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# PROSPECTUS



## HOA PHAT GROUP JOINT STOCK COMPANY

Business License No. 0503000008 initially issued by the Department of Planning and Investment of Hung Yen on 26 October 2001 and the 12th revision of the Business Registration Certificate was approved on 02 August 2007

### STOCK LISTING AT HO CHI MINH CITY SECURITIES CENTER

Listing License No..../DKNT issued by General of the Ho Chi minh city securities center on... 2007

### CONSULTING ORGANIZATION BAO VIET SECURITIES COMPANY (BVSC)

#### THE PROSPECTUS IS AVAILABLE AT:

- ◆ **HOA PHAT GROUP JOINT STOCK COMPANY, BRANCH IN HA NOI**  
243 Giai Phong Street, Dong Da District, Ha Noi  
Tel: (84-4) 6282011 Fax: (84-4) 6282114
- ◆ **BAO VIET SECURITIES COMPANY (BVSC)**  
94 Ba Trieu Street, Hoan Kiem District, Ha Noi  
Tel: (84-4) 9433016/17 Fax: (84-4) 9433012
- ◆ **BAO VIET SECURITIES COMPANY, BRANCH IN HCM CITY**  
11 Nguyen Cong Tru Street, I District, HCM city  
Tel: (84-8) 8218564 Fax: (84-8) 8218566
- ◆ **IN-CHARGED OF INFORMATION ANNOUNCEMENT:**  
**Ms Ta Thi Thu Hien**  
243 Giai Phong Street, Dong Da District, Ha Noi  
Tel: (84-4) 6282011 Fax: (84-4) 6282114

# TABLE OF CONTENTS

<b>I. RISK FACTORS</b>	<b>4</b>
1. Economic Risks	4
2. Legal Risks	4
3. Specific Risks	5
4. Other Risks	5
<b>II. MAJOR PEOPLE RESPONSIBLE FOR THIS PROSPECTUS</b>	<b>6</b>
1. Listed institution	6
2. Consulting institution	7
<b>III. CONCEPTS</b>	<b>9</b>
<b>IV. SITUATION AND SPECIAL FEATURES OF LISTED INSTITUTION</b>	<b>10</b>
1. Summary of the establishment and development history of Hoa Phat Group	10
1.1. Introduction of Hoa Phat Group Joint stock Company	10
1.2. History of the establishment and development of Hoa Phat Group	11
2. Organization structure of Hoa Phat Group	24
3. Organizational Chart of Management of Hoa Phat Group Joint stock Company	26
4. List of Shareholders who have more than 5 percent of the Company's shares, founding Shareholders, and Shareholder's Structure	27
5. List of subsidiary companies and affiliate companies of Hoa Phat Group	29
6. Business operation of Hoa Phat Group Joint stock Company	30
6.1 Steel production and business activities of Hoa Phat Group	33
6.2 Equipment and accessories manufacture and trading	39
6.3 Furniture production and trading	45
6.4 Steel pipe business	52
6.5 Refrigeration Engineering Business	56
6.6 Urban complex and industrial zone construction and development	61
6.7 Trade in iron and steel products	64
7. Report on business performance of the last two years	67
7.1. Report on business performance of the last two years	67
7.2 Factors affecting production and trading activities of Hoa Phat Group in the reported years	68



8. Position of Hoa Phat Group	69
9. Policies for employees	78
10. Divident policies	80
11. Financial situation	80
11.1. Basic benchmarks	80
11.2 Key financial ratios	85
11.3 Financial situation of subsidiary companies in the Group	86
12. Board of Management, Board of Directors, Supervisory Board, Chief Accountant	88
13. Assets	98
14. Profit and Dividend Plans for 2008	100
14.1 Some Planned Targets of Hoa Phat Group for the next 3 years:	100
14.2 Basis for Planning:	100
14.3 Investment plans and projects approved by the Board of Management and General Board of Shareholders	102
15. Valuation of the consulting institution on Hoa Phat Group's profit and dividend plan:	107
16. Information of the listed institution's commitments not yet implemented:	107
17. Relevant Information of Disputes and lawsuits related to the listed institution which may affect listed share-price:	107
<b>V. LISTED SECURITIES</b>	108
<b>VI. PARTNERS RELATED TO THE LISTING OF SECURITIES</b>	113
1. Consulting Institution:	113
2. Auditing institution:	113

# I. RISK FACTORS

## 1. Economic Risks

Economic Risks consist of the effects of macroeconomic factors such as: economic growth, inflation rate, interest rate, foreign exchange, etc. In this prospectus, we deal with two important factors that can primarily affect business activities of the Corporation.

### ✦ Economic Growth

In recent years, Vietnam government has carried out many active policies to improve economic growth, such as, attracting FDI capital resources, altering currency policy, making administrative reform, and encouraging export operations. They have resulted in the impressively improved economic growth with GDP growing constantly at high rate: 7.3% in 2003, 7.4% in 2004, 7.7% in 2005, 8.2% in 2006, and estimated 8.5% in 2007. Along with the economic development, people's living standards are increasingly improved, and social investment demands also enhanced. It brings out the increasing demand for Refrigeration Engineering products, household furniture, steel, construction products for industrial production and civil construction, and land for building up factories and enterprises. As a result, Hoa Phat Group has many chances to enhance its business activities. Apart from these advantages, the group still has to face many difficulties in the case of economic crisis.

### ✦ Inflation

Vietnam is in the route of joining WTO and non-tariff barriers are gradually abolished with tax rates on many commodities to be decreased, which helps reduce The corporation's production cost. In addition, the government still maintains a prudent and flexible currency policy in the short-term in order to keep the CPI (Consumer Price Index) lower than economic growth. According to economists, these factors may help reduce inflation rates to 6 percent in the year 2007, 0.6 percent lower than that of 2006. This has great effect on the corporation's business activities, because it will reduce the input price of production.

However, if the inflation rate of 2007 and afterwards is higher than expected, the group will face difficulty due to higher input cost, and the resulted corporate revenue will be affected.

## 2. Legal Risks

Hoa Phat Group Joint stock Company is a joint-stock company, operating under 'company-group' form, regulated by enterprise law, legal documents of stocks and stock exchanges and other legal ones. However, as these legal document systems continue to be improved, they have many limitations such as: low consistency and sustainability, lack of instructions for execution, slowness in updating, and lots of overlaps. At the same time, the application of laws in practical condition is insufficient with low enforceability. Therefore, the formation of long-term development strategy of the Company is heavily affected, as any changes in the official legal documents would lay certain impacts on the corporate business performance.



### 3. Specific Risks

Input materials of almost activities and products of Hoa Phat Group (such as furniture, steel pipes, equipments and construction steel) are steel billets and imported steel such as steel plates and strip steel. With regards to billets, although having a billet factory with the capacity of 180,000 TPY, the Company can only actively manage 80% of billets for steel production, and import the remaining 20%. It, however, has to import steel-plates entirely for production of steel pipe, furniture and equipment. Besides, steel pipe is the input material to produce many types of furniture, equipments, machines and construction scaffolding. Hence, any changes in input material price will affect Hoa Phat group production.

An important product group of Hoa Phat is Refrigeration Engineering products, including refrigerators, air conditions, washing machines, water heaters, etc., This group has to compete with many famous trade marks in the market such as Toshiba, LG, Sanyo, Hitachi, etc., These firms have strong financial potential and age-old administration experiences. To stand steady and develop in such competitively environment, Hoa Phat direct its strategies toward medium-class customers in emergent urban areas, and avoids confronting directly with those ones. This is an extremely judicious strategy of Hoa Phat Group, which has been proved true by its recent achievements.

### 4. Other Risks

Beside the above-mentioned risks, there are other irresistible risks such as natural calamities and enemy-inflicted destruction, etc., and they would do damage to the Group's assets, human resources and operations if happening.



## II. MAJOR PEOPLE RESPONSIBLE FOR THIS PROSPECTUS



### 1. LISTED INSTITUTION

Mr. Tran Dinh Long  
Position: Chairman of Board of Management

Mr. Tran Tuan Duong Position:President

Mr. Chu Quang Vu  
Position: Vice President

Ms.Pham Thi Thu  
Position: Supervisory Boad Manager

Ms.Ta Thi Thu Hien  
Position: Chief financial officer cum chief accountant

We guarantee that all the related information and data in this prospectus are practically true according to our knowledge, appropriate investigation and collection.



## 2. CONSULTING INSTITUTION

Legal representative: Mr. Nguyen Quang Vinh  
Position: General Director of Bao Viet Securities  
Joint - stock Company

This announcement is parts of the documents to register the listing of stocks at Ho Chi Minh City Securities Trading Center (HSTC), done by Bao Viet Securities Joint stock Company (BVSC), based on Consulting Contract No.85/2007-BVSC-NV2.TV signed on 16 March 2007 with Hoa Phat Group Joint stock Company. We guarantee that the analysis, evaluation and choice of words in this prospectus have been done with caution and sensibility based on the information and data supplied by Hoa Phat Group Joint stock Company.



**HOA PHAT - HARMONY, DEVELOPMENT  
& FUTURE ORIENTATION**





# III. CONCEPTS

Corporation	Hoa Phat Group Joint stock Company
Hoa Phat Group	Hoa Phat Group Joint stock Company
Listed Institution	Hoa Phat Group Joint stock Company
Stocks	Stocks of Hoa Phat Group Joint stock Company
Charter	Charter of organization and operation of Hoa Phat Group Joint stock Company
BOM	Board of Management
SB	Supervisory Board
GSM	General Shareholder Meeting
Ltd.,	Limited Liability

# IV. SITUATION & SPECIAL FEATURES OF LISTED INSTITUTION

## 1. Summary of the establishment and development history of Hoa Phat Group

### 1.1.Introduction of Hoa Phat Group Joint stock Company

Company name:	CÔNG TY CỔ PHẦN TẬP ĐOÀN HÒA PHÁT
Company name in English:	HOA PHAT GROUP JOINT STOCK COMPANY
Company name (abbreviated):	HOA PHAT GROUP
Address:	Pho Noi A Industrial Zone, Giai Pham Commune, Yen My District, Hung Yen Province
Tel:	(84-0321) 942884
Fax:	(84-0321) 942613
Website:	www.hoaphat.com.vn
Business Registration Certificate No.0503000008 was issued by the Department of Planning and Investment of Hung Yen on October 26, 2001 and its 12th revision approved on May 22, 2007.	
Chartered capital:	VND 1,320,000,000,000 (one thousand three hundred twenty billion Vietnamese Dong only)

**Registered lines/fields of business:**

- Financial investment;
- Investment and construction of technical infrastructure of industrial zones and urban zones;
- Production of furniture for offices, families and schools;
- Production and processing of wooden products;
- Manufacture of mechanical products (mainly construction machinery, office desks and chairs and filing cabinets);
- Leasing machinery and equipment;
- Trading of automobiles, motorbikes, equipment and spare parts for transportation and mining, means of transport;
- Production and trading of various kinds of machinery for construction and mining;
- Trading of electrical and electronic products, optical equipment and medical equipment;
- Production, trading, assembling, installing, repairing and provision of warranty service for electrical products, electronic products, Refrigeration Engineering products, electrical products for household needs, air conditioners;
- Production and trading of raw materials and plastic products;



- Advertising services;
- Civil construction;
- Industrial construction;
- Exploiting of sand, stone and gravel;
- Cement production and trading of construction materials;
- Production, trading and assembling interior products, construction equipment;
- Real estate trading (not including land pricing consultancy service);
- Leasing office-residences and assets (not including karaoke, discotheque, bar business);
- Domestic and overseas investment consultancy (not including legal advisory services);
- Tourism and tourism services;
- Transportation services and leasing means of transport;
- Trading of processed agricultural, aquatic and forestry products, seafood;
- Trading of chemicals (except for prohibited chemicals); alcoholic beverages, soft drinks;
- Production and trading of non-colored metal and non-ferrous scrap;
- Trading and importation and exportation of steel, materials and equipment of steel rolling and refining;
- Production of steel rolling handles; production of roofing iron sheets;
- Exploitation of metal ores;
- Trading of metals, metal ores, ferrous scrap;
- Steel refining, iron and steel casting;
- Production of non-plated and plated steel pipes, stainless steel pipes;
- Provision of warehousing services;
- Provision of sports and gymnastics services (training, organization of competitions, transfer of athletes/players);
- Construction and lease of training grounds and fields for sports and gymnastics competitions;
- Trading and lease of sports and gymnastics equipment, competition clothing and souvenirs.

## **1.2. History of the establishment and development of Hoa Phat Group**

### **1.2.1 A brief history of the establishment of Hoa Phat Group**

Hoa Phat Group Joint stock Company, preceded by Hoa Phat Steel Joint stock Company, was



## IV. SITUATION & SPECIAL FEATURES OF LISTED INSTITUTION

established on the basis of Hoa Phat Steel Joint stock Company buying back 6 independent enterprises bearing Hoa Phat brand name including Hoa Phat Equipment and Accessories Company Limited, Hoa Phat Furniture Joint stock Company, Hoa PHat Steel Pipe Company Limited, Hoa Phat Refrigeration Engineering Company Limited, Hoa Phat Urban Construction and Development Joint stock Company and Hoa Phat Trading Company Limited. On January 09, 2007, Hoa Phat Steel Joint stock Company had its business registration certificate revised and renamed itself as Hoa Phat Group Joint stock Company.

In 1992, Hoa Phat Equipment and Accessories Company, the first company associated with Hoa Phat brand name, was founded to specialize in trading small and medium construction and mining machinery and equipment made in socialist countries to satisfy domestic market demand for such machines and equipment. Hoa Phat Equipment and Accessories Company was then the first enterprise to engage in this line of business in Vietnam. Mr. Tran Dinh Long, currently the Chairman of the Board of Management of Hoa Phat Group, was the founding member cum the first Director of the Company.

In 1995, in the context of rocketing demand for office and school furniture in the domestic market as a result of the rapid growth of Vietnam's economy and FDI inflows, Hoa Phat Furniture Joint Stock was established under the initial name as Son Thuy Trading Company Limited. Initially, the Company specialized as a distribution agent for imported furniture products. In 1999, with the accumulated capital and experiences coupled with market survey and research, the Company decided to import machinery, equipment and technologies to invest in producing finished furniture products at home.

In 1996, Hoa Phat Steel Pipe Company Limited, another company under the brand name of Hoa Phat, was set up to meet increasing market demand for steel pipes. The Company's key products including black steel pipes and galvanized steel pipes used in civil and industrial construction have become nationwide popular and been recognized as high quality products with inexpensive cost and perfect service quality. The founding members of the Company have subsequently become members of the Board of Management of Hoa Phat Group.

In 2000, Hoa Phat Steel Joint stock Company was established with the Project on Steel Rolling Mill with the total investment capital for plant premises, equipment and advanced technologies from Italy of VND 264 billion and factory area of 62,996 square meters. This project has attracted the largest capital investment of Hoa Phat Group. The Steel rolling mill completed the construction phase and started its operation in June 2002 with annual capacity of 250,000 tons of hot-rolled concrete steel including rolled steel with diameter of 6 and 8 mm, D8mm steel coils and ribbed steel bars with diameter of 10-41mm. In order not to depend on imported steel billets and to ensure stable input supply, the Company decided to invest in constructing a steel billet plant with the investment capital of VND 237 billion to establish advanced production lines and 2 electric arc



furnaces with capacity of 20 tones each, a refining ladle with capacity of 30 tones and a continuous casting machine. This plant with the capacity of 180,000 tones of semi-finished steel per year has been in operation since July 2004. The Company has so far become a very well known steel producer in Vietnam.

In 2001, together with the recovery of the Vietnamese economy after the 1997 regional financial crisis, Hoa Phat Refrigeration Engineering Company Limited and Hoa Phat Urban Construction and Development Joint stock Company were also established. Hoa Phat Refrigeration Engineering Company Limited was initially named as Hoa Phat Plastics Company Limited and specialized in production of and trading in air conditioners, refrigerators, washing machines, freezers, water heaters, sanitary wares with Funiki brand name and various plastic products.

Hoa Phat Urban Construction and Development Joint stock Company was set up with a view to satisfying increasing demand for construction of new plants and expansion of existing plants of the member companies of Hoa Phat Group. Gradually the Company has expanded its business activities to real estate investment and trading. The Company is presently managing Pho Noi A Industrial Zone in Hung Yen Province with the total area of 390 ha, a large industrial zone with location advantages on the Highway 5 connecting Hanoi and Hai Phong. The Company has also been approved by the People's Committee of Hung Yen Province to be the investor of the Project of Pho Noi A Urban Complex with the total area of 300 ha since February 2005. With great potential and opportunities in real estate investment sector, Hoa Phat Urban Construction and Development Joint stock Company has determined "real estate investment, construction and trading" as its main field of business for 2007 and afterwards.

In 2004, with a view to diversifying business lines and meeting increasingly high demand for steel in industrialization stages, taking full advantage of its established brand name and existing linkages between Hoa Phat companies and foreign partners and local customers, Hoa Phat Trading Company Limited was formed to specialize in trading steel plate, coil, packs, narrow steel products, cast pipes, welded tube pipes, galvanized steel pipes, and water-related components and scrap. As the youngest company under the brand name of Hoa Phat, Hoa Phat Trading Company Limited has step by step established and strengthened its position in business development as well as supporting other member companies of Hoa Phat Group in output distribution and input procurement.

On January 9, 2007, with a view to unifying independent companies into a powerful economic group with the established brand name and improving its own competitiveness after Vietnam's WTO accession, Hoa Phat's managers decided to restructure its subsidiaries. Accordingly, Hoa Phat Steel Joint stock Company was developed into the holding company that carried out the buying of other companies with Hoa Phat brand name, and renamed itself as Hoa Phat Group Joint stock Company. On January 9, 2007, Hoa Phat Steel Joint stock Company had its business registration certificate revised and officially renamed itself as Hoa Phat Group Joint stock Company. This

## IV. SITUATION & SPECIAL FEATURES OF LISTED INSTITUTION

transformation is considered a critical restructuring and strategic development of Hoa Phat to enable strength accumulation within the Group and the Group's reach to new heights, paving the way for farther and greater development of the Group in the context of international integration.

Deploying the resolution of Hoa Phat Group Joint stock Company shareholder's meeting, on April 2, 2007 in term of financing new project of the Group, Hoa Phat issued additional shares. Total issued shares were 22,000,000 (twenty two million), managing to mobilize VND1,535 billion, increasing chartered capital from VND 1,100 billion to VND1,320 billion.

In order to further expand business operation and ensure input material for steel production, in August and October 2007, Hoa Phat Group established 2 additional subsidiary companies, namely Hoa Phat Steel JSC with chartered capital of VND500 billion, and Kinh Mon Steel Plate JSC with chartered capital of VND500 billion. The parent company holds 85% of chartered capital of each new firm and now has 8 subsidiaries. Also in June 2007, Hoa Phat contributed capital to establish 2 joint stock companies namely Hoa Phat Mineral JSC with chartered capital of VND100 billion and Hoa Phat-SSG Mining JSC with chartered capital of VND30 billion. Hoa Phat Group holds 40% chartered capital of each firm.

Hoa Phat Steel Joint stock Company has been granted Business Registration Certificate No.0403000659 by the Department of Planning and Investment of Hai Duong on August 17, 2007. Registered lines/fields of business include:

- Production of steel, iron, pig-iron, and exploitation of iron ores
- Exploitation and collection of lignite, trading of metal and metal ore
- Cargo road transportation services, cargo inshore and domestic waterborne transportation, loading and unloading of cargo

Hoa Phat Steel Joint stock Company has been established to produce plain iron scroll, deformed steel bar for construction with planned capacity of 320,000 tons of products per year.

Kinh Mon Steel Plate Rolling Joint stock Company has been granted Business Registration Certificate No.0403000695 by the Department of Planning and Investment of Hai Duong on September 10, 2007. Registered lines/fields of business of the Company include:

- Production of iron, steel, iron, pig iron, rolling mill, forge, batter of metal, refining powdered metal, wholesale trading of metal and metal ore.
- Cargo road transportation services, cargo inshore and domestic waterborne transportation, cargo loading and unloading.

Kinh Mon Steel Plate Rolling Joint stock Company has been established to produce steel plate for ship building industry with planned capacity of 320,000 tons of products per year.





The establishment of the two above companies is the biggest medium-term project of Hoa Phat Group, making considerable contribution to the turnover and profits of the Group, raising its profile from 5th biggest producer to the 3rd biggest producer in Vietnam's steel industry.

*A brief history of the establishment and development of Hoa Phat Steel Joint stock Company (precursor of Hoa Phat Group Joint stock Company)*

In 2000, Hoa Phat Iron and Steel Company Limited was founded with the chartered capital of VND 20,000,000,000 (twenty billion Dong) and registered fields of business including production of steel-rolling handles, iron sheets for roofing and trading in production materials and equipment.

During that period, the Company started constructing a Steel rolling mill Project with the total investment capital for plant premises, advanced equipment and technologies from Italy of VND 264 billion and the total plant area of 63,996 square meters.

On October 26, 2001, the Company transformed into Hoa Phat Steel Joint stock Company with the chartered capital of VND 90,000,000,000 and headquarter located in Nhu Quynh Industrial Zone, Van Lam District, Hung Yen Province in accordance with the Business Registration Certificate No.0503000008 issued by the Department of Planning and Investment of Hung Yen Province.

June 21, 2002 marked the completion of the construction of its Steel rolling mill. The Plant then started its operation with the designed capacity of 250,000 tones per year (the maximum capacity might reach 300,000 tones per year). Hot-rolled concrete steel products are main products of Hoa Phat Steel Rolling Mill, including steel round wire rod with diameter of Ø6 and Ø8, D8mm steel ribbed wire rod and ribbed steel bars with diameter of D10-41mm.

In order not to depend on imported steel billets and to ensure stable input supply, Hoa Phat Steel Joint stock Company decided to invest in constructing a Steel Billet Plant in Pho Noi A Industrial Zone in Hung Yen Province. On August 1, 2004, after 15-month construction of the Plant, Hoa Phat Steel Company produced its first steel billet from modern production line, with the total investment capital of VND 237 billion including 2 electric arc furnaces with capacity of 20 tones each, a refining ladle with capacity of 30 tones and a continuous casting machine. The total capacity of the Plant reaches 180,000 tones of steel billets per year. Inputs for its production are mainly steel scrap and metallurgical pig iron. Products of the Plant are square steel billets of 120mmx120mm, 130mmx130mm in size, and 6m or 12m in length.

Hoa Phat Steel Company is becoming more and more popular among Vietnamese consumers as a prestigious manufacturer of steel products. With its own Steel Billet Plant supplying 180,000 tones of steel billets per year equivalent to 80% annual inputs for the Steel rolling mill, the Company manages to ensure its stable production and selling prices of steel products and not to be dependent on steel price fluctuations in the world markets, hence guaranteeing the Company's high competitiveness. The Company plans to reach the production output of 190,000 tones of steel

## IV. SITUATION & SPECIAL FEATURES OF LISTED INSTITUTION

billets and 200,000 tones of finished steel by 2009.

In the beginning of 2007, Hoa Phat Steel Joint stock Company had carried out the buying of 6 independent subsidiaries with Hoa Phat brand name, including Hoa Phat Steel Joint-stock Company renamed later as Hoa Phat Equipment and Accessories Company Limited, Hoa Phat Furniture Trading and Manufacturing Co., Ltd., Hoa Phat Steel Pipe Co., Ltd., Hoa Phat Refrigeration Engineering Co., Ltd., Hoa Phat Urban Development and Construction Joint stock Company. On January 9, 2007, Hoa Phat Steel Joint stock Company had its business registration certificate revised and renamed itself later as Hoa Phat Group Joint stock Company.

### 1.2.2. A brief history of the establishment and development of subsidiary companies of Hoa Phat Group

#### 1.2.2.1 The establishment and development of Hoa Phat Equipment and Accessories Company Limited

Hoa Phat Equipment and Accessories Company Limited was established in August 1992 specializing in trading in small and medium construction and mining machineries and equipments produced by socialist countries. The Company has retailing stores and mechanical workshops at Giap Bat to repair and provide warranty services for construction equipments.

In October 1992, the Company became the exclusive distributor of construction equipments of MIKASA, a world leading Japanese manufacturer of small and medium construction machineries and equipment. MIKASA equipments have so far been used in most of construction sites and transportation works across the country and account for about 60% of market share in Vietnam.

During the period of 1993-2002, the Company expanded its sales network nationwide and established its branches in Da Nang City and Ho Chi Minh City. Also during this period, the Company expanded its product range to include scaffoldings, construction poles, concrete mixers in Hanoi and Ho Chi Minh City and increased its importation of construction equipment from China, Russia, Malaysia, Singapore, Thailand, Japan, South Korea, France, Italy, etc., to become the official and sole distributor in Vietnam for the following brands:

- ✦ VITO brand concrete mixers from the Republic of France;
- ✦ DIAMANT BOART brand concrete cutter;
- ✦ AIRMAN brand air-compressor from Japan;
- ✦ KOSHIN brand water pump from Japan;
- ✦ FIAC brand industrial air compressor from Italy.

Also in this period the Company obtained an agreement with HONDA ENGINE Company from



Japan to become an importer of HONDA engines to assemble with construction equipments imported or domestically manufactured by Hoa Phat Company.

The Company invested in importing machineries and equipments from China for producing construction steel scaffoldings, a new product favored by numerous construction companies, contributing a substantial proportion in the Company's revenue. The Company also expanded to produce new equipments and products such as concrete mixers, construction hoist.

In 2002, the Company constructed a plant of steel casting in Binh Duong with the total area of 27,000 square meters to specialize in producing spare parts and components for stone crushers, especially in manufacturing high manganese steel for producing wear-resistant crusher jaws, and invested in expanding the facilities for producing Korean standard panel scaffoldings that subsequently became dominant product in home market and substituted the imported like product.

At the end of 2002, the Company built a new plant called Construction and Mining Equipment Manufacturing Plant in Hung Yen Industrial Zone. This is the first plant in Vietnam specializing in manufacturing big-scale crushing and filtering equipments. The Plant's product quality has continuously improved and production has become stable time after time, hence enabling the substitution of the Plant's products with high quality and reasonable price for imported like equipment.

In 2003, the construction of 5,700 square meters distribution warehouse in Binh Thang, Binh Duong Province, the northern entrance to Ho Chi Minh City, was completed. It has become the warranty and distribution management center of the Company's products in the South of Vietnam.

Also in 2003, the Company signed a contract with a Chinese Research Institute to purchase the engineering design for tower crane and mass lifting. By the end of 2006, the first tower cranes and mass lifting applying the purchased engineering design were used in some significant construction projects across the country and have so far been seen in almost all construction works.

In 2005, the Company invested in constructing an office building as its permanent head quarter at 243 Giai Phong Road, Hanoi, to create a modern and comfortable working place for its staff.

In 2006, the first phase of the construction of large-scale warehousing and warranty center system of the Company with the total area of over 5,000 square meters at Yen So, Thanh Tri District, Hanoi, was completed, facilitating the management, storage and distribution of the Company's products to its clients, stores and sales agents throughout Vietnam.

#### **1.2.2.2 The establishment and development of Hoa Phat Furniture Joint stock Company**

Established on July 18, 1995 under the initial name of Son Thuy Trading Company Ltd., the Company at the beginning was a sales and distribution agent for imported furniture. With the capital and experiences accumulated from this early stage of business as well as various market



## IV. SITUATION & SPECIAL FEATURES OF LISTED INSTITUTION

survey and research, the Company decided to import equipments, machineries and technologies to invest in domestic production of furniture in 1997.

On August 29, 2000, Son Thuy Trading Company Ltd., officially changed its business name into Hoa Phat Manufacturing and Trading Company Ltd., located at 113 Bui Thi Xuan Street, Hai Ba Trung District, Hanoi, and specializing in manufacturing furniture for offices, home, schools and public facilities, etc., Also at this time, the Company built manufacturing factories at Nhu Quynh Industrial Zone, Km17, Highway 5, to meet the demand of manufacturing expansion.

In May 2002, BVQI United Kingdom officially certified the Company to be in compliance with ISO 2001:2000.

On October 26, 2006, the Company was transformed into Hoa Phat Furniture Joint stock Company and since January 9, 2007, the Company has officially become a member company of Hoa Phat Group Joint stock Company.

Since its early period of manufacturing, Hoa Phat Furniture Joint-stock Company has determined to invest in modern equipments and production lines in order to manufacture high quality furniture products to satisfy market demand as well as to improve consumers' tastes. Besides, the Company has continuously invested in substituting imported materials by local materials to lower its production costs. From a initial trading and distribution company for foreign furniture products, Hoa Phat Furniture Joint-stock Company has now become the leading furniture manufacturer in Vietnam.

In the North of Vietnam, Hoa Phat Furniture Joint-stock Company has 6 large factories located in Nhu Quynh Industrial Zone over an area of more than 20ha, including:

- ✦ Galvanized steel pipe furniture factory;
- ✦ Office steel cabinet manufacturing factory;
- ✦ Industrial wooden furniture manufacturing factory;
- ✦ Natural wooden furniture manufacturing factory;
- ✦ Office rotating chair manufacturing factory;
- ✦ Mould manufacturing factory

In the South and Central Vietnam, the Company also invested in constructing manufacturing factories such as office industrial wooden table and rotating chair manufacturing factories at Cat Lai Industrial Zone, Ho Chi Minh City, office furniture manufacturing factory at Hoa Khanh Industrial Zone, Da Nang City, raising the total number of existing manufacturing factories of the Company to 10.

Hoa Phat Furniture Company always attaches priority to invest in modern equipments from Japan, Italy, Germany, Taiwan, etc., and continuous improvement of technological process to create high quality products. The Company's production lines are recognized as the most modern among the



existing furniture manufacturing factories across Vietnam such as galvanized lines, electro static painting lines, cutting machines, punching machines, bending machines, sawing machines, etc.

Hoa Phat Furniture Company has been awarded numerous titles and prizes for quality such as:

- ✦ ISO 9001:2000 Certificate granted by BVQI United Kingdom in 2002.
- ✦ From 2001 until now, continuously voted as Vietnam High Quality Products and ranked the top of the voted category of products.
- ✦ Vietnamese National Golden Star prize in 2003 and 2005.
- ✦ Vietnamese Powerful Brand name prize in 2004.
- ✦ Various Gold Medals at annual Industrial Product Fairs and International Trade Fair EXPO since 2000.
- ✦ Prime Minister's Certificate of Merits in 2005.
- ✦ Leading Brand name in Furniture sector in the list of companies awarded with Vietnam High Quality Product title in 2006 and 2007.
- ✦ Merit flags awarded to the leading enterprise in Hung Yen Province since 2002.
- ✦ Awarded with the Title of Customer-favouring products annually.
- ✦ Declared publicly and recognized by Hanoi Bureau of Quality, Measurement and Standards for its product quality.

**1.2.2.3 The establishment and development of Hoa PHat Steel Pipe Company Ltd.,**

Hoa PHat Steel Pipe Company Ltd., is a leading and professional steel pipe manufacturer in Vietnam. It was established in accordance with the License No.2639GP/TLDN issued by the People's Committee of Hanoi City on August 13, 1996. Steel pipes of the Company have since then been supplied to a large number of projects and works and highly appreciated by domestic and foreign customers.

Hoa PHat Steel Pipe Company is a 100% Vietnamese-invested limited liability enterprise. After its establishment, the Company built a steel pipe-manufacturing factory at Nhu Quynh Industrial Zone, Van Lam District, Hung Yen Province over an area of more than 4ha with the designed capacity of 120,000 tones per year.

The Company's main products including black welding steel pipes and galvanized steel pipes for civil and industrial uses have been widely distributed across the country and well-known for their high quality, inexpensive price and good service quality.

The business philosophy of the Company is product quality, continuous technology and management improvement, and staff training in order to guarantee a sustainable long-term development of the Company.

## IV. SITUATION & SPECIAL FEATURES OF LISTED INSTITUTION

In the past years, the Company has always improved its quality management system in conformity with ISO 9001:2000.

- On April 26, 2004, the Company was granted the Certificate of Quality Management System in compliance with ISO 9001:2000 by BVQI United Kingdom.
- On January 30, 2007 the Company was granted the Certificate of Quality Management System in compliance with ISO 9001:2000 by DNV Netherlands.
- On October 8, 2001, Hanoi Bureau of Quality, Measurement and Standards approved the Company's Declaration of Product Quality Standards.

Sticking to its business slogan of "Perfection in Quality and Service", Hoa PHat Steel Pipe Company Ltd., always offers the best service to its customers.

Hoa PHat Steel Pipe Company has been awarded numerous titles, prizes and certificates for quality such as:

- ✦ Golden Cup of Vietnam Industrial Product Fair in 2003
- ✦ Golden Cup - Gold Medal of Metallurgy, Electronics and Mechanical Exhibition in 2004
- ✦ Certificate of Quality Management System in compliance with ISO 9001:2000 granted by DNV Netherlands
- ✦ Company's Declaration of Product Quality Standards approved by Hanoi Bureau of Quality, Measurement and Standards on October 8, 2001
- ✦ Steel Pipe Testing results passed and certified by Technology Center I - General Directorate of Quality, Measurement and Standards on September 28, 2005 and January 9, 2007.

### 1.2.2.4 The establishment and development of Hoa Phat Refrigeration Engineering Company Ltd.,

Hoa Phat Refrigeration Engineering Company Ltd., was established on July 4, 2001, initially called Hoa Phat Plastics Company Ltd.,. The Company's mission then determined by Hoa Phat Group was to produce industrial plastic products to supply to furniture manufacturing. With the capital and experiences accumulated from this early stage of business as well as various market survey and research, the Company after a period of experimental production eventually invested in producing air conditioners and some high quality refrigeration products at reasonable prices for popular customers in Vietnam in 2002.

From October 17, 2002, the Company was renamed as Hoa Phat Plastics and Refrigeration Company Ltd., with the second revision of its business registration to specialize in manufacturing and trading raw materials and plastic products; manufacturing, assembling, repairing and providing warranty services to electric products, refrigeration products, civil electric products, and air conditioners. Its chartered capital was also increased from VND 5,000,000,000 to VND 20,000,000,000. This move





defines the determination of Hoa Phat Group in general and Board of Management as well as employees of Hoa Phat Plastics and Refrigeration Company Ltd., in particular to expand the Company's production and business.

In the beginning of 2004, all resources of Hoa Phat Group and Hoa Phat Plastics and Refrigeration Company Ltd., was mobilized at the highest level to introduce a new brand of products: FUNIKI air conditioners with the designed capacity range from 9,000BTU to 45,000BTU and various patterns of installation such as split, floor and ceiling.

In November 2004, FUNIKI refrigeration products were officially launched to the market with the warm welcome of sales agents and consumers.

On March 2, 2005, the Company had its Business Registration Certificate revised for the 3rd time and was renamed as Hoa Phat Refrigeration Engineering Company Ltd., Its chartered capital was raised to VND 50 billion. Advertising services were added to the Company's fields of business in the revised Business Registration Certificate.

In addition to air conditioner and refrigerator manufacturing factories, enamel-electric water heater manufacturing factory also started its production from November 2005 and introduced FUNIKI enamel-electric water heaters to satisfy increasingly high demand of the market and further strengthen the brand name of Hoa Phat Refrigeration Engineering Company.

From December 27, 2005, the Company's chartered capital was increased to VND 100 billion.

With the established prestige and taking full advantage of the existing modern machineries and technologies, Hoa Phat Refrigeration Engineering Company Ltd., continued to invest in constructing a washing machine manufacturing factory. The first washing machine of FUNIKI brand was launched to the market in January 2007, planting a milestone in the growth of FUNIKI brand name as well as making a stride in the development of Hoa Phat Refrigeration Engineering Company itself.

High class sanitary wares with FUNIKI brand name such as bathroom studs, basins, bathtubs, etc., were also introduced to the market in August 2006 in the strategy of product diversification and best use of the existing resources to better satisfy market demand.

Hoa Phat Refrigeration Engineering Company Ltd., have been awarded numerous titles and prizes for quality such as:

- Gold Medal awarded by the Organizer of the 15th International Trade Fair in 2005
- Certificate of Merits for outstanding performance in fulfillment of tax obligations in 2005 issued by the Department of Planning and Investment of Hung Yen Province
- Certificate for active contribution to the success of International Exhibition of Construction

## IV. SITUATION & SPECIAL FEATURES OF LISTED INSTITUTION

- Building Materials - Housing and Interior Decoration VIETBUILD HANOI 2005 issued by the Exhibition Organizer
- Certificate of Merits for outstanding performance in industrial sector in 2004 issued by the Department of Planning and Investment of Hung Yen Province in 2005.

### 1.2.2.5 The establishment and development of Hoa Phat Urban Construction and Development Joint stock Company

Hoa Phat Urban Construction and Development Joint stock Company was established in accordance with the Business Registration Certificate No.0103000547 issued by Hanoi Department of Planning and Investment on September 28, 2001.

Initially the Company was set up in order to satisfy increasingly high demand for construction of new factories and expansion of existing factories of other companies of Hoa Phat Group.

Following the development of Hoa Phat Group, Hoa Phat Urban Construction and Development Joint stock Company realized increasingly high demand for land for production of enterprises, especially land with complete infrastructure. In 2003, the Government approved the Company's application to be the investor of the project Pho Noi A Industrial Zone in Hung Yen Province with the total area of 390 ha and investment capital of over VND 500 billion. The construction of the Project infrastructure was started from the end of 2004 and divided into separate investment phases. So far the main infrastructure of Pho Noi A Industrial Zone such as Industrial Zone Administration Center, local transport road system, water supply and drainage system, water waste treatment system, etc., has been completed and ready to serve land leases. The completion of main infrastructure construction has initially contributed to the success of investment attraction to this Industrial Zone.

In addition to Pho Noi A Industrial Zone, the Company obtained the approval of the People's Committee of Hung Yen Province to become the investor of Pho Noi Urban Complex Project with the total area of 300ha since February 2005. Pho Noi Urban Complex serves the demand for residences of employees and workers of enterprises located in Pho Noi A Industrial Zone and develops Pho Noi into a satellite urban center of Hanoi in accordance with Hanoi construction and development plans.

Fully aware of great potentials and opportunities in real estate investment, Hoa Phat Urban Construction and Development Joint stock Company identified Investment - Construction and Trade in Real estates as its key business strategy in 2007 and thereafter. In addition to the above mentioned priority projects, the Company is also trading and finding more projects of offices for lease and apartment buildings in Hanoi.

Together with the strong development and growth of Hoa Phat Group, the potential field of Real Estate investment - construction - trade that Hoa Phat Urban Construction and Development



Joint stock Company, a member company of the Group, is specializing shall contribute to the great success of Hoa Phat Group in the coming years.

**1.2.2.6 The establishment and development of Hoa Phat Trading Company**

Recognizing the increasingly high demand for steel and iron during the period of industrialization and modernization of a developing country and with a view to making full use of the existing relations between Hoa Phat companies and foreign partners and domestic customers, the Board of Management of Hoa Phat Group decided to establish a new member company specializing in trading in iron and steel products which had not been domestically manufactured or which had been already domestically manufactured but failed to meet quality and technical standards required by local customers.

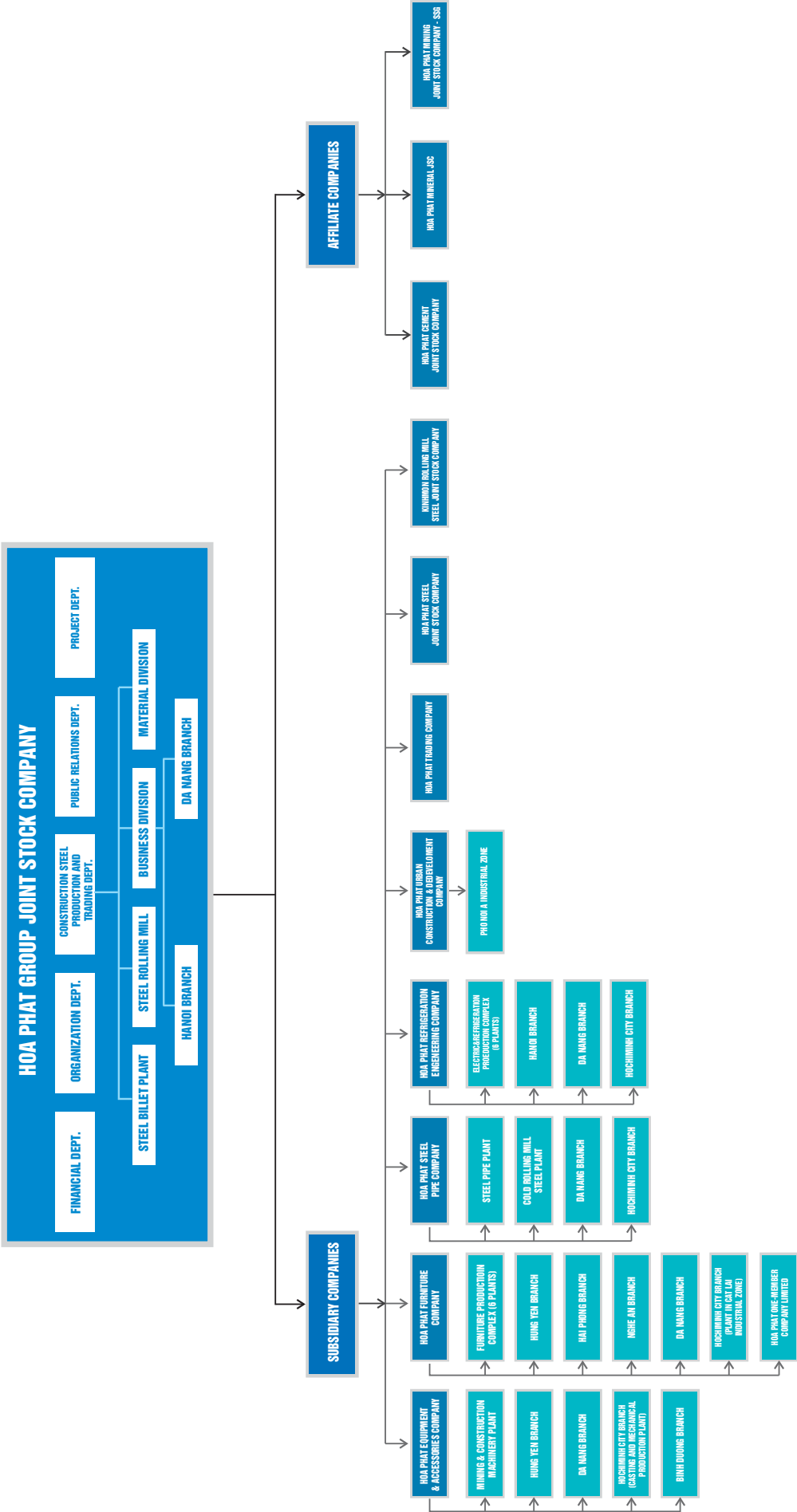
Established in accordance with the Business License No.0102014012 issued by Hanoi People’s Committee on September 9, 2004, Hoa Phat Trading Company has gradually reaffirmed its position as one of the leading trading companies in the North of Vietnam, which supplies a substantial quantity of imported iron and steel products to the domestic market.

**Main steel-products of Hoa Phat Trading Company include:**

- Steel scrap from Europe, America, etc.
- Hot-soaked Galvanized steel from Taiwan, South Korea, Thailand, etc.
- Hot-rolled steel coils from CIS, China, Thailand, South Africa, Malaysia, etc.
- Hot-rolled steel sheets from CIS, China, Thailand, South Africa, Malaysia, etc.
- Stainless steel from China, Japan, etc.
- Welded steel pipes, cast steel pipes of large diameter from China, Taiwan, etc.
- Hot-rolled and cold-rolled long steel from China, etc.
- Steel billet from CIS, China, etc.
- Cold-rolled steel coils from CIS, South Korea, South Africa, etc.
- Components of various kinds used in the production of water pipelines and industrial pipes.

Iron and steel products are regarded as main products of the Company during its initial stage of development. WTO membership means both opportunities and challenges for trading entities, thus the Board of Management of Hoa Phat Group will step by step diversify its trading lines in the forthcoming time so as to gradually make trading activities become one of most effective business sectors and contribute to the overall development of the whole Group in line with market trends within the context of integration and development period.

2. Organization structure of Hoa Phat Group







## **2.1 Hoa Phat Group Joint stock Company (parent company)**

- Address: Pho Noi A Industrial Zone, Giai Pham, Yen My, Hung Yen, Vietnam
- Tel: (84-0321)942884
- Fax: (84-0321)942613

## **2.2 Hoa Phat subsidiaries.**

### **2.2.1 Hoa Phat Equipment and Accessories Company**

- Address: 243 Giai Phong St., Dong Da Dist., Hanoi City, Vietnam
- Tel: (84-4) 8693983
- Fax: (84-4) 8691874

### **2.2.2 Hoa Phat Furniture Joint stock Company**

- Address: 22 Hang Chuoi St., Hai Ba Trung Dist., Hanoi City, Vietnam
- Tel: (84-4) 9782914
- Fax: (84-4) 9782918

### **2.2.3 Hoa Phat Steel Pipe Company**

- Address: 126 Bui Thi Xuan St., Hai Ba Trung Dist., Hanoi City, Vietnam
- Tel: (84-4) 9762404
- Fax: (84-4) 9762374

### **2.2.4 Hoa Phat Refrigeration Engineering Company**

- Address: Giai Pham Commune, Yen My Dist, Hung Yen Province, Vietnam
- Tel: (84-0321) 942481
- Fax: (84-0321) 942481

### **2.2.5 Hoa Phat Construction and Urban Development Company**

- Address: 22 Hang Chuoi St., Hai Ba Trung Dist., Hanoi City, Vietnam
- Tel: (84-4) 9763891.
- Fax: (84-4) 9763890

### **2.2.6 Hoa Phat Trading Company**

- Address: 119 Bui Thi Xuan St., Hai Ba Trung Dist., Hanoi City, Vietnam
- Tel: (84-4) 9763299
- Fax: (84-4) 9763299

# IV. SITUATION & SPECIAL FEATURES OF LISTED INSTITUTION

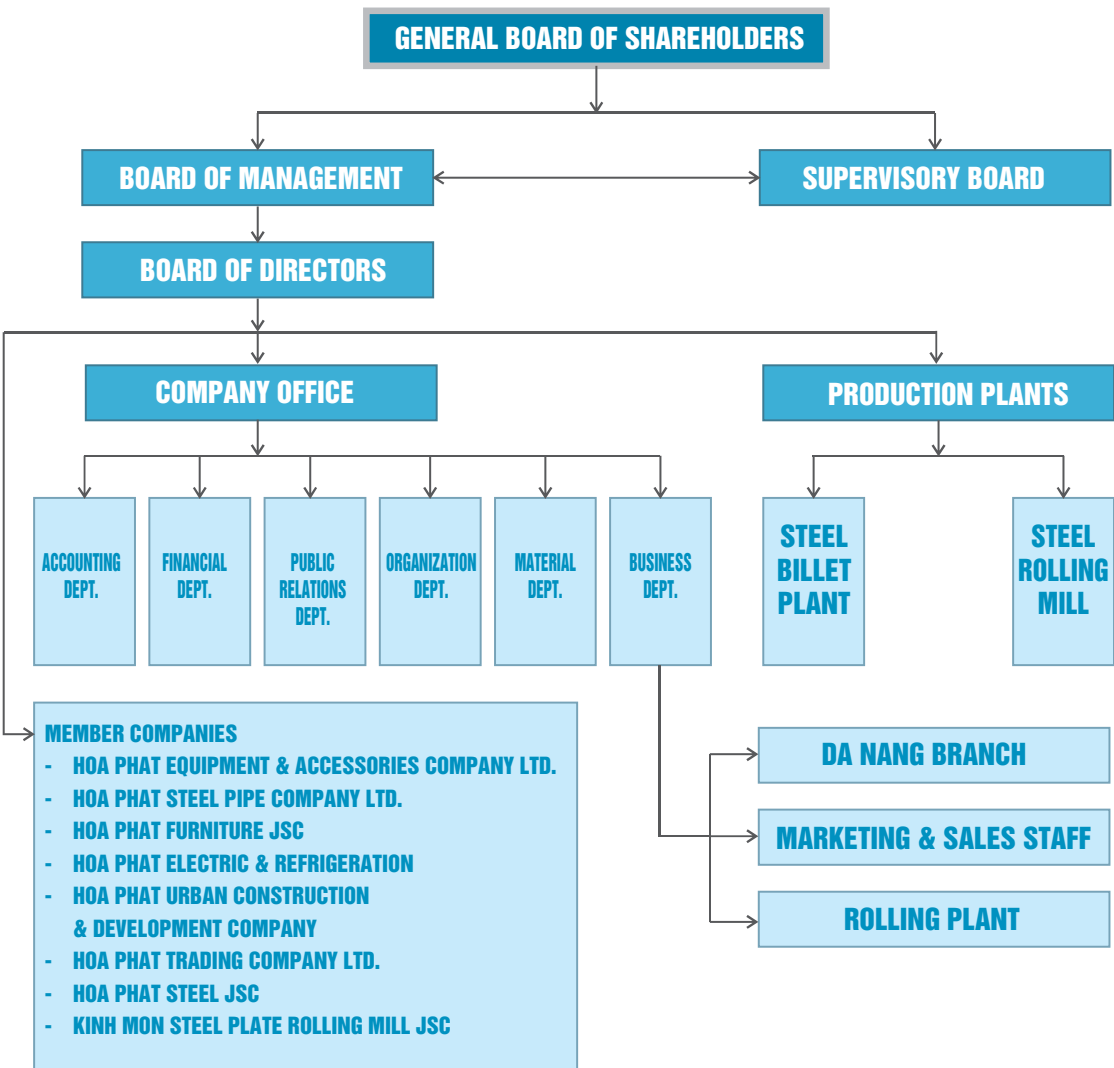
## 2.2.7 Hoa Phat Steel Joint stock Company

- Address: Hiep Son Commune, Kinh Mon Dist., Hai Duong City, Vietnam
- Tel: (84-320) 534578
- Fax: (84-320) 534577

## 2.2.8 Kinh Mon Steel Plate Rolling Joint stock Company

- Address: Hiep Son Commune, Kinh Mon Dist., Hai Duong City, Vietnam
- Tel: 84-320) 534578
- Fax: (84-320) 534577

## 3. Organizational Chart of Management of Hoa Phat Group Joint stock Company





### *General Board of Shareholders*

Consisting of all shareholders who have the right to vote, the General Board of Shareholders is the highest power of the Company and decides matters stipulated by law and by the Company Charter. The General Board of Shareholders has also the function of approving the annual financial statement of the Company and the financial budget plan for the subsequent year. The General Board of Shareholders votes to elect the Board of Management and the Supervisory Board of the Company.

### *The Board of Management*

The Board of Management is responsible for administering the Company and has the right to decide all issues relating to the Company's objectives and interests on behalf of the Company, except for those matters within the competence of the General Board of Shareholders. The Board of Management is responsible for supervising the Managing General Director and other managers of the Company. Rights and obligations of the Board of Management are stipulated by law and by the Company Charter as well as internal regulations of the Company and resolutions of the General Board of Shareholders. At present, the Board of Management of Hoa Phat Group Joint stock Company consists of 12 members elected for a 5-year term.

### *The Supervisory Board*

The Supervisory Board is directly under the General Board of Shareholders that elects its members. The Supervisory Board is responsible for supervising the lawfulness and legacy in administering the Company's business activities and in the Company's financial statement. The Supervisory Board acts independently from the Board of Management and the Board of Directors.

### *The Board of Directors*

The Board of Directors of the Company consists of the General Director and some Deputy General Directors. The General Director administers and manages daily activities of the Company and is responsible to the General Board of Shareholders for the execution of his mandated rights and obligations. The General Director serves a 3-year term except otherwise decided by the Board of Management. Deputy General Directors assist of the General Director and are responsible to the General Director for their respectively assigned duties, actively deciding issues that the General Director delegates to them in conformity with the Government's regulations and the Company Charter.

## **4. List of Shareholders who have more than 5 percent of the Company's shares, founding Shareholders, and Shareholder's Structure**

# IV. SITUATION & SPECIAL FEATURES OF LISTED INSTITUTION

## 4.1 List of Shareholders who have more than 5 percent of Equity

No.	Full name	Registered permanent residence	No.Of Shares	Share proportion in chartered capital(%)
1	Tran Dinh Long	119 Bui Thi Xuan Str, Hai Ba Trung Dist, Hanoi City.	36.400.000	27.58%
2	VOF INVESTMENT LIMITED	P.O. Box 2280, Road Town, Tortola, British Virgin Islands.	10,560,000	8.00
3	Vu Thi Hien	119 Bui Thi Xuan Str, Hai Ba Trung Dist, Hanoi City.	11,001,000	8.33
4	Tran Thi Thu Diep	23/B22 Thanh Cong South, Lang Ha Street, Dong Da District, Hanoi.	7,970,400	6.04

## 4.2 Company’s Founding Shareholders

According to the 10th revision of Business Registration Certificate No.0503000008 issued by the Department of Planning and Investment of Hung Yen Province dated August 2, 2007, the founding shareholders of the Company consist of 6 persons, who initially held the total number of 53,100,000 common shares, equivalent to 40.23% of the total common shares of the Company.

No.	Full name	Registered permanent residence	No.Of Shares	Share proportion in Chartered capital(%)
1	Tran Dinh Long	No. 119 Bui Thi Xuan St., Hai Ba Trung Dist., Hanoi	36,400,000	27.58
2	Chu Quang Vu	No. 3 Ly Tu Trong St., Minh Khai Ward, Hong Bang Dist., Hai Phong City	180,000	0.14
3	Nguyen Ngoc Quang	No. 10 Phan Huy Ich St., Nguyen Trung Truc Ward, Ba Dinh Dist., Hanoi	3,000,000	2.27
4	Nguyen Manh Tuan	No. 67 Bat Dan St., Cua Dong Ward, Hoan Kiem Dist, Hanoi	4,000,000	3.03
5	Tran Tuan Duong	No. 41 Ngu Xa St., Truc Bach Ward, Ba Dinh Dist., Hanoi	4,000,000	3.03
6	Doan Gia Cuong	No. 8-15D Trung Yen, Trung Hoa, Dong Da Dist., Hanoi	3,000,000	2.27





4.3 Shareholders Structure:

No.	ITEMS	VND 1.000	% Chartered Capital	Numbers of reholders	Shareholder Structure	
					Organization	Individual
	Share Capital					
1	- Founding Shareholders	505,800,000	38.32%	6	0	6
2	- Big Shareholders	659,314,000	49.95%	4	1	3
3	- Shareholders holding from 1% to 5% with voting rights	352,550,000	26.71%	11	3	8
4	- Shareholders holding less than 1% with voting rights	308,136,000	23.34%	2128	16	2112
5	- Fund Share	-	-	-	-	-
	Among them					
1	- State Capital	-	-	-	-	-
2	- Foreign Capital	138,915,000	10.52%	20	8	12

5. List of subsidiary companies and affiliate companies of Hoa Phat Group

- List of parent companies: 0
- Subsidiary companies:
  - + Hoa Phat Equipment and Accessories Co., Ltd.,: Chartered capital: VND140 billion (Hoa Phat Group holds 99.6%)
  - + Hoa Phat Furniture Joint stock Company: Chartered capital: VND150 billion (Hoa Phat Group holds 99,3%)
  - + Hoa PHat Steel Pipe Company Co., Ltd.,: Chartered capital: VND160 billion (Hoa Phat Group holds 99,69%)
  - + Hoa Phat Refrigeration Engineering Joint stock Co., Ltd.,: Chartered capital: VND100 billion (Hoa Phat Group holds 99,5%)
  - + Hoa Phat Construction and Urban Development Joint stock Company: Chartered capital: VND150 billion (Hoa Phat Group holds 99,3%)
  - + Hoa Phat Trading Joint stock Company: Chartered capital: VND30 billion (Hoa Phat Group holds 98,33%)

# IV. SITUATION & SPECIAL FEATURES OF LISTED INSTITUTION

- + Hoa Phat Steel Joint stock Company: Chartered capital: VND500 billion (Hoa Phat Group holds 85%)
- + Kinh Mon Steel Plate Rolling Joint stock Company: Chartered capital: VND500 billion (Hoa Phat Group holds 85%)
- List of companies that the issuing company holds the control or dominant share: 0
- List of companies that holds the control or dominant share of issuing institution: 0
- List of companies that associated with:
  - + Hoa Phat Cement Joint stock Company: Chartered capital: VND300 billion (Hoa Phat Group holds 50%)
  - + Hoa Phat Mineral Joint stock Company: Chartered capital: VND100 billion (Hoa Phat Group holds 40%)
  - + Hoa Phat-SSG Mining Joint stock Company: Chartered capital: VND30 billion (Hoa Phat Group holds 40%)

## 6. Business operation of Hoa Phat Group Joint stock Company

Hoa Phat steel JSC was the precursor of Hoa Phat Group. In 2007, with a view to unifying independent companies into a powerful economic group with the established brand name and improving its own competitiveness in market, Hoa Phat s’ managers decided to restructure subsidiaries and established Hoa Phat Group. Hoa Phat is a multi-field Industrial Economic Group with various product categories. The Group’s member companies both operate independently to minimize risks due to the economy’s fluctuations and maintain the linkages among themselves as input suppliers and users to lower production costs and guarantee the stability of material sources.

Revenue, Profit of Hoa Phat Group over the past years: Unit: million dong

No	Items	2005	2006	Half of 2007
1	Net Revenue	909,007	1,318,882	2,386,912
2	After tax Profit	2,728	68,488	253,726

Source: Audited Financial statement of 2005, 2006, Audited Financial statement of First half 2007, Financial statement of the first half of 2007, Hoa Phat Group

Note: Data of 2005, 2006 were Hoa Phat Steel Joint stock Company ‘s result. Business result of the first half of 2007 was consolidated Hoa Phat Group’s operation.



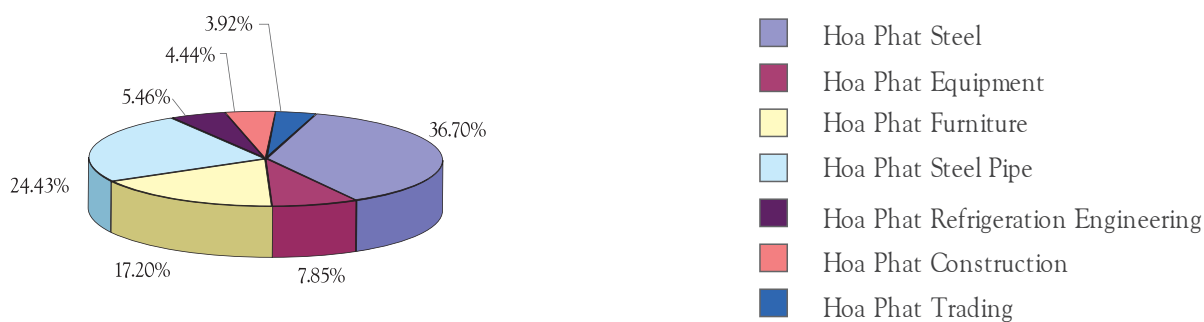
The breakdown of Hoa Phat Group’s net revenue of 2006 and the first half of 2007, contributions by various product and service categories are as follows

Company	2006		Half of 2007	
	Value (million VNDs)	Percentage	Value (million VNDs)	Percentage
Hoa Phat Steel	1,318,882	36.70%	903,842	35.87%
Hoa Phat Equipment	281,934	7.85%	224,816	8.92%
Hoa Phat Furniture	618,126	17.20%	359,459	14.27%
Hoa Phat Steel Pipe	877,874	24.43%	592,399	23.51%
Hoa Phat Refrigeration Engineering	196,332	5.46%	221,529	8.79%
Hoa Phat Construction	159,505	4.44%	72,937	2.89%
Hoa Phat Trading	140.752	3.92%	144.821	5.75%
Tổng	3.593.409	100%	2.519.806	100%

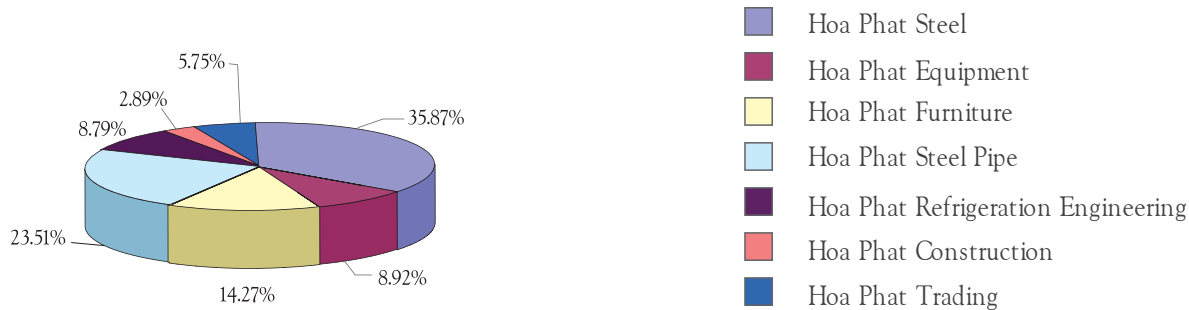
Source: Hoa Phat Group

Charts of proportion of revenue contributionsof the Group’s members as of 2006 and the first half of 2007

\* Proportion of 2006’s net revenue contributions of the Group’s member companies



\* Proportion of 2007’s net revenue contributions of the Group’s member companies



# IV. SITUATION & SPECIAL FEATURES OF LISTED INSTITUTION

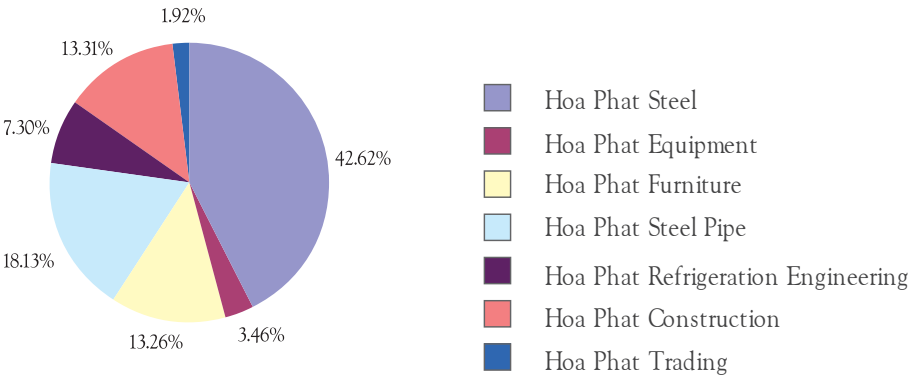
The breakdown of Hoa Phat Group's post-tax Profit of 2006 and the first half of 2007, contributions by various product and service categories are as follows

Company	2006		First half of 2007	
	Value (million VNDs)	Percentage	Value (million VNDs)	Percentage
Hoa Phat Steel	68,488	42.62%	103,996	40.81%
Hoa Phat Equipment	5,555	3.46%	27,773	10.9%
Hoa Phat Furniture	21,312	13.26%	34,774	13.65%
Hoa Phat Steel Pipe	29,139	18.13%	45,883	18.01%
Hoa Phat Refrigeration Engineering	11,729	7.30%	23,628	9.27%
Hoa Phat Construction	21,389	13.31%	11,717	4.6%
Hoa Phat Trading	3,083	1.92%	7,025	2.76%
Total	160,698	100%	254,800	100%

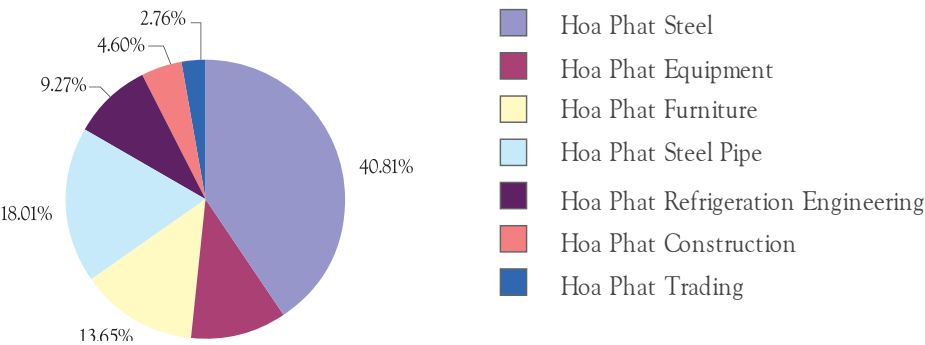
Source: Hoa Phat Group

## Charts of proportion of post-tax profit of the Group's members as of 2006 and the first half of 2007

\* Proportion of 2006's post-tax profit of the Group's member companies



\* Proportion of 2007's post-tax profit of the Group's member companies







### 6.1 Steel production and business activities of Hoa Phat Group

✦ **Product types:**

Hoa Phat Group produces various types of hot-rolled concrete steel including steel round wire rod with diameter of Ø 6 and Ø 8, steel ribbed wire rod D8 mm and deformed steel bars with diameter of D10 - D41mm.

Hoa Phat steel products are produced using advanced technologies and modern equipments imported from Italy with the designed capacity of 250,000 tones per year (the maximum capacity might reach 300,000 tones per year). In order not to depend on imported steel billets and to ensure stable input supply, Hoa Phat Group invested in setting up a Steel Billet Plant with the capacity of 180,000 tones of steel billet per year, guaranteeing up to 80% of its demand for steel billet as input material for steel production.

✦ **Production value over the past years**

- Revenue and proportion by product categories

Product category	2005		2006	
	Value (million VND)	Percentage %	Value (million VND)	Percentage %
Steel bar	291,149	32.03	564,487	42.45
Steel wire rod	579,932	63.79	715,087	53.78
Others	38,004	4.18	50,173	3.77
Total	909,085	100	1,329,747	100

- Gross profit by product categories

Product category	2005		2006	
	Value (million VND)	Percentage %	Value (million VND)	Percentage %
Steel bar	-852	- 5.57	58,532	47.55
Steel wire rod	13,608	88.87	55,635	45.20
Others	2,557	16.71	8,920	7.25
Total	15,313	100	123,087	100

Source: Hoa Phat Group

✦ **Materials and raw materials**

- Source of material supply

Steel billet is the main material for steel production. In order not to depend on imported steel billets and to ensure stable input supply for steel production, Hoa Phat Steel Joint stock Company invested

# IV. SITUATION & SPECIAL FEATURES OF LISTED INSTITUTION

in constructing a Steel Billet Plant in Pho Noi A Industrial Zone in Hung Yen Province with the total investment capital of 237 billion Dong. The plant is equipped with modern production lines including 2 electric arc furnaces with capacity of 20 tones each, a refining ladle with capacity of 30 tones and a continuous casting machine. The total capacity of the Plant reaches 180,000 tones of steel billets per year. Input materials for its production are mainly steel scrap and metallurgical pig iron. Products of the Plant are square steel billets of 120mmx120mm and 130mmx130mm in size, and 6m or 12m in length.

Main materials for steel billet production include steel scrap, metallurgical pig iron, fire resistant brick and powder, electrode, iron alloy. Sources of supply of these materials are as follows:

No.	Material	Source of supply	Level of stability	Ratio of material price over product price	Ratio of material price over profit
1	Steel billet	China, Russia, Japan, Malaysia	Moderate	81.80%	9.54%
2	Steel scrap and metallurgical pig iron	US, South Africa, Japan, the Philippines, Middle East, Australia and domestic sources	Moderate	63.30%	7.38%
3	Fire resistant brick and powder	China, South Africa, Europe, Italy, Malaysia	Moderate	3.08%	0.36%
4	Electrode	China, India, etc.	Good	1.40%	0.17%
5	Iron alloy	Vietnam, China	Good	1.83%	0.21%

Source: Hoa Phat Group

◆ Stability of sources of supply of materials:

With its own Steel billet Plant supplying 180,000 tones of steel billets per year equivalent to 80% annual input materials for the Steel rolling mill, the Company manages to ensure its stable production and selling prices of steel products and not to be dependent on steel price fluctuations in the world markets, hence guaranteeing the Company’s competitiveness.

As sources of supply of materials for steel billet production are relatively available, input materials for steel production are therefore very stable.

◆ Effects of material prices on revenue and profit:

The ratio of material costs in the total costs of the Company is rather large, thus input prices have substantial impact on the production and business of the Company. Fully aware of this, the Company always tries to seek stable input supply sources so as to ensure stable production of steel billet for steel rolling and minimize negative effects of material price fluctuations on the Company’s operations.



✦ **Production costs**

The ratio of cost factors of the Company as compared to net revenue:

No	Cost factor	2005		2006	
		Value (VND)	% of revenue (%)	Value (VND)	% of revenue (%)
1	Cost price	893,694,493,600	98.32%	1,188,914,566,967	90.51%
2	Sales cost	1,397,295,451	0.15%	2,798,610,837	0.21%
3	Enterprise management expense	8,645,183,880	0.95%	7,692,874,349	0.58%
4	Financial expense	20,637,047,572	2.27%	41,744,090,183	3.17%
	Total	924,374,020,503	101.69%	1,241,150,142,336	94.11%

Source: Hoa Phat Group

In 2006, the ratio of cost price over revenue of steel production was reduced substantially to 90.15%. Whereas distribution cost in 2006 increased as compared to 2005, enterprise management expense was lower, reflecting a positive trend in cost structure of the Company’s steel production and business activities. The total costs of steel production and trading of the Company in 2006 accounted for about 94% of its revenue, a reasonable ratio of steel industry.

✦ **Technologies**

◆ **Hoa Phat Steel Rolling Mill**

Hoa Phat Steel Rolling Mill is one of the most modern plants in Vietnam with synchronous technologies and equipments imported from DANIELI Co. (Italy).

The production process from the stage of billet loading into furnaces to the stage of bundling of finished products is continuously automatic. During the whole process, all working parameters of equipments and factors that might affect product quality are controlled and monitored by the synchronous PLC automatic controlling system. Using advanced technologies, the electrical-automatic system of Hoa Phat Steel Rolling Mill is a dispersed controlling system on the PLC platform. Each PLC has its own function of handling a separate phase such as furnace, rolling stand, cutting machine, coil making, finishing steel bars and wires. All these PLCs are networked and linked to controlling rooms, thus creating a continuous production line of full automation. Thanks to high automation level, the Plant is capable of producing products of large quantities and stable quality, all technical parameters are always closely controlled and monitored.

Equipped with modern equipment and technologies designed, manufactured, installed and transferred from the world leading steel producer DANIELI, all electric-automation equipment of

## IV. SITUATION & SPECIAL FEATURES OF LISTED INSTITUTION

the Plant are new generation products of famous brands such as Siemens, Beaumuler, Schneider, etc., and employ automation controlling principles such as tension control, moment, speed, PID, Dead-Bead, etc., to ensure high accuracy and stability.

Main products of the Plant include construction steel round wire rod of diameter Ø6 - Ø8, D8 steel ribbed wire rod, D10-D36 deformed steel bars, steel bars of various types and standards to satisfy market demand such as Vietnamese standards TCVN, Japanese standards JIS, US standards ASTM, etc., In the coming time, the Plant plans to produce large-size steel products such as D41-D46 ribbed steel bars for large construction works, steel bars of various length upon customers' demand.

### ◆ *Hoa Phat Steel Billet Plant*

Steel billet is main input material for steel rolling mill, thus carefully selecting technologies is crucial for the production of low-cost quality steel billets. In spite of many available technologies for steel billet production in the world, they are generally grouped into the 2 main categories: the first category with old technological lines using electric arc - casting furnaces and the second category with advanced technological lines employing electric arc furnaces-refining ladle-continuous casting machine.

Recognizing the importance of technologies, Hoa Phat Group Joint stock Company has selected to install the advanced technological lines with electric arc furnace - refining ladle - continuous casting machine so as to shorten the process of refining in electric arc furnaces and enable the casting process to be continuous with batch by batch. Moreover, the advanced technologies guarantee that chemical composition of each batch of steel products is monitored and controlled, thus facilitating the diversification of finished product types during the refining process.

### ✦ **Research and Development**

Presently the Company is performing a pre-feasibility study for the project to produce steel billet from iron ores of Vietnamese origin with the capacity of 100,000 tones per year using Japanese technology.

### ✦ **Quality monitor and control**

◆ The Company is applying the Quality Management System in compliance with ISO 9001:2000 standard for its whole production and business process.

◆ Quality control department of the Company:

- o Steel rolling mill: Products are checked by the Department of Quality Control during the production and storage process.
- o Steel Billet Plant: The Department of Quality Control is in charge of checking the quality of all input materials and supervision of steel billet production process. This Department's

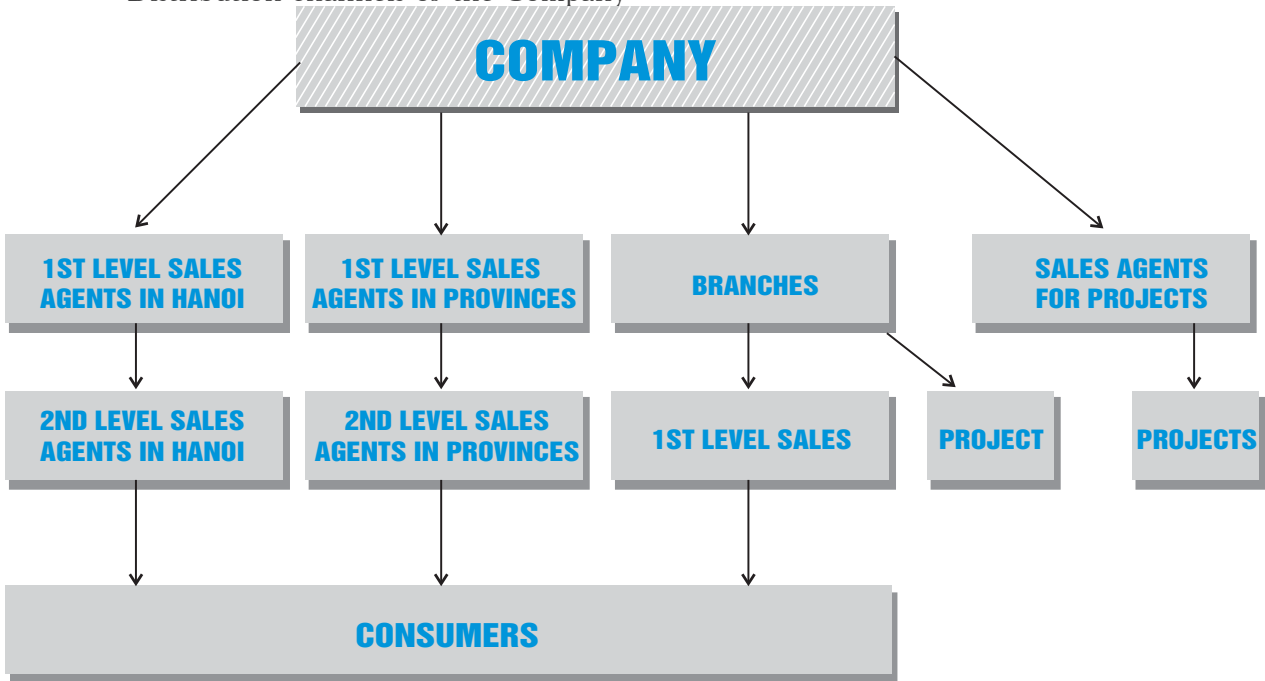




responsibility is to ensure that the whole production process from input stage to finished product stage is inspected and monitored with measurement methods and equipments in conformity with technical standards applicable to materials, semi-finished products and recorded in quality dossiers.

✦ **Marketing and Sales**

◆ **Distribution channels of the Company**



✦ **Marketing and sales activities:**

With the support of customers and its own efforts to improve production and sales services, Hoa Phat steel has become one of the most prestigious steel brand names in Vietnam.

In order to effectively promote Hoa Phat steel brand name and reach potential customers including households and construction projects, Hoa Phat Steel Company has launched the following advertisement and promotion programs for its hot-rolled concrete steel products:

- o TV advertising: Hoa Phat sponsors and posts advertisement on weather forecast programs, 24/7 Sport programs on channel VTV1 and VTV3 of Vietnam Television.
- o Installation of advertising boards.
- o Participation in fairs and exhibitions: Hoa Phat Steel frequently participates in domestic prestigious fairs and exhibitions such as Mechanical and metallurgical exhibition in Hanoi,

## IV. SITUATION & SPECIAL FEATURES OF LISTED INSTITUTION

Chino-Vietnam trade fair in Lao Cai, Vietnam High quality product Fair organized by Saigon Marketing newspaper, etc.

- o Frequent running of promotional programs such as discount promotional sales for New Year's days, discount promotional sales for the 1st level distribution agents selling large quantities of steel bars, etc.

### ◆ Company's orientation in marketing and sales activities:

- o Supply steel products to projects of Hoa Phat Group.
- o Maintain and develop existing customer network.
- o Invest in and expand customer network, increase sales, expand market reach.
- o Expand markets for Hoa Phat steel products in unexplored market areas such as the Southern regions and Northwestern provinces.
- o Improve the quality of customer services.
- o Enhance sales support activities such as advertising, increase promotional efforts to help Hoa Phat steel products be used in the national priority projects with a view to strengthening Hoa Phat Steel brand name in consumers' minds (Nhat Tan Bridge Project, Lang-Hoa Lac Highway Expansion Project, etc.)
- o Develop markets for Hoa Phat steel products across the country via establishing of entrepot warehouse system in Da Nang and Ho Chi Minh City and effective branch network in order to strengthen and develop customer network of Hoa Phat steel products.

### ◆ Trademark, registered patent and property rights

*All products bear Hoa Phat Steel trademark. In addition, on each product "HOA PHAT" characters are engraved and ribbed steel products in particular bear the following symbol:*





✦ Ongoing or concluded large contracts

No.	Contract	Contract value (VND)	Year
1	Industrial Investment & Development Joint stock Company	331,200,000,000	2007
2	Hoang Phong Metal Company Limited	331,200,000,000	2007
3	Minh Phuong Trading Company Limited	55,200,000,000	2007
4	Steel structure and material Company Limited	33,120,000,000	2007
5	An Binh Steel Joint stock Company	55,200,000,000	2007
6	Tan Thach Trading Company Limited	32,760,000,000	2007
7	Hoa Binh Minh General Company Limited	109,200,000,000	2007
8	Phan Nu Trading Company Limited	109,200,000,000	2007

Source: Hoa Phat Group

6.2 Equipment and accessories manufacture and trading

Hoa Phat Equipment and Accessories Company Limited, a member company of Hoa Phat Group, specializes in equipment and accessories manufacturing and trading activities.

✦ Product types:

Hoa Phat is the first manufacturer in Vietnam of elevators, tower cranes, stone crushers, sand filtering equipments, and ore crushing and filtering equipments. Besides, the Company also manufactures scaffoldings, steel construction poles, concrete mixers, elevators, etc.

In addition to manufacturing construction equipments, Hoa Phat is also the sole distributor in Vietnam of construction equipments from world famous corporations such as:

- o Tamping rammers, plate compactors, concrete cutters of MIKASA brand, the world leading Japanese manufacturer of small and medium construction machineries and equipment;
- o VITO concrete mixers from the Republic of France;
- o KOSHIN water pump from Japan;
- o DAISIN electricity generator from Japan;
- o AIRMAN air compressor from Japan;
- o DIMAS concrete cutting and drilling equipment from the United States;

✦ Production value over the years

# IV. SITUATION & SPECIAL FEATURES OF LISTED INSTITUTION

◆ Revenue and proportion of contributions by product categories

Product category	2005		2006	
	Value (million VND)	Percentage	Value (million VND)	Value (million VND)
Tower cranes and elevators	21,746	7.78 %	19,765	7.01 %
Construction equipment	195,884	70.08 %	174,728	61.97 %
Stone crushers	58,586	20.96 %	81,260	28.82 %
Other equipment and accessories	3,299	1.18 %	6,203	2.20 %
Total	279,515	100 %	281,956	100 %

Source: Hoa Phat Group

◆ Gross profit by product categories

Product category	2005		2006	
	Value (million VND)	Percentage	Value (million VND)	Percentage
Tower cranes and elevators	1,264	4.10 %	6,228	13.90 %
Construction equipment	23,115	75.00 %	20,431	45.60 %
Stone crushers	5,856	19.00 %	17,205	38.40 %
Other equipment and accessories	585	1.90 %	944	2.10 %
Total	30,820	100 %	44,808	100 %

Source: Hoa Phat Group

✦ Materials and raw materials

◆ Source of material supply

At present, materials for the Company’s manufacturing are either imported or locally procured:

- Importation: Imported materials are relatively stable and the quality meets requirement. Most of foreign exporters are long-term counterparts of the Company and have established reputation in the world market. Imported materials and raw materials include:
  - High manganese scrap steel imported from the United States to manufacture casting parts has higher quality than locally procured scrap steel and ensures stable supply quantities and competitive prices.
  - Chinese DASU electric engines. DASU is a well-known electric engine manufacturer. Its selling prices are very competitive as compared with Vietnamese manufacturers. DASU is





able to supply a variety of engines with stable quality. So far all manufacturing equipments and machineries of Hoa Phat have been installed with DASU electric engines.

- Parts and structures of main machines used in manufacturing tower cranes and elevators, etc., are imported from China with stable quality and prices.
- Finished steel used in manufacturing parts of crushers, cogwheels, gearboxes, etc.
- Section steel, cast steel pipes used in manufacturing elevators and tower cranes.
- Plywood and compressed bamboo used in manufacturing construction panels are imported from large and reputable factories in China with good quality and competitive price.
- Parts and components used in manufacturing concrete mixers, etc.
- o Domestically procured materials
  - Steel sheets, steel sections, finished steel, cast billet, etc., are supplied by trading companies specializing in iron and steel products.
  - Steel pipes and corrugated iron sheets used in manufacturing construction steel panels and poles: as the main supplier of these input is Hoa PHat Steel Pipe Company (also a member of Hoa Phat Group), their supply is guaranteed with preferences such as stable source of supply and quality, competitive prices and timely delivery as per required schedule of the Company.
  - Auxiliary materials such as paint, welding rods, and electric equipment are procured from large suppliers with discounted prices and stable quality.

◆ **Stability of source of supply of materials and raw materials:** With its 15-year experience in the industry, the Company has established long-term relations with many suppliers. Furthermore, since the Company has managed to manufacture some mould parts for its own use and other member companies of Hoa Phat Group can guarantee the supply of some inputs such as steel pipes, etc., the stability of material supply for the Company's production is ensured.

◆ **Effect of material costs on revenue and profits:** Material costs account for a large proportion in the Company's production costs, thus the fluctuations in input prices have substantial impacts on the revenue and profits generated from manufacturing and selling equipment and accessories. Price fluctuations are mainly resulted from exchange rate fluctuations and input price increases from input suppliers. In order to minimize these negative effects, the Company has tried to align its production plans with sales plans. For large orders, the Company always requires confirmation from both material suppliers and domestic customers in order to minimize risks.

# IV. SITUATION & SPECIAL FEATURES OF LISTED INSTITUTION

## ✦ Production costs

The ratio of cost factors of the Company as compared to net revenue:

Unit: dong

No.	Cost factor	2005		2006	
		Value (VND)	% Of revenue (%)	Value (VND)	% Of revenue (%)
1	Cost price	248,694,388,098	88.97	237,125,615,007	84.10
2	Sales cost	3,302,477,535	1.18	5,519,534,782	1.83
3	Enterprise management expense	18,321,128,137	6.55	14,521,411,518	5.15
4	Financial expense	8,673,406,164	3.10	15,068,073,966	5.34
	Total	278,991,399,934	99.81	271,874,635,273	96.42

Source: Hoa Phat Group

The ratio of cost price over revenue reduced from 88.97% in 2005 to 84.10% in 2006, reflecting that the Company applied successfully many cost-saving and effectiveness-improving policies. Furthermore, the ratio of enterprise management expense over revenue was cut down from 6.55% in 2005 to 5.15% in 2006.

## ✦ Technologies

The Company imports various equipment and machineries to be used in its production such as:

- o Modern gasoline-run engines are imported from HONDA Corp. (Japan) to be installed in construction machines such as concrete mixers, concrete cutters, concrete rammers, tamping rammers, plate compactors, water pumps, etc., Honda Corp., manufactures various kinds of engines of different power levels. Especially its GX-type engines have been exported to 70 countries in the world, from those engines of medium power levels such as GX-120, GX-160, GX-200 to those of higher power levels such as GX-270, GX-390. GX-type engines are very fuel saving and environment-friendly.
- o The Company signed contracts with KOSIN (one of the leading Japanese manufacturers specializing in water pumps used in agriculture, households, petroleum and marine industries) to import components of Koshin gasoline-run pumps for domestic assembling by Hoa Phat in Vietnam. With the leading brand name of Koshin pumps, Hoa Phat acquires great advantages in its water pump sales.
- o The Company receives technical support from Chinese Tsuchuan Construction Machine Group Company Limited, a leading large-scale corporation of China.

## ✦ Research and Development



In order to raise its competitiveness and satisfy market demand, gradually gain dominant position in domestic market and substitute imported like products, the Company has conducted a number of researches to produce new products:

- o 3 new models of tower crane, namely HPCT 6516, HPCT 6023 and HPCT 5529 have been successfully manufactured and sold;
- o A refining ladle using medium frequency induction has been built in the casting plant in Binh Duong in order to be capable of casting crushing spare parts of weight up to 5 tones used in manufacturing large-capacity complete stone crushing lines.
- o Vacuum-casting technology has been studied to be applied in manufacturing wear-resistant spare parts and components (mass production is expected by April 2007).
- o Installation of steel rolling lines in Binh Duong has been completed, enabling the Company to produce on its own panel frames of special steel and jacks of steel bar of diameter of 32mm.

#### ✦ **Quality monitor and control**

- o The Company is applying the Quality Management System in compliance with ISO 9001:2000 standard.
- o The Company has a separate quality control unit to ensure that all products and parts are monitored and checked in different phases:
  - + Input quality check before entering warehouse: all materials used in production such as main materials, equipments, machineries, billet parts that are ordered to be processed outside the Company have to be checked before being stored in warehouses.
  - + Product quality check during processing stage: all parts and components in processing stage are monitored and checked by quality control officers and only those stamped with “Quality Control Passed” marks are permitted to move into warehouse and be used in next stages.
  - + Finished product quality check: All finished products before entering distribution system are controlled by “Testing Quality Passed” receipts in cases of machineries and stamped with “Quality Control Passed” marks in cases of processed parts and components.

#### ✦ **Marketing and Sales**

Marketing and sales activities of the Company focus on the following key policies:

- o The Company focuses on supplying its products to large projects since they generate large revenue and are the most effective channel to promote the Company’s brand name.
- o The Company focuses on supplying its products to large companies with predominant market share in the domestic market and supports these large clients with reasonable pricing policy and good technical and after-sale services. These clients account for more than 50% of the Company’s revenue.

# IV. SITUATION & SPECIAL FEATURES OF LISTED INSTITUTION

- o The Company maintains close relations with its distributors to effectively distribute small equipments such as water pumps, small electricity generators, air-filled wires, conveyor belts, etc., on wholesale scale.
- o The Company promotes its exportation of stone crushers and construction equipments to South Asia and Eastern Europe regions. Exportation plays a significant role in increasing revenue, mitigating pressures of competing for domestic market shares and ensuring full capacity of plants and factories.
- o Maintain and promote its strength of being the sole distributor of construction equipment of well-known brands such as Mikasa, Airman, Daishin, Koshin, Fiac, etc.
- o Conduct R&D activities to create new products to serve increasing demand for specialized equipment in the construction industry.

✦ **Trademark, registered patent and property rights**

All products of the Company are attached with Hoa Phat Group logo.



✦ **Ongoing or concluded large contracts**

The Company signed contracts to supply machineries and equipments to a number of large customers as follows:

- |   |                   |
|---|-------------------|
| o No.5 Construction Joint stock Company of Vinaconex:   | VND 5,600,000,000 |
| o No.3 Lilama Joint stock Company:  | VND 1,700,000,000 |
| o Urban infrastructure investment and development<br>Joint stock Company:                         | VND 3,577,600,000 |
| o No.36 Investment-construction and Trading Company of<br>Thanh An General Corporation:           | VND 2,727,200,000 |
| o Mai Thanh Transportation and Trading Company Limited:   | VND 1,948,000,000 |
| o No.483 Road Maintenance and Management Company:   | VND 1,100,000,000 |
| o Ha Tinh Construction and Material Joint stock<br>Company - Ha Tinh Mineral General Corporation: | VND 5,550,000,000 |
| o Truong Son Investment - Construction Joint stock Company:                                       | VND 1,088,000,000 |
| o Branch of An Phu Construction Company (3 contracts):  | VND 4,100,000,000 |
| o Vinh Phuc Construction Material Joint stock Company:  | VND 1,700,000,000 |





- o Thua Thien - Hue Road Maintenance and Management Company:

VND 1,815,000,000

### 6.3 Furniture production and trading

Hoa Phat Furniture Joint stock Company, a member company of Hoa Phat Group, specializes in producing and trading furniture products.

#### ✦ Product types:

Main furniture products of Hoa Phat Group include:

- o Tables/desks and chairs for families: tables/desks and chairs with electro-statically painted frames or Ni-Cr-plated frames, household furniture such as TV shelves, ironing boards, clothes-hangers, relaxing sofas, and family shelves.
- o Tables/desks and chairs, cabinets for offices made of wood, iron, fabric, foam rubber, plastics such as wooden tables/desks, wooden cabinets, wooden shelves coated with fire-resistant materials or anti-scratching materials, rotating chairs of various types, iron cabinets, iron tables, iron shelves, etc.
- o Household furniture products made from natural wood.
- o Fire-resistant safe-boxes.
- o Furniture products for schools.
- o Office partition systems.
- o Supermarket shelf system.
- o Furniture products for public facilities such as benches in waiting lounges of airport terminals, railways terminals, post offices, benches on buses, chairs in meeting halls, conference rooms, and cinemas.
- o Furniture products for sport facilities such as benches in stadiums, competition halls including VIP chairs, Italian-type cushion chairs, Thai-type cushion chairs, and South Korean-type cushion chairs.

With years of experiences in the furniture industry, Hoa Phat is currently accounting for the largest share of furniture products in Vietnam. Furniture products of Hoa Phat are highly appreciated by consumers and have been awarded with many prizes:

- o Golden Cup for Hoa Phat brand name in the construction industry at VietBuild International Exhibition in 2005 in Hanoi.
- o Certificates of Vietnam High quality products in 2004, 2005 and 2006 voted by consumers for the furniture industry (organized by Saigon Marketing Newspaper).

#### ✦ Production value over the years

# IV. SITUATION & SPECIAL FEATURES OF LISTED INSTITUTION

• Revenue and contribution proportion by product categories

Product category	2005		2006	
	Value (million)	Percentage	Value (million VND)	Percentage
Cabinets	134 ,572	26.18%	154 ,973	25.07%
Tables/Desks	96 ,637	18.8%	133 ,399	21.58%
Chairs	151 ,227	29.42%	179 ,637	29.06%
Partitions	5 ,449	1.06%	8 ,160	1.32%
Safe-boxes	41 ,533	8.08%	48 ,031	7.77%
Other furniture	84 ,610	16.46%	93 ,962	15.2%
<b>Total</b>	<b>514 ,028</b>	<b>100 %</b>	<b>618 ,162</b>	<b>100 %</b>

Source: Hoa Phat Group

• Gross profit contributions by product categories

Product category	2005		2006	
	Value (million)	Percentage	Value (million VND)	Percentage
Cabinets	12 ,775	25.25%	18,792	23.32%
Tables/Desks	9 ,081	17.95%	20,969	25.92%
Chairs	14 ,591	28.84%	20,086	24.83%
Partitions	541	1.07%	1 ,016	1.26%
Safe-boxes	4 ,068	8.04%	5,716	7.07%
Other furniture	9 ,537	18.85%	14 ,325	17.71%
<b>Total</b>	<b>50 ,593</b>	<b>100 %</b>	<b>80,904</b>	<b>100 %</b>

Source: Hoa Phat Group

✦ Materials and raw materials

◆ Source of material supply

Materials used in furniture production of the Company include steel pipes of various types, natural wood and plywood of various kinds, leather, steel coils, locks, screws, etc., Most of steel pipes are supplied by steel pipe plants of the Group; other materials and inputs are either imported or domestically procured.

- Sources of imported materials: The Company directly imports the following materials and raw materials from Italy, US, Brazil, Germany, Russia, Japan, South Korea, Canada, and ASEAN:



- Italy: Melamine-coated plywood in chips and particles of various types
- US: Sawn and dried natural wood
- Brazil: Tanned bovine leather of various types
- Germany: Screws
- Russia, Japan, South Korea: steel coils
- Canada: Chemicals for plating
- ASEAN: locks of various kinds, PVC edges, fabric, furniture accessories.
- China: screws and accessories of various kinds, PVC edges, etc.
- o Domestic sources of materials: foam rubber, plywood in chips and particles, PVC edges, glass, electrostatic paint, PU paint used on wood surface, etc., supplied by prestigious Vietnamese producers such as wood of various kinds from Hoang Anh Gia Lai Corporation. Besides, a large proportion of plastic components and parts used in the Company's products such as chair arms and backs, etc., are produced and supplied by Hoa Phat Refrigeration Engineering Company, another member company of the Group, thus facilitating cost reduction and stability of input supply for the Company.

✦ **Stability of sources of material supply:**

- o Regarding imported materials, all materials are directly imported from large producers with high reputation, and hence the quality and quantity of imported material order is always guaranteed. Moreover, that the Company has established long-term relations with its material suppliers ensures the stability of sources of material supply and avoids fluctuations in material prices.
- o The Company concludes long-term contracts with domestic material suppliers and even provides them with capital support if necessary to help them invest in machineries and equipments. Therefore, the Company is guaranteed of long-term material supply capability at the most competitive prices from domestic sources.
- o The Company always seeks localized materials. As a great number of main materials used in its production is supplied by other companies in Hoa Phat Group such as steel pipes of various kinds, plastic components and parts, etc., production costs are therefore reduced and stable material supply is ensured.

◆ **Effect of material costs on revenue and profits:** Materials costs account for a large proportion in production costs, thus the fluctuations in input prices have substantial impacts on the revenue and profits of the Company. In order to minimize risks due to fluctuations in material prices, the Company's policy is to increase localization ratio so as to reduce production cost and mitigate negative effects of fluctuations in imported material prices.

# IV. SITUATION & SPECIAL FEATURES OF LISTED INSTITUTION

## ✦ Production costs

No.	Cost factor	2005		2006	
		Value (VND)	% of revenue (%)	Value (VND)	% of revenue (%)
1	Cost price	463,415,094,106	90.16%	537,222,047,768	86.91%
2	Sales cost	-	0.00%	3,294,082,635	0.53%
3	Enterprise management expense	40,602,413,989	7.90%	37,649,205,096	6.09%
4	Financial expense	3,296,024,054	0.64%	15,839,121,974	2.56%
	<b>Total</b>	<b>507,313,532,149</b>	<b>98.70%</b>	<b>594,004,457,473</b>	<b>96.1%</b>

Source: Hoa Phat Group

The ratio of cost price over revenue is relatively stable, reflecting strict cost management and rational planning of production norms and targets. That the ratio of management expense over revenue decreases also reflects the Company’s efforts in cost reduction.

## ✦ Technologies

Since its early stage of manufacturing, Hoa Phat Furniture Company has determined to invest in modern equipments and production lines in order to manufacture high quality furniture products to satisfy market demand. Besides, the Company has continuously invested in substituting imported materials by local materials to lower its production costs. From a pure trading and distribution company for foreign furniture products, Hoa Phat Furniture Company has now become the leading furniture manufacturer in Vietnam.

In the North of Vietnam, Hoa Phat Furniture Company has 6 large factories located in Nhu Quynh Industrial Zone over an area of more than 20ha, including:

- Galvanized steel pipe furniture factory;
- Office steel cabinet manufacturing factory;
- Industrial wooden furniture manufacturing factory;
- Natural wooden furniture manufacturing factory;
- Office rotating chair manufacturing factory;
- Mould manufacturing factory

In the South and Central Vietnam, the Company also invested in constructing manufacturing factories such as office industrial wooden table and rotating chair manufacturing factories at Cat Lai Industrial Zone, Ho Chi Minh City and office furniture manufacturing factory at Hoa Cam



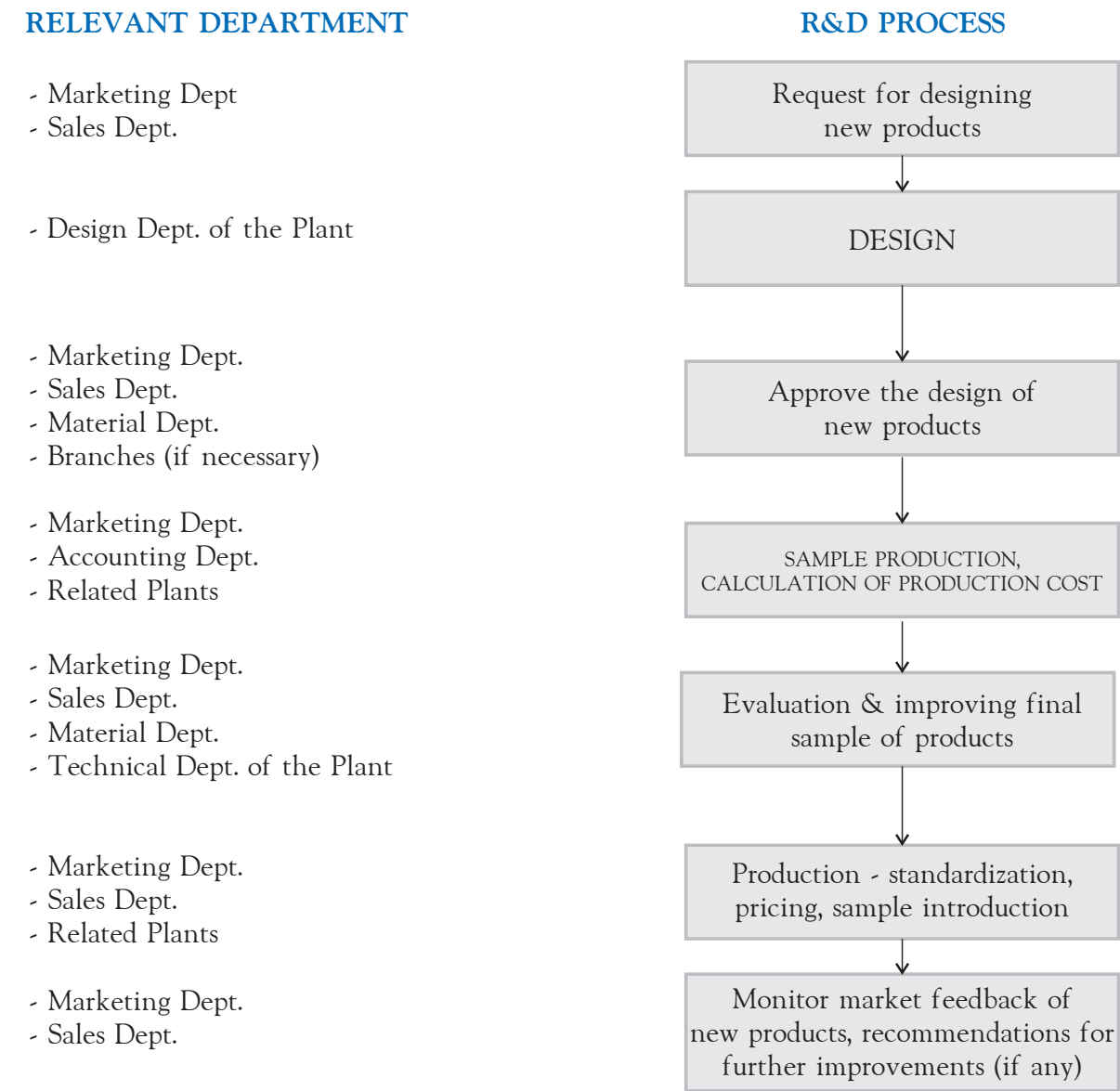


Industrial Zone, Da Nang, raising the total number of existing manufacturing factories of the Company to 10.

Hoa Phat Furniture Company always attaches priority to investment in modern equipments from Japan, Italy, Germany, Taiwan, etc., and continuous improvement of technological process to create high quality products. The Company’s production lines are recognized as the most modern among the existing furniture manufacturing factories across Vietnam such as galvanized lines, electro-static painting lines, cutting machines, punching machines, bending machines, sawing machines, etc.

✦ **Research and Development**

◆ R&D process of the Company



## IV. SITUATION & SPECIAL FEATURES OF LISTED INSTITUTION

• The Company has successfully manufactured and introduced to the market the following products:

- o The Company has managed to restructure its line of computer desks with iron frames and vacuum-compressed wood surface, to reset technical specifications, size and structure specifications and to launch new designs. The Company has announced its new pricing list and delivered leaflet/brochures of its products.
- o The Company has managed to restructure its lines of furniture for schools, , to reset technical specifications, size and structure specifications and to launch new designs. The Company has announced its new pricing list and delivered catalogue of its products.
- o Develop its line of outdoor furniture including tables and chairs (mainly for exportation).
- o Develop its line of dining-tables and chairs.
- o Study and successfully produce new line of KA-V safe-boxes.
- o Standardize some models of office desks and cabinets made from industrial wood, cabinet desks for pupils.
- o Standardize some models of high-class director desks and line of high class manager desks.
- o Standardize some models of high-class director chairs and high class chairs for conference rooms.
- o Produce new models of bench in waiting lounges to replace out-of-date models.
- o Study and successfully produce some moulds for products such as rotating chair legs (plastics + plated steel pipes), backs of chairs used in conference halls, plastic writing desk top, etc.
- o Study and successfully produce new model of VN HP03 partitions.

### ✦ Quality monitor and control

- ◆ Quality Management System: The Company applies ISO 9001:2000 Quality Management System, including Production Quality Planning Process applicable to individual factories and plants, certified in March 2002 by BVQI United Kingdom.
- ◆ Product Quality Control Unit: Each plant and factory has its own quality control unit in charge of monitoring product quality throughout all stages and inspecting the quality of finished products.

### ✦ Marketing activities

- ◆ The Company always promotes advertising and promotional programs to establish and enhance the image and reputation of Hoa Phat Furniture brand name in consumers' minds. The total advertising expense in 2006 amounted to VND 4,655,731,000 and was spent on various programs such as designing and printing Product Catalogue, Public Relations programs, annual warranty



campaign in 2006 for all provinces from the North to Quang Tri province, organizing regional customer meetings for all provinces from the North to Quang Tri province including Hanoi area, North Eastern area, Northern mountainous area and North Central area, TV advertisements, etc.

◆ In 2007, the Company continues its advertising and promotional programs with the following plans:

- o Provide sponsorship for the Weather Forecast Bulletin program in accordance with the Group's general strategy, in which Hoa Phat Furniture Joint Stock contributes VND 7,440,000,000.
- o Install large advertising boards in Hung Yen, Nghe An, Da Nang and Ho Chi Minh City.
- o Organize promotional programs, sales support programs and customer meetings.

• Sales and marketing strategies of Hoa Phat in the furniture industry focus on the following points:

- o Regarding products, the Company develops some high class furniture product lines
- o Regarding customers, the Company focuses on the intensive development of sales agent network via the application of complete management methods and sales policies and cooperation agreements.
- o The Company enhances skill training for its sales staff with a view to developing professional and experienced sales staff.
- o Regarding communication and advertising activities, the Company continues to promote its brand name via mixed marketing campaign in order to reaffirm the position of Hoa Phat brand name in customers' minds.

#### ✦ **Trademark, registered patent and property rights**

- o The Company registered its trademark (No.47132) with the Office of Industrial Property on June 2, 2003 for an effective period of 10 years.
- o The Company registered with Hanoi Bureau of Quality, Measurement and Standards to declare its own product quality standards for the following products: office desks made of wood, rotating chairs with air-filled gear for adjusting the height, fire-resistant safe-boxes, safety boxes, office steel cabinets, chairs made from steel pipes, sets of desk and chair for pupils, computer desks with iron legs, movable library cabinets.
- o All products of the Company are attached with Hoa Phat Group logo.



# IV. SITUATION & SPECIAL FEATURES OF LISTED INSTITUTION

✦ Ongoing or concluded large contracts

All products of the Company reach end-users via a network of sales agents. Hoa Phat furniture products always achieve high level of sales and are promptly sold out by its agent once manufacture is completed.

6.4 Steel pipe business

Hoa PHat Steel Pipe Company, a member company of Hoa Phat Group, specializes in steel pipe business.

✦ Product types:

Steel pipe products of Hoa Phat Group include black welding steel pipes and galvanized steel pipes for civil and industrial uses.

✦ Production value over the years

◆ Revenue and contribution proportion by product categories

Unit: Dong

Product category	2005		2006	
	Value (million VND)	Percentage	Value (million VND)	Percentage
Black welding steel pipes	351,743,314,369	48.12%	366,489,484,832	41.68%
Galvanized steel pipes	303,976,406,970	41.59%	369,156,104,869	41.98%
Steel material	75,229,620,401	10.29%	143,637,204,782	16.34%
Total	730,949,341,740	100.00%	879,282,794,483	100.00%

Source: Hoa Phat Group

◆ Gross profit contributions by product categories

Unit: Dong

Product category	2005		2006	
	Value (million VND)	Percentage	Value (million VND)	Percentage
Black welding steel pipes	13,170,665,085	52.76%	19,583,040,630	26.39%
Galvanized steel pipes	11,115,444,287	44.53%	30,455,124,832	41.04%
Steel material	677,189,118	2.71%	24,162,551,821	32.56%
Total	24,963,298,490	100.00%	74,200,717,283	100.00%

Source: Hoa Phat Group





✦ **Materials and raw materials**

• *Source of material supply*

Hoa Phat Steel Pipe Plant uses normal carbon steel in coils and zinc bars as input materials for zinc plating of steel pipes.

Carbon steel used in the production of carbon welded steel pipes and zinc-plated steel pipes includes hot-rolled steel coils/hot-rolled steel bands with thickness of 1.2 - 6.5mm and cold-rolled steel coils/cold-rolled steel bands with thickness of 0.6 - 1.5mm. Steel materials are imported from China, Russia, Ukraine, South Africa, Thailand, Japan, Malaysia and other countries.

Zinc bars used in the production of zinc-plated steel pipes are high quality zinc suitable for the production technology of hot-soaked zinc-plated steel pipes and include 2 types: 99.995% Zn (SHG) and 98.5% Zn (PWG).

In order to ensure good quality of zinc plating, all zinc bars are imported from large factories of South Korea, Japan, China, Australia and Thailand.

• **Production costs**

No	Cost factor	2005		2006	
		Value (VND)	% of revenue (%)	Value (VND)	% of revenue (%)
1	Cost price	705,525,070,901	96.52%	803,674,024,311	91.4%
2	Sales cost	0	0.00%	4,631,227,121	0.53%
3	Enterprise management expense	12,532,599,088	1.72%	11,353,779,703	1.29%
4	Financial expense	10,180,853,181	1.39%	24,524,664,267	2.78%
	Total	728,238,532,170	99.63%	844,183,695,402	96%

Source: Hoa Phat Group

The ratio of cost price over revenue and the ratio of management expense over revenue in 2006 decreased as compared with that of 2005, reflecting the Company’s efforts and progress in cost management.

✦ **Technologies**

At present, since most steel pipe producers in domestic market use the average pipe bending technology and incomplete production lines, their product quality is often unstable. In order to better meet diversified demand of customers, Hoa PHat Steel Pipe Company has installed modern pipe bending lines applying advanced technologies from developed countries such as Germany,

## IV. SITUATION & SPECIAL FEATURES OF LISTED INSTITUTION

Italy, Japan, etc with the capacity of about 150,000 tones per year. Recently, the Company has introduced large-size steel pipes with diameter of 141.3mm, 168.3mm and 219.1mm, which previously were all imported into Vietnam. With its system of 7 modern cutting machines, which is also the most modern system in Vietnam currently, the Company manages to cut steel coils with thickness of 0.5-6.6mm to satisfy various demand of customers. Pipe galvanizing line of the Company is imported from Germany with hot-soaked galvanizing technology. All stages from washing, drying to hot-soaked galvanizing are controlled and performed on a modern computing software program of high level of automation by skilled workers. This pipe galvanizing line of the Company is regarded as one of the most modern lines in Vietnam at present.

### ✦ Research and Development

Presently the Company continues its market studies and technology investment with a view to producing all types and all sizes of steel pipe products to best satisfy increasingly diverse market demand.

### ✦ Quality monitor and control

◆ Hoa Phat steel pipes are produced in conformity with BS 1387-1985 standard of the United Kingdom, ASTM standards of the United States and in compliance with ISO 9001:2000 quality management system.

◆ Regarding product quality inspection and control:

- Every Quarter the Business Department of the Company organizes meetings with customers or sends them Customer Satisfaction Questionnaires to gather their valuable comments and feedbacks and submit to the Board of Directors for consideration with a view to offering best services to satisfy increasingly high demand from its customers.
- Production units and warehouses frequently check and operate equipments in compliance with required technological parameters and inspect the quality of their finished products or products under their control.
- Quality Control Department of the Company ensures the synchronous and effective quality management process including controlling the whole quality system in compliance with ISO 9001:2000 processes that the Company is applying, manages all measurement and standardization devices, sets inspection plans, updates the results of inspections and supervisions of uses of measurement and testing devices.
- Quality Control units of the Company are organized into 3 shifts to monitor operations at all plants and to check product classification and identification at all production stages, to check all materials, input materials, equipments, semi-finished and finished products (input inspection, inspection during production stages, output inspection, inspection at warehouses) and to inspect all returned products or products that need to be repaired.



## ✦ Marketing

Hoa PHat Steel Pipe Company pays special attention to promotional and advertising programs. A network of stores with commercial name boards bearing “Hoa Phat Steel Pipe” brand name, which are fully sponsored by the Company for design and installation costs, has so far been extensively established in almost all provinces and cities across the country. Besides, product advertising activities are also carried out via website, images of Hoa Phat football club and mass media. Especially continuously broadcast TV advertisements associated with daily Weather Forecast program of Vietnam Television have made Hoa Phat steel pipes popular and well-known.

Every year the Company organizes domestic and overseas travel tours for its sales agents and large distributors.

Hoa Phat always considers sales and marketing as decisive factors in the success of its business. Accordingly, the Company has formulated its sales and marketing strategies for steel pipe products with the focus on the following points:

- o Promote marketing, trade promotion and sales activities toward targets being large projects and construction works.
- o Expand distribution channels to unexplored domestic markets .
- o Maintain and develop marketing network, sales services and customer services.
- o Continuously improve skills and competence of its sales staff in order to maximize customer satisfaction.
- o Continuously improve product quality by investing in modern machineries and closely controlling finished products to ensure the best quality of its products before reaching the market.

✦ **Trademark, registered patent and property rights:** All products of the Company are attached with Hoa Phat Group logo.



# IV. SITUATION & SPECIAL FEATURES OF LISTED INSTITUTION

✦ Ongoing or concluded large contracts

No.	Contract	Quantity (tones)	Contract value (VND)	Year
1	Thong Nhat Electro mechanics Company Limited (One member State Company)	220	2,329,000,000	2007
2	Branch of Posts Construction Material Joint stock Company	34	493,036,740	2007
3	No.13 Chemical and Mechanical Company	40	469,329,604	2007
4	Hanoi Electromechanical Engineering Company Limited (One member State Company)	82	1,056,153,451	2007
5	Viet Han Industrial Material and Transportation Joint stock Company	57	524,594,856	2007
6	Hanoi Branch of No.1 Construction Joint stock Company	504	5,153,493,038	2007
7	Thanh Truong Company Limited	570	8,075,566,128	2007
8	Song Da Joint stock Company	318	3,470,000,000	2007

Source: Hoa Phat Group

## 6.5 Refrigeration Engineering Business

Hoa Phat Refrigeration Engineering Company, a member company of Hoa Phat Group, specializes in manufacturing and trading Refrigeration Engineering products.

✦ Product types:

Established in 2001, Hoa Phat Refrigeration Engineering Company Ltd., was initially called Hoa Phat Plastics Company Ltd., and specialized in producing industrial plastic products to supply to furniture manufacturing. Until now, Hoa Phat Refrigeration Engineering Company has produced various types of products including:

- o FUNIKI air conditioners with the designed capacity range from 9,000BTU to 45,000BTU and various patterns of installation such as hanging on the wall, putting on the floor and inside the ceiling.
- o FUNIKI refrigerators.
- o FUNIKI enamel-coated water heaters.
- o FUNIKI washing machines.
- o High class sanitary wares with FUNIKI brand name such as bathroom studs, basins, bathtubs.



✦ **Production value over the years**

◆ Revenue and contribution proportion by product categories

Product category	2005		2006	
	Value (million VND)	Percentage	Value (million VND)	Percentage
Air-conditioners	98,101	59.28 %	112,103	54.78 %
Refrigerators	25,721	15.54 %	36,645	18.23 %
Water heaters and sanitary ware	163	0.10 %	18,000	8.96 %
Plastic products	31,025	18.75 %	32,756	16.30 %
Materials	10,483	6.33 %	1,485	0.74 %
Total	165,493	100 %	200,989	100 %

Source: Hoa Phat Group

◆ Gross profit contributions by product categories

Product category	2005		2006	
	Value (million VND)	Percentage	Value (million VND)	Percentage
Air-conditioners	11,063	63.60 %	24,112	61.10 %
Refrigerators	2,798	16.08 %	6,210	15.73 %
Water heaters and sanitary ware	337	1.94 %	5,123	12.98 %
Plastic products	2,517	14.47 %	3,977	10.08 %
Materials	681	3.91 %	42	0.11 %
Total	17,396	100 %	39,464	100 %

Source: Hoa Phat Group

✦ **Materials and raw materials**

• Source of material supply

Materials for manufacturing Refrigeration Engineering products of Hoa Phat include various types of plastic granules, steel sheets used in the production of parts such as air-conditioner outers, refrigerators, washing machine inners, water heaters, etc. Some other components of refrigerators, air-conditioners, washing machines, water heaters such as bronze components, heat exchange frame, controlling boards are imported.

Main products of the Company are of electronic-electric-refrigeration industry, thus requiring high accuracy, completeness and competitiveness. In order to be able to compete against large manufacturers with high reputation and experiences such as Panasonic, LG, Daewoo, Samsung, Sanyo, the Company has selected domestic and foreign input suppliers with prestige, years of experiences and stable production capacity and quality in order to guarantee its source of input supply. Some main suppliers of main materials for the Company include:



# IV. SITUATION & SPECIAL FEATURES OF LISTED INSTITUTION

No.	Supplier	Material/input
1	Matsushita, Zanussi	Compressors
2	Panasonic	Fan motors
3	Sankyo	Timing clocks
4	Dunan , Tianda	Bronze components, heat exchange frames
5	Major	Controlling boards
6	Cotharm	Heat relays
7	Thermowatt	Heat enhancing bars
8	Hydro , Pemco	Mg bars, enamel powder
9	LG, BASF, SAMSUNG	PP, ABS, GPPS plastic granules

Source: Hoa Phat Group

- Stability of sources of supply of materials:

Stability of supply is one of important criteria in selecting sources of materials. Since the Company has managed to establish long-term partner relations with its suppliers, which are all famous corporations or have large-scale production with high capacity, the supply of materials and input materials for the Company’s production is guaranteed at very high level of stability. Furthermore, increasing localization ratios in its products are also significant factor to ensure the stability of source of material supply for the Company.

- Effect of material costs on revenue and profits: Materials costs account for a large proportion in the Company’s production costs, thus the fluctuations in input material prices have substantial impacts on its revenue and profits. Fully aware of this fact, the Company always pays special attention to establishing long-term partner relations with its material suppliers and developing its own market forecast staff so as to be promptly alerted of fluctuations in material prices and gain initiative in material importation. In order to minimize risks due to fluctuations in material prices and mitigate their negative effects on the Company’s revenue and profits, the Company’s general policy is to increase localization ratios in its own production and use input materials supplied by other member companies.

✦ Production costs

No.	Cost factor	2005		2006	
		Value (VND)	%of revenue (%)	Value (VND)	% of revenue (%)
1	Cost price	138,661,454,034	88.85%	156,867,790,367	79.90%
2	Sales cost	5,775,802,469	3.70%	8,187,587,813	4.17%
3	Enterprise management expense	3,662,259,688	2.35%	9,665,447,485	4.92%
4	Financial expense	11,119,675,095	7.13%	8,476,549,357	4.32%
	Total	159,219,191,286	102.03%	183,197,375,022	93.31%



### ✦ Technologies

Machineries and equipments for production of the Company are all imported from advanced technology countries with strength in manufacturing Refrigeration Engineering products such as China, Taiwan, Germany, Japan, and Denmark.

With its complete machinery systems, the Company manages to perform testing operations, actual production and quality control before putting its products into distribution stage in order to fully guarantee the quality of its products before reaching end-users.

### ✦ Research and Development

The Company is studying and developing many new lines of products to better satisfy consumers' needs and strengthen its competitiveness in the market:

- o Water heaters and sanitary ware products: The Company makes studies to add anti-shock devices in order to ensure absolute safety for users. It also tries to develop a number of new models of water tanks. Besides, the Company is studying to introduce a new model of massage bathtubs available in various colors and made of different materials.
- o Air-conditioners: The Company presently produces various models of air-conditioners including wall-hanging, wall-leaning, cassette-type and is studying to develop new models of central, semi-central air-conditioners, ceiling air-conditioners and decorative wall-hanging air-conditioners to satisfy demands of high income consumers.
- o Refrigerators: The Company introduces new models of refrigerators including small size refrigerators of 50 liters, 70 liters and 90 liters to supply to hotel and building projects. It is also conducting market surveys regarding consumers' tastes and color preferences for refrigerator outers in order to widen customers' selection. In addition, the Company has experimentally produced freezers of 200 liters up to 330 liters.

### ✦ Quality monitor and control

#### • Quality Management System in application:

- o Hoa Phat Refrigeration Engineering Company Limited has applied its quality management system in compliance with ISO 9001:2000 standard since 2003. The system is applicable throughout the whole Company for all departments, divisions, units, plants (except for Accounting Department) and for all activities including human resource management, input and material supply, production, sales, warranty and customer services, etc., as well as evaluation of customer satisfaction.
- o The Company's quality management system has been certified by International DET NORSKEVERITAS (DNV) of Norway to be in compliance with international standards

## IV. SITUATION & SPECIAL FEATURES OF LISTED INSTITUTION

since 2004. During its production and business, the Company frequently improves its quality management system to make it appropriate with current situation and effective in assisting the Company's Board of Management to deal with product quality control.

### ♦ Quality Control Unit of the Company:

- o Both the quality and quantities of all materials are checked before entering warehouses. Quantity checks are performed by warehouse-keepers and doorkeepers. Quality checks are performed by input quality control unit in accordance with input inspection guidelines (in which there are specific instructions regarding inspection methods, criteria/benchmarks and proportion/percentage, etc.) developed by the Company's technical unit and approved by the head of such unit. Only materials satisfying all requirements are allowed into warehouses. Those failing to satisfy requirements are recorded as inferior materials so as to return to suppliers or be downgraded as decided by the director of the plant.
- o Quality monitor and control during production process:
  - Quality monitor and control during production process are performed by workers directly in charge of each production stage. Those workers must comply with instructions and technical requirements specified for the production stage under his responsibility in order to control the quality of his products. Workers of subsequent production stages are responsible for receiving and checking the quality of products transferred from previous production stages. Inferior products are rejected and treated in accordance with the Company's regulations on dealing with inferior products.
  - Quality checks performed by Quality Control Unit are independent with quality control performed by workers at individual production stage. Quality control officers not only are responsible for finding errors and infections during the whole production process but also have the right to suspend production and make records of cases where workers fail to comply with production process regulations and hence affecting product quality and report to the Board of Management of the plant.
  - Final quality check is performed by quality control officers at packaging stage. Those workers make final check of technical specifications, number and series and visual look of finished products, then stamp "Quality Control Pass" marks to confirm the product eligibility to get into warehouses for distribution stage and retain all product quality control slips.
  - Only products stamped with "Quality Control Pass" marks of quality control officers at packaging stage are allowed to get into warehouses for distribution stage. All quality control checks during production process are recorded and all products getting into warehouses must accompany with Product Quality Control Slips. This helps the Company to promptly track product information back to production stages and find responsibilities of relevant stages if end-users of a product claim about its quality problems.

### ✦ Sales and Marketing

- ♦ The Company always pays special attention to advertising and brand name promotion



activities. Together with the Group's general advertising programs, the Company has broadcast a number of TV advertising programs such as advertisements associated with the Weather Forecast program on channels VTV1 and VTV3 (in which products of Hoa Phat Group including Refrigeration Engineering products are promoted) and provided major sponsorship for the program of "Vietnam - my homeland" broadcast on Binh Duong Television and Can Tho Television, etc.

- In the coming time, the Company's sales and marketing strategies shall focus on developing professional sales staff and strong distribution system, which in the Company's view are the most important factors to strengthen and expand the Company's market shares and market.

✦ **Trademark, registered patent and property rights:** The Company possesses trademark registration certificate No.55961 for FUNIKI trademark. All products of the Company are attached with Hoa Phat Group logo.



#### ✦ **Ongoing or concluded large contracts**

All products of the Company reach end-users via a network of sales agents. Hoa Phat Refrigeration Engineering products always achieve high level of sales and are promptly sold out by its agent once manufacture is completed.

### **6.6 Urban complex and industrial zone construction and development**

Hoa Phat Urban Construction and Development Joint stock Company, a member company of Hoa Phat Group, specializes in urban complex and industrial zone construction and development.

#### ✦ **Service types:**

Initially Hoa Phat Urban Construction and Development Joint stock Company was set up in order to satisfy increasingly high demand for the construction of new factories and expansion of the existing factories of other companies in Hoa Phat Group.

Following the development of Hoa Phat Group, Hoa Phat Urban Construction and Development Joint stock Company realized increasingly high demand for land for production of enterprises, especially land with complete infrastructure. In 2003, the Government approved the Company's application to be investor of the project Pho Noi A Industrial Zone in Hung Yen Province with the total area of 390 ha and investment capital of over VND 00 billion. The construction of the Project infrastructure was started from the end of 2004 and divided into separate investment phases. So far the main infrastructure of Pho Noi A Industrial Zone such as Industrial Zone Administration Center, local transport road system, water supply and drainage system, water waste treatment system, etc., has been completed and ready to serve land leases. The completion of main infrastructure construction has initially contributed to the success of investment attraction to this

# IV. SITUATION & SPECIAL FEATURES OF LISTED INSTITUTION

Industrial Zone. The Company is presently the investor and the managing enterprise of Pho Noi A Industrial Zone in Hung Yen Province, a large industrial zone with location advantages on the Highway 5 connecting Hanoi, Hai Phong and Quang Ninh, and at the center of the key economic region of the North of Vietnam.

In addition to Pho Noi A Industrial Zone, the Company obtained the approval of the People’s Committee of Hung Yen Province to become the investor of Pho Noi Urban Complex Project with the total area of 300ha from February 2005. Pho Noi Urban Complex serves the demand for residences of employees and workers of enterprises located in Pho Noi A Industrial Zone and develops Pho Noi into a satellite urban center of Hanoi in accordance with Hanoi construction and development plans.

✦ Value of services over the years

- Revenue and contribution proportion by service sectors

Service sector	2005 Value (million VND)	2005 Percentage	2006 Value (million VND)	2006 Percentage
Land leasing	54,928,038,635	60.68%	109,455,248,794	68.62%
Clean water supply	0	0%	509,280,700	0.32%
Construction	35,382,739,403	39.09%	47,024,245,893	29.48%
Premise leasing	0	0%	1,858,183,178	1.16%
Infrastructure maintenance fee	0	0%	586,975,792	0.37%
Material supply	203,260,652	0.23%	71,252,684	0.04%
Total	90,514,038,690	100%	159,505,187,041	100%

Source: Hoa Phat Group

- Gross profit contributions by service sector

Service sector	2005 Value (million VND)	2005 Percentage	2006 Value (million VND)	2006 Percentage
Land leasing	15,811,742,130	85.39%	37,836,726,670	96%
Clean water supply	0	0.00%	(1,373,086,541)	(3.48)%
Construction	2,675,890,860	14.45%	1,295,195,797	3.29%
Premise leasing	0	0.00%	1,062,242,737	2.7%
Infrastructure maintenance fee	0	0.00%	586,975,792	1.49%
Material supply	30,548,900	0.16%	3,835,265	0.01%
Total	18,518,181,890	100.00%	39,411,889,720	100.00%

Source: Hoa Phat Group





✦ **Materials and raw materials**

- Specializing in construction and development of industrial zones and urban complexes, the Company seeks input materials mainly used for construction such as cement, steel and iron, construction stone and materials for development of industrial infrastructure such as electricity cables, water drainage pipeline system, etc.
- Most of these materials are supplied by domestic manufacturers. Especially, that other member companies of Hoa Phat Group are the Company’s suppliers of construction steel products, steel pipes, scaffoldings, construction panel, etc., enables it to lower production costs and be guaranteed of high stability of material supply.

✦ **Production costs**

No	Cost factor	2005		2006	
		Value (VND)	% of revenue (%)	Value (VND)	% of revenue (%)
1	Cost price	69,595,856,800	78.98	120,093,297,321	75,29
2	Sales cost	-	0.00	-	0.00
3	Enterprise management expense	2,896,104,311	3.28	4,061,871,872	2.55
4	Financial expense	785,379,649	0.89	3,918,912,309	2.46
	Total	73,277,340,760	83.15	128,074,081,502	80.29

Source: Hoa Phat Group

Specializing in construction, development and management of industrial zones, the ratio of costs over revenue of the Company is relatively stable. Input supply from other member companies of the Group helps the Company keep its production cost low and maintain high competitiveness in the market.

✦ **Research and Development**

Fully aware of great potentials and opportunities in real estate investment, Hoa Phat Urban Construction and Development Joint stock Company determined "Investment - Construction and Trade in Real estates" as its key business strategy in 2007 and thereafter. In addition to the above mentioned priority projects, the Company is also investing in a number of projects of offices for lease and apartment buildings in Hanoi.

✦ **Quality monitor and control**

- Quality management system in application: The quality of each product/service provided by the Company shall be managed in conformity with specific regulations on quality of the State.

# IV. SITUATION & SPECIAL FEATURES OF LISTED INSTITUTION

• Quality Control Units of the Company include Technical Department in charge of quality of construction works and Quality control unit in charge of clean water in industrial zones.

✦ Sales and Marketing

The Company pays special attention to sales and marketing activities. Its marketing strategies focus on the following main aspects:

- Provide good pre- and post-investment services to land leases in industrial zones. This creates firm background and long-term effective promotional channel for attracting investment into industrial zones.
- Establish relationship and frequent contacts with foreign countries’ Commercial Chambers, Embassies in Vietnam and Investment Promotion agencies, Vietnam Chamber of Commerce and Industry.
- Organize investment promotion programs abroad.

✦ Ongoing or concluded large contracts

No.	Contract	Value (USD)	Duration	Product	Partner
1	Contract of subleasing land use rights associated with infrastructure	1,320,000	49 years	Land use rights associated with infrastructure	Hanoi KIDO Company Limited
2		1,003,252	48 years		Binh Minh Plastics Joint stock Company
3		2,310,000	47 years		Vina Aluminum Hyundai Joint stock Company
4		1,320,000	47 years		Vietnam Corelex Pulpy Company Limited
5		1,716,000	47 years		Giang Vo INAX Ceramic Sanitary ware Company
6		1,782,000	47 years		Bibica Confectionery Joint stock Company

Source: Hoa Phat Group

## 6.7 Trade in iron and steel products

Hoa Phat Trading Company, a member company of Hoa Phat Group, specializes in trading iron and steel products.

✦ Product types

Being the youngest member company of Hoa Phat Group, Hoa Phat Trading Company was established in order to satisfy increasingly high market demand for iron and steel products and make full use of existing relations between Hoa Phat companies and foreign partners and domestic



customers as well as experiences of steel sales staff of the Group. Hoa Phat Trading Company specializes in trading in steel products. Its main products include steel scrap, hot-soaked zinc-plated steel, hot-rolled steel coils, hot-rolled steel sheets, stainless steel, welded steel pipes, cast steel pipes of large diameter, hot-rolled and cold-rolled long steel, steel billet, cold-rolled steel coils, components of various kinds used in the production of water pipelines and industrial pipes.

✦ **Production value over the years**

• *Revenue and contribution proportion by product categories*

Product category	2005		2006	
	Value (million VND)	Percentage	Value (million VND)	Percentage
Plated pipes	969	0.81 %	4,815	3.42 %
Black pipes	4,483	3.75 %	10,003	7.10 %
Cast pipes	-	-	5,946	4.22 %
Steel plates (coiled)	80,113	66.93 %	44,154	31.34 %
Steel sheets	34,140	28.52 %	75,949	53.91 %
Steel scrap	-	-	25	0.02 %
<b>Total</b>	<b>119,705</b>	<b>100 %</b>	<b>140,892</b>	<b>100 %</b>

Source: Hoa Phat Group

✦ **Gross profit contributions by product categories**

Product category	2005		2006	
	Value (million VND)	Percentage	Value (million VND)	Percentage
Plated pipes	89	7.71 %	731	12.16 %
Black pipes	183	15.86 %	411	6.84 %
Cast pipes	-	-	434	7.22 %
Steel plates (coiled)	1,226	106.24 %	(64)	(1.06) %
Steel sheet	(344)	(29.81) %	4,529	75.32 %
Scrap	-	-	(29)	(0.48) %
<b>Total</b>	<b>1,154</b>	<b>100 %</b>	<b>6,012</b>	<b>100 %</b>

Source: Hoa Phat Group

✦ **Imported goods**

Goods are imported from many countries:

- Steel scrap: EU, American
- Hot-soaked zinc-plated steel: Taiwan, Korea, Thailand etc

# IV. SITUATION & SPECIAL FEATURES OF LISTED INSTITUTION

- Hot-rolled steel coils: China, Thailand, South Africa, Malaysia etc
- Hot-rolled steel sheets: China, Thailand, South Africa, Malaysia etc
- Stainless steel: China, Japan etc
- Large - diameter welded steel pipes and cast steel pipes: China, Taiwan etc
- Hot- and cold- rolled steel bands and steel billet: China etc.
- Cold-rolled steel coils: Korea, South Africa etc.

With the long history working in steel business, the Company has established close relationship with a number of steel producers and steel trading enterprises in the world. Therefore, sources of importation are diversified and stable.

As a result of such good relationship and experienced staff, the Company has taken the initiative in ensuring the supply of goods, hence generating stable revenue and profits.

### List of some large suppliers of the Company

SUPPLIERS	
✓ Delong Steel	✓ Youfa
✓ Jianlong Steel	✓ Gangdu
✓ LiuZhou Steel	✓ Zhongheng
✓ Guofeng Steel	✓ Zhujang
✓ Tianjin No 1	✓ Huajin
✓ Chenyi	

Source: Hoa Phat Group

As a trading company, input prices directly affect the Company’s revenue and profits. However, the Company has developed flexible selling price policy to minimize negative effects of fluctuations in input prices on its profits.

### ✦ Production costs

No.	Cost factor	2006		2005	
		Value (VND)	% of revenue (%)	Value (VND)	% of revenue (%)
1	Cost price	134,740,642,595	95.73%	118,551,645,090	99.04%
2	Sales cost	681,687,790	0.48%	204,401,034	0.17%
3	Enterprise management expense	700,408,333	0.5%	302,803,549	0.25%
4	Financial expense	786,591,255	0.56%	1,571,311,519	1.31%
	Total	136,909,329,973	97.27%	120,630,161,192	100.77%

Source: Hoa Phat Group



✦ Ongoing or concluded large contracts

No.	Contracts	Contract value (VND)	Year
1	Steel Mechanical Engineering Joint stock Company	8,710,011,000	2007
2	Mechanical Construction and Electricity & Water Equipment Installation Company (COMAEL)	7,124,911,200	2007
3	Dong Anh Steel Engineering Plant - Branch of Steel Construction Engineering Joint stock Company	11,838,194,055	2007
4	Nhat Truong Vinh Company Ltd.	11,753,000,000	2007

Source: Hoa Phat Group

7. 7. Report on business performance of the last two years

7.1. Report on business performance of the last two years

7.1.1 Hoa Phat Group Joint-Stock Company (steel production and trading)

Unit: VND

No.	Item	2005	2006	Half of 2007
1	Total assets	701,304,129,835	709,305,526,505	6,144,373,564,043
2	Net revenue	909,007,956,804	1,318,882,867,875	2,386,912,530,614
3	Profits from trading	(15,276,545,346)	70,995,724,863	298,716,277,040
4	Other profits	18,004,838,132	69,218,636	1,993,710,590
5	Before-tax profits	2,728,292,786	71,064,943,499	300,709,987,630
6	After-tax profits	2,728,292,786	68,488,207,757	253,726,398,691

Source: Audited financial statements of 2005 and 2006 and the first half of 2007 of Hoa Phat Group

Note: Data of 2005 and 2006 are production performance of Hoa Phat Steel Joint-Stock Company, which did not pay dividend of 2005 and 2006. Data in first half 2007 are of consolidated date of Hoa Phat Group as a whole.



# IV. SITUATION & SPECIAL FEATURES OF LISTED INSTITUTION

## 7.1.2 Performance reports of subsidiaries in Hoa Phat Group

Unit: VND

Item	Equipment		Furniture		Steel pipes	
	2005	2006	2005	2006	2005	2006
Total assets	315,104,330,804	318,915,452,827	288,983,590,265	357,750,066,922	432,069,675,144	486,406,971,855
Net revenue	279,515,065,665	281,934,560,166	514,008,554,744	618,126,428,534	730,488,369,391	877,874,741,594
Profits from trading	757,117,244	6,257,051,342	6,908,057,786	24,682,957,490	2,410,892,629	33,254,251,650
Other profits	282,014,116	184,155,678	(7,101,265,110)	5,885,060,429	4,975,775	37,036,199
Before-tax profits	1,039,131,360	6,441,207,020	(193,207,324)	30,568,017,919	2,415,868,404	33,291,287,849
After-tax profits	740,429,069	5,555,798,233	(680,316,146)	21,312,502,633	1,950,751,599	29,139,766,258

Source: Hoa Phat Group

Unit:: VND

Item	Refrigeration Engineering		Construction		Trading	
	2005	2006	2005	2006	2005	2006
Total assets	184,881,504,727	220,768,557,016	134,431,221,296	248,501,536,469	45,786,636,929	42,140,240,553
Net revenue	156,057,775,134	196,332,367,874	88,114,038,690	159,505,187,041	119,705,818,797	140,752,888,292
Profits from trading	(3,141,743,507)	13,209,286,898	15,015,779,603	31,968,839,016	(902,612,173)	3,880,524,262
Other profits	15,704,015	195,258,769	7,377,249	(665,400,370)	20,069	48,573,333
Before-tax profits	(3,126,039,492)	13,404,545,667	15,023,156,852	31,303,438,646	(902,592,104)	3,929,097,595
After-tax profits	(3,142,816,198)	11,729,296,777	14,987,493,428	21,389,180,565	(902,592,104)	3,083,578,161

Source: Hoa Phat Group

## 7.2 Factors affecting production and trading activities of Hoa Phat Group in the reported years

- In 2006, all of Hoa Phat Group’s plants operated in a stable manner at high capacity and output. Steel Billet plant operated at the highest capacity, supplying stable source of materials for production of construction steel. Steel pipe plant supplied goods for the market and input for production of furniture and accessories. Refrigeration engineering plants supplied plastic parts for production of Refrigeration Engineering products and furniture plant. All of these activities helped the production of the Group get stable and increased its localization ratios, enabled stability in material supply source and minimized adverse effects due to market fluctuations.
- Improvement in cost management: Thanks to increased local content and stable input supply, Hoa Phat Group has reduced input cost and production cost. Besides, all factories of the Group have applied the ISO standard, which have facilitated cost reduction and performance improvement of the Group.



- Distribution network has expanded and focused on certain target customer groups. Policies on products, prices, distribution and marketing have been worked out for each of customer group.
- The brand name of Hoa Phat has been more widely known and trusted by consumers. Activities concerning public relations have been regularly carried out so that the brand name of the Group is more popular and promoted. Brand name is a significant visible factor contributing to the success of the Group.
- Despite the above-mentioned advantages, in 2006, Hoa Phat Group faced stiff competition due to a great number of producers of construction steel in the domestic market. Though the Group has managed to ensure relatively stable sources of steel billets for its steel production, the supply of billets still failed to satisfy the Company's demand. Furthermore, cheap steel from China is also a big competitor against the Group. Fluctuations in prices of imported steel sheets and plates used in the production of furniture products, Refrigeration Engineering products and steel pipes created a lot of difficulties for the Group. Concerning production of Refrigeration Engineering products, the Group faced competition from large corporations with strong financial power and advanced management skills in the world. Although its strategies are to avoid direct competition with such powerful competitors, Hoa Phat still encountered various difficulties since it remained a rather young brand name in the industry.

## 8. Position of Hoa Phat Group

As a multi-field Industrial Economic Group, Hoa Phat Group has reaffirmed its position as a leading private industrial group of Vietnam although it has been in business for not very long time.

- In terms of its chartered capital, the total chartered capital of the Group is currently VND 1,320,000,000,000, a relatively large chartered capital figure for a private economic group. At Ho Chi Minh City Securities Trading Center, there have so far been only 4 enterprises with the chartered capital of over VND 1,000 billion, namely Vinh Son-Song Hinh Hydro-electric Joint-stock Company, Vietnam Milk Joint-stock Company (Vinamilk), Sai Gon-Thuong Tin Commercial Bank (Sacombank) and Pha Lai Thermo-electric Joint-stock Company.
- Hoa Phat is a multi-field group producing many important industrial and civil products such as construction steel, steel pipes of various types, furniture for households, offices and schools, refrigerators, air-conditioners, washing machines, water heater boil, etc., It also provides services of construction and management of industrial zones and urban complexes. Strategic decisions of production and trade in essential products for Vietnam have opened wide potential markets of Hoa Phat products and facilitated its business development.

## IV. SITUATION & SPECIAL FEATURES OF LISTED INSTITUTION

- As a Group operating in many industries, Hoa Phat's fields of business have linkages among themselves. A great number of Hoa Phat Group's products are also inputs for the production of other products of its members. For example, steel pipes are important inputs for manufacturing furniture products of Hoa Phat Furniture Company, equipment of Hoa Phat Equipment and Accessories Company. Or plastic components and parts of Hoa Phat Refrigeration Engineering Company are supplied to Hoa Phat Furniture Company to manufacture furniture products. Hoa Phat steel products are used in construction projects where Hoa Phat Urban Construction and Development Company is the investor, etc., These help Hoa Phat become an industrial group with linked products, increase the local content of its products, reduce input costs and ensure the stability of input supply and hence raising its competitiveness in the market.
- The brand name of Hoa Phat has been long established and developed, hence gaining confidence of customers for a number of its products. The merging of subsidiary companies into a unified Hoa Phat Group has increased the reputation and power of Hoa Phat brand name, strengthening and significantly contributing to the success of Hoa Phat Group in its production and business over the past years.
- Management experiences and solidarity of Board of Managements of Hoa Phat Group in general and its member companies in particular are one of Hoa Phat's internal strengths that contributes to the Group's success today. Since the establishment of Hoa Phat Equipment and Accessories Company, the first Hoa Phat Company, until now with an increasingly enlarged Hoa Phat family, the establishment and development of Hoa Phat Group have closely attached with efforts of its founding shareholders. Over years of operation and competition in the market, the Board of Management and Board of Management of the Group have accumulated valuable experiences in administering industrial production and business. The success of Hoa Phat Group today is the most obvious evidence for this.
- Hoa Phat Group currently has a relative large stock of land under its management. It is the investor of Pho Noi A Industrial Zone in Hung Yen province with the total area of 390 ha, which has great location advantages and thus attracts many land leases to build their plants and factories therein. With geographical advantages, most of Hoa Phat factories are located near each other, facilitating the transportation of materials, production and trading activities, thus helping to save costs. Relatively low land rent is also an important factor to enable Hoa Phat to offer competitive land-subleasing fee for land leases in its industrial zone as compared to other industrial zones in the region. The Company obtained the approval of the People's Committee of Hung Yen Province to become the investor of the project on expansion of Pho Noi A Industrial Zone with a further area of 200ha. Besides, the Company was also approved to be the investor of Pho Noi Urban Complex



with the total area of 300ha, which shall be developed into a satellite urban complex of Hanoi. In addition, Hoa Phat Group is investing in constructing and developing Hoa Mac Industrial Zone in Ha Nam province with the total area of 200ha, which is on the side of Cau Gie – Ninh Binh Expressway and Highway 39. With low cost for clearing the ground and convenient location for construction, Hoa Mac Industrial Zone in Ha Nam province promises to be the second successful industrial zone of Hoa Phat Group. In addition to existing industrial zones under its management, Hoa Phat Group is also managing some valuable land areas in Hanoi, on which an apartment building for high income clients is planned to be built in line with the Group's strategy of promoting its business of real estates and urban complex development.

- Most of the Group's equipment and machineries have been substantially depreciated. As an industrial manufacturing group where equipment and machineries account for a large proportion in fixed assets, such high level of depreciation would help the Group reduce its production cost and increase its profits in the future. Furthermore, thanks to the Vietnamese Government's investment incentive policies, a great number of plants and projects of Hoa Phat Group have been granted various incentives such as land rent exemption, corporate income tax exemption or reduction or lower corporate tax rates (detailed figures are provided in Part V.10 of this Prospectus).
- Hoa Phat Group is constructing a cement factory in Dong Ao Hamlet, Thanh Thuy Commune, Thanh Liem District, Ha Nam Province, with the first-phase capacity of 1 million tones per year and the planned second-phase capacity of 3 million tones per year in order to meet cement demand for the construction industry in Vietnam which is growing strongly. Cement is seen as a highly competitive product of Vietnam as it faces less competition from foreign producers and is less dependent on imported materials.

The project on cement factory has a lot of advantages: its location is near Highway 1A, 60 km far away from Hanoi and near Day River, which makes transportation of clinker and coal easier. The content of clinker and clay in material stone of the factory is very high, thus facilitating its cement production. The modern production line of the factory is imported from Germany, enabling the factory to produce high quality cement at low cost.

The project is expected to be implemented within 30 months with the total investment capital of VND 1,200 billion and rate of investment return of 1,200,000 VND per ton of cement. Upon completion, the project shall contribute to revenue and profit increase of Hoa Phat Group and to the diversification of its business fields, helping Hoa Phat become a large multi-field industrial Group of Vietnam.

## IV. SITUATION & SPECIAL FEATURES OF LISTED INSTITUTION

### 8.1. Position of Hoa Phat Group in steel production and trading

Hoa Phat Group produces various types of hot-rolled concrete steel including steel round wire rod with diameter of Ø 6 and Ø8, D8mm steel ribbed wire rod and deformed steel bars with diameter of 10 - 41mm. These steel products are manufactured on modern equipment and technologies designed, manufactured, installed and transferred from the world leading steel producer DANIELI. All electric-automation equipment of the Plant are new generation products of famous brands such as Siemens, Beaumuler, Schneider, etc., and employ automation controlling principles such as tension control, moment, speed, PID, Dead-Bead, etc., to ensure high accuracy and stability. The production process from the stage of billet loading into furnaces to the stage of bundling of finished products is continuously automatic. The designed capacity of steel production line is 250,000 tones per year (the maximum capacity might reach 300,000 tones per year).

In order not to depend on imported steel billets and to ensure stable input supply, Hoa Phat Group invested in setting up a Steel Billet Plant with the capacity of 180,000 tones of steel billet per year, guaranteeing up to 80% of its demand for steel billet as inputs for steel production. Steel billet is produced on advanced technological line with electric arc furnace - refining ladle - continuous casting machine so as to shorten the process of refining in electric arc furnaces and enable the casting process to be continuous with batch by batch. Moreover, the advanced technologies guarantee that chemical composition of each batch of steel products is monitored and controlled, thus facilitating the diversification of finished product types during the refining process. Hoa Phat is among few steel producers in Vietnam that are capable of producing its own steel billets in order to take initiative in input supply for its steel production.

The target customer group of Hoa Phat Group in steel production and trade sector is households with civil construction works. With a distribution network established and extensively developed throughout most of the Northern provinces, Hoa Phat Steel Joint stock Company ranks the fifth among steel manufactures achieving large sales quantity in Vietnam. Focusing on its target customer group, Hoa Phat always manages to maintain stable markets for its steel products and obtains relatively high rate of growth.

With its own steel billet plant to ensure stability of input supply for steel factories, Hoa Phat is able to keep its production cost low and maintain the stability of its production process, thus becomes very competitive as compared with other steel producers in Vietnam. In 2006, Hoa Phat Steel Joint stock Company was one of most profitable steel producers in the North of Vietnam.

Vietnam has successfully sustained its high rate of economic growth in Asia and in the world over the recent years. People's lives have been increasingly improved. As a consequence, demand for steel, especially for steel used in civil construction, is very high. The market for steel used in civil construction in Vietnam is very huge and has potential of strong development. Furthermore, there





are few fluctuations and payment risks to be expected in this market. Therefore, that Hoa Phat Group targets at the market for civil construction steel is considered a proper strategy, ensuring the success in steel production and trading of Hoa Phat Group.

**8.2. Position of Hoa Phat Group in the field of trading in small and medium construction equipments and machineries**

Established in 1992, Hoa Phat Equipment and Accessories Company Limited was the oldest member company of Hoa Phat Group. With 15 years in the business of small and medium construction machineries and equipments, it has established its high reputation and close relationship with a number of large customers including large construction general corporation such as Vinaconex, Thanh An Construction General Corporation, etc.

Hoa Phat Group is currently the sole distributor in Vietnam of construction equipment from world famous corporations such as tamping rammers, plate compactors, concrete cutters of MIKASA brand, the world leading Japanese manufacturer of small and medium construction machineries and equipment; VITO concrete mixers from the Republic of France; KOSHIN water pump from Japan; DAISIN electricity generator from Japan; AIRMAN air compressor from Japan; DIMAS concrete cutting and drilling equipment from the United States.

Not only specializing in imported equipment and machineries for domestic distribution, Hoa Phat Group has also attempted to produce a number of products in Vietnam. In 2002, the Company constructed a plant of steel casting in Binh Duong with the total area of 27,000 square meters to specialize in producing spare parts and components for stone crushers, especially in manufacturing high manganese steel for producing wear-resistant crusher jaws, and invested in expanding the facilities for producing Korean standard panel scaffoldings that subsequently became dominant product in home market and substituted the imported like product. At the end of 2002, the Company built a new plant called Construction and Mining Equipment Manufacturing Plant in Hung Yen Industrial Zone. This is the first plant in Vietnam specializing in manufacturing big-scale crushing and filtering equipment. The Plant's product quality has continuously improved and production has become stable with time, hence enabling the substitution of the Plant's products with high quality and reasonable price for imported like equipment. Also in 2003, the Company signed a contract with a Chinese Research Institute to purchase the engineering design for tower crane and elevator. By the end of 2006, the first tower cranes and elevators applying the purchased engineering design were used in some significant construction projects across the country and have so far been seen in almost all construction works.

Stable supply of inputs for manufacturing and higher local content have enable Hoa Phat to cut down its production costs and improve its competitiveness, reaffirms its image and reputation in the field of mining and construction equipment. Construction equipment contributed 69% of the

## IV. SITUATION & SPECIAL FEATURES OF LISTED INSTITUTION

Company's revenue and was estimated to account for 40% of market share in domestic market in 2006.

In the period of industrialization and modernization in Vietnam, the need for construction is very huge with the expected average annual rate of growth of approximately 30%. At the same time, the need for development of transportation works and construction of nationally important irrigation works supply as well as the size of market for stone crushers in the coming years are very huge. This is a very potential market for the Company's business. With its achievements and a proper development strategy aimed at promoting production and increasing localization ratios in its products, Hoa Phat's mining and construction equipment promise to become an effective and stably developed field of business of Hoa Phat.

### 8.3. Position of Hoa Phat Group in furniture business

Hoa Phat furniture products include furniture used in offices, schools, and residences. Hoa Phat targets at the market segment for middle- and upper middle-income customers, which accounts for the largest portion of market. So far Hoa Phat is one of the largest suppliers of furniture products for offices, schools, government agencies and occupies 80% of the relevant market share in Vietnam.

Hoa Phat has established an extensive sales network of its furniture products across the country with distributors in almost all provinces, cities and towns. Large and long established distribution network is an important factor contributing to the success of Hoa Phat in its furniture business. This is also strength of the Group as compared with other furniture producers.

With its years of experience in the furniture business, Hoa Phat has developed a large force of high-skilled workers of more than 3,000 persons. This special advantage of Hoa Phat as compared with other competitors has enabled Hoa Phat to produce high quality products satisfying market demand.

Vietnam is a developing country with the highest growth rate in the region and the second highest in Asia (after China). Vietnam is implementing a number of measures to improve its business environment and promote investment both at home and abroad. With this strong development and growth, demand for furniture products keeps rising. Furniture becomes a promising market for Hoa Phat. Its strategy aimed at the market segment of middle- and upper middle-income customers has opened a large market of great potential of high growth and suitable with its existing equipment and technology capability for Hoa Phat.

### 8.4. Position of Hoa Phat Group in steel pipe business

With nearly 11 years of experience in steel pipe production since 1996, Hoa Phat Group has become a leading and prestigious producer of black steel pipes and zinc-plated steel pipes in Vietnam.



Despite steel industry fluctuations over the recent years, Hoa Phat has managed to maintain relatively high and stable rate of growth of its annual production. In 2006, the output was over 72,000 tones of steel pipes of various types, including high standard black and zinc-plated steel pipes, 26% higher than in 2005. Hoa Phat's share accounts for around 20-25% of the market for steel pipes nationwide currently divided among nearly 70 domestic producers. Products of the Company are very diverse with over 300 categories ranging from round pipes with diameter of 12.7 mm - 219.1 mm, square pipes of 12 mm - 90 mm and rectangle pipes of 10mm x 30 mm - 60mm x 120 mm, etc., fully satisfying various demands of customers.

Hoa Phat built a Steel Pipe Plant in Nhu Quynh Industrial Zone, Van Lam District, Hung Yen province, with up to 11 machines. Hoa Phat is currently the only producer in Vietnam that is able to produce large-size steel pipes with diameter of 141.3mm-219.1mm and thickness of up to 8mm whereas all other producers only manage to produce pipes of the maximum diameter of 127mm. In 2006, Hoa Phat constructed a cold-rolled steel factory to produce narrow steel that can be rolled to achieve a thickness of only 0.6 mm so as to enable the Company to guarantee part of required input for its steel pipe production.

Steel pipe plant of Hoa Phat is the largest plant equipped with equipment and accessories to support its own steel pipe production such as electrical-mechanical division, molding division with 3 modern lathe machines of high technology, which can create and repair pipe-bending moulds with high accuracy. This permits Hoa Phat to actively manage its own production process and promptly satisfy various demands from its customers.

The Company has 3 systems, a plant in Hung Yen province, sales branches in Da Nang and Ho Chi Minh City and a network of distribution agents across the country. Hoa Phat's steel pipes have been used in a number of priority projects such as Me linh Plaza, Vinh Tuy Bridge, Thanh Tri Bridge, the National Conference Center, the Manor Building, etc., Steel pipes produced by Hoa Phat are also chosen by large customers in Vietnam such as Thang Long Metal Company (which uses steel pipes for producing mechanical parts for Honda Vietnam Company and Yamaha Vietnam Company) and Xuan Hoa Company (which uses steel pipes for manufacturing tables and chairs in VietNam).

Steel pipes of Hoa Phat are products of intensive and systemic investments, advanced technologies and skilled workers. Because of these features, Hoa Phat's steel pipes are always trusted by its customers.

According to Vietnam Steel Association's Report, in 2006, the production of steel pipes of all members of the Association was 240,000 – 250,000 tones. In 2007, the output of steel pipes is expected at round 400,000 tones with the growth rate of 10-20% per year. According to strategic

## IV. SITUATION & SPECIAL FEATURES OF LISTED INSTITUTION

master plan for the steel industry of the Government until 2010, “Steel is the essential material of many industries and important for the industrialization and modernization process of the country, etc. However, the current production of steel remains very low and fails to satisfy domestic demand. Therefore, the fast development of steel industry is an objective, urgent and strategic requirement.”

To follow up with the master plan of the steel industry in general and prospect of steel pipe industry in particular, Hoa Phat Group specifies its development strategies in the coming years as follows:

- Continue to maintain its position as the leading steel pipe producer in Vietnam, keep increasing its production with annual growth rate of 15-20%.
- Expand product range to include new products such as steel pipes with diameter of 400mm-500mm to substitute the like imported products.
- Expand range of imported products to include new products such as spiral welded steel pipes, large-size zinc-plated steel pipes and cast steel pipes of various kinds.
- Gradually find overseas markets for its steel pipes.

### 8.5 Position of Hoa Phat Group in production of and trade in Refrigeration Engineering products

Main Refrigeration Engineering products of Hoa Phat Group include air-conditioners, refrigerators, washing machines, and water heaters with FUNIKI brand name. Their target users are middle-income customers who account for especially large proportion in cities, towns and new urban areas in Vietnam nowadays. In this market segment, Hoa Phat is seen as the largest manufacturer of Refrigeration Engineering products. In 2006, market shares of air-conditioners, refrigerators and water heaters made by Hoa Phat were around 10%, 4% and 12% of Vietnam’s market, respectively.

Highest localization ratio in its finished products among domestic manufacturers of Refrigeration Engineering products is one of Hoa Phat’s strengths. Almost all plastic components and mechanical parts such as outers, frames, washing machine inner or water heaters, etc., are produced by the Company itself. Only heat exchange frame, controlling boards, etc., must be imported. This helps the Company to well control its quality and reduce production costs, hence offering competitive selling prices in its target market segment.

Hoa Phat Refrigeration Engineering products also enjoy advantages of business skills and management experiences of the Group’s Board of Management. Furthermore, its distribution network and the system of warranty and after-sales services are widely developed. Together with sales experiences of its staff, Hoa Phat’s Refrigeration Engineering products have reached almost all regions and become dominant in the market.





The demand for Refrigeration Engineering products in Vietnam is increasing as the economy develops and living standards improve. According to a study by GFK, a reputable market research company in the field of Refrigeration Engineering products and civil electrical products, the growth rate of the market for these products is around 30% per year. Hoa Phat plans to expand its production, raise its output and tries to generate revenue of up to 1,000 billion VND in the next five years from the business of Refrigeration Engineering products.

**8.6 Position of Hoa Phat Group in construction and management of infrastructure for industrial zones and urban complexes**

Hoa Phat Group is the investor of and currently manages Pho Noi A Industrial Zone in Hung Yen province with the total area of 390 ha. The location of this industrial zone is very convenient as it is on Highway 5, only 20 km far away from Hanoi, near roads to Hai Phong, Quang Ninh, near Cai Lan Port and at the heart of the key economic region of the North of Vietnam. Hoa Phat obtained the approval of the People’s Committee of Hung Yen Province to become the investor of the project on expansion of Pho Noi A Industrial Zone with a further area of 200ha. This is a very good opportunity for the Company in its business of industrial zone development.

In addition, Hoa Phat Group is investing in constructing and developing Hoa Mac Industrial Zone in Ha Nam province with the total area of 200ha, which is on the side of Cau Gie – Ninh Binh Expressway and Highway 39. With low cost for clearing the ground and convenient location for construction, Hoa Mac Industrial Zone in Ha Nam province promises to be the second successful industrial zone of Hoa Phat Group.

Besides, the Company was also approved to be the investor of Pho Noi Urban Complex with the total area of 300ha, which shall be developed into a satellite urban complex of Hanoi. Planning for this urban complex at the ratio of 1:2000 was already approved by the People’s Committee of Hung Yen Province. Near Hanoi and to the north of Highway 5, Pho Noi urban complex is a step in the expansion of Hanoi to the East. In April 2007, Pho Noi Urban Complex was added to the master plan of Hanoi City with the expected number of residents of 150,000 - 250,000.

In addition to existing industrial zones under its management, Hoa Phat Group is also managing some valuable land areas, on which an apartment building for high income clients is planned to be built in line with the Group’s strategy of promoting its business of real estates and urban complex development.

The strategy of the Company of promoting investment in infrastructure of industrial zones and step by step developing its real estate business proves to be proper and in line with the trend of this sector in the coming years and with the Government’s policies of infrastructure development to attract investment and policies of economic development in the period of industrialization and modernization.



IV. SITUATION

&

SPECIAL FEATURES OF LISTED INSTITUTION

8.7 Position of Hoa Phat Group in trading of iron and steel

Being the youngest member company of Hoa Phat Group, Hoa Phat Trading Company was established in order to satisfy increasingly high market demand for iron and steel products and make full use of existing relations between Hoa Phat companies and foreign partners and domestic customers as well as experiences of steel sales staff of the Group. Hoa Phat Trading Company specializes in trading in steel products. Its main products include steel scrap, hot-soaked zinc-plated steel, hot-rolled steel coils, hot-rolled steel sheets, stainless steel, welded steel pipes, cast steel pipes of large diameter, hot-rolled and cold-rolled long steel, steel billet, cold-rolled steel coils, components of various kinds used in the production of water pipelines and industrial pipes.

With its years of experience of trading in iron and steel, Hoa Phat Group has established extensive and strategic relationships and partnerships with a number of steel producers and steel trading companies in the world. In addition to importation of steel products, Hoa Phat Group also imports material steel used in its own production. Thanks to the large quantity of imports, it manages to obtain lower import prices as compared to other domestic importers of steel.

As a result of such good relationships and experienced staff, Hoa Phat Group always takes initiative in the supply of inputs for its production at reasonable price, thus ensuring the stability of its revenue and profits.

9. Policies for employees

✦ Number of employees of the Group

The total number of employees is 5,134 persons and is organized into various departments, production units as follows:

Hoa Phat Group Office and Steel production unit	924 persons
Hoa Phat Equipment and Accessories Company Ltd.	674
Hoa Phat Furniture Joint stock Company	2,197
Hoa PHat Steel Pipe Company Ltd.	641
Hoa Phat Refrigeration Engineering Company Ltd.	552
Hoa Phat Urban Construction and Development Joint-stock Company	136
Hoa Phat Trading Company Ltd.	10

Hoa Phat Group is among large industrial groups in Vietnam in terms of number of employees.

✦ Policies for Staffs

- Working hours: Hoa Phat Group always complies with the laws on work hours. Working hours uniformly apply to the whole Group as follows:
- For staff working in accordance with normal office hours: 208 hours/month



- For workers in production shifts: 200 hours/month
- Working conditions: Hoa Phat Group always complies with the State regulations on working conditions for workers, working hygiene and labor safety.
- Workers are equipped with sufficient labor safety equipment to ensure safety and hygiene at work;
- Machinery and equipment for which strict requirements on labor safety and work hygiene are imposed have been registered and licensed by the competent authorities in accordance with the laws.
- Working places have met the standards on space, ventilation, lighting, permitted hygiene standards on dirt, air, heat, moisture, noise and other harmful factors;
- Dangerous machinery and equipment have been equipped with protection and shielding devices and instruction boards on working hygiene and labor safety are located at easily noticed places;
- Working places are equipped with appropriate technical and medical equipment, labor safety equipment to ensure prompt reaction in case of emergency or accident.
- Training policies: Recognizing that human resource is a valuable resource and has decisive role in the Group's success and development in today competition, Hoa Phat Group has always paid attention to training in order to improve knowledge and skills of its employees. It has organized various training programs including:
  - Regularly provide training to workers on labor safety regulations, skill improvement, and frequently send employees to participate in training programs provided by equipment suppliers of the Group;
  - Provide send engineers and technical staff to participate in intensive training programs to improve their knowledge and skills and master new advanced technologies.
- Salary and wages: A uniform policy on salary and wage based on work contribution and work nature is applied for all employees of the whole Group as follows:
  - The Group has worked out a schedule of salary and wage with detailed level for each position or work;
  - Overtime payments and number of overtime working hours are in accordance with the Labor Code of Vietnam;
  - Wage increase is annually reviewed in accordance with employee's work accomplishment and is scheduled to take place in January and July every year.

## IV. SITUATION & SPECIAL FEATURES OF LISTED INSTITUTION

- Remuneration: In order to encourage its employees to contribute innovations to improve production process, save costs and raise profits for the Company, the Group has the policy on remuneration, including the thirteen-month salary/wage, bonus for exceeding sales targets, bonus for exceeding production targets, bonus for technological or technical innovation, etc.
- Allowances: Allowances are paid for workers working in toxic areas. Furthermore, the Group has illness allowances, maternity allowance, and allowances for telephone and gasoline expenses, travel stipend and allowance, location allowance, allowance for employees suffering from labor accidents, all of which are in conformity with regulations on labor and employees' rights.

### 10. Divident policies

According to the charter of organization and operation of the Company approved by the General Board of Shareholders on January 06, 2007, dividend distribution policy is as follows:

- According to decision of General Board of Shareholders and applicable law, dividend for ordinary shares is stated and paid based on net profit and retained profit of enterprise without exceeding the board of managers' recommended level after referring to shareholders' opinions.
- According to regulation of enterprise law, the Board of managers will decide dividend payment mid-year if it is appropriate in terms of the company's profitability.
- If approved by the General Board of Shareholders, the Board of Managers can decide and announce that ordinary shareholders have an option of getting dividend by ordinary shares in exchange for cash.

### 11. Financial situation

#### 11.1 Basic benchmarks

The financial year of the Group starts on January 1, and ends on December 31 every year. Figures in its financial statements are expressed in Vietnamese Dong and, financial statements are made in conformity with Vietnam's accounting standards and regulations.

- Depreciation of fixed assets

- Fixed assets

The primary price of fixed assets consists of purchase price and all expenses directly related to bringing the assets into condition ready for operating. The depreciation method is straight-line one. Rate of depreciation is calculated for the estimated duration of usage of the assets and in accordance with the provisions of Decision No.206/2003/QĐ-BTC dated December 12, 2003 of the



Ministry of Finance on management, usage and deduction of fixed asset depreciation.

Duration of fixed asset usage is as follows:

Fixed assets	Duration (years)
Factory premises, architectural structure	20
Machinery and equipment	5 – 10
Transportation means	4 – 5
Management equipment and devices	4 -5

♦ Fixed assets of financial leasing contracts

Assets of financial leasing contracts are those hired by the Company and most of benefits and risks concerning their ownership are transferred from the lesser to the Company. They are recorded as the Company’s assets at an appropriate value on the date of asset purchase. Debts payable to the lesser is recorded as debts for financial leasing contracts in the Balance of Accounts. The applicable depreciation method for assets of financial leasing contracts is straight line and depreciation is determined for the same estimated duration of usage as assets owned by the Company or for the duration of financial leasing contracts. Assets of financial leasing contracts being machinery and equipment are subject to the estimated duration of depreciation of 10 years.

♦ Intangible fixed assets

Fixed assets eligible to be considered as intangible fixed assets are recorded and depreciated in accordance with Decision No. 2006/2003/TT-BTC dated December 12, 2003 of the Ministry of Finance on management, usage and deduction of fixed asset depreciation.

- Average level of salary/wage
  - For workers: VND 2,000,000 per month
  - For staff: VND 3,500,000 per month
- Payment of due debts

According to audited financial statements of 2005, 2006 and the first half of 2007, Hoa Phat Group has paid its debt in full and in due course.

- Taxes and other fees and charges

The Group pays corporate income tax and other taxes and fees in accordance with current tax regulation as follows:

- Value-added tax: 5% and 10%
- Corporate income tax: 25% and 28%

# IV. SITUATION & SPECIAL FEATURES OF LISTED INSTITUTION

- Other taxes, fees and charges are paid in accordance with current laws and regulations. Hoa Phat Group’s payment of taxes and other fees and charges recorded on June 30, 2007 is as follows:

Unit: Dong

Taxes	2006	First half of 2007
Value-added tax	214,403,613	8,571,253,504
Excise tax	-	4,278,791,233
Import and export duty	10,462,572	719,975,179
Corporate income tax	2,620,144,709	43,608,415,546
Other taxes	-	136,352,960
<b>Total</b>	<b>2,845,010,894</b>	<b>57,314,788,422</b>

Source: Audited financial statement of 2006 of Hoa Phat Steel Joint stock Company and consolidated financial statement of the first half of 2007 of Hoa Phat Group

Note: Data of 2006 are that of Hoa Phat Steel Joint-Stock Company. Data in the first half of 2007 are of the consolidated data of Hoa Phat Group as a whole.

✦ Establishment of funds in accordance with laws

Funds are set up in accordance with the Charter of Hoa Phat Group and current laws as follows:

Unit: Dong

Funds	2006	First half of 2007
Financial reserve fund	-	1,997,784,300
Fund for remuneration and welfare allowance	322,461,184,	528,333,663
<b>Total</b>	<b>322,461,184</b>	<b>2,526,117,963</b>

Source: Audited financial statement of 2006 of Hoa Phat Steel Joint stock Company and consolidated financial statement of the first half of 2007 of Hoa Phat Group

Note: Data of 2006 are that of Hoa Phat Steel Joint-Stock Co. Data in the first half of 2007 are of the the consolidated data of Hoa Phat Group as a whole.

Loans

By June 30, 2007, debt structure of the Group is as follows:

- Short-term loans and debts





Unit: Dong

Loans	2006	First half of 2007
Short-term loans	227,609,833,440	58,774,085,056
Due long-term debts	19,967,269,666	15,361,430,021
<b>Total</b>	<b>247,577,103,106</b>	<b>74,135,515,077</b>

Source: Audited financial statement of 2006 of Hoa Phat Steel Joint stock Company and consolidated financial statement of the first half of 2007 of Hoa Phat Group

Note: Data of 2006 are that of Hoa Phat Steel Joint-Stock Co. Data in the first half of 2007 are of the the consolidated data of Hoa Phat Group as a whole.

- Long-term loans

Unit:Dong

Loans/debts	2006	First half of 2007
Long-term loans	63,533,041,274	54,779,650,557
Long-term debts	6,678,981,362	10,465,606,225
<b>Total</b>	<b>70,212,022,636</b>	<b>65,245,256,782</b>

Source: Audited financial statement of 2006 of Hoa Phat Steel Joint stock Company and consolidated financial statement of the first half of 2007 of Hoa Phat Group

Note: Data of 2006 are that of Hoa Phat Steel Joint-Stock Co. Data in the first half of 2007 are of the consolidated data of Hoa Phat Group as a whole.

- Current situation of receivables and payables

- Receivables

Receivables are recorded when goods are actually transferred to the buyers and accordingly the ownership of goods is also transferred to the buyers

# IV. SITUATION & SPECIAL FEATURES OF LISTED INSTITUTION

Unit: VND

Items	2006	Half of 2007
Receivables from customers	107,735,490,930	504,198,616,771
Advance payment for suppliers	8,332,481,650	110,914,187,280
Other receivables	165,668,327	40,765,413,728
Deducted value-added tax	717,978,163	22,138,059,978
<b>Total</b>	<b>116,951,619,070</b>	<b>678,016,277,757</b>

Source: Audited financial statement of 2006 of Hoa Phat Steel Joint stock Company and consolidated financial statement of the first half of 2007 of Hoa Phat Group

Note: Data of 2006 are that of Hoa Phat Steel Joint-Stock Co. Data in the first half of 2007 are of the the consolidated data of Hoa Phat Group as a whole.

Reserves for non-performing receivables are formed for receivables exceeding the due date by more than 2 years and those which exceed the due date by less than 2 years but are unlikely to be collected and there are evidences of customers’ inability to make payments such as customer’s termination of business, customers’ insolvency, etc.

- Payables

Unit: Dong

Items	2006	First half of 2007
<b>Short-term debts</b>	<b>310,024,626,190</b>	<b>866,955,272,012</b>
Short-term debt and loans	247,577,103,106	74,135,515,077
Payables to suppliers	56,397,503,984	246,418,911,526
Advance payments by buyers	774,722,742	71,363,556,099
Taxes and payables to the State	2,845,010,894	58,259,068,024
Payables to staff	1,572,039,000	6,907,402,719
Payable costs	197,788,098	99,504,856,536
Other payables	660,458,366	310,365,962,031
<b>Long-term debts</b>	<b>70,212,022,636</b>	<b>79,965,849,943</b>
<b>Total</b>	<b>380,236,648,826</b>	<b>946,921,121,955</b>

Source: Audited financial statement of 2006 of Hoa Phat Steel Joint stock Company and consolidated financial statement of the first half of 2007 of Hoa Phat Group

Note: Data of 2006 are that of Hoa Phat Steel Joint-Stock Co. Data in the first half of 2007 are of the the consolidated data of Hoa Phat Group as a whole.



### 11.2 Key financial ratios

Ratio	2005	2006	First half of 2007
Ratios on payment ability			
Short-term payment ratio (times)	0.79	1.03	2.61
Quick payment ratio (times)	0.20	0.42	1.09
Ratios on capital structure			
Debt/total asset	0.63	0.54	0.26
Debt/equity	1.71	1.17	0.35
Ratios on business capacity			
Inventory turnover (times)	4.52	5.97	1.50
Net revenue/total asset	1.30	1.86	0.66
Ratios on profitability			
After-tax profit/net revenue	0.30%	5.19%	10.63%
After-tax profit/equity	1.05%	20.92%	9.46%
After-tax profit/total asset	0.39%	9.66%	6.98%
Profits from business activities/net revenue	-1.68%	5.38%	12.51%

Source: Audited financial statements of 2005 and 2006 of Hoa Phat Steel Joint stock Company and the consolidated financial statement of the first half of 2007 of Hoa Phat Group

Note: Data of 2006 are that of Hoa Phat Steel Joint-Stock Co. Data in the first half of 2007 are of the the consolidated data of Hoa Phat Group as a whole.

An analysis of some key financial ratios presents a detailed overview of the business performance of the Group:

#### ✦ Payment ability

Short-term payment ratio, i.e. working assets or short-term assets/short-term debts, shows how short-term debts are ensured by working assets. This ratio of the Group were 0.79; 1.03 and 2.61 in 2005, 2006 and the first half of 2007 respectively, proving that short-term payment ability of the Group is ensured.

However, in order to assess more accurately the Group's ability to make payments, we need to look at quick payment ratio. The quick payment ratio of the Group, which proves how short-term debts are ensured by working assets of high liquidity, was 0.2, 0.42 and 0.58 in 2005, 2006 and the first half of 2007 respectively. It means, for example, that for each Dong of short-term debt there were 0.2 Dong of working assets of high liquidity available in 2005, each Dong of short-term debt there were 0.42 Dong of working assets of high liquidity available in 2006. Quick payment ratio of the Group is day by day improved, which is proved by the ratio of 1.09 in the first half of 2007.

# IV. SITUATION & SPECIAL FEATURES OF LISTED INSTITUTION

## ✦ Capital structure (financial leverage)

Debts/total asset ratio of the Group was 0.63, 0.54 and 0.26 in 2005, 2006 and the first half of 2007 respectively, proving that the Company is reducing the ratio of using debts in its operation. The analysis of the capital structure benchmarks of the Group proves that it has a relatively safe capital structure.

## ✦ Business capacity

Targets of business capacity demonstrates production management quality and asset usage efficiency. Net revenue/total asset illustrates how much net revenue is generated from assets. In 2005 and 2006, this ratio was 1.3 and 1.86, respectively. It means each Dong of the Group’s asset generated 1.30 Dong and 1.86 Dong of its revenue.

## ✦ Profitability

Investors are especially interested in profitability ratios. Profitability ratios reflect final business performance efficiency of a company. After-tax profits/net revenue of the Group was 0.3 and 5.19 in 2005 and 2006 respectively, indicating that 100 Dongs of net revenue created 0.3 Dong and 5.19 Dongs of after-tax profit.

### 11.3 Financial situation of subsidiary companies in the Group

Ratios	Equipment		Furniture		Steel pipes	
	2005	2006	2005	2006	2005	2006
<b>Ratios on payment ability</b>						
Short-term payment ratio	1.07	0.99	0.69	1.1	1.13	1.08
Quick payment ratio	0.33	0.28	0.44	0.59	0.53	0.35
<b>Ratios on capital structure</b>						
Debt/total asset	0.69	0.67	0.81	0.59	0.77	0.69
Debt/equity	2.20	2.01	4.14	1.43	3.42	2.26
<b>Ratios on business capacity</b>						
Inventory turnover (times)	1.62	1.57	8.58	7.10	4.40	3.99
Net revenue/total asset	0.89	0.88	1.78	1.73	1.69	1.8
<b>Ratios on profitability</b>						
After-tax profit/net revenue	0.26%	1.97%	-0.13%	3.44%	0.27%	3.32%
After-tax profit/equity	0.76%	5.24%	-1.21%	14.53%	2.00%	19.6%
After-tax profit/total asset	0.23%	1.74%	-0.24%	5.99%	0.45%	5.99%
Profits from business activities/net revenue	0.27%	2.22%	1.34%	3.99%	0.33%	3.79%

Source: Financial statements of 2005 and 2006 of subsidiary companies in Hoa Phat Group



Ratios	Refrigeration Engineering		Construction		Trading	
	2005	2006	2005	2006	2005	2006
Ratios on payment ability						
Short-term payment ratio	0.81	0.98	1.58	1.43	2.74	3.93
Quick payment ratio	0.26	0.22	0.43	0.64	2.37	3.03
Ratios on capital structure						
Debt/total asset	0.50	0.53	0.59	0.45	0.36	0.25
Debt/equity	1.01	1.12	1.44	0.82	0.57	0.33
Ratios on business capacity						
Inventory turnover (times)	3.66	2.84	0.77	1.35	19.17	17.23
Net revenue/total asset	0.84	0.89	0.66	0.64	2.61	3.34
Ratios on profitability						
After-tax profit/net revenue	-2.01%	5.97%	17.01%	13.41%	-0.75%	2.19%
After-tax profit/equity	-3.41%	10.89%	27.20%	15.68%	-3.10%	9.78%
After-tax profit/total asset	-1.66%	5.31%	11.15%	8.61%	-1.97%	7.32%
Profits from business activities/net revenue	-2.01%	6.73%	17.04%	20.04%	-0.75%	2.76%

Source: Financial statements of 2005 and 2006 of subsidiary companies in Hoa Phat Group



# IV. SITUATION & SPECIAL FEATURES OF LISTED INSTITUTION

## 12. 12. Board of Management, Board of Directors, Supervisory Board, Chief Accountant

### 12.1 List of members of Board of Management of Hoa Phat Group



<b>Mr. Tran Dinh Long</b> Chairman of the Board	
Sex	male
I.D Card No.	010167394, issued on 10/08/1994 by Hanoi Public Security
Date of birth	20/02/1961
Place of birth	Hai Duong
Nationality	Vietnamese
National Ethnic	Kinh
Native Place	Le Binh, Thanh Mien, Hai Duong
Permanent Residence	No.119, Bui Thi Xuan st, Hai Ba Trung dist, Hanoi.
Office Tel	04.6282011
Education Level	10/10
Professional Level	Economic Bachelor
Employment record:	<ul style="list-style-type: none"><li>- 1992: starting employment with Hoa Phat Group</li><li>- 1992-1996: Chairman and Director of machine and accessories limited company.</li><li>- 1996-2005: Chairman of Hoa Phat Group</li><li>- Present: Vice Chairman of Hoa Phat Group's Board of Management</li></ul>
Present	Vice Chairman of Hoa Phat Group's Board of Management
Law violation	No
Interest in conflict with company's	No
Number of held shares (by January 15, 2007):	36.400.000
Number of shares held by related people:	<ul style="list-style-type: none"><li>- Wife: Vu Thi Hien 11.001.000 CP</li><li>- Mother: Do Thi Gioi: 90.000 CP</li><li>- Young sister: : 165.000 CP</li></ul>



<b>Mr. Tran Tuan Duong</b> Vice Chairman of the Board and General Director of Hoa Phat Group Joint stock Company.	
Sex	male
I.D Card No.	011624904, issued on December 06, 2005 by Hanoi Public Security
Date of birth	07/12/1963
Place of birth	Nam Dinh
Nationality	Vietnamese
National Ethnic	Kinh
Native Place	Nam Dinh
Permanent Residence	No.41, Ngu Xa, Truc Bach, Ba Dinh, Hanoi.
Office Tel	04.6282011
Education Level	10/10
Professional Level	Economic Bachelor, Press Bachelor
Employment record:	<ul style="list-style-type: none"><li>- 1992: Starting employment with Hoa Phat</li><li>- 1992 - 1994: Manager of Machine &amp; Accessories Company Limited.</li><li>- 1995 - 1996: Vice-Director of Hoa Phat Furniture Company Limited.</li><li>- 1996 - 08/2004: Director of Hoa PHat Steel Pipe Company Limited.</li><li>- 09/2004 - 12/2006: Director of Hoa Phat Steel Joint stock Company.</li><li>- 01/2007 – Present: Vice Chairman of the Board cum General Director of Hoa Phat Group</li><li>- Present position: Vice Chairman Board of Management</li></ul>
Present position	-Vice Chairman Board of Management
Law violation	No
Interest in conflict with company's	No
Number of held shares (by January 15, 2007):	4,000,000
Number of shares held by related people:	<ul style="list-style-type: none"><li>- Wife: Vu Thi Hiep: 900,000</li><li>- Mother: Tran Thi Tinh: 20,000</li><li>- Sister: Tran Thi Phuong Lien: 26,000</li></ul>



<b>Mr. Doan Gia Cuong</b> Vice Chairman of the Board and Director of Hoa Phat Furniture Company.	
Sex	male
I.D Card No.	010453053, issued on July 20, 2001 by Hanoi Public Security
Date of birth	25/05/1963
Place of birth	Ha Noi
Nationality	Vietnamese
National Ethnic	Kinh
Permanent Residence	No.8, 15D Trung Yen, Trung Hoa, Cau Giay, Hanoi.
Office Tel	04.9782914
Education Level	10/10
Professional Level	Economic MBA.
Employment record:	<ul style="list-style-type: none"><li>- 1999: Starting employment with Hoa Phat</li><li>- 04/2000 - 11/2006: Vice Director of Hoa Phat Furniture Joint stock Company.</li><li>- 12/2006 to present: Director of Hoa Phat Furniture Joint stock Company</li></ul>
Present position	Vice Chairman of Hoa Phat Group's Board of Management cum Director of Hoa Phat Furniture Joint stock Company
Law violation	No
Interest in conflict with company's	No
Number of held shares (by January 15, 2007):	3.000.000
Number of shares held by related people:	<ul style="list-style-type: none"><li>- Wife: Phan Thi Thu Lan: 300,000</li><li>- Sister: Doan Thi Ngoc Bich: 20,000</li></ul>



<b>Mr. Nguyen Manh Tuan</b> - Vice Chairman of the Board and Director of Hoa Phat Steel Pipe Company.	
Sex	male
I.D Card No.	010290024, issued on April 18, 2002 by Hanoi Public Security
Date of birth	20/11/1962
Place of birth	Hanoi
Nationality	Vietnamese
National Ethnic	Kinh
Native Place	Hanoi
Permanent Residence	No.67, Bat Dan, Hanoi.
Office Tel	04.9762404
Education Level	10/10
Professional Level	Economic Bachelor.
Employment record:	<ul style="list-style-type: none"><li>- Starting employment with Hoa Phat: 1996</li><li>- 1996 - 2000: Vice of Director cum Sales Manager of Hoa Phat Steel Pipe Limited Company.</li><li>- 2000 - 09/2004: Vice Director of Hoa Phat Steel Pipe Limited Company</li><li>- 10/2004 - present: Director of Hoa Phat Steel Pipe Limited Company and Hoa Phat Trading Company.</li></ul>
Present position	Vice Chairman of Hoa Phat Group's Board Management cum Director of Hoa Phat Steel Pipe Company
Law violation	No
Interest in conflict with company's	No
Number of held shares (by January 15, 2007):	4,000,000
Number of shares held by related people:	<ul style="list-style-type: none"><li>- Wife: Dao Thi Thanh Phuong: 200,000</li><li>- Sister: Nguyen Manh Hung: 400,000</li></ul>

# IV. SITUATION & SPECIAL FEATURES OF LISTED INSTITUTION



<b>Mr. Chu Quang Vu</b> - Member of Board of Management and Vice General Director of Hoa Phat Group Joint stock Company.	
Sex	male
I.D Card No.	031327562, issued on March 17, 2003 by Hai Phong Public Security
Date of birth	22/07/1963
Place of birth	Ha Tay
Nationality	Vietnamese
National Ethnic	Kinh
Native Place	Ha Tay
Permanent Residence	No.3, Ly Tu Trong, Minh Khai, Hong Bang, Hai Phong.
Office Tel	04.6282011
Education Level	10/10
Professional Level	Economic Bachelor.
Employment record:	- 03/2001 - 09/2001: Director and Hoa Phat iron and steel Company Limited. - 10/2001 - 08/2004: Director of Hoa Phat Steel Joint stock Company. - 09/2004 - 12/2006: Vice Director of Hoa Phat Steel Joint stock Company and Director of Hoa Phat Cement Joint stock Company. - 01/2007 - present: Vice General Director of Hoa Phat Group and Director of Hoa Phat Cement Joint stock Company
Present position	-Member of Board of Management cum Vice General Director of Hoa Phat Group.
Law violation	No
Interest in conflict with company's	No
Number of held shares (by January 15, 2007):	180,000
Number of shares held by related people:	- Brother: Chu Quang Viet: 10,000



<b>Mr. Nguyen Ngoc Quang</b> Member of Board of Management and Director of Hoa Phat Equipments and Accessories Company	
Sex	male
I.D Card No.	010290076, issued on June 22, 2006 by Hanoi Public Security
Date of birth	12/05/1960
Place of birth	Ha Noi
Nationality	Vietnamese
National Ethnic	Kinh
Native Place	Ninh Hiep, Gia Lam, Hanoi
Permanent Residence	No.10, Phan Huy Ich, Ba Dinh, Hanoi.
Office Tel	04.8693983
Education Level	10/10
Professional Level	Middle level.
Employment record:	- Starting employment with Hoa Phat: 1992 - 1992 - 1996: Director of Hoa Phat Equipment and Accessories Company Limited, Ho Chi Minh's branch. - 1997 - present: Director of Hoa Phat Equipment and Accessories Company Limited. - Present position: Member of Board of Management cum Director of Hoa Phat Equipment and Accessories Company Limited.
Present position	Member of Board of Management cum Director of Hoa Phat Equipment and Accessories Company Limited.
Law violation	No
Interest in conflict with company's	No
Number of held shares (by January 15, 2007):	3,000,000
Number of shares held by related people:	- Wife: Nguyen Hong Van: 48,000 - Young brother: Nguyen Manh Hung: 12,000



<b>Ms. Vu Thi Anh Tuyet</b> Member of Board of Management and Vice Director of Hoa Phat Equipments and Accessories Company	
Sex	female
I.D Card No.	011744030, issued on March 21, 2001 by Hanoi Public Security
Date of birth	19/08/1972
Place of birth	Hanoi
Nationality	Vietnamese
National Ethnic	Kinh
Native Place	Hanoi
Permanent Residence	Room No. 204, B5, Nam Thanh Cong, Ha Noi
Office Tel	04.8693983
Education Level	10/10
Professional Level	BA from foreign language University
Employment record:	<ul style="list-style-type: none"><li>- Starting employment with Hoa Phat: February 1993</li><li>- February 1993 - August 1993: In charge of administration cum equipment and material import.</li><li>- August 1993 - 1995: material import</li><li>- 1995-2001: Head of sales, import and export department</li><li>- 2001 – December 2003: Head of material, import department</li><li>- December 2003 -now: Vice Director of Hoa Phat Equipment and Accessories Limited</li></ul>
Present position	Member of Board of Management cum Vice Director of Hoa Phat Equipment and Accessories Limited
Law violation	No
Interest in conflict with company's	No
Number of held shares (by January 15, 2007):	1,100,000
Number of shares held by related people:	<ul style="list-style-type: none"><li>- Mother: Nguyen Thi Tuat: 7,000</li><li>- Sister: Vu Thi Tinh Hoa: 6,500</li><li>- Young sister: Vu Giang Hai: 10,000</li></ul>



<b>Mr. CHU QUAN</b> A member of Board of Management and Director of Hoa Phat Equipment & Accessories Co., Ltd., Ho Chi Minh City Branch.	
Sex	male
I.D Card No.	023968267, issued on August 27, 2003 by Ho Chi Minh city Public Security
Date of birth	20/10/1961
Place of birth	Hanoi
Nationality	Vietnamese
National Ethnic	Kinh
Native Place	Ha Nam
Permanent Residence	106/18H Dien Bien Phu, P17, Binh Thanh Dist, HCM
Education Level	10/10
Professional Level	BA from Hanoi General University
Employment record:	<ul style="list-style-type: none"><li>- Starting employment with Hoa Phat: 1992</li><li>- 1992 –1995: staff in Hoa Phat Equipment and Accessories Company Limited</li><li>- 1996 – now: Director of HCM City Branch of Hoa Phat Equipment and Accessories Company Limited</li></ul>
Present position	Member of Board of management cum director of Hoa Phat Equipment and Accessories Company Limited, Ho Chi Minh city branch
Law violation	No
Interest in conflict with company's	No
Number of held shares (by January 15, 2007):	3,600,000
Number of shares held by related people:	<ul style="list-style-type: none"><li>- Wife: Truong Lan Anh: 1,000,000</li></ul>

# IV. SITUATION & SPECIAL FEATURES OF LISTED INSTITUTION



<b>Mr. Vu Duc Sinh</b> A member of Board of Management and Director of Hoa Phat Furniture Joint stock Company, Ho Chi Minh City Branch	
Sex	male
I.D Card No.	023901513, issued on March 02, 2004 by Ho Chi Minh city Public Security
Date of birth	26/7/1962
Place of birth	Nam Dinh
Nationality	Vietnamese
National Ethnic	Kinh
Native Place	Nam Dinh
Permanent Residence	121 Nguyen Cuu Van, P17, Binh Thanh Dist, HCM
Education Level	10/10
Professional Level	BA from Banking University
Employment record:	<ul style="list-style-type: none"><li>- Starting employment with Hoa Phat: April 1995</li><li>- April 1995 – Sep.1995: Director of mechanical Plant in Hoa Phat Equipment and Accessories Company Limited</li><li>- From October 1995 – now: Branch Director of Hoa Phat Furniture Joint stock Company in Ho Chi Minh City</li></ul>
Present position	<ul style="list-style-type: none"><li>- Member of Board of Management and Director of Hoa Phat Furniture Joint stock Company, Ho Chi Minh City Branch</li></ul>
Law violation	No
Interest in conflict with company's	No
Number of held shares (by January 15, 2007):	1,172,500
Number of shares held by related people:	<ul style="list-style-type: none"><li>- Wife: Nguyen Thi Thanh Thu: 2,200</li><li>- Sister: Vu Thi Thanh Xuan: 23,000</li></ul>



<b>Mr. Ta Tuan Quang</b> A member of Board of Management and Director of Hoa Phat Refrigeration Engineering Co., Ltd.,	
Sex	male
I.D Card No.	012442406, issued on May 11, 2001 by Hanoi Public Security
Date of birth	17/12/1961
Place of birth	Nam Dinh
Nationality	Vietnamese
National Ethnic	Kinh
Native Place	Nam Dinh
Permanent Residence	No 12, Truong Chinh, Phuong Mai, Dong Da, Hanoi
Office Tel	04.9762385
Education Level	10/10
Professional Level	BA from Economic University
Employment record:	<ul style="list-style-type: none"><li>- Starting employment with Hoa Phat: 1995</li><li>- 1995 - Nov.2006: Director of Hoa Phat Furniture Manufacturing &amp; Trading Co., Ltd.</li><li>- Dec.2006 - present: Director of Hoa Phat Refrigeration Engineering Co., Ltd</li></ul>
Present position	Member of Board of Management cum Director of Hoa Phat Refrigeration Engineering Co., Ltd
Law violation	No
Interest in conflict with company's	No
Number of held shares (by January 15, 2007):	342,000
Number of shares held by related people:	No





<b>Mr. Hoang Quang Viet</b> A member of Board of Management and Director of Hoa Phat Construction and Urban Development Joint stock Company	
Sex	Nam
I.D Card No.	010178366, issued on April 02, 1992 by Hanoi Public Security
Date of birth	Nam Dinh
Place of birth	Vietnamese
Nationality	Vietnamese
National Ethnic	Kinh
Native Place	Nam Dinh
Permanent Residence	Room No. 101 C1, Collective quarter of Van Chuong, Dong Da, Hanoi
Office Tel	04.9763892
Education Level	10/10
Professional Level	BA from National Security University
Employment record:	-Starting employment with Hoa Phat: 2001 -2001-2002: Director of Hoa Phat Urban Development and Construction Joint stock Company -Dec.2002 - August 2004: Director of Hoa Phat Urban Development and Construction Joint stock Company and Vice Director of Hoa Phat Steel Joint stock Company.
Present position	Member of Board of Management cum Director of Hoa Phat Urban Development and Construction Joint stock Company
Law violation	No
Interest in conflict with company's	No
Number of held shares (by January 15, 2007):	800,000
Number of shares held by related people:	- Wife: Nguyen Thi Hai Yen: 15,000 - Sister: Hoang Thi Thao: 10,000 - Brother: Hoang Quang Trung: 10,000



<b>Mr. Nguyen Viet Thang</b> A member of Board of Management and Vice Director of Hoa Phat Construction and Urban Development Joint stock Company	
Sex	Nam
I.D Card No.	011862838, issued on September 24, 2001 by Hanoi Public Security
Date of birth	4/2/1970
Place of birth	Hanoi
Nationality	Vietnamese
National Ethnic	Kinh
Native Place	Nam Dinh
Permanent Residence	P5, Q8, Truong Dinh Apartment, Hanoi
Office Tel	04.9763892
Education Level	10/10
Professional Level	BA from Civil Construction University
Employment record:	- Starting employment with Hoa Phat: 2002 - 2002 - present: Vice Director of Hoa Phat Urban Development and Construction Joint stock Company
Present position	Member of Board of Management cum Vice Director of Hoa Phat Urban Development and Construction Joint stock Company
Law violation	No
Interest in conflict with company's	No
Number of held shares (by January 15, 2007):	462,000
Number of shares held by related people:	No

IV. SITUATION

&

SPECIAL FEATURES OF LISTED INSTITUTION



Mr. Don Di Lam	
member of Board of Management	
Sex	male
I.D card/Passport No.:	BA114068, issued on March 30, 2005 by Toronto authority
Date of birth	20/03/1967
Place of birth	Vietnam
Nationality	Canada
Nationality Ethnic	Kinh
Native Place	Nam Dinh
Permanent residence	No. 44, Huynh Tinh Cua, District No.3, Ho Chi Minh city
Office Tel	08.8219930
Education Level	2001: State security commission of Vietnam - Certificate of Stock analysis and investment specialist 1993: Ontario Institute of accountant, Canada – Public notary accountant 1990: Toronto University, Canada – Bachelor of Arts, Business administration and Politics Science
Employment records:	- 1990-1994: Specialist Coopers & Lybrand, Canada - 1994-1996: Head of Coopers & Lybrand – AISC Department - Vietnam - 1996-1998: Director of Deutsche Bank Group – Vietnam - 1998-2003: Vice Director of Pricewaterhouse Cooper Limited Company – Vietnam - 2003-now: Director of VOF Investment Limited
Present position	Member of Board of Management, Director of VOF Investment Limited
Violation of law	- No
Interest in conflict with company’s	- No
Representative share holders (VOF Investment Limited Company)	10,560,000
Number of shares held by related people:	Wife: Julie Nga Thien Lam: 150,000



12.1 Supervisory Board of Hoa Phat Group:



<b>Mrs. Pham Thi Thu</b> Head of Supervisory board	
Sex	Female
I.D Card No.	010188182, issued on April 07, 1988 by Hanoi Public Security
Date of birth	4/9/1962
Place of birth	Hanoi
Nationality	Vietnamese
National Ethnic	Kinh
Native Place	Gia Binh, Bac Ninh
Permanent Residence	9 Hang Ga Street, Hanoi
Office Tel	04. 9784386
Education Level	10/10
Professional Level	BA from Economic University
Employment record:	-Starting employment with Hoa Phat: 2000 -2000 – 2006: Vice Manager of Account Dept. in Hoa Phat Furniture Joint stock Company
Present position	Member of Supervisory Board
Law violation	No
Interest in conflict with company's	No
Number of held shares (by January 15, 2007):	101,000
Number of shares held by related people:	Sister: Pham Thi Nam: 20,000



<b>Mr. Ta Tien Dung</b> Thành viên Ban Kiểm Soát	
Sex	male
I.D Card No.	011815406, issued on September 09, 1988 by Hanoi Public Security
Date of birth	14/11/1954
Place of birth	Hanoi
Nationality	Vietnamese
National Ethnic	Kinh
Native Place	Ha Tay
Permanent Residence	69 Hang Non Street, Hanoi
Office Tel	04.6282011
Education Level	10/10
Professional Level	Television Engineer
Employment record:	-Starting employment with Hoa Phat: 1998 -From 1998 – Sep.2003: Director of Hoa Phat wood production Project -From Oct.2000 – June 2003: Director of Hoa Phat steel- rolling Project -From July 2003 – 2004: Director of Hoa Phat steel –making Project
Present position	Member of Supervisory Board
Law violation	No
Interest in conflict with company's	No
Number of held shares (by January 15, 2007):	150,000
Number of shares held by related people:	No

# IV. SITUATION & SPECIAL FEATURES OF LISTED INSTITUTION



<b>Ms. Vu Thanh Thuy</b> Supervisory member	
Sex	Female
I.D Card No.	125051431, issued on March 18, 1999 by Bac Ninh Public Security
Date of birth	10/12/1981
Place of birth	Bac Ninh
Nationality	Vietnamese
National Ethnic	Kinh
Native Place	Bac Ninh
Permanent Residence	Hoang Mai Street, Hanoi
Office Tel	04. 6282011
Education Level	12/12
Professional Level	BA from Economic University
Employment record:	-Starting employment with Hoa Phat: 11 January 2005 -Jan.2005- Dec. 2006: Staff in Account Dept. in Hoa Phat Steel Joint stock Company -Position: member of Supervisory Board
Law violation	No
Interest in conflict with company's	No
Number of held shares (by January 15, 2007):	55,000
Number of shares held by related people:	No



<b>Ms. Dang Pham Minh Loan</b> Supervisory member board	
Sex	Female
I.D Card No.	024326432, issued on November 01, 2004 by Ho Chi Minh city Public Security
Date of birth	18/3/1977
Place of birth	Nam Dinh
Nationality	Vietnamese
National Ethnic	Kinh
Native Place	My Loc, Nam Dinh
Permanent Residence	No. 6, Pham Ngu Lao, Ward No. 3, Go Vap District, Ho Chi Minh city
Office Tel	08.8219930
Education Level	Post graduate
Professional Level	- Bachelor of Economic, majoring in audit accounting - Public notary accountant of England (ACCA, UK) - Auditor of state level (CPA, Vietnam)
Employment record:	- 999-2000: Financial accountant, administration accountant - Unilever Company - Viet nam - 2000-2005: Auditor, Deputy chief auditor - International Auditing Company KPMG - 2005-now: Senior specialist, Head of investment department, Representative Office of VinaCapital Investment Management Company Limited - Manager of Vietnam Opportunity Fund (VOF)
Position	Member of Supervisory Board, Senior specialist, Head of investment department, Representative Office of VinaCapital Investment Management Company Limited
Law violation	No
Interest in conflict with company's	No
Number of held shares (by January 15, 2007):	No
Number of shares held by related people:	No



12.2 General Director Board:

- ✦General Director

Mr Tran Tuan Duong

– CV can be seen from title 12.1
- ✦Vice-General Director:

Mr Chu Quang Vu

– CV can be seen from title 12.1



Ms Ta Thi Thu Hien Chief Financial Officer	
Sex	Female
I.D Card No.	011724072, issued on December 18, 2000 by Hanoi Public Security
Date of birth	01/04/1976
Place of birth	Hanoi
Nationality	Vietnamese
National Ethnic	Kinh
Native Place	Nam Dinh
Permanent Residence	No 24 - Lane 553/106 - Giai Phong street - Hanoi.
Office Tel	04. 6282011
Education Level	12/12
Professional Level	BA from Financial University
Employment record:	- Starting employment with Hoa Phat: August 2000 - Aug.2000 - Nov. 2000: Staff in Account Dept. in Hoa Phat Steel pipe Joint stock Company - Dec.2000 - Oct. 2006: Director of Finance cum Chief Accountant of Hoa Phat Steel Joint stock Company - Jan.2007 - present: Chief Accountant cum Chief Financial Officer of Hoa Phat Group Joint stock Company
Position	Chief Accountant cum Chief Financial Officer of Hoa Phat Group Joint stock Company
Law violation	No
Interest in conflict with company's	No
Number of held shares (by January 15, 2007):	22,400
Number of shares held by related people:	- Mother: Duong Thi Kim: 2,300 - Brother: Ta Quang Huy: 4,000



# IV. SITUATION & SPECIAL FEATURES OF LISTED INSTITUTION

## 13. Assets

Total assets of Hoa Phat Group as of June 30, 2007 were as follows:

Unit: Dong

Assets	Primary Price	Accumulated Depreciation	RemainedValue
Factory premises, architectural structure	293,299,286,611	53,538,537,451	239,760,749,160
Machinery and equipment	785,306,987,884	254,165,307,974	531,141,679,910
Transportation means	57,743,535,515	22,011,294,520	35,732,240,995
Management equipment and devices	4,672,092,194	1,153,426,355	3,518,665,839
Other Fixed Assets	4,871,479,341	1,582,365,021	3,289,114,320
Financial Leasing Fixed Assets	48,345,358,167	10,748,022,277	37,597,335,890
Intangible Assets	28,973,803,849	4,877,275,229	24,096,528,620
Total	1,223,212,543,561	348,076,228,827	875,136,314,734

Source: First half- Consolidated Financial statement of Hoa Phat Group



Fund of land under Hoa Phat Group s’ Management

No.	Company	Area (m2)	Leasing Time(Years)	Leasing Price	Tax Exemption
1	Hoa Phat Steel	105,690			
a	Rolling Mill	36,059	35	VND 1,800/m <sup>2</sup> /year	6 years from 29/06/2000
		27,937	35	VND 2,100/m <sup>2</sup> /year	6 years from 30/08/2001
b	Billet Plant	41,694	35	VND 2,450/m <sup>2</sup> /year	6 years from 23/07/2003
2	Equipment and Accessories	75,380.7			
a	Manufacture machines and mining exploitation	49,567	35	VND 2.450/m <sup>2</sup> /year	5 years from 20/11/2002
b	Yen So	5,056	30	VND 3.7 millions/m <sup>2</sup> /year	No
c	Saigon Branch - Highway Shop	157.7	5	VND 6 millions/m <sup>2</sup> /year	No
	Saigon Branch - Mechanical Workshop	1,000	0,6	VND 3 million/m <sup>2</sup> /year	No
d	Binh Duong Branch	19,600	5	VND15 million/m <sup>2</sup> /year	No
3	Furniture	108,109			
	Nhu Quynh Industrial Zone	22,296	30	VND2,275/m <sup>2</sup> /year	Exemption from 23/07/1999 to 23/05/2003
		9,600	29	VND2,275/m <sup>2</sup> /year	Exemption from 23/07/1999 to 02/07/2004
		7,515	35	VND2,250/m <sup>2</sup> /year	No
	Tan Quang Industrial Zone	53,098	35	VND2,275 /m <sup>2</sup> /year	Three years from 06/02/2004 to 06/02/2007
	Da Nang	15,600	40	VND4,200 /m <sup>2</sup> /year	Exemption 7 years from Nov. 2003
4	Steel Pipe	56,397			
a	Cold rolling mill Steel	12,000	49	20USD/m <sup>2</sup> /year	No
b	Steel Pipe Company				
	First Stage	34,417	35	VND 1,500/m <sup>2</sup> /year	6 years from 10/07/1999
	Second Stage	9,980	35	VND 1,750/m <sup>2</sup> /year	6 years from 24/08/2001
5	Refrigeration Engineering	83,719	35	VND 2,450/m <sup>2</sup> /year	3 years from 20/11/2002
6	Urban Development and Construction	242,446			
	Stock of technology- infrastructure land, Pho Noi A Industrial Zone				
	- Deliver Land	213,780	48 - 50	No	
	- Leasing Land	28,666	48	VND 2,090 /m2/year	6 years from 08/11/2006
	Total	671,741.7			

Source: Hoa Phat Group

# IV. SITUATION & SPECIAL FEATURES OF LISTED INSTITUTION

## 14. Profit and Dividend Plans for 2008

### 14.1 Some Planned Targets of Hoa Phat Group for the next 3 years:

On the basis of the analysis and evaluation of internal and external business environment, and after the completion of the share issuance to increase chartered capital from VND 1,1000 billion to VND 1,320 billion to earn a capital surplus of VND 1,315 billion, the profit and dividend plan of Hoa Phat Group is as follows:

- The growth rate of chartered capital of the coming years depends on the capital demand of projects;
- Minimum annual dividend rate is 20% (the dividend is expected to be paid partially in cash and partially in shares)

Table of planned expenditure of Hoa Phat Group in the next two years:

Unit: Billion dong

No.	ITEMS	2007	2008	Percentage as compared to 2007	2009	Percentage as compared to 2008
1	Chartered capital	1,320	1,980	50 %	2,400	21.2 %
2	Revenue	4,600	5,500	19.6 %	8,600	56.4 %
3	After tax Profit	420	520	23.8%	680	30.8%
4	After tax Profit /Revenue Ratio	9.13%	9.45%		7.9%	
5	After tax Profit/ chartered capital	31.82%	26.26%		28.3%	
6	Devident Rate	20%	20%		20%	

Source: Hoa Phat Group

### 14.2 Basis for Planning:

✦ **The development prospect of the Group’s business:** Vietnam’s economy grew stably at the highest rate in the Southeast Asia, and second highest rate in Asia to China in recent time. All products of Hoa Phat Group belong to essential industries of the economy, which are expected to maintain the high growth level as the previous years.

✦ **Business Orientations of Hoa Phat Group in the next two years:**

- Plan of Brand Name building and promotion: Brand name plays a very important role in sales process of the Group. Fully aware of this, in the coming years, Hoa Phat Group will continue to maintain and increase the execution of brand name building PR programs such as long-term advertisements on TV, sponsoring Hoa Phat Hanoi Football Team, and numerous other PR programs. With the consolidation of subsidiaries and construction of a



unified Hoa Phat brand name, Hoa Phat brand name will be more and more powerful and prestigious in gaining consumers' confidence.

- **Steel manufacturing and trading:** Hoa Phat Group continues to concentrate on stabilizing and furthering production, making additional investment to building more billet plants to further ensure the stability of input material supply sources for its production and improve its market competitiveness. It has invested in the project of a Hoa Phat Steel and Pig-iron Complex including two plants. One manufactures plain iron scrolls and deformed steel bars for construction with annual capacity of 320,000 tons of products, and the other manufactures steel plates for shipbuilding industry with annual capacity of 320,000 tons of products. This project is expected to be one of the two projects of Vietnam for producing finished steel from iron ores with application of the state-of-the-art technologies.
- **Accessories manufacturing and trading:** Hoa Phat Group continues to perfect the existing products, research and produce types of stone crushers and big-sized construction machines, further replace imported machines and move towards exportation.
- **Furniture manufacturing and trading:** The Group continues to maintain and develop furniture business in its inherent medium-class market segment, gradually develop higher standard products towards higher-end market ones and exportation.
- **Steel pipe Manufacturing and Trading:** Hoa Phat Group continues to maintain the first position in Vietnam in the steel pipe industry, carrying out R&D to manufacture bigger pipes of 400 – 500 mm in diameter, and move gradually towards exportation.
- **Refrigeration Engineering Business:** the Group continues to build additional plants, expand production, increase output and production, and at the same time move towards to goal of increasing localization ratio in the Group's products with a view to achieving the targeted revenue of VND1000 billion by 2012.
- **Construction, Industrial Zones and Urban complexes:** Parallel with the previous successful investment in and operation of the industrial zones, Hoa Phat Group will further its power in real estate trading business including urban complexes, high-class apartment buildings and offices for lease.
- **Steel trading business:** The Group will execute the plan of expanding, diversifying products and customer base to strive for a growth rate of 10 - 15%/year.

## IV. SITUATION & SPECIAL FEATURES OF LISTED INSTITUTION

### 14.3 Investment plans and projects approved by the Board of Management and General Board of Shareholders

✦ Executing the construction project of a cement plant with capacity of 3 million tons per year in Ha Nam Province.

The project will construct a cement plant with capacity of 3 million tons per year for two production lines on a total area of 36 ha.

The plant will be located in Dong Ao Hamlet, Thanh Thuy Commune, Thanh Liem District, Ha Nam Province. The geographic position creates favorable condition of not only input material for production but also traffic means and consumption market.

#### Plan of implementation

- The first stage (2007): Investing in the first comprehensive production line with capacity of 2500 tones of clinker per day, equal to 1 million tones of cement per year with investment for both production lines as follows:
  - Clearing and leveling the construction sites for the two production lines;
  - Station for crushing limestone, clay stones, conveyor belt for conveying materials to the plant, material warehouse system;
  - Cyclone, cement, complete packing line, and import and export port system.
- The second stage (2009): Investing in equipments for the second production line with capacity of 5,000 tons of clinker per day to increase the plant's total capacity to 3 million tons of cement per year.

#### Project execution schedule:

- |  |           |
|--|-----------|
| ◦ Clearing land, leveling and filling, and constructing: | 10 months |
| ◦ Installing and adjusting equipments:                   | 11 months |
| ◦ Test-running and handing over the plant:               | 03 months |
| ◦ Total (since the investment decision was obtained):    | 24 months |

#### Financial issues:

✦ Bases for calculation

- Working Capital: 100% bank loan, 1% monthly interest rate;
- Exclusion of payable corporate income tax according to investment preference license;
- Consumption norm: 90% in 2009, and 95% in 2010;





- o Depreciation time: 10 years;
- o Medium-term loan capital: 900 billion with 3-year grace period and debt repayment in 10 years;
- o Self-mobilized medium-term capital: 300 billion.
- ♦ Financial targets:
  - o Total investment: VND 1,200 billion;
  - o Investment ratio for 1 ton of cement: USD 75;
  - o Capital safety ratio: 10%
  - o Breakeven point
    - + Revenue: VND 527 billion
    - + Breakeven capacity: 72%
    - + Breakeven output: 720,000 tons
  - o NPV: VND 248,788,109,000
  - o Profitable ratio: 1.139
  - o IRR: 16%
  - o Discount rate: 10.286%

**Conclusion:** The project has  $NPV > 0$  and  $IRR > \text{Discount rate}$  ( $16\% > 10.286\%$ ). Hence, it is highly feasible.

#### ✦ **Pho Noi A Industrial zone expansion Project**

The project aims to adjust the scale of Pho Noi A industrial zone to 240 ha to achieve targets proposed in the Socio-economic Development Master Plan of Hung Yen Province till 2010.-

Location: High way 5, Van Lam District, Hung Yen Province

Scale: 240 ha

#### **Objectives of the project**

- Creating legal basis for constructing technical infrastructure and attracting investment capital for construction of Plants in the Industrial Zone;
- Facilitating the development of Pho Noi A – Hung Yen Province into a complete and modern industrial zone, contributing to the promotion of economic and industrial growth of the area;
- Helping investors choose the best plans to ensure the effectiveness of their business & investment;

## IV. SITUATION & SPECIAL FEATURES OF LISTED INSTITUTION

- Building comprehensive and modern technical infrastructure to satisfy increasing demand for construction of factories of domestic and foreign enterprises.

### Advantages:

- The synchronous infrastructure of the industrial zone has already been constructed with lots of foreign enterprises from many countries such as Japan, South Korea, Holland, Singapore, Thailand... coming to hire land for constructing their production plants. This is foundation for making promotion and attracting more investors for expanding the industrial zone.
- The industrial zone is at convenient location for transportation: near Highway 5 (connecting Hanoi with Hai Phong Port), Highway 1A, Highway 18, Highway 39, and Noi Bai International Airport.

**Scheduled progress of execution:** From the fourth quarter of 2007 to the fourth quarter of 2011.

### Financial issues:

#### ♦ Investment Fund

- o Investment fund for building infrastructure of the industrial zone could be mobilized from the following sources:
  - + Self-financing capital of the investors;
  - + Loans from bank, or other credit institutions.

- Investment capital mobilization plan: Based on the above financial review and reality of Pho Noi A Industrial Zone, the estimated funding plan is as follows:

Total investment capital: VND 480 billion

Self-financing capital: VND 288 billion (60% of the total investment capital)

Loans from banks: VND 192 billion (40% of the total investment capital)

#### ♦ Financial targets:

- o NPV: VND 38.317 billion.
- o IRR: 31.10% > general discount rate
- o Time of capital refunding: 4 years 6 months

**Conclusion:** The project has  $NPV > 0$  and  $IRR > \text{Discount rate}$ , therefore it is highly feasible.

✦ **Executing the first phase of the approved Pho Noi Urban Complex Project on an area of 390 ha (Three hundred hectare).**



The project invests in constructing technical infrastructure at Section A – North of Highway 5 Urban Complex with the following works:

- o Transportation system: principal arteries, local roads in the urban complex and civil-use roads;
- o Water supply system: for civil-use and fire prevention and fighting;
- o Drainage system: for rainwater drainage & wastewater treatment and drainage.
- o Power supply system: Transformer system, step-down system, lighting electricity and improving a number of old medium and high voltage electric lines;
- o Technical ditch system: for communication and information, medium and low voltage electricity networks;
- o System of drainage rivers, lakes, sluices, surface leveling, urban trees, car parks, waste treatment grounds in the urban complex and other infrastructure in residential land lots;
- o Earliest site clearance compensation for construction land of principal roads with section of 42, 45 & 33 m and Ban river route with section of 24m to gain initiative in preparing premise for constructing the new urban complex.

### Information of the Project

#### • Objectives of the Project:

The project invests in technical infrastructure in Section A - North of Highway 5 Urban Complex, Pho Noi, Hung Yen Province, following the detailed plan approved by Hung Yen's People's Committee on the allocated land fund by changing the principal roads of Pho Noi Urban Complex. After that, the commercial land fund with constructed infrastructure in the Section will be transferred to other investors to construct their works in accordance with the detailed plan and the general construction management regulation of the new urban complex.

- Location: Highway 5, Ban Town – Yen Nhan, My Hao District, Hung Yen Province
- Scale: 50 ha (first phase)
- Advantages
  - o Pho Noi Urban Complex belongs to Pho Noi Urban Area – an economic – industrial and service center of Hung Yen Province, near many industrial zones.
  - o Pho Noi Urban Complex is planned to have comprehensive and modern technical infrastructure such as detached residential houses, apartment buildings, villas and social infrastructure such as hospitals, schools, bus stations, banks, post offices, supermarkets, etc

**Planned Progress of Construction:** From the fourth quarter of 2007 the fourth quarter of 2012

## IV. SITUATION & SPECIAL FEATURES OF LISTED INSTITUTION

Financial issues:

♦ **Capital source:**

Investment capital of the project will include self-financing fund, loan and capital mobilized from Hoa Phat Urban Construction and Development Joint stock Company. It can be mobilized by using the earning from selling one plot to invest in the next.

- o Total investment capital: VND 411.61 billion
- o Self-financing capital: VND 246.96 billion (60% of total investment capital)
- o Loan from banks: VND 164.64 billion (40% of total investment capital)

♦ **Financial targets:**

- o NPV: VND 32.324 billion  $> 0$
- o IRR: 29.8%  $>$  general discount rate
- o Time of capital refunding: 4 years and 2 months.

♦ **Conclusion:** the project is highly feasible with ability to pay loan at maturity.

✦ **Plan to establish representative office in Lao People's Democratic Republic**

- o Project title: Representative Office in Lao People's Democratic Republic
- o Location: Vientiane City, Lao People's Democratic Republic
- o Objectives of the Project
  - Surveying the planting of rubber trees in the Southern provinces of Laos such as ChamPaxac, SeKong, and Atapu;
  - Surveying the iron ore and colored metals exploitation in the Northern provinces of Laos such as Hua Phan, Xieng Khoang, Udomxay, BuliKhaMay, KhamMuon and Xanavakhet;
- ♦ Total Investment: USD 800,000 (eight hundred thousand)
- ♦ Time of the project: 2 years
- ♦ Scheduled progress of the project since being granted investment certificate:
  - Establishing representative office in Vientiane City, Lao People's Democratic Republic: 6 months
  - Submitting application for surveying and exploring mines: 12 months
  - Signing contracts for surveying mines: 18 months

✦ On August 28, 2007, the Ministry of Planning and Investment granted overseas investment



certificate No.62/BKH-DTRNN to Hoa Phat Group for establishing representative office in Lao People's Democratic Republic;

✦ On July 24, 2007, The Commission of Planning and Investment of Lao People's Democratic Republic awarded Hoa Phat Group with the license for establishing representative office in Lao People's Democratic Republic.

✦ **Plan to establish representative office in the Kingdom of Cambodia**

- Project title: Representative office in the Kingdom of Cambodia
- Objectives of the project
  - Surveying the planting of rubber trees in some provinces of Cambodia
  - Surveying and exploring the exploitation of iron ore and colored metals in Cambodia.

✦ On September 18, 2007, The Ministry of Trade of the Kingdom of Cambodia awarded Hoa Phat Group with the license No. Co.414.07B for establishing representative office in the Kingdom of Cambodia.

**15. Valuation of the consulting institution on Hoa Phat Group's profit and dividend plan:**

As a professional consulting institution, Bao Viet Securities Joint stock Company has proceeded with collecting information and analytical research, and made up evaluation and forecast on the Group's business activities. If there are no abnormal uncertainties and force majeure events affecting the Group's performance, the proposed profit and dividend plan of the Group is in total conformity with its current business situation. We think that the Group's proposed profit and dividend rate is reasonable, ensuring the retained fund of profit for reinvestment and future growth maintenance.

Please note that our opinions and evaluations as indicated above are made entirely from a point of view of one consulting institution, depending on selected information and financial and securities theories, and that they should not imply the insurance for value of securities as well as reliability of the forecast data. Our opinion should be taken as reference only for investment decision-making.

**16. Information of the listed institution's commitments not yet implemented:** No

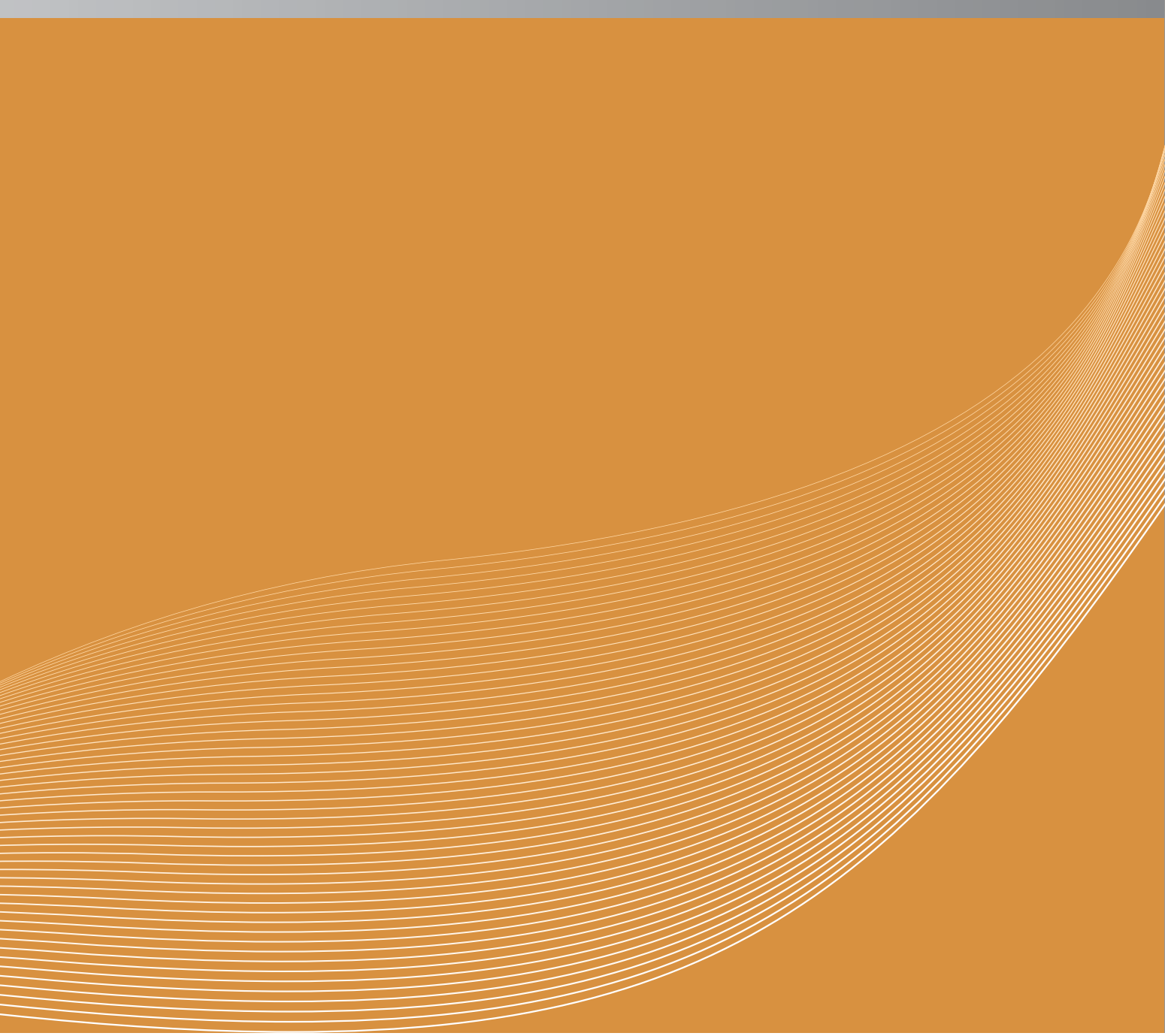
**17. Relevant Information of Disputes and lawsuits related to the listed institution which may affect listed share-price:** No





# V. LISTED SECURITIES

1. TYPE OF SHARE	ORDINARY SHARES
2. FACE VALUE	VND 10,000/SHARE
3. REGISTERED LISTING VOLUME:	132,000,000 SHARES
4. EXPECTED LISTING PRICE:	VND 110,000/SHARE
5. THE NUMBER OF SHARES LIMITED FROM TRANSFER ACCORDING TO LEGAL REGULATIONS OR THE ISSUER:	80,452,900 SHARES



## V. LISTED SECURITIES

Volume of transfer-limited shares and transfer-limit time is as follows:

Items	Number of shares being limited from transfer (shares)	Lock-up time
<b>Shareholders of Company</b>	<b>58,384,900</b>	
Members of BOM (not including Founder)	7,476,500	100% for 6 months since listing and 50% for next 6 months
Board of Directors	22,400	As above
Supervisory Board	306,000	As above
Founding Members	50,580,000	As above
<b>Strategic Shareholders</b>	<b>22,068,000</b>	
Cable and Telecommunication Material JSC - Sacom	4,500,000	To November 16, 2008
VOF Investment Limited Company	10,560,000	To September 9, 2008
ACB Investment JSC- Hanoi	2,000,000	To November 23, 2008
Asia Investment JSC	2,000,000	To November 23, 2008
Asia Commercial Jointstock Bank - ACB	1,000,000	To November 23, 2008
APEC Investment JSC	903,000	To November 23, 2008
APEC Securities JSC	105,000	To November 23, 2008
Temasia Capital Limited	1,000,000	To January 10, 2009
<b>Total</b>	<b>80,452,900</b>	

### 6. Starting price evaluation method: Equal to 158% of average price to strategic partners with reference to price of HPG shares in OTC market.

Executing the resolution of Hoa Phat Group Joint stock Company's General Board of Shareholders dated April 2, 2007 on issuing additional shares to mobilize capital for investment projects of the Group, Hoa Phat started to offer newly-issued shares to its strategic partners from April 03, 2007 to July 30, 2007. Details are as follows:

- Strategic partner criteria: economic, financial and banking Institutions, and domestic and foreign investment funds which satisfy these requirements:
  - o Having high popularity;
  - o Having financial power or advanced management;
  - o With relation to business operation or large projects of Hoa Phat Group.





- Price for strategic partners is agreed on the basis of reference to the best market price at the time of issuance and decided by the Board of Management.

The total offered-shares are 22,000,000 (twenty million), selling price is discounted in comparison to market price, and partners are limited from share transfer. Proceedings from the offer are VND 1,535 billion. On this basis and with reference to current OTC market price of Hoa Phat shares (from VND 110,000 to VND 120,000 per share), Hoa Phat Group expects that the listing price is equal to 158% of average price for strategic partners and OTC market price of HPG shares and is VND 110,000 per share.

#### **7. Restriction on foreigners' shareholding ratio:**

Restriction on foreigners' share holding ratio is in accordance with the applicable law.

When Hoa Phat Group shares are official listed on the stock market, the foreigners' shareholding ratio will be under Vietnamese applicable law.

#### **8. Relevant Taxes**

According to Circular No. 100/2004/TT-BTC dated October 20, 2004 of the Ministry of Finance instructing VAT and taxes on earnings from securities trading in Vietnamese territories:

- ✦ Investors as institutions, or individuals are exempted from individual and corporate income tax imposed on receivable dividends.
- ✦ Currently, individual investors are exempted from personal income tax on their income from investment in the shares of listed institutions.
- ✦ Domestic and foreign institutions, which are registered business in Vietnam, will have to pay corporate income tax imposed on earnings from trading listed securities.
- ✦ Foreign institutions, which are not registered business in Vietnam, will have to pay a tax imposed on selling securities.

# V. LISTED SECURITIES

Besides, Plants of Hoa Phat Group enjoy some tax incentives as follows:

Company	Corporate Income Tax Rate	Preferential rate of corporate income tax
<b>Hoa Phat Steel Joint stock Company</b>		
- Rolling mill	From 2006: 25%	2004 - 2005: exempted 2006 - 2010: 50%*25%
- Billet Plant	2004 – 2015: 15% From 2016: 28%	2004 - 2006: exempted 2007 - 2013: 50%*15%
<b>Hoa Phat Equipment and Accessories Company Limited</b>		
- Hoa Phat Construction and Mining Machine Manufacture Company	15% in 12 years	2006 - 2008: exempted 2009 - 2015: reduced by 50%
<b>Hoa Phat Steel Pipe Company limited</b>		
- Steel Pipes Plant	2004 – 2007: reduce 50% From 2008: 25%	
- Cold Mill Steel Plant	2006 – 2017: 15%	2006 - 2008: exempted
<b>Hoa Phat Refrigeration Engineering Company limited</b>		
- Air-conditioner and Refrigeration Plant	28%	2006 - 2007: exempted 2008 - 2009: reduced by 50%
- Water Heater Plant	28%	2006: exempted 2007 - 2008: reduced by 50%
- Plastic Plant	15% in 12 years	2005 - 2006: exempted 2007 - 2008: reduced by 50%
- Washing machine Plant	15% in 12 years	2007 - 2009: exempted 2010 - 2016: reduce 50%
<b>Hoa Phat Urban Construction and Development Joint stock Company</b>		
- Pho Noi A Industrial Zone Management and Operation Company	2009 - 2023: 10% From 2024: 28%	2005 - 2008: exempted 2009 - 2016: 10%*50%

Source: Hoa Phat Group



# VI. PARTNERS RELATED TO THE LISTING OF SECURITIES

## 1. Consulting Institution:

### BAO VIET SECURITIES JOINT STOCK COMPANY

Address: 2nd+5th floor, 94 Ba Trieu Street, Hoan Kiem District, Hanoi

Tel: (84-4) 9433 016 Fax: (84-4) 9433 012

Branch: No. 11 Nguyen Cong Tru, District I, Ho Chi Minh City.

Tel: (84-8) 8218564/9141995 Fax: (84-8) 8218566

Website : <http://www.bvsc.com.vn>

## 2. Auditing institution:

### VIETNAM AUDITING AND EVALUATION COMPANY (VAE)

Head office: 11th floor, Song Da I building, 165 Cau Giay street, Hanoi

Tel: 04.7672156/04.2670490 Fax: 04.2670494

Decision No.724/QD-UBCK dated 30/11/2006 of the State Securities Commission's chairman on allowing independent auditing institutions to audit institutions that list, issue and trade securities.

### VIETNAM AUDITING LIMITED LIABILITY COMPANY (VACO LLC)

A MEMBER OF DELOITTE TOUCHE TOHMATSU

Head office: No.8 Pham Ngoc Thach, Dong Da District, Hanoi

Tel: 04.8524123 Fax: 04.8524143

Decision No.724/QD-UBCK dated 30/11/2006 of the State Securities Commission's chairman on allowing independent auditing institutions to audit institutions that list, issue and trade securities.