.	The scarce of USD in fluctuation time causes difficulty to import consignments.	Carry out import contracts under L/C form (banks will carry out the payments to suppliers).
The exchange rate between USD/VND affected by several elements; it is difficult to forecast due to the raise of abnormal fluctuations.	Due to high provision for materials, opportunity cost and inventory cost 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.	The full set of import documents will be quickly sent to the bank when imported goods arrived.

Risks on bad debts

Risks	Impacts	Solutions
<p>Receivable period of DHG is stable. However, there still be bad debts, mainly the old ones</p>	<p>Costs for debt receivable and management of overdue debts appeared</p> <p>Decrease in business results and efficiency in cash flow and asset turnover</p> <p>Loss of assets and decreased book value</p> <p>The allowance for overdue and bad debts is highly extracted leading to a decrease in corporate profits.</p>	<p>Apply ERP software to manage debts and receivables</p> <p>Carry out to pay salary for salesman based on his real proceeds</p> <p>The regulations applied for debts should be performed well:</p> <ul style="list-style-type: none"> + Trade system: debts outstanding for 1 month + Therapeutic system: debts outstanding for 3 months + Ratio of debts/sales: 1:1

Risks on overload production capacity

Risks	Impacts	Solutions
<p>Maximum production capacity will bring high benefit to the Company</p> <p>However, when the factory is overloaded, it will affect corporate operating when the production capacity does not meet market demand</p>	<p>Loss of market-share, prestige and customers when the Company does not supply sufficient products to market demand</p> <p>Down of sales, profit, salesman's salary</p> <p>Unsuitable settlement in production leads to an increase in cost</p>	<p>Concentrate full efforts to boost the completion of new factory.</p> <p>Re-structure product portfolio following the principle 20/80, announce to customers on this</p> <p>Carry out to manufacture large production batches to save cost and time</p>

OBJECTIVES = STRATEGY FOR

2012 - 2016





OBJECTIVES

Increase employees' income based on production and business efficiency by rising productivity, saving costs; reducing cost prices, improving production system and company management; which ensured not to affect benefit earnings, dividend policy for shareholders and customer policy.

SPECIFIC STRATEGY

- Standardize the organizational structure of management according to product categories (applying for Marketing and nationwide sales system).
- Continuously implement the subject namely "improving production efficiency" and "improving sales system efficiency"
- Promote education, training, control; select staffs to ensure fairness and maintain cultural implementation in the Company; arrange human resources for the new factory.
- Develop and apply effectively ERP system with BFO solution in Company management administration system.
- Launch the program "If I were DHG Pharma's CEO" for seeking inappropriate points potentially affecting to future business in order to timely prevent and promptly overcome difficulties.
- Invest in R&D and exploit key major of human resources, exploit the relationship with institutes, investors, and suppliers.
- Apply modern management methods, innovate production organization, continuously invest in more intensive scientific thesis for long-term effects.
- Board of Directors and Board of Leadership continue to actively seize opportunities, overcome challenges, conserve strength and enhance the value of DHG brand.

GROUPS OF SOLUTION

Markets, sales

Take good advantages of potential growth of brands for efficient plan. Continue to build 11 brands and new brand of NattoEnzym product.

Take good advantages of distribution systems to trade other products (imported goods and exclusive goods). Develop sales system of functional foods and cosmetic products.

Focus deeply on customer services, enhance communication activities to consumers and increase customers care by emotion as well.

Enhance social and community activities; continue building the image DHG as of company towards community.



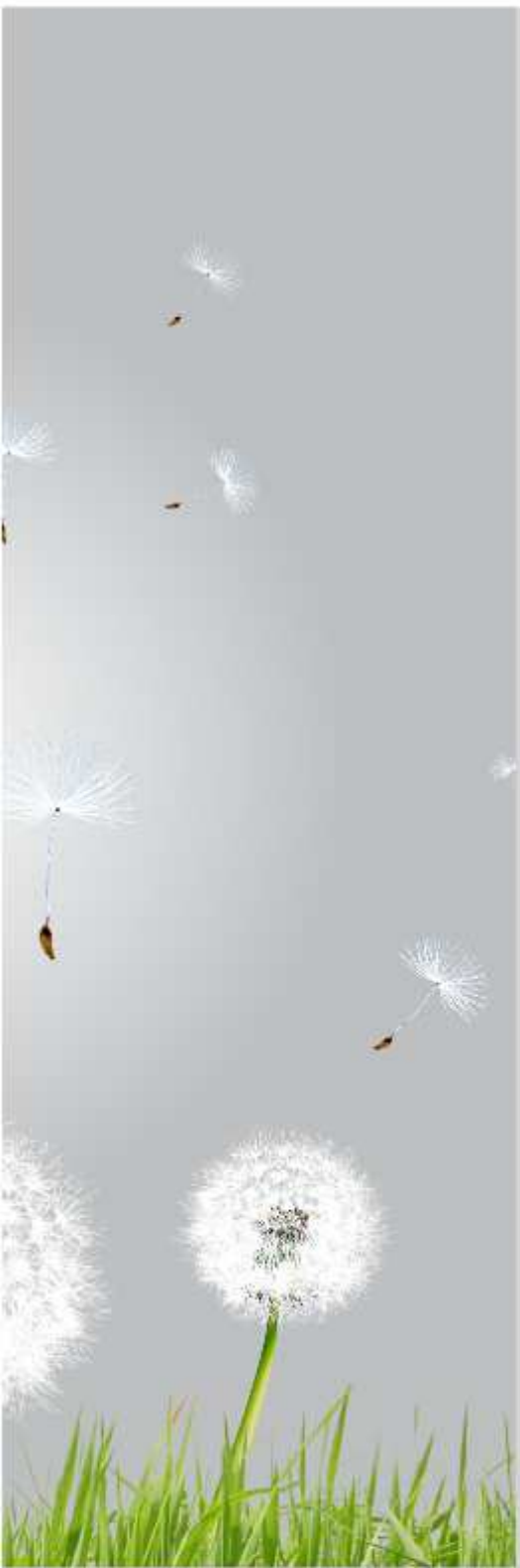
Research & development, production, quality management

Sort products according to the segmentation of therapeutic groups, treatment with prescription, OTC; actively invest in researches of new products with high technology application, creating their own competitive advantage. 80 new products will be registered in 2012; in which, 10 products meet treatment list, 5 products have remarkable differences. Carry out production of 30 new products.

Forecast market demands; reasonably plan on material and packaging savings, reduce costs, decrease loss and production costs.

Invest production equipment towards new technologies, high capacity; take efficient advantages of departments operating under the orientation of saving - productivity - quality - efficiency - usefulness.

Plan to build and apply GMP -WHO to new factory in order to ensure that business activities are implemented according to initial progress and met the requirements. Human resources and equipment preparation are ready for operating when the new factory finished.



Administration and management system

Financial statements and consolidated reports are clear and transparent with timely information to shareholders and investors in order to maintain credibility of DHG.

Plan the budget, report proper and timely results of business to support functional departments and consult the Board of Executive Directors in overall strategy.

Review and adjust all charters, regulations, and policies, etc. ... related to the employees in order to create a friendly environment; encourage employees' working spirit and creation by available Company's ability.

Train human resources at all levels timely and appropriately to inherit alternative requirements of any changes in positions. Train DHG people to be competitive advantages in the market place.

Implement the project of 4D salary adjustment according to 07 levels of complexity of each position and reality.

Continuously research and improve software in hospitals and pharmacies GPP to satisfy to customers' needs, create competitive advantages, contribute further customer relationship and create favorable conditions in sales.

Implement the internal communication port system for ideas of innovations, working process ...; ensure centralized information storage and convenient access for all departments to access, use and share data. Implement unified communication solutions.

BUSINESS PLAN 2012

BUSINESS TARGET IN 2012

Production revenue:	3,400 billion VND
Consolidated net revenue	2,750 billion VND
Profit before tax	505 billion VND

PLAN FOR BUSINESS PROMOTION IN 2012

Continue to invest in purchasing lands, building offices for distribution system	Items	Estimated amount (VND)
Total estimated investment amount: 56.7 billion VND (not including VAT)	Building house for Soc Trang Branch	6,600,000,000
	Building house for Vinh Long Branch	4,500,000,000
	Building house for Tra Vinh Branch	3,500,000,000
	Building house for Tien Giang Branch	4,800,000,000
	Building house for Dong Nai Branch	2,600,000,000
	Building house for Nam Dinh Branch	4,100,000,000
	Purchasing lands and building house for Thai Binh Branch	9,400,000,000
	Purchasing lands and building house for Vinh Phuc Branch	7,700,000,000
	Purchasing lands and building house for Ninh Binh Branch	7,500,000,000
	Building house for Vung Tau Branch	4,000,000,000
	Purchasing lands for Ca Mau Branch	2,000,000,000
Total	56,700,000,000	

Continue to invest in current factory	Items	Estimated amount (VND)
Invest in purchasing machine, equipment and means of transportation for current factory with expected amount of 45.1 billion VND (not including VAT).	Invest in equipment for quality control	4,800,000,000
	Invest in equipment for R&D	6,200,000,000
	Invest in production equipment	17,000,000,000
	Invest in transportation means	5,800,000,000
	Repair production factory	5,000,000,000
	Invest in waste water system	6,300,000,000
	Total	45,100,000,000

Disbursement plan of new factory construction

Estimated disbursement plan in 2012 is 432 billion VND

Items	Amount (VND)
Construction	294,057,774,386
BetaLactam construction	48,716,407,500
Non – BetaLactam construction	121,122,440,500
Packaging factory and dining room construction	16,889,600,000
Office and collateral items	33,492,000,000
Technical infrastructure system	70,925,863,273
Temporary house for construction	2,911,463,113
Other cost	10,000,000,000
Allowance (1 + 2)*10%	30,405,777,439
Production equipment	98,000,000,000
Total	432,463,551,825

PLAN ON PROFIT DISTRIBUTION IN 2012

Plan for 2012	Extracted ratio
Dividend by cash for 2012	20% of nominal value
Bonus and welfare fund	10% after-tax profit of Parent company
Remuneration and bonus for Board of Directors, Board of Supervisor, Subcommittees, Secretary of Director Board, General Management Board and key staffs	5,000,000,000 VND
- Remuneration	
- Bonus for over performance	5% of above after-tax profit (consolidated)
Undistributed profits	Add to Business Promotion Fund

PLAN TO CHOOSE AUDITOR 2012

In order to enhance the efficiency of investment-trading activities, minimize risks, clarify finance and bring value to related parties, DHG Pharma plans to choose KPMG Company limited (KPMG) to be independent auditor of Parent company, subsidiaries and consolidated financial report in 2012.

REASONS OF CHOICE

KPMG

KPMG Viet Nam is permitted by the State Securities Commission to carry out auditing for security listed companies in Vietnam.

KPMG

KPMG is known as one of the fourth leading auditing foreign companies in the world; Financial statement issued by KPMG are highly appreciated.

KPMG

KPMG staffs are qualified with high education and much experience in auditing sector and have high spirit of responsibility.

KPMG

KPMG has experience and knowledge about various pharmaceutical enterprises activities in Vietnam and in the world as well.

KPMG

KPMG audited DHG Pharma in 2011.

BRIEF INFORMATION OF CHOSEN AUDITING COMPANY

- Company's name: KPMG Vietnam
- Address: 10th Floor, 115 Nguyen Hue Street, District 1, Ho Chi Minh City.
- Tel: 08 3821 9266; Fax: 08 3821 9267
- Website: www.kpmg.com

REFERENCE DATA

CONSOLIDATED BUSINESS RESULTS OF DHG

Target	Performance (in billions VND)					
	2006	2007	2008	2009	2010	2011
Net sales	868	1,269	1,485	1,746	2,035	2,491
<i>In which:</i>						
pharmaceutical production	804	1,200	1,395	1,638	1,891	2,297
Profit after tax	87	115	129	357	381	416

Target	Year to year growth rate (%)					
	2006/ 2005	2007/ 2006	2008/ 2007	2009/ 2008	2010/ 2009	2011/ 2010
Net sales	57%	46%	17%	18%	16%	22%
<i>In which:</i>						
pharmaceutical production	63%	49%	16%	17%	15%	21%
Profit after tax	58%	32%	13%	177%	7%	9%

(Source: Audited consolidated financial statements from 2005 - 2011 of DHG)

PRODUCTION OUTPUT OF DHG PARMA

No.	Dosage form	Unit (1,000)	Year 2006	Year 2007	Year 2008	Year 2009	Year 2010	Year 2011
1	Tablet	Tablet	1,036,938	1,280,409	1,142,815	1,075,641	1,252,493	1,497,310
2	Sugar coated tablet	Tablet	259,602	346,114	325,591	320,866	317,673	359,023
3	Film coated tablet	Tablet	204,281	316,375	333,523	410,473	485,877	578,656
4	Capsule	Capsule	418,359	593,339	524,584	507,275	611,678	724,164
5	Soft capsule	Capsule	202,683	234,497	258,642	273,222	255,977	377,916
6	Ampoule	Ampoule	3,947	-	95	1,248	3,398	9,138
7	Syrup	Bottle, tube, sachet	3,803	4,973	5,793	8,216	9,033	11,452
8	Granule & powder	Bottle & sachet	127,564	194,710	194,677	260,534	267,986	313,038
9	Cream - ointment	Bottle, tube sachet	13,672	17,708	20,014	25,554	24,770	24,178
10	Probiotic yeast	Capsule, sachet	905	6,654	9,332	10,385	7,260	15,394
11	Candy	Piece	-	24,059	55,499	81,255	105,780	162,906
	Total		2,271,759	3,018,843	2,870,570	2,974,675	3,341,930	4,073,175

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

EXPORT SALES OF DHG PHARMA

Export sales	Year 2006	Year 2007	Year 2008	Year 2009	Year 2010	Year 2011
USD	746,908	826,896	1,049,546	896,666	1,114,518	1,050,035
VND (million)	11,952	13,317	17,073	15,995	19,081	21,694
EUR	-	-	42,348	99,374	89,392	184,723
VND (million)	-	-	1,006	2,556	2,273	5,369
Total value (in millions VND)	11,952	13,317	18,080	18,552	21,354	27,063

(Source: DHG Pharma)

STRUCTURE OF OPERATING SALES

Item	Value (million VND)					
	2006	2007	2008	2009	2010	2011
Production sales	805,584	1,201,637	1,397,942	1,641,224	1,897,433	2,304,711
Pharmaceuticals	803,860	1,199,826	1,395,048	1,638,028	1,891,948	2,296,976
Packaging	1,724	1,810	2,185	2,132	2,800	7,423
Processing	-	-	707	1,063	2,685	312
Other operating revenues	62,607	67,642	87,521	104,797	137,092	186,169
Goods trading	50,238	37,584	31,494	37,693	37,585	68,443
Materials trading	12,368	30,058	31,473	39,848	24,172	30,910
Travel activities	-	-	386	467	5,485	8,509
Promotion goods	-	-	24,166	26,788	69,552	78,306
Net sales	868,191	1,269,279	1,485,463	1,746,022	2,034,525	2,490,880

(Source: DHG Pharma)

Item	Ratio (%)					
	2006	2007	2008	2009	2010	2011
Production sales	92.79	94.67	94.11	94.00	93.26	92.53
Pharmaceuticals	92.59	94.53	93.91	93.81	92.99	92.22
Packaging	0.20	0.14	0.15	0.12	0.14	0.30
Processing	0.00	0.00	0.05	0.06	0.13	0.01
Other operating revenues	7.21	5.33	5.89	6.00	6.74	7.47
Goods trading	5.79	2.96	2.12	2.16	1.85	2.75
Materials trading	1.42	2.37	2.12	2.28	1.20	1.24
Travel activities	0.00	0.00	0.03	0.03	0.27	0.34
Promotion goods	0.00	0.00	1.63	1.53	3.42	3.14
Net sales	100%	100%	100%	100%	100%	100%

(Source: DHG Pharma)

STRUCTURE OF SALES FOLLOWING PHARMACEUTICALS AND HERBAL MEDICINE

	2006		2007		2008			
		Output		Output		Output		
Pharmaceuticals	2,180	95.32%	Pharmaceuticals	2,448	93.05%	Pharmaceuticals	2,410	90.23%
Herbal	107	4.68%	Herbal	183	6.95%	Herbal	261	9.77%
Total	2,287	100%	Total	2,631	100%	Total	2,671	100%
		Sales		Sales		Sales		
Pharmaceuticals	743	95.6%	Pharmaceuticals	1,121	94.15%	Pharmaceuticals	1,283	82.08%
Herbal	34	4.39%	Herbal	69	5.85%	Herbal	110	7.92%
Total	777	100%	Total	1,191	100%	Total	1,393	100%
		2009		2010		2011		
		Output		Output		Output		
Pharmaceuticals	2,008	86.40%	Pharmaceuticals	2,039	85.60%	Pharmaceuticals	2,164	82.74%
Herbal	316	13.60%	Herbal	342	14.40%	Herbal	452	17.26%
Total	2,324	100%	Total	2,381	100%	Total	2,616	100%
		Sales		Sales		Sales		
Pharmaceuticals	1,389	90.59%	Pharmaceuticals	1,535	89.36%	Pharmaceuticals	1,779	87.10%
Herbal	144	9.41%	Herbal	182	10.64%	Herbal	264	12.90%
Total	1,533	100%	Total	1,717	100%	Total	2,043	100%

Unit of output: Million of product unit

Unit of sales: Billion VND

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

Note: Not including the sales of 09 Sub-companies and export sales.

STRUCTURE OF SALES FOLLOWING PHARMACEUTICALS, DIETARY SUPPLEMENT, AND PHARMACEUTICAL COSMETICS

	2006		2007		2008			
		Output		Output		Output		
Pharmaceuticals	2,269	99.23%	Pharmaceuticals	2,585	98.23%	Pharmaceuticals	2,516	94.20%
Dietary supplement	17	0.77%	Dietary supplement	46	1.77%	Dietary supplement	154	5.80%
Cosmetics	-	0.00%	Cosmetics	-	0.00%	Cosmetics	0,93	0.003%
Total	2,286	100%	Total	2,631	100%	Total	2,671	100%
		Sales		Sales		Sales		
Pharmaceuticals	759	97.57%	Pharmaceuticals	1,148	96.34%	Pharmaceuticals	1,303	93.48%
Dietary supplement	18	2.43%	Dietary supplement	43	3.66%	Dietary supplement	89	6.43%
Cosmetics	-	0.00%	Cosmetics	-	0.00%	Cosmetics	1.2	0.09%
Total	777	100%	Total	1,191	100%	Total	1,393	100%
		2009		2010		2011		
		Output		Output		Output		
Pharmaceuticals	2,061	88.67%	Pharmaceuticals	2,089	87.71%	Pharmaceuticals	2,294	87.70%
Dietary supplement	262	11.28%	Dietary supplement	292	12.28%	Dietary supplement	322	12.30%
Cosmetics	1	0.05%	Cosmetics	0.23	0.01%	Cosmetics	0.08	0.003%
Total	2,324	100%	Total	2,381	100%	Total	2,616	100%
		Sales		Sales		Sales		
Pharmaceuticals	1,394	90.93%	Pharmaceuticals	1,582	92.06%	Pharmaceuticals	1,898	92.90%
Dietary supplement	132	8.65%	Dietary supplement	134	7,81%	Dietary supplement	144	7.05%
Cosmetics	6.4	0.42%	Cosmetics	2.1	0,13%	Cosmetics	1.09	0.05%
Total	1,533	100%	Total	1,718	100%	Total	2,043	100%

Unit of output: Million of product unit

Unit of sales: Billion VND

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

Note: Not including the sales of 09 Sub-companies and export sales.

STRUCTURE OF SALES FOLLOWING 12 GROUPS OF PRODUCTS

Unit: Million of product unit - Ratio: %

Selling output	Year 2006		Year 2007		Year 2008		Year 2009		Year 2010		Year 2011	
Vitamin - minerals	677	29.60	602	22.90	588	22.04	367	15.83	371	15.58	383	14.67
Ophthalmic products	1	0.05	3	0.14	5	0.22	8	0.36	9	0.39	11	0.44
Musculoskeletal products	149	6.54	184	6.99	170	6.38	93	4.03	87	3.69	98	3.78
Digestives & hepatic and biliary productst	117	5.15	151	5.74	185	6.94	176	7.59	175	7.37	185	7.07
Analgesics - Antipyretics	395	17.28	441	16.76	442	16.56	469	20.19	476	20.01	485	18.57
ENT - Asthma - Coryza products	546	23.90	699	26.57	775	29.05	808	34.77	831	34.90	972	37.15
Diabetic products	1.6	0.07	3.3	0.13	9.8	0.37	12	0.52	14	0.62	17	0.66
Nervous system products	0.075	0.00	3	0.13	10	0.39	19	0.85	26	1.13	29	1.14
Cardiovascular products	11	0.52	20	0.78	30	1.16	32	1.39	38	1.63	41	1.59
Beauty care products	7	0.35	9	0.37	8	0.33	7	0.31	5	0.24	5	0.19
Dermatological products	7	0.33	7	0.28	8	0.30	8	0.39	8	0.34	8	0.34
Antibiotics, antifungals - Antiparasites	370	16.22	505	19.20	434	16.26	320	13.78	335	14.10	376	14.40
Total	2,287	100%	2,631	100%	2,671	100%	2,324	100%	2,381	100%	2,616	100%

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

Unit: Billion VND - Ratio: %

Sales	Year 2006		Year 2007		Year 2008		Year 2009		Year 2010		Year 2011	
Vitamin - minerals	90	11.69	127	10.68	146	10.49	155	10.12	171	9.96	207	10.17
Ophthalmic products	4	0.57	8	0.75	16	1.15	30	1.98	38	2.24	42	2.07
Musculoskeletal products	18	2.35	24	2.09	36	2.60	28	1.89	36	2.15	44	2.17
Digestives & hepatic and biliary productst	40	5.20	70	5.95	97	6.97	104	6.79	118	6.92	134	6.60
Analgesics - Antipyretics	137	17.72	179	15.10	193	13.90	244	15.97	253	14.73	282	13.84
ENT - Asthma - Coryza products	91	11.73	144	12.13	196	14.10	237	15.47	260	15.13	341	16.70
Diabetic products	0.9	0.12	2	0.20	4	0.35	8	0.53	10	0.62	13	0.66
Nervous system products	0.1	0.02	5	0.43	10	0.78	15	0.98	20	1.21	22	1.09
Cardiovascular products	9	1.22	16	1.40	24	1.79	30	1.98	34	1.99	35	1.74
Beauty care products	11	1.50	14	1.25	14	1.06	15	1.03	12	0.72	12	0.60
Dermatological products	12	1.64	14	1.19	17	1.28	21	1.43	23	1.37	26	1.28
Antibiotics, antifungals - Antiparasites	359	46.25	581	48.84	634	45.52	641	41.82	738	42.95	880	43.09
Total	777	100%	1,191	100%	1,393	100%	1,533	100%	1,718	100%	2,043	100%

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

Note: Not including the sales of 09 Sub-companies and export sales.

STRUCTURE OF HUMAN RESOURCE

STRUCTURED BY GENDER

31/12/2006

Gender

Male	885	48.65%
Female	934	51.35%
Total	1,819	100%

Male	1,044
Female	960
Total	2,004

31/12/2009

Gender

Male	1,154	50.39%
Female	1,136	49.61%
Total	2,290	100%

Male	1,235
Female	1,221
Total	2,256

STRUCTURED BY FUNCTION

31/12/2006

Office staff	515	28.31 %
Production worker	826	45.41 %
Sales force	478	26.28 %
Total	1,819	100 %

31/12/2007

Office staff	
Production worker	
Sales force	
Total	

31/12/2009

Office staff	594	25.94 %
Production worker	729	31.83 %
Sales force	967	42.23 %
Total	2,290	100 %

31/12/2010

Office staff	
Production worker	
Sales force	
Total	

STRUCTURED BY EDUCATION LEVEL

Level	31/12/1006		31/12/1007		31/12/1008
Post-graduation	16	0.9%	16	0.8%	17
PhD in Economics	01		01		01
Master of Pharmacy	02		02		03
Master in Economics	02		02		03
Bsc Pharm, Specialist of degree 1	11		11		10
Graduation	299	16.5%	367	18.2%	387
Pharmacy	38		63		69
Economics	148		162		200
Mechanics	08		07		07
Other	105		135		111
College	573	31.5%	769	38.4%	871
Technical workers	28	1.5%	27	1.4%	27
Intermediate pharmacists	48	2.6%	40	2.0%	146
High school	855	47.0%	785	39.2%	678
Total	1,819	100%	2,004	100%	2,126

TRANSACTION SITES

Representative office in Ho Chi Minh City

Representative office in Ho Chi Minh City

16 Lot H1, 36 (53) street, area 2, residential area Tan Huy Dong, Tan Phong ward, District 7, HCM City
Tel (+84) 083 7718 959 - Fax (+84) 083 7718 799

Distribution Subsidiaries

SH Pharma

413 Tran Hung Dao, Vi Thanh City, Hau Giang province
Tel (+84) 0711. 3876 409
Fax (+84) 0711. 3580 432

CM Pharma

230 Ngo Quyen, hamlet 1, ward 9, Ca Mau City, Ca Mau province
Tel (+84) 0780. 3831 908
Fax (+84) 0780. 3811 587

HT Pharma

G08-G09 Huynh Thuc Khang, Vinh Quang ward, Rach Gia City, Kien Giang province.
Tel (+84) 077. 3867 625
Fax (+84) 077. 3946 344

DT Pharma

14 Nguyen Van Troi, Ward 2, Cao Lanh City, Dong Thap province.
Tel (+84) 067. 3854 837
Fax (+84) 067. 3854 837

ST Pharma

08 Pasteur, ward 8, Soc Trang City, Soc Trang province
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Fax (+84) 079. 3625 150

A&G Pharma

1A Hoang Van Thu, My Binh ward, Long Xuyen City, An Giang province.
Tel (+84) 076. 3841 438
Fax (+84) 076. 3944 664

TG Pharma

908 Ly Thuong Kiet, My Tho City, Tien Giang province
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Fax (+84) 073. 6255 177

TOT Pharma

152 Nguyen An Ninh, Tan An ward, Ninh Kieu district, Can Tho City
Tel (+84) 0710. 6253 579
Fax (+84) 0710. 6253 539

BALI Pharma

6A Ba Huyen Thanh Quan, hamlet 2, ward 8, Bac Lieu City, Bac Lieu province
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Fax (+84) 0781. 3956 156

Distribution branches

Ha Noi

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Hai Phong

01 Lot L6, PG urban area, An Dong, An Duong, Hai Phong City
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Fax (+84) 031. 6270 046

Hai Duong

229 Bui Thi Xuan, Hai Tan ward, Hai Duong City, Hai Duong province
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Nam Dinh

174 Nguyen Cong Tru, Hoa Vuong urban area, Nam Dinh province
Tel (+84) 0350. 2211 664
Fax (+84) 0350. 36677 301

Thai Binh

244 Group 23, Le Dai Hanh, Ky Ba ward, Thai Binh City, Thai Binh province
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Fax (+84) 036. 3641 433

Bac Ninh

39 Ly Dao Thanh, Ninh Xa ward, Bac Ninh City, Bac Ninh province
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Vinh Phuc

753 Me Linh, Khai Quang ward, Vinh Yen City, Vinh Phuc province
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Ninh Binh

18 Tran Hung Dao, Nam Thanh ward, Ninh Binh City, Ninh Binh province
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Thai Nguyen

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Fax (+84) 0280. 3652 299

Thanh Hoa

Lot 461, East-west revenue resettlement, Dong Ve ward, Thanh Hoa City, Thanh Hoa province
Tel (+84) 037. 3853 120
Fax (+84) 037. 37222 213

Nghe An

06, Iene 146B, Nguyen Sy Sach street, Hung Phuc ward, Vinh City, Nghe An province
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Hue

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Thanh Khe district, Da Nang City
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Quang Ngai

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Fax (+84) 055. 3831 357

Binh Dinh

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Quy Nhon City, Binh Dinh City
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Gia Lai

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Nha Trang

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Nghia village, Duc Trong ward, Lam
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Dong Nai

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Vung Tau

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Ria City, Ba Ria – Vung Tau province
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Tay Ninh

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province
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Tra Vinh

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Ben Tre

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Ben Tre City, Ben Tre province
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Fax (+84) 075. 3818 529

Vinh Long

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province
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Fax (+84) 070. 3853 179

LIST OF ABBREVIATIONS

<u>Abbreviated</u>	<u>Interpretation</u>
LB	Leadership Board
BFO	Business Force One
BOS	Board of Supervision
BMI	Business Monitor International
DHG	DHG Corporation
GMB	General Management Board
BV	Book value
IP	Information promulgation
ASM	Annual Shareholders' Meeting
DHG Pharma	DHG Pharmaceutical Joint-Stock Company/Parent company
EPS	Earning per share
ESOP	Employee Stock Ownership Plan
GDP	Good distribution practice
GLP	Good laboratory practice
GMP	Good manufacturing practice
GPP	Good Pharmacy Practice
GSP	Good Storage Practices
BOD	Board of Directors
BOS	Board of Supervision
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
WHO	World Health Organization



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