

**HAU GIANG PHARMACEUTICAL JSC**

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Established: 02/09/1974  
Equitized: 02/09/2004  
Listed: 21/12/2006

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**Information most concerned by investors**

**Sales consolidated by functions 1H/2013:**

Net sales: **73,098.691 USD** (100%, + 18.1%)

In which:

- Self-produced goods: **63,828.759 USD** (87.3%, + 11.8%)
- Merchandise goods: **4,572.632 USD** (6.3%, + 213.8%)
- Raw materials: **1,680.466 USD** (2.3%, + 48.2%)
- Tourism: **409,515 USD** (0.6%, + 132.1%)
- Promotion goods: **2,607.318 USD** (3.6%, + 30.2%)

**Export sales 1H/2013:** 669.811 USD, 47.3% of annual plan, growth rate of 62% YoY.

DHG is currently exporting to 12 nations, as follows: Moldova, Ukraina, Myanma, Russia, Mongolia, Cambodia, Nigieria, Laos, Singapore, Jordan, Sri Lanka. Some other emerging markets can be Afghanistan, Indonesia, Philippines, Yemen, Iran, Somalia. There are 50 new products have been developed so far.

**Sales of product groups 1H/2013:**

Growth rate of volume 1H/2013 YoY in term of the absolute number with the highest ratio belonging to Analgesics – Antipyretics (+28.7%) and Cardiovascular – Diabetics (+20.6%).

The absolute growth rate of sales 1H/2013 YoY with the highest ratio belonging to Antibiotics (+88 bn VND), then it was Analgesics - Antipyretics (+68 bn VND) and Cardiovascular – Diabetics (+22 bn VND). In term of growth rate of sales, the highest one was Cardiovascular – Diabetics (+37.1%), Analgesics – Antipyretics (+28.2%), and Hepatic – Biliary (+22.5%), these are 3 products groups that the growth rate was relatively high.

In term of sales structure, Antibiotics is still the product group that has the highest growth rate with 39.6% (1H/2012 was 38.3%), then it is Analgesics – Antipyretics with 18.95% (1H/2012 was 16.54%), Nutritional is 8.3% (1H/2012 was 8.5%). The growth rate of sales for herbal supplements is 24.1% YoY, it increased the structure of sales from 6.9% for the period of 1H/2012 to 7.6% for the period of 1H/2013.

**Business results**

Items	Amount	YoY Growth Rate	Planned Ratio
Production value	1.811 bn VND # 85.4 mn USD	5.95%	47.65%
Net sales	1.549 bn VND # 73.1 mn USD	18.13%	48.43%
Profits before tax	311 bn VND # 14.7 mn USD	2.62%	54.61%

*Consolidated results  
1H/2013*

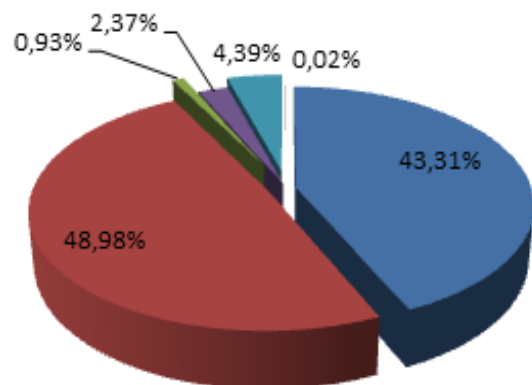
**IR ACTIVITIES for the first 7 months of 2013**

**IR main activities**

- Successfully cooperated to organize the Annual Shareholders' Meeting 2012 of DHG Pharma, Song Hau Pharmaceutical JSC (SH Pharma) and Vinh Hao Spirulina Algae JSC.
- Carried out 29 official meetings with domestic and international investors and shareholders.
- Successfully held meeting with main shareholders on 8 April 2013.
- Finished Annual Report 2012 in time, send it to all relevant shareholders, investors and joined in the annual report contest and being selected at the second rank in Top 100 of Excellent Annual Report, and received promoted award for Sustainable Development Report with the fullest features. .
- Officially translated into English 100% of information published, posted on website and sent email to all investors.

**Shareholders' structure on 17 May 2013**

SCIC 43.31%      Employees 2.37%  
Foreigners 48.98%      External 4.39%  
Internal 0.93%      Treasury stock 0,02%



Main shareholders: SCIC (43.31%), Franklin Templeton Investment Funds (8.91%), Portal Global Limited (7.20%)

Although business environment is still not really good due to the effects of Decree 01, sales of DHG in 1H/2013 grows well with 18.1% YoY. However, profits before tax has not increased well as it is expected. Profits before tax/net sales of 1H/2013 was 20.1% (1H/2012 was 23.1% - decreased 3% points), the reasons can be as follows:

- Implement the Decree of Annual Shareholders' Meeting in 2012 that was officially held on 25/04/2013, in Q2/2013, DHG has extracted 14.2 bn VND of profits before tax of 1H/2013 for Science and Technology Development Fund. This extract is equivalent to 0.92% of net sales, and it is recorded in Management Cost (in section of other cost). In 2012, this extract was not existing. The extract of 5% of profits before tax for Science and Technology Development Fund will be implemented for the last 6 months of 2013.
- Sales cost 1H/2013 has increased 30.3% YoY, and sales increased 18%. The ratio of sales cost/net sales in 2013 is 20.4%, and as it is compared to 1H/2012, it was 18.5%, increased 1.9% points. The reasons that can be used to explain for the increase of sales cost as compared to the same period of last year could be seen as follows: in 2012, if the costs that were distributed for activities of customers care, seminars to introduce new products...were approved as scheduled and they were accounted for the last 6 months 2012. However, in 2013, these costs are distributed in additional time. Therefore, the ratio of sales cost/net sales 1H/2013 (20.4%) slightly decreased as it is compared to the whole year of 2012 (24.2%).
- Income from interest rate from banks increased 33% but the ratio contributed to net sales 1H/2013 was just 1.4% as compared to 2012.

- The ratio in goods sold/net sales 1H/2013 is 53.8%, increased 1.5% points YoY (52.3%), increased 3.1% points as compared to the ratio of 2012. The result is due to the structure of sales of merchandise goods and other goods increased, and the structure of self-produced goods has decreased with 87.3% as compared to 92.3% of 2012 and the same period of last year. This trend will be going on in the last 6 months of 2013 because DHG will increase sales from activities of trading exclusive foreign goods and it is still distributing the product of Eugica.

In term of goods sold/net sales produced by DHG YoY, it decreased from 49% to 47.9%. This is a good signal because while input conditions increased, effects of cost that affecting on sales was just 2.24% YoY. This ratio, as compared to 2012, was 47.2% and it is relatively stable.

In term of profits after tax, net profit margin is also affected by factor of corporate income tax. In 2012, DHG is granted preferential tax rate with 10% based on corporate income tax of 2006 and 2007 because stocks are listed on exchange stock market before 31/12/2006; in 2013, it is 20% based on the tax income of the year 2013. The ratio of corporate income tax/net sales for the first 6 months 2013 is 4.3% as compared to 3.1% YoY, + 1.2% points.

From the year 2014 on, the Company will not be granted preferential tax rate anymore. However, the activities of new factory at Tan Phu Thanh Industrial Zone, Hau Giang will be granted preferential tax rate for the period of 15 years; as scheduled, it will be valid at the beginning of next year (the first 4 years: 0%, the next 9 years: 5%, and the remaining 2 years: 10%).

## NEWS IN BRIEF OF DHG 6M/2013

- Implement the sales strategy with the slogan “detailed – frequent – fulfilled” to all sales employees all over the country.
- Implement distribution plan for imported products of 02 products belonged to Cardiovascular – Diabetics for US partner from June 2013 so as to fully exploit the relevant advantages of distributing system, increase sales, exchange management experience of goods management and sales methodology.
- Prepare to carry out a pilot program on sales via PDA for the last 6 months of 2013.
- Implement Marketing program to support sales network all over the nation, focus to organize seminars to introduce new products, advertise new products and promotion goods on mass media to customers.
- Customers care: Organize meeting with frequent
- Volume produced of 1H/2013 is 2.1 bn units, it was 45.6% as planned.
- Loss of products decreased 12.87%, and loss of aluminium layer of PVC is 3.4% per each lot of products.
- In Q2/2013, it is the time to implement frequent analysis of ISO 9001:2008, ISO/IEC 17025, GMP WHO, GLP, GSP for factory located at Nguyen Van Cu Street, Can Tho and analysis of GSP for Tan Tao Warehouse in HCMC.
- It is also the time to start producing 09 new products, research and test biological equivalence for 5 products.
- In term of community development activities, there are 6 programs implemented widely like Doctors for all houses that are televised on VTV Can Tho, and 6

customers, finished the program “Experience summer 2013” for children of customers.

- Successfully franchise the trademark of Eugica to Mega We care partner as signed in the contract on 12 December 2012, and the value of this franchise is 6 mn USD, it is considered as other income in July 2013. DHG will keep on distributing the product of Eugica during the remaining time of 2013 and supply Eugica product group at least in the next 5 years (2013-2017). This is the first franchise that was made successfully by a pharmaceutical company in Vietnam, and it reaffirms the value of DHG’s trademarks via strong investments on marketing activities. DHG wishes that Eugica will not only develop well in Vietnam market but it will also develop well in other markets that are currently managed by Mega partners in 21 nations all over the world. As scheduled, the volume will be intensively increased when it is exported to many other countries and it surely will help new factory of soft capsules produced by DHG. And, products of Eugica that are produced by herbal supplements will contribute to the developments of Vietnam’s herbal sources.
- Re-arrange the organizational structure and management model for the Company via the consultancy of Earnst & Young.

programs of Medical Connection televised on Vinh Long TV. Organize 31 programs to test health and prescribe drugs for poor people and there were 2 big programs held in Laos and Cambodia.

- Trademark’s position has been sharply heightened up which was ranked at 16th position in the list of Vietnam’s Top 50 Most Effective Companies. This contest was held by Investment Newspaper accompanying with Thiet Viet Securities Company. And, Ms. Pham Thi Viet Nga, Chairperson of Board of Directors, was selected as the most successful businesswoman in Vietnam for the year 2012.
- Effectiveness: Account receivables are managed well via relevant sales policies, so the average period of account receivables are just around 50 days/period. And the average period of days for products being stored has slightly increased from 126 days to 129 days as compared to 31/12/2012, but it sharply decreased as compared to 1H/2012 (159 days). Account payables remain at the same level as compared to the same period and sharply increased as at 31/12/2012 (from 73.7 bn VND to 174.3 bn VND), the main reason is that the goods transported increased 32 bn VND and public debt distributed for Eugica increased 50 bn VND.

### **Decision/Decree of Board of Directors (BOD) that officially issued**

During 1H/2013, Board of Directors (BOD) of DHG Pharma has implemented 8 official and unofficial meetings so as to discuss and approve some of the main contents, some of them are as follows:

- Approved the short-term credits for the year 2013; annual, quarterly audited and financial reports, reports of sub-sectors belonged to Board of Directors, reports of implementing process of new factory, approved the contract package of DHG PP1, agreed to select PWC Vietnam as Independent Audited Company for 2013.
- Approved the contents, documents and detailed plans for Annual Shareholders’ Meeting 2012.
- Approved the Decision to receive and transfer land use right in Da Lat, Hai Phong, Thai Binh, Ninh Binh, Vinh Phuc, Phu Tho, Quy Nhon, Soc Trang and invested to build SH Pharma factory.
- Carry out prepayments for the second phase on 18 April 2013 with the ratio of 10% per value and the final phase/2012 on 06 June 2013 as approved in Shareholders’ Meeting with 10% par value.
- Stop activities of Lam Dong branch due to ineffectiveness, stop activities of branches in Vinh Long, Ben Tre, and Tra Vinh for establishments of new subsidiaries.
- Approved the regulations of management and administration for the Company amended which is mainly based on the Company’s regulations and Decree 121, approved for the establishment of Science and Technology Development Fund of DHG Pharma; supplement and amend the regulations of subsidiaries with 100% ownership.
- Recommend, dismiss titles of managers and relevant issues of personnel.

### **Investment activities, project progress**

#### **Vinh Tuong Packaging Company (VIPACO)**

VIPACO has issued more shares and increased its charter capital from 50 bn VND to 150 bn VND for current shareholders and strategic partner (Dong Au Investment JSC) with the price at 4.000 VND/share, accordingly the ratio of ownership by DHG Pharma decreased from 20% to 6.67% and VIPACO is not the associate Company of DHG Pharma from 02/04/2013. The account receivables from this issue of VIPACO’s shares will be used for paying debts from banks and for the completion of new factory. The total investment in VIPACO will be up to 20 bn VND, and it is extracted by DHG Pharm the number of 16.5 bn VND, and the remaining amount is 3.5 bn VND.



**Progress of new factory up to 30/06/2013:**

**Non Beta lactam factory:** Contractual packages of installation, construction of Non Beta lactam factory, office building, subordinate buildings have been completed 90%. And contractual packages of equipments has officially signed on July 2013. As scheduled, it will be examined in the middle of November 2013.

**Beta Lactam factory:** It is being constructed, the contractual packages of installation of Beta lactam has been cancelled at the first time, and it is implementing the second time. It is 2 months late as scheduled.

**Cafeteria and hall:** both are completed 25%.

**Accounts spent:** The total amount spent from the beginning of the year until 30/06/2013 is 117 bn VND. The amount spent from the breaking time of the project until 30/06/2013 is 238.8 bn VND (in which, there are 59 bn VND used for land).

**Vinh Hao Spirulina Algae Company (SPIVIHA) – DHG’s ownership of 31,36%**

Results implemented in 2012 was 29.5 tons of volume produced of flour algae (increased 5.2%), and the volume consumed is 22.4 tons (decreased 18.8%). The net sales is 10.4 bn VND (decreased 14.3%), profits after tax is 3.1 bn VND (-32.7%).

The most difficult issues of the Company is that it is unable to control the outputs actively for this product, and it is still much dependent on the volume consumed by DHG. Inventories are high, it is currently reducing its production process and look for new partners to consume products.

The results for the first 6 months 2013 is 14.2 tons of powder algae produced, consumed 374 kg, sales of 352 mn VND, loss of 290 mn VND. It is scheduled from July 2013, DHG will consume around 1.5 tons of powder algae/month to reduce the volume of inventories, increase the volume of sales and profits for SPIVIHA.



DHG’s office building of new factory 30/06/2013



DHG’s internal structure of new factory Non Beta DHG



Outside view of new factory Non Beta Lactam DHG Pharma 30/06/2013

*This newsletter is made in order to provide to shareholders, investors with latest information in term of trading, production, investment activities, the progress of current projects, the strategies of Board of Directors, Board of Leaders of DHG Pharma.*

*Beside, DHG’s IR Section would like to share its activities with investors in order to re-affirm the vital role of investors in DHG’s triangle strategy (shareholders – customers – employees).*