

C&R-VIETNAM COMPREHENSIVE CREDIT REPORT

GENERAL UNDERSTANDING

Client's Ref	N/A
C&R- Ref	<u>109 298</u>
Type of report	Comprehensive Credit Report
Date of order	September 19 th , 2007
Date of delivery	September 26 th , 2007
Time	Normal report
Credit rating	BB
Company status	Operating - Manufacture and Trading company

SUBJECT IDENTIFICATION & LEGAL FORM

English Name	XXXX XXXX JOINT STOCK COMPANY
Vietnamese name	CONG XXXX XXXX XXXX XXXX
Trade Name	XXXXXXXXX
Originally Founded	1974
Current Type of Business	Joint Stock Company
Former type of Business	State Owned Company
Equitization year	1999
Equitization Decision	No. XXXXX/XXXXX/XXXXXX
Issued on	September 09 th , 1999
Issued by	Ministry of Agriculture and Rural Development
Business Registration	No. 056XXX
Issued on	December 17 th , 1999
Issued by	Hanoi Department of Planning and Investment
Registered Capital	10,034,000,000 VND
Tax code	0100XXXXXX
Total Employees	150 employees
Qualification	Fairly Good

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ADDRESSES

Head Office and Factory

Address	XXXX, XXXX, Hoang Mai Dist, Hanoi City
Country	Vietnam
Tel	(84-4) 861XXXX / XXXX
Fax	(84-4) 861XXXX

***Note:** The given address (XXXXXX XXXXXXXX Hoang Mai Dist, Hanoi City) is also the same location with the subject' head office.*

DIRECTORS

1. NAME	Mrs. XXXX XXXX
Position	Chairman
Qualification	Bachelor
Date of Birth	January 30 th , 1965
ID Number	No. 0109XXXXX
Issued on	July 05 th , 1994
Resident	XXXXX, Hai Ba Trung Dist, Hanoi City
Nationality	Vietnamese

2. NAME	Mr. XXXX XXXX
Position	Director
Qualification	Engineer
Date of Birth	October 20 th , 1949
ID Number	0100XXXXX
Issued on	September 07 th , 1989
Resident	Room XXX, XXXXX, Hoang Mai Dist., Hanoi City
Nationality	Vietnamese

3. NAME	Mrs. XXXX XXXX
Position	Vice Director
Qualification	Engineer
Resident	Hanoi City – Vietnam
Nationality	Vietnamese

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BUSINESS NATURE AND ACTIVITIES

The subject focuses on the following activities:

- Processing and supplying materials for animal feed production
- Trading in animal feed

IMPORT & EXPORT ACTIVITIES

IMPORT: The subject imports materials from India, Argentina, Thailand ...

EXPORT: N/A

BANKERS

Currently, the subject has banking relation with the bank:

1. VIETNAM BANK FOR AGRICULTURE AND RURAL DEVELOPMENT- Thang Long branch

Address	No.4 Pham Ngoc Thach Str., Dong Da Dist, Ha Noi City
Country	Vietnam
Tel	(84-4) 5743332

SHAREHOLDER

The subject now is a joint stock company. Following is its shareholders:

1. NAME	Mrs. XXXX XXXX
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Position	Chairman
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Qualification	Bachelor
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Date of Birth	January 30 th , 1965
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ID Number	No. 0109XXXXXX
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Date on	November 7 th , 2003
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By	Hanoi Police
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Resident	XXXX, XXXX, Dong Da Dist, Hanoi City
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Nationality	Vietnamese
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Share	49.08%
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Value	4,925,400,000 VND
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2. NAME	Mr. XXXX XXXX
Position	Shareholder & General Director
Qualification	Engineer
Date of Birth	October 20 th , 1949
ID Number	0100XXXXXX
Issued on	September 07 th , 1989
Resident	Room XXX, XXXX, XXXX, Hoang Mai Dist., Hanoi City
Nationality	Vietnamese
Share	0.34%
Value	35,000,000 VND

3. NAME	Mrs. XXXX XXXX
Position	Shareholders
Date of Birth	June 18 th , 1956
ID Number	No.0112XXXXXX
Issued on	September 20 th , 1982
Resident	No.XXX XXXX, XXXX, Dong Da Dist, Hanoi city
Nationality	Vietnamese
Share	2.62%
Value	263,100,000 VND

4. Name	48 other shareholders (including staffs and workers)
Nationality	Vietnamese
Share	47.94%
Value	4,810,500,000 VND

PAYMENT HISTORY AND EXPERIENCES

Trade Morality	Fair
Liquidity	Average
Past Payment Status	Normal
Current Payment Status	Normal
Past Financial Situation	Normal
Current Financial Situation	Improved

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Illegal action	No recorded
Bankruptcy	No recorded
Reputation	Average
Modes of payment	Through banks, by L/C, T/T
Sales method	Direct to customer or through agent system
Development trend	Seem average

FINANCIAL DATA

BALANCE SHEET

Balance Sheet Date	31/12/2005	31/12/2004
Number of Weeks	52	52
Unit	01 VND	Million VND
<u>ASSETS</u>		
A. Current assets & Short term Investment	26,379,721,059	21,268
<i>I. Cash and cash equivalents</i>	8,220,612,610	10,533
<i>II. Short term investment</i>	0	0
1. Short-term securities investment	0	0
2. Other short-term investment	0	0
3. Provision for devaluation of short-term investment	0	0
<i>III. Receivables</i>	7,480,621,977	1,748
1. Receivables from customers	5,654,777,385	1,170
2. Prepaid for providers	0	0
3. Value-added tax deducted	1,459,917,863	0
4. Internal receivables	365,926,729	578
5. Other receivables	0	0
6. Provision for bad receivables	0	0
<i>IV. Inventory</i>	10,506,855,407	9,322
1. Purchased goods in transit	0	0
2. Inventory raw materials	9,214,083,604	9,028
3. Inventory appliance	630,856,052	294
4. Cost for production and business in process	0	0
5. Inventory finished products	661,915,751	0
6. Inventory cargoes	0	0

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7. Entrusted goods for sale	0	0
8. Provision for devaluation of stocks	0	0
V. Other current assets	0	-335
1. Advances	0	-335
2. Prepaid expenses	0	0
3. Pending expenses for transfer	0	0
4. Pending assets	0	0
5. Hypothecation, collateral and short run collateral	0	0
VI. Administrative	0	0
1. Administrative expenses for previous year	0	0
2. Administrative expenses for current year	0	0
B. Fixed assets & Long term investment	5,540,290,293	4,888
I. Fixed assets	5,540,290,293	4,888
1. Tangible fixed assets	5,540,290,293	4,888
+ Original cost	7,589,067,490	6,643
+ Accumulated depreciation value	-2,048,777,197	-1,755
2. Financial leasing fixed assets	0	0
+ Original cost	0	0
+ Accumulated depreciation value	0	0
3. Intangible fixed assets	0	0
+ Original cost	0	0
+ Accumulated depreciation value	0	0
II. Long term investment	0	0
1. Long-term securities investment	0	0
2. Joint-venture capital contribution	0	0
3. Other long-term investment	0	0
4. Provision for long-term investment devaluation	0	0
III. Capital construction in process	0	0
IV. Other	0	0
<u>TOTAL ASSETS</u>	31,920,011,352	26,156

<u>LIABILITIES</u>		
A. Payables	22,153,083,185	21,836
<i>I. Short term payables</i>	21,963,352,185	21,836
1. Short-term borrowings	21,660,381,187	22,000
2. Due long-term liabilities		0
3. Payable to seller	335,406,024	749
4. Prepaid buyer		0
5. Taxes and accounts dutiable	-44,909,607	-894
6. Employee payments		0
7. Internal payments	12,474,581	-19
8. Other payables		0
<i>II. Long term payables</i>	189,731,000	0
1. Long-term borrowing	189,731,000	0
2. Long-term loans		0
<i>III. Other liabilities</i>	0	0
1. Disbursement payable	0	0
2. Pending assets	0	0
3. Receipts long-term collateral and deposit	0	0
B. Owner's Equity	9,766,928,167	4,320
<i>I. Capital and Funds</i>	9,766,928,167	4,035
1. Working capital	10,034,000,000	4,020
2. Differences from assets revaluation	0	0
3. Exchange rate differences	0	0
4. Business development fund	0	0
5. Reserved fund	0	0
6. Retained profit	-267,071,833	15
7. Construction capital sources	0	0
<i>II. Other administrative and fund sources</i>	0	285
1. Provident funds for unemployment	0	0
2. Welfare and reward funds	0	285
3. Management funds of higher level	0	0
4. Functional operation funds	0	0
5. Fund sources formed by fixed assets	0	0
<u>TOTAL LIABILITY AND EQUITY</u>	31,920,011,352	26,156

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PROFIT AND LOSE ACCOUNT

Description	FY 2005	2004
Unit	01 VND	Million VND
Total revenue	117,594,397,793	98,740
Deductions Items	0	0
- Discount	0	0
- Devaluation of sale price	0	0
- Return of sold goods	0	0
- Turnover tax, excise tax, import and export duties to be paid	0	0
1. Net revenue	117,594,397,793	98,740
2. Original rate of goods for sale	113,144,165,752	91,916
3. Combined Profit	4,450,232,041	6,824
4. Sales costs	347,648,667	1,821
5. Enterprise administrative costs	3,425,140,542	4,988
6. Net income from business activity	677,442,832	15
Income from financial activities	29,665,000	0
Costs for financial activities	650,292,164	0
7. Net income from financial operation	-620,627,164	0
Irregular income	0	0
Irregular expenditure	31,169,440	0
8. Irregular Profit	-31,169,440	0
9. Total pre-tax profit	25,646,228	15
10. Income tax	7,180,944	4
11. After tax profit	18,465,284	11

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FINANCIAL FACTORS

Description	2005	2004
Current liquidity ratio	1.20	0.97
Quick Liquidity ratio	0.72	0.55
Inventory circle	10.77	11.47
Average receive period	23.22	6.46
Utilizing Asset Performance	3.68	3.78
Liability/ Total Asset (%)	69.40	83.48
Liability/ Owner's equity (%)	226.82	505.46
Income before tax/ Total asset (%) ROA	0.08	0.06
Income before tax/ Owner's equity (%) ROE	0.26	0.35
Income before tax/ Total revenue (%) NPM	0.02	0.02
Gross Profit / Total revenue (%) GPM	3.78	6.91

RATINGS & CREDIT RECOMMENDATIONS

The following ratings and credit recommendations are made by C&R Vietnam basing on our weights and ratios. We give the comments after serious study on the subject by our interviews with the management officers, site checks and with all available data from our own sources.

Factor	Evaluated Score	Total Score
Management Factors	<u>18</u>	<u>30</u>
- Organization	6	10
- Facilities	6	10
- Management Capabilities	6	10
Financial Capability	<u>24</u>	<u>40</u>
Other Factors	<u>18</u>	<u>30</u>
- Trademark	6	10
- Current Position in the Industry	6	10
- Future Prospect	6	10
<u>Total Evaluated Scores</u>	<u>60</u>	<u>100</u>

With total scores of **60**, the subject is graded at: **BB**

C&R VIETNAM CREDIT RATING SCORES

Score	Rating	Summary	Description
91-100	AAA	Highest	The company has <u>EXCEPTIONAL STRONG</u> capacity for timely payment of all its financial commitments
81-90	AA	Very high	The company has <u>VERY STRONG</u> capacity to meet its financial commitments but carries a higher risk than AAA companies.
71-80	A	High	The company has <u>STRONG</u> capacity to meet its financial commitments, but has less stability than higher rated companies
61-70	BBB	Good	The company has <u>ADEQUATE</u> capacity to meet financial commitments but less stability than higher rated companies.
51-60	BB	Above Average	The company is expected to be <u>VULNERABLE TO ADVERSE</u> changes in circumstances and economic conditions.
41-50	B	Average	The company's stability is expected to be <u>IMPAIRED</u> by adverse changes in circumstances and economic conditions.
31-40	CCC	Below Average	The company's capacity for meeting financial commitments is <u>SOLELY RELIANT UPON</u> favorable conditions
21-30	CC	Poor	The company manages to operate but posing <u>HIGH</u> default risk.
11-20	C	Very Poor	The company is posing <u>VERY HIGH</u> default risk
1-10	D	Default	The company is <u>DEFAULTED.</u>

INTERPRETATION ON THE SCORES:

XXXX XXXX was originally established in 1974 as a state owned enterprise. With a very long history, the subject had many good business relations with many partners and was strongly supported from government. However, the subject was known as an ineffective company. In 1999, the subject was equitized to be a joint stock company following the decision NO. XXX/XXXX/XXXX of the Ministry of Agriculture and Rural Development. Since the equitization process, its business efficiency has been improved.

The subject now specializes in processing feeds for cattle. Besides, it is also processing and supplying materials for animal feed production. Its materials are imported from India, Argentina, and Thailand. The main distribution market of the subject is domestic market. Its products are widely distributed to Northern provinces. At present, the subject has no export activities to any countries.

Currently, this field of business is considered as the risk field because it is always affected from serious epidemic. Over the past some years, the bird flu influenza has happened in many areas of Vietnam, this caused many difficulties for company as well as many other companies in the industry. Thus, the subject's efficiency was not high.

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The subject's premises and facilities are large but not very standard. The turnover is high and increased year after year but the profit is low. The profit indexes are also low. The market's share is large. The position of the subject in the industry is fair.

In general, the overall operations of the subject are normal. The payment is average. The company is expected to be vulnerable to adverse changes in circumstances and economic conditions. It is capable to meet financial commitments. Caution needed for big business transactions.

The company is expected to be VULNERABLE TO ADVERSE changes in circumstances and economic conditions.

END OF REPORT