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BIOMIN - ÖSTERREICH

Contract No. 94/019P - Vietnam

BIOMIN PREMIX PROJECT VIETNAM

December 1994

1. Project background:

In November 1993 the Biomin Premix Project Vietnam Hanoi and Ho-Chi-Minh-City were described in a first draft. In this draft the terms of reference for this project were given as follows:

1. Background
 - 1.1. Project Screening
 - 1.2. Institutional Framework
2. Joint Venture company for Biomin Österreich Ing. Erich Erber KG
 - 2.1. Project Outline
 - 2.2. Project Background
 - 2.3. Objective of UNIDO's Assistance
3. Scope of expected assistance
 - 3.1. Output
 - 3.2. Activities
4. Timing
5. Report

Due to this first project draft a consultancy agreement with UNIDO United Nations Industrial Development Organisation, Vienna and Interpremix, Europaplatz 5, A - 3100 St. Pölten, c/o Ing. Erich Erber was signed on January 11, 1994. This consultancy agreement was given as a supportive measurement for the foundation of the Biomin Premix Project Vietnam, for the professional assessment for the actual project requirements and work and inputs necessary to meet all project objectives. The total sum for this support was granted with US \$ 8.000,-- in installments. In the following month Mr. E. Erber travelled to Vietnam in February 1994, together with Mr. Mag. Kaser to make the first negotiations and to start with investigations for a possible set up from Biomin Premix Project in Vietnam. On that occasion, Hanoi and Ho-Chi-Minh-City has been visited and all together more than 12 possible partners were contacted. To speed up the project Mr. Kaser took his home in Hanoi and stays in Hanoi since then. Mr. Kaser is now fully responsible in Vietnam for the completion of a premix project and possible other projects which are under investigation but not yet decided.

In March Dr. Art Roxas from the Philippines visited Vietnam for more than one week to find out the technical and economical parameters for a possible premix production.

Mrs. Sigrid Pasteiner in St. Pölten was responsible for the summary and economical evaluations of the possible use of Biomin products in the vietnamese animal husbandry. During 1994 four more trips of Mr. Erber to Vietnam followed to find the best suitable partner for a Joint Venture. Unfortunately all possible partner for a premix project backed out and the directors of the cooperatives which were contacted were not willing to accept the idea of a premix plant. Their major concern was the economical risk of a pure premix production. This in particular because up to now the vietnamese cooperatives were used to produce low quality premixes in small scale and poor production facilities with no quality control. It was not possible to explain, that due to the opening of the market and especially due to the ambitious program of exporting live stock to Hongkong and Japan higher standard needs to be met. Also the genetic basis of livestock in Vietnam will be changed to higher yielding breeds, such as hybrid pigs and poultry. These animals have the advantage of faster growth by lower feed consumption, but needs different supply of feed additives and premixes, compared to the existing local breeds. Even though this fact was accepted by the possible Joint Venture partners, it did not alter their decision to stay away from a premix project at the time being.

Since all negotiations with possible Joint Venture partners failed we decided finally in October 1994 to apply for a 100 % foreign owned company as Biomin Vietnam Company for a premix production. This has been finally approved and supported by the Vietnamese Ministry of Agriculture. The application has been filed to the S.C.C.I. in December 1994. As a local consultant we hired International Business Advisers Hanoi for the production of the business plan feasibility study, and application to the S.C.C.I. You will find the referring documents in this volume later on.

Institutional frame work

Institutional frame work for foreign investment in Vietnam has been explained in the first draft on November 15, 1993 under point 1.2. Under the existing legal system it is also possible to set up a 100 % foreign owned company. From the Ministry of Agriculture we have found their support by personal negotiations in October 1994.

Statistical figures upon requirement for premixes and feed additives in Vietnam

For the first phase a premix plant in North Vietnam is planned. Possible area of supply shall be the Red River Delta with its provinces. The decision was made due to the fact that the infrastructure and socio-economical parameters for this area seems to fit best for the first start phase. After penetration and successful launching in this area the whole Northern Vietnam shall be targeted and served with Biomin products, produced in Hanoi. The figures of animals for the North Land are as follows:

Number of pigs is:

	1985	1990	1991	1992
Whole country	11807,5	12260,5	12194,3	13891,7
North land	7404,8	8018,6	7926,2	8571,6

Number of buffaloes is:

	1985	1990	1991	1992
Whole country	2590,2	2854,1	2858,6	2886,5
North land	1935,2	2210,7	2248,7	2322,9

Number of cattles is:

	1985	1990	1991	1992
Whole country	2597,6	3120,8	3201,8	3265,1
North land	1093,3	1454,3	1529,4	1576,3

For the Red River Delta the number of pigs is:

	1985	1990	1991	1992
Ha Noi	460,2	480,1	266,4	222,8
Hai Phong	300,0	254,9	250,1	311,1
Hai Hung	528,5	581,5	569,2	617,2
Hoa Binh	377,8	446,1	645,3	487,7
Ha Tay				
Thai Binh	373,6	402,2	388,6	412,6
Nam Ha	639,0	714,9	696,4	559,4
Ninh Binh				174,6

For the Red River Delta the number of buffaloes is:

	1985	1990	1991	1992
Ha Noi	49,0	51,6	30,6	23,5
Hai Phong	29,0	29,3	29,7	30,7
Ha Tay Hoa Binh	93,1	108,2	134,4	54,9
Hai Hung	60,0	65,5	64,5	64,6
Thai Binh	33,6	33,9	30,6	28,3
Nam Ha Ninh Binh	66,2	67,4	64,5	34,9 27,5

For the Red River Delta the number of cattle is:

	1985	1990	1991	1992
Ha Noi	57,6	90,2	54,6	38,1
Hai Phong	2,5	3,9	3,7	3,6
Ha Tay Hoa Binh	44,0	63,6	98,9	78,4
Hai Hung	19,8	41,0	4201	45,8
Thai Binh	12,3	29,2	31,3	32,5
Nam Ha Ninh Binh	39,8	60,4	52,4	33,6 22,0

The total premix demand for all pigs and cattles produced in the northern region would be theoretically more than 150.000 p.a. But this premix requirement would be realistic only if all animals are kept under industrial production condition. Since the concentration of animals at the time being in Vietnam is very low and the local genetics demand a lower supply of premixes. The industrial scale compound feed production is also low. The total production of compound feed in North Vietnam is around 40.000 - 50.000 tons. If all animals in North Vietnam were kept under industrial production scheme the feed production would be around 6 million tons/annum.

Since the current genetic situation depends very much on local breeds in pigs and cattle, the requirement for feed additives and premixes are also rather low. The disadvantage of the local breeds especially pigs is that the growth rate is low and the feed conversion rate is comparatively high. The carcass of local pigs is very high in fat and therefore it does not reach export standards. Also there is a shift in the genetic breeding from the existing local breeds to

so called "exotic" breeds from abroad. Several breeding companies and breeding schemes from overseas are already starting their activities in Vietnam. But here most activities are concentrated in the southern part near Ho-Chi-Minh-City now.

The Ministry of Agriculture has signed an export contract for live pigs to Hongkong where high quality lean meat carcasses are needed for this purpose. The contract has a quantity of about 100.000 pigs minimum to be supplied to Hongkong per annum. Especially for such a project specialized premixes and feed additives are needed to reach high productivity targets such as strongly improved feed conversion and daily growth rate. For example the growth rate in vietnamese local pigs is more than 4 kg per kg bodyweight gained. Exotic breeds with proper feed formulation the feed conversion rate can be reduced to 3 kg feed needed for 1 kg bodyweight gained. This would mean an improvement of 25 % in productivity. Also a huge saving in raw material cost, especially corn, soybean meal. If you calculate the cost of premix and feed additive on saving you still maintain a productivity improvement of more than 20 % compared to the current status.

At present about 90 % of all breeds are native breeds and therefore are not fed with commercially produced premixes and compound feed. Therefore the existing market potential for premixes is estimated about 10.000 tons p.a. This market however is already served by some imported premixes from Japan, Germany, France and Switzerland. Local production is also available, but its standards does not reach the imported brands.

At present our conclusion therefore is that a market volume of about 1.000 tons of premixes and special feed additives are a realistic target for the starting phase of Biomin Vietnam.

Project outline

The premix plant shall be located near Hanoi as described in the business plan. The production facility and capacity will be for 1.000 tons of premixes and feed additives in the first phase. The land size and construction is made in a way that it is very easy to expand this production to a capacity to 5.000 - 10.000 tons whenever necessary. The total investment will be made by Biomin Austria Ing. Erich Erber KG. All relevant dates can be found in the business plan enclosed in this volume.

Distribution system in Vietnam

In the first phase in the Red River Delta Provinces Ha Noi, Hai Phong, Ha Tay, Hoa Binh, Hai Hung, Thai Binh, Nam Ha, Ninh Binh will be served preferably. In each of the provinces, at least one sales outlet will be set up and organized by Biomin Vietnam. The merchandise will be provided to local partner on commission. The local partners will be carefully selected for their technical background and knowledge in animal husbandry and feed production.

All Biomin partners in the said provinces will be trained at least once a month and will be given a basical technical training at the beginning of the cooperation. All sales outlets are distributing feed additives, feed products, premixes and other necessary items to enhance and to improve the productivity of animal husbandry. All products will be selected and designed according to their highest cost efficiency.

Continous seminars in the sales areas for the farmers will be given by Biomin Vietnam. Due to this stronly technical support to the end user the best possible use of the products shall be ensured.

The technical staff of Biomin Vietnam will be trained in Vietnam in other overseas countries in Asia and if necessary in Europe. All training costs will be shouldered by Biomin Vietnam or by the mother company as explained in the technical and knowhow transfer contract.

As soon as this premix project is accepted by S.C.C.I. and has granted its business licence another project with the Ministry of Agriculture, NAPIGCE is under negotiation and can be concluded then. This other project shall be a Joint Venture between the said vietnamese partner NAPIGCE and Ing. Erber KG Austria. This Joint Venture, a Memorandum of Understanding is already signed, will provide high efficient pig geretics to North Vietnam.

At the time being there are also negotiations undertaken for similar set up of a Biomin premix project for the southern area of Ho-Chi-Minh-City. Up to now there could also be no possible Joint Venture partner be found for this venture.

Economical, social economic benefits generated by Biomim Vietnam

Vietnam is a very dynamic and strong growing area in Asia. A strong industrialisation of whole Vietnam can be expected in the very near future. The growing industrialisation means more people in factories, having higher demand of high quality food stuffs. A growing purchasing power of the consumers will enhance the demand of chicken, pigs and beef as well as egg consumption.

To ensure the supply of the increasing demand of the population the number of animals produced has to be increased. At the same time the productivity has to be increased to have more weight gain with less feed consumed.

The dependence on import of feed additives and premixes can be reduced. Still some raw material needs to be imported, but a substantial part of production cost can be created within in Vietnam. This means employment to people. Due to the cooperation with a company which has international experience expertise and knowledge on intensive animal husbandry and feed production, relevant know-how is brought into Vietnam at a low cost. The effects of such a cooperation will also be very sustaining to Vietnam. The long lasting positive effects of this project will be of a great service to Vietnam and its people.

BUSINESS PLAN

for a

100% FOREIGN OWNED VENTURE

BIOMIN VIETNAM COMPANY

December 1994

BIOMIN VIETNAM COMPANY

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Abbreviations

Ing Erich Erber KG (Biomin Austria)	-	Biomin Austria
100% FOREIGN OWNED VENTURE	-	BIOMIN VIETNAM COMPANY
State Committee for Co-operation & Investment	-	SCCI

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A. EXECUTIVE SUMMARY

BIOMIN AUSTRIA, a leader in its field, plans to set up a 100% foreign owned venture to manufacture PREMIX animal foodstuffs.

A company, BIOMIN VIETNAM COMPANY will be set up to build and operate a hygienic manufacturing facility for ANIMAL FEED PREMIXES of high grade and high quality. In the long term it would be intended to obtain the GMP status (Good Manufacturing Process) under USA Pharmaceutical Standards.

BIOMIN VIETNAM will lease a suitable site, of which one has been identified of approximately 5,000 square metres.

BIOMIN VIETNAM will purchase and install a feed mixing tower, build or refurbish selected buildings, purchase office equipment, initial inventory, and bring in working capital and Technical Know-how. The total investment will be split between capital contribution and loan.

BIOMIN AUSTRIA will introduce technology for the PREMIX foodstuffs production, training the staff of the venture and educating the customers. Initial sales will be focused on the North of Vietnam, and eventually on the whole country. BIOMIN VIETNAM will gain market share through QUALITY, SERVICE and RESULTS. When the GMP status has been obtained, exports of some products may be possible.

Finished products and some raw materials will be supplied by BIOMIN AUSTRIA, but as far as possible, the BIOMIN VIETNAM venture will rely on local sourcing.

The site will be large enough to allow for expansion over the next few years. Production facilities, storage facilities and offices will be constructed.

The production of BIOMIN VIETNAM has no negative ENVIRONMENTAL IMPACT. To the contrary, health animals and less disease have a positive impact on the ENVIRONMENT.

BIOMIN VIETNAM will only employ one expatriate as General Manager. All other staff will be Vietnamese. Foreign experts will be brought in for training purposes, and key Vietnamese staff may be sent overseas for courses and training.

The venture will have a duration of 35 years.

The financial projections indicate that BIOMIN VIETNAM venture will incur a loss in its first year of operations, a small profit in its second year and will be sufficiently profitable in year 3 to cover losses carried forward. The return on investment in year 4 will be approximately 59% which is low, given that only a small return would have been earned for 3 years. BIOMIN VIETNAM will apply to the SCCI and the Ministry of Finance for favourable tax rates for this strategic industrial endeavour.

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B. INTRODUCTION TO FOREIGN INVESTOR

BIOMIN AUSTRIA is the trade name for the limited partnership Ing Erich Erber Kommanditgesellschaft. This is an Austrian entity formed in December 1982. (See notarial deed in the appendices).

The head office of the company is at:-

Europaplatz 5
A-3100 St Pölten, Austria
Tel: 43.2742 74075
Fax: 43.2742 74071

The operational address is at:-

Industriestrasse 21
A-3100 Herzogenburg, Austria
Tel: 43.2782 2247
Fax: 43.2782 224730

BIOMIN AUSTRIA's activities are in general production of feed additives and premixes for the animal feed industry and for mixing on the local farms. BIOMIN AUSTRIA exports to more than 20 countries in the world and has experienced a satisfactory growth over the past few years.

The activities of BIOMIN AUSTRIA and its affiliated companies include:

- * General trading: import & export
- * Marketing, sales and distribution of machinery and equipment, agricultural hardware and consumer product
- * Marketing, sales and distribution of food items (canned food) food additives, flavouring agents and preservatives.
- * Marketing, sales and distribution of feed additives
- * Developing the above related business for both domestic & foreign companies or distributing as exclusive agents.

BIOMIN AUSTRIA has affiliated and distributors in Austria, Hungary, USA, United Kingdom, Malaysia, Taiwan and Hong Kong.

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C. PROPOSED PRODUCTS AND MARKETS

C-1. PROPOSED PRODUCTS

BIOMIN products are designed to meet the requirements of the customers. All products are developed and produced in accordance with the company philosophy to ensure animal health on a nutritive basis. The objective is to make avoidable medication and treatment unnecessary. In this way BIOMIN contributes to safeguarding public health and to protecting the environment.

BIOMIN VIETNAM, with the technology brought in by BIOMIN AUSTRIA will produce the following products:

Mycofix Plus
Ecostat
Lisovit
Biotronic

In addition the product of the following generic products:

Electrolytes
Medicated premixes
Feed premixes

C-2. MARKETS

Initial focus will be on the North of Vietnam, and later on the whole country. The sales forces will be trained to visit the farmers and co-operatives, to introduce the products, explain the benefits of the PREMIX Feedstuffs and other products, and to effect the sales.

BIOMIN AUSTRIA will assist with the training of the sales personnel, as part of the Technical Know-how transfer.

Customer orientation is an integrated part of the whole BIOMIN organisation, and service to customers is made available at any time.

C-3. RESEARCH & DEVELOPMENT FOR CUSTOMERS BENEFITS

BIOMIN AUSTRIA works with a "NETWORK" philosophy ensuring a practical orientation for the staff and the benefit for BIOMIN VIETNAM of the research, development and resultant technical know-how and technology to be transferred to Vietnam.

The maxim of BIOMIN AUSTRIA is to find the solution which is of the most benefit to the customers.

BIOMIN AUSTRIA is also committed to Quality Assurance and Maintaining highest International Standard throughout the Group.

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D. INVESTMENT

For the purposes of this business plan, it is assumed that BIOMIN VIETNAM will lease a suitable land site of 5.000m², with no buildings, or if any buildings exist, that these would be demolished.

The investment required is estimated as follows:-

	US\$
Site preparation	20,000
Phase I	
Construction of production facility warehouse office (within the warehouse)	} } } 250,000
Mixing tower and installation	400,000
Technology transfer	1,000,000
Transformer	40,000
Office equipment	30,000
Cars and trucks	90,000
	<hr/> 1,830,000 <hr/>
Phase II	
Construction of additional production and storage facility	200,000
Construction of a separate office building	250,000
	<hr/> 450,000 <hr/>
Initial inventory - from BIOMIN AUSTRIA	280,000
Working capital	200,000
TOTAL INVESTMENT	US\$ <u><u>2,760,000</u></u>

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E. TECHNOLOGY AND EQUIPMENT

E-1. TECHNOLOGY TRANSFER (See also C-3 above)

As part of its capitalization, BIOMIN AUSTRIA will transfer technology as follows:

*	DURING CONSTRUCTION and FIRST THREE YEARS OF OPERATION : - Personnel and Know-how :- value	US\$ 500,000
*	TRAINING DURING FIRST YEAR OF OPERATION	
	Vietnamese staff to be trained overseas. Foreign personnel to come to Vietnam to train other Vietnamese workers.	
	Transfer of know - how on manufacture of the premix and the use of the brand names in Vietnam which are owned by BIOMIN AUSTRIA: - value	
		US\$ 500,000
*	TOTAL OF VALUE TECHNOLOGY TRANSFER	US\$ 1,000,000

E-2. EQUIPMENT

E-2-A. PREMIX PLANT

BIOMIN VIETNAM will import the PREMIX PLANT which comprises the following:-

	US\$
High accuracy mixer "NAUTA"	42,600
Central aspiration	23,500
Bag filling machinery (3-10 kgs)	42,600
Scales and software	50,500
Transport elements	15,600
Electronic and electrical equipment	21,800
Compressor	5,700
Air conditioning	21,800
Generator	10,900
Electrical installation	8,700
Fork lift truck	36,500
Storage bins and shelves	10,900
Packaging material	5,200
Labeling machinery	8,700

Carried over US\$ 305,000

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E. TECHNOLOGY AND EQUIPMENT - Continued.

	Brought forward	305,000
Fee for Handling machinery 10%		30,500
Shipping cost 15% (Estimated)		45,000
Installation cost		20,000
		<u>95,500</u>
		<u>US\$ 400,000</u>

* The above prices may fluctuate with the exchange rate between the US\$ and the appropriate currency of the source country.

E-2-B. OFFICE EQUIPMENT

	US\$
Computers and printer	6,000
Photocopier (small)	2,000
Furniture (local)	10,000
Air conditioners	5,000
Office supplies	4,000
Telephone installation	3,000
	<u>US\$ 30,000</u>

E-2-C. CAR AND TRANSPORTATION

	US\$
Car	30,000
Trucks	60,000
	<u>US\$ 90,000</u>
TOTAL TECHNOLOGY & EQUIPMENT	<u>US\$ 1,520,000</u>

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F. SOURCE OF MATERIALS FOR OPERATIONS

BIOMIN AUSTRIA will provide the following materials to be treated as part of the INVESTMENT as working capital.

		Prices/kg US\$	Total US\$
Mycifix plus	25,000 kg	5.50	137,500
Ecostat	25,000 kg	3.20	80,000
Lisovit	1,000 kg	25.00	25,000
Biotronic	15,000 kg	2.50	37,500
			<u>US\$ 280,000</u>

As far as possible all other raw material will be sourced locally, and when these are not available, the raw materials may be imported from a supplier approved by BIOMIN AUSTRIA.

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G. UTILITIES

The site selected should have an adequate supply of electricity and water for the operations, and be connected to a mains drains and sewerage system.

Telephone lines must be available to the site.

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H. SITE AND BUILDING REQUIREMENTS

The required site would be located on the outskirts of Hanoi with an area of 5,000 m². A possible suitable site has been found at NHU QUYNH, MY VAN, HAI HUNG, at a rental estimated at US\$2.5 per annum per square meter.

The site should be easily accessible by road and close to a railway goods loading point. The site should have suitable soil conditions for the construction of the buildings, for the access and haul standing for vehicles and suitable for the nature of the goods to be produced and stored.

The buildings for phase I would be

Workshop	}	
Warehouse	}	1,000 m ²
Office within the warehouse	}	
Power transformer	}	

At a later stage it is planned to add two new buildings on the site, being a new office at an estimated cost US\$ 250,000 (two floors of 200 m² each) and a new production and storage facility at an estimated cost of US\$ 200,000 (± 800 m²).

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I. ENVIRONMENTAL CONSIDERATIONS

The planned production of the venture is environmentally clean, however, all precautions, as considered appropriate, or to comply with Vietnamese regulations will be taken to ensure no pollution or other environmental damage.

The BIOMIN philosophy is based on its experience that healthy animals produce more meat for the market. BIOMIN undertakes all possible measures to keep animals healthy through nutrition, and this feedstuff is produced in a totally clean and hygienic environment.

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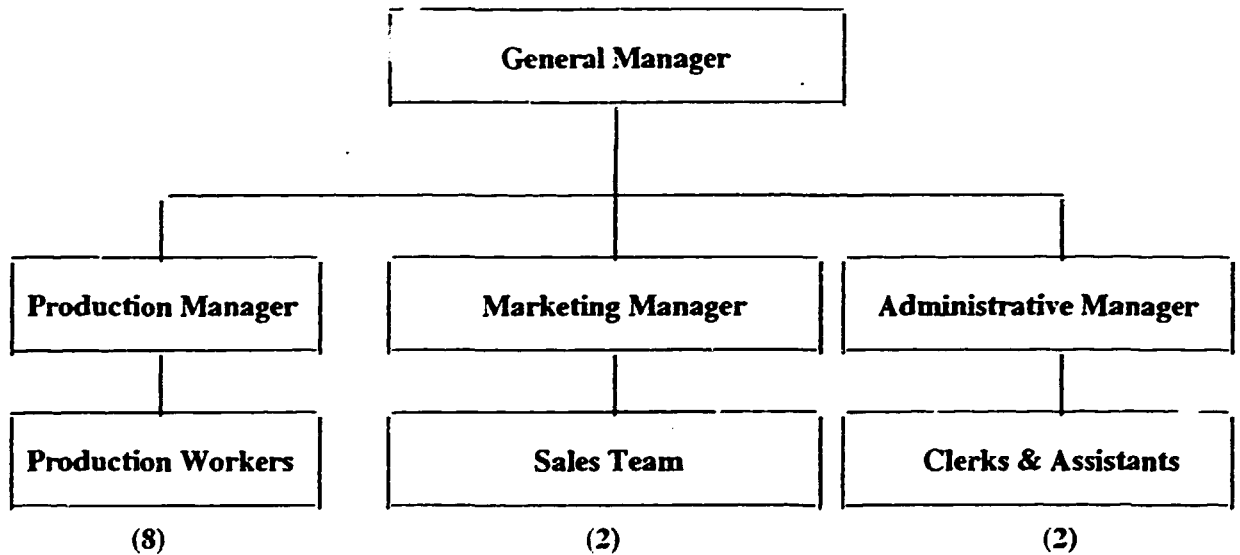
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J. ORGANISATION STRUCTURE

Biomim Vietnam will be managed by a Board of Administration which will comprise:-

Ing Frich Erber as Chairman and Managing Director
The General Manager
And other Managers Nominated by BIOMIN AUSTRIA.

Biomim Austria will send one of its executives to Hanoi to take up the position of General Manager, and an appropriate organisation structure will be set up as follows:



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K. EMPLOYEES AND COMPENSATION

Biomin Vietnam will employ initially upto 15 managers and workers, with wages averaging: USS 50 per month payable up to 14 times in each year, plus bonuses, allowances, income tax and social security.

As the production increases, the work force will be increased from 15 to 25 to 35 over the next 3 years.

The venture will be managed by the General Manager, nominated by BIOMIN AUSTRIA, and provision has been made for extensive training, for administrative staff, and a marketing budget to be used, either for staff or expenses.

All members of the staff will be trained in the BIOMIN TECHNOLOGY, and the Investment in "human assets" is given priority within the strategic objectives of the BIOMIN GROUP.

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L. CAPITAL CONTRIBUTION AND FINANCING

The total investment in BIOMIN VIETNAM amounts to US\$ 2,760,000. It appears that the Phase II development can be funded out of cash flow, therefore the actual "Investment" is US\$ 2,310,000.

The Capital of BIOMIN AUSTRIA would be set at 30% of this amount, rounded out at US\$ 700,000. The balance of US\$ 1,610,000 will be considered as loan to be repaid over 5 years.

A portion of the loan, US\$ 1 million refers to the transfer of technology. This portion will not be interest bearing.

The interest rate for the Loan Capital of US\$ 610,000 would be SIBOR + 1.5%.

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M. FINANCIAL PROJECTIONS

The projected sales revenue in the first year of operations is set at US\$ 1,000,000 for Prenix products.

BIOMIN / USTRIA will send an initial supply of 66 tons of special materials at a value of US\$ 280,000 on which a margin of 40% or US\$ 186,000 will be achieved. For the purposes of the financial projection it is assumed that 90% of this product will be sold in year 1 with a gross margin of US\$ 168,000.

It is assumed that other products at a cost of US\$ 400,000 are sold in year 1, and that the total revenue will reach close to US\$ 1 million.

In year 1, the venture will make a small GROSS PROFIT with the heavy cost of training and know-how transfer, and NET LOSS, after loan interest.

By reference to the CASH FLOW PROJECTION it can be seen that in YEAR 1, there is a net cash surplus, arising from the benefit of the input of the initial inventory and working capital.

The cash flow projection is relatively straightforward as the Vietnamese economy is still very much operated on a cash basis.

The net cash surplus in YEAR 1, plus the funds generated in YEAR 2, provide the funds for the construction of the new office block and additional production and storage facilities, at an estimated cost of US\$ 450,000, subject to the need to purchase and carry additional inventory.

The Venture is expected to experience a fast growth in years 2 and 3, with sales volumes doubling in year 2 to almost US\$ 2 million and a further 50% growth in year 3 to almost US\$ 3 million. Thereafter, conservative growth at about 20% per annum has been projected.

In line with its experience in other manufacturing environments, material costs are projected at 65% of sales revenue. The cost in Vietnam may be below 65%, but should not exceed this percentage.

The land lease cost is subject to approval by the SCCI and the People's Committee, we have assumed US\$ 2.5 per square metre.

Wages are set at an average of US\$ 50 per month, and the cost is projected to increase in line with the production, although the actual numbers of workers should not increase accordingly, therefore, allowance is made for the average monthly wage to increase over the years.

The usage of utilities is linked to the production volume.

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M. FINANCIAL PROJECTIONS - Continued.

Depreciation of the buildings, the plant and equipment and the trucks are set using prevailing rates set out in the Vietnam Tax Laws as follows:

Buildings	5% pa
Plant & Machinery	20% pa
Motor vehicles	30% pa

A provision of 5% per annum has been set from year 2 for maintenance and replacement.

No specific budget has been set for the fit out of the new office block, however, the office furniture and equipment from the temporary office will be removed to the new office block.

No budget has been set for the fit out of the additional production and storage facilities in Phase II, as the exact usage will depend on the developments of the venture. The projected cash - flow allows for suitable investment in the fit-out.

The technology transfer, or know-how and the training will be amortised at 5% of sales over 5 years.

After Gross operating profit level, the charges for preliminary expenses, in Year 1, will not be recurring.

The loan interest continues until the loan is repaid, which is projected over 5 years, and the annual interest charge reduces each year accordingly.

The Venture will request tax incentives for the operations as the profit margin is low. There will only be a net profit for tax purposes in Year 4 and a zero tax rate for the first two taxable years is requested, followed by 50% of a rate of 15% for profits tax in the 3rd and 4th taxable years. Thereafter the profits tax rate of 15% to apply.

The RETURN ON INVESTMENT for the investor is projected as follows:

Capital Contribution	US\$ <u>700.000</u>
----------------------	---------------------

BIOMIN VIETNAM COMPANY

BUSINESS PLAN

December 1994

M. FINANCIAL PROJECTIONS - Continued.

Return on investment

	Before tax US\$	%	After tax US\$	%
Year 1 (1995)	-	0	-	
Year 2 (1996)*	-	0	-	
Year 3 (1997)*	229,000	33%	229,000	33%
Year 4 (1998)	411,000	59%	411,000	59%
Year 5 (1999)	837,000	120%	753,000	108%
Year 6 (2000)	1,080,000	154%	972,000	139%

* Net of loss brought forward from previous years.

As can be seen from the above, the Venture has to wait until Year 4 for a satisfactory return on investment in that year. In year 5, the ROI grows significantly as the amortisation of the technical know how and training is almost completed, and in Year 6, when the interest, depreciation on Plant & Machinery, and the amortization of the technical know-how and training is completed, the ROI grows to a projected 140% after tax, before legal reserve.

BIOMIN VIETNAM COMPANY

PROJECTED STATEMENT OF INCOME

	1995	1996	1997	1998	1999	2000
REVENUE						
Premix	1,000,000	2,000,000	3,000,000	3,600,000	3,960,000	4,356,000
EXPENSES						
Direct expenses						
Material costs	650,000	1,300,000	1,950,000	2,340,000	2,574,000	2,831,400
Land lease cost	12,500	12,500	12,500	12,500	12,500	12,500
Wages	11,200	22,400	33,600	40,320	48,384	58,061
Social security	1,120	2,240	3,360	4,032	4,838	5,798
Salaries	36,000	39,600	43,560	47,916	52,708	57,978
Utilities	12,000	18,000	24,000	26,400	29,040	31,944
Other operating expenses	12,000	18,000	24,000	26,400	29,040	31,944
Depreciation						
Buildings	13,500	13,500	13,500	13,500	13,500	13,500
Buildings - Phase II			22,500	22,500	22,500	22,500
Plant & equipment	88,000	88,000	88,000	88,000	88,000	88,000
Trucks	18,000	18,000	18,000	6,000		
Maintenance & replacement		12,250	12,250	23,500	23,500	23,500
Amortisation						
Know how	50,000	100,000	150,000	180,000	20,000	
Training	50,000	100,000	150,000	180,000	20,000	
TOTAL DIRECT EXPENSES	954,320	1,744,490	2,545,270	3,011,068	2,930,010	3,003,327
GROSS PROFIT	45,680	255,510	454,730	588,932	1,021,990	1,272,673
Overhead expenses						
Salaries	18,000	20,700	23,805	27,376	31,482	36,204
Office expenses						
Printing & stationery	4,000	5,000	6,000	6,600	7,260	7,906
Communications	12,000	18,000	25,000	27,500	30,250	33,275
Other	6,000	9,000	12,000	13,200	14,520	15,972
Promotional expenses	15,000	18,000	21,600	25,920	31,104	37,325
Marketing	15,000	18,000	21,600	25,920	31,104	37,325
Depreciation						
Office equipment	6,000	6,000	6,000	6,000	6,000	
Cars	9,000	9,000	9,000	9,000		
Interest 10%	61,000	48,800	36,600	24,400	12,200	
Professional fees	12,000	13,800	15,870	18,250	20,908	24,136
Preliminary expenses	25,000					
TOTAL OVERHEAD EXPENSES	183,000	166,300	177,475	178,166	184,908	192,223
NET PROFIT BEFORE TAX	(137,320)	89,210	277,255	410,766	837,082	1,080,450

BIOMIN VIETNAM COMPANY

CASH FLOW PROJECTION

	1995	1996	1997	1998	1999	2000
CASH IN-FLOW						
Capital from Biomin Austria	700,000					
Loan from Biomin Austria	610,000					
Net profit	(137,320)	89,210	277,255	410,766	837,082	1,080,450
Add:						
Depreciation	134,500	134,500	157,000	139,000	130,000	36,000
Amortisation	100,000	200,000	300,000	360,000	40,000	0
CASH IN-FLOW	1,407,180	423,710	734,255	909,766	1,007,082	1,116,450
CASH OUT-FLOW						
Construction cost	270,000	300,000	150,000			
Purchase of plant, equipment	560,000					
Loan repayment	122,000	122,000	122,000	122,000	122,000	
Payment for Technology transfer	200,000	200,000	200,000	200,000	200,000	
Profits tax						
Dividend distribution						
CASH OUT-FLOW	1,152,000	622,000	472,000	322,000	322,000	0
NET CASH FLOW	255,180	(198,290)	262,255	587,766	685,082	1,116,450
Cumulative cash flow	255,180	56,890	319,145	906,911	1,591,993	2,708,442

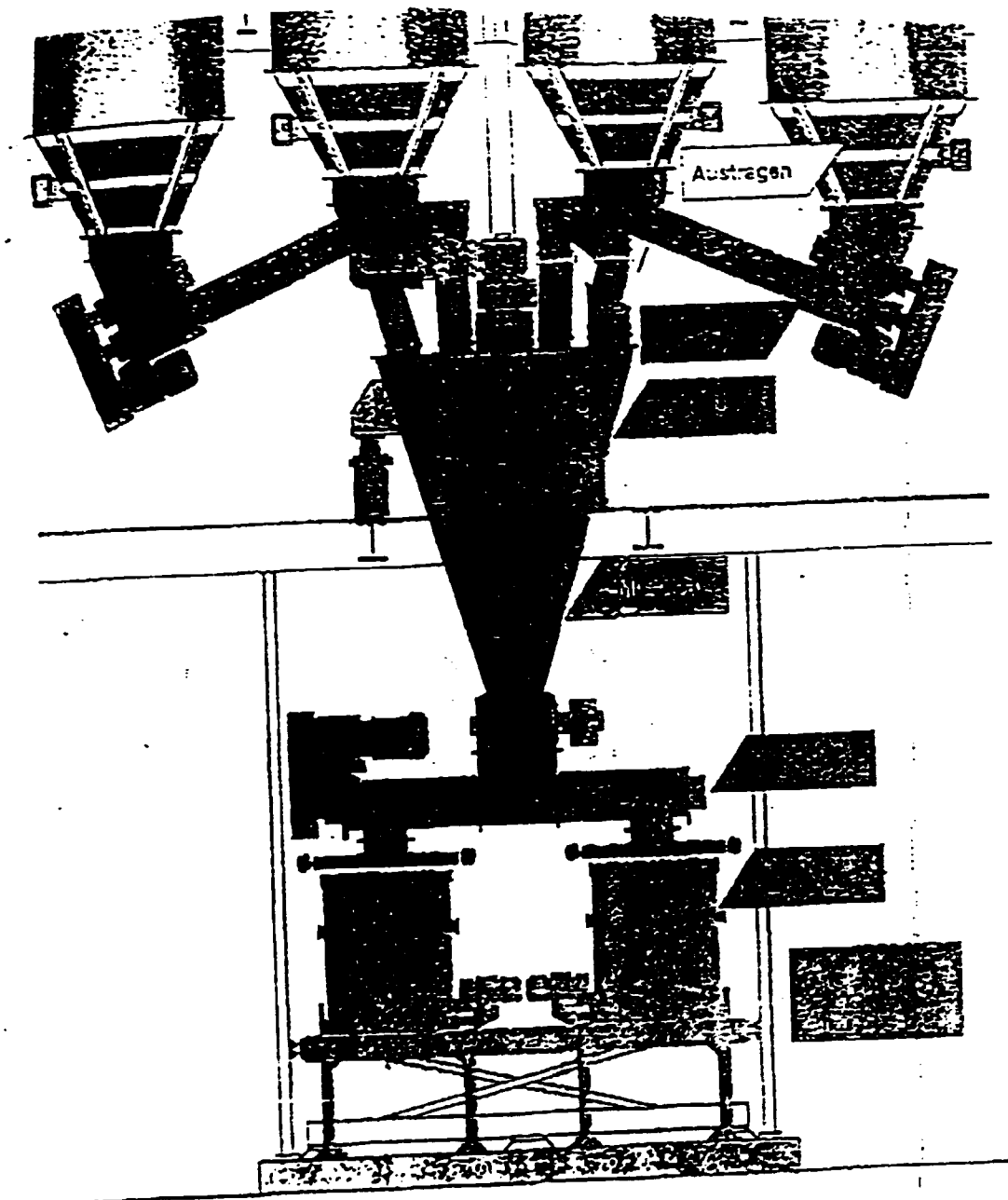
STRICTLY PRIVATE & CONFIDENTIAL

BIOMIN VIETNAM COMPANY

BUSINESS PLAN

December 1994

APPENDICES

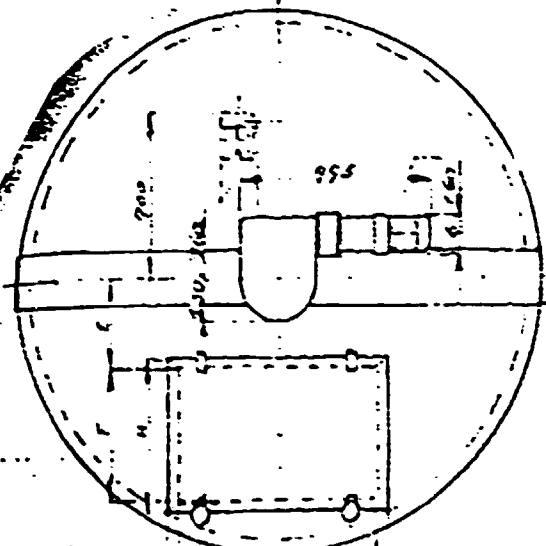


Erik Nagel

Gemengebildung im Chargenbetrieb

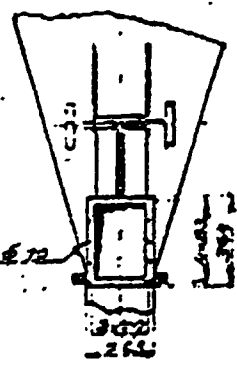
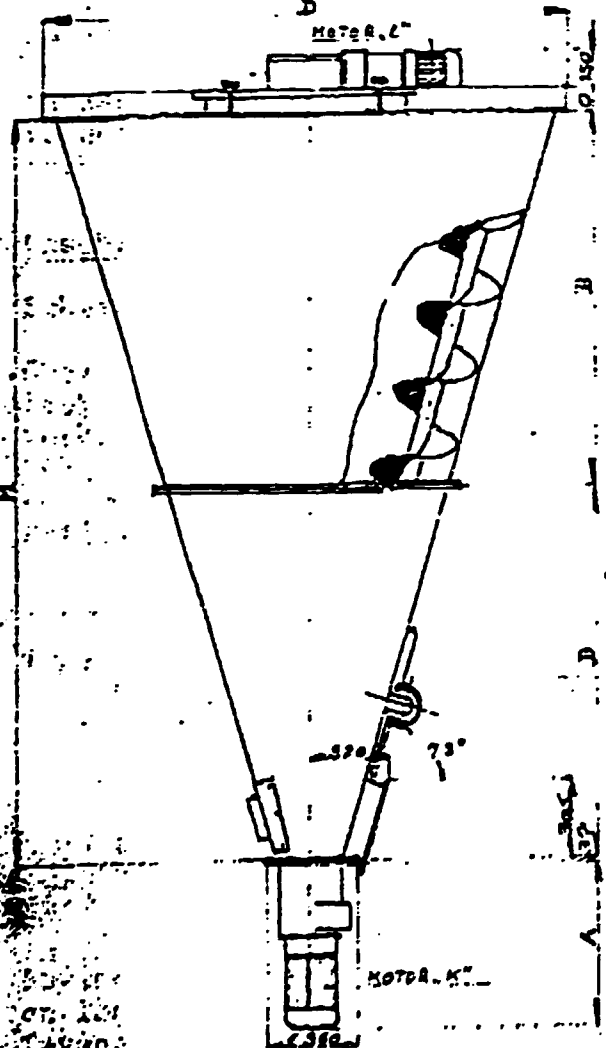
FMS
Heinz Gross
Mühlentbau - Fördertechnik
Hauptstraße 119
A-7023 Stöttera
Tel. 0 26 28 / 52 54

STANDARD POSILICA SH30-SH40
 STANDARD POSILICA SH70-SH80

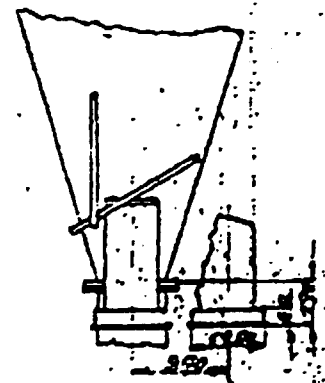


FMS
Hans Gross
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 Hauptstraße 110
 A-7023 Stöttera
 Tel. 0 26 26 / 52 54

Der Behälter von den Typen SH40
 besteht aus 2 Schichten.



Zahnrad-Schieber



Handbetätigte Schieber

	B	C	D	E	F	G	H	J	M	N	O	MOTOR 1"	MOTOR 2"	PLATZ, SA-M 1/8
1	1120	1170	1220	1270	1320	1370	1420	1470	1520	1570	1620	100	150	100
2	1120	1170	1220	1270	1320	1370	1420	1470	1520	1570	1620	100	150	100
3	1120	1170	1220	1270	1320	1370	1420	1470	1520	1570	1620	100	150	100
4	1120	1170	1220	1270	1320	1370	1420	1470	1520	1570	1620	100	150	100

Schneckenmischer Typ-Bezeichnung: SM

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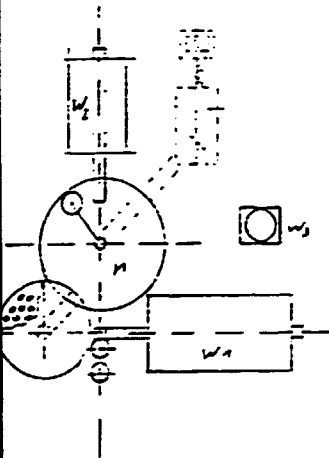
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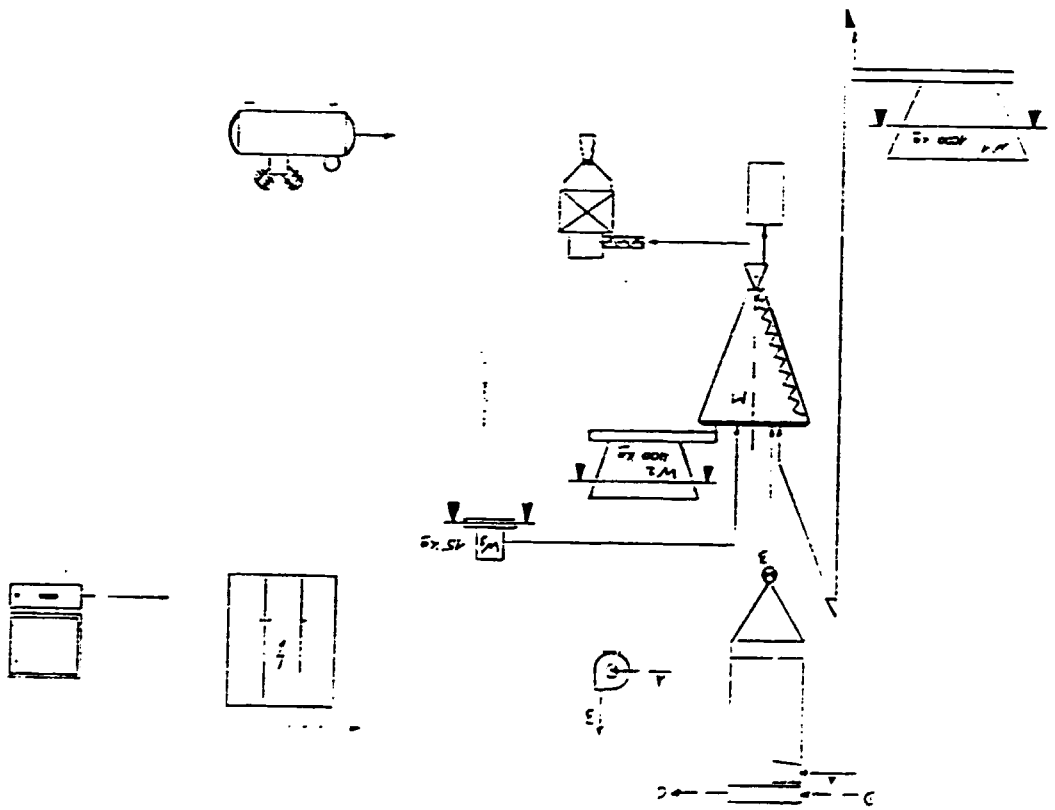
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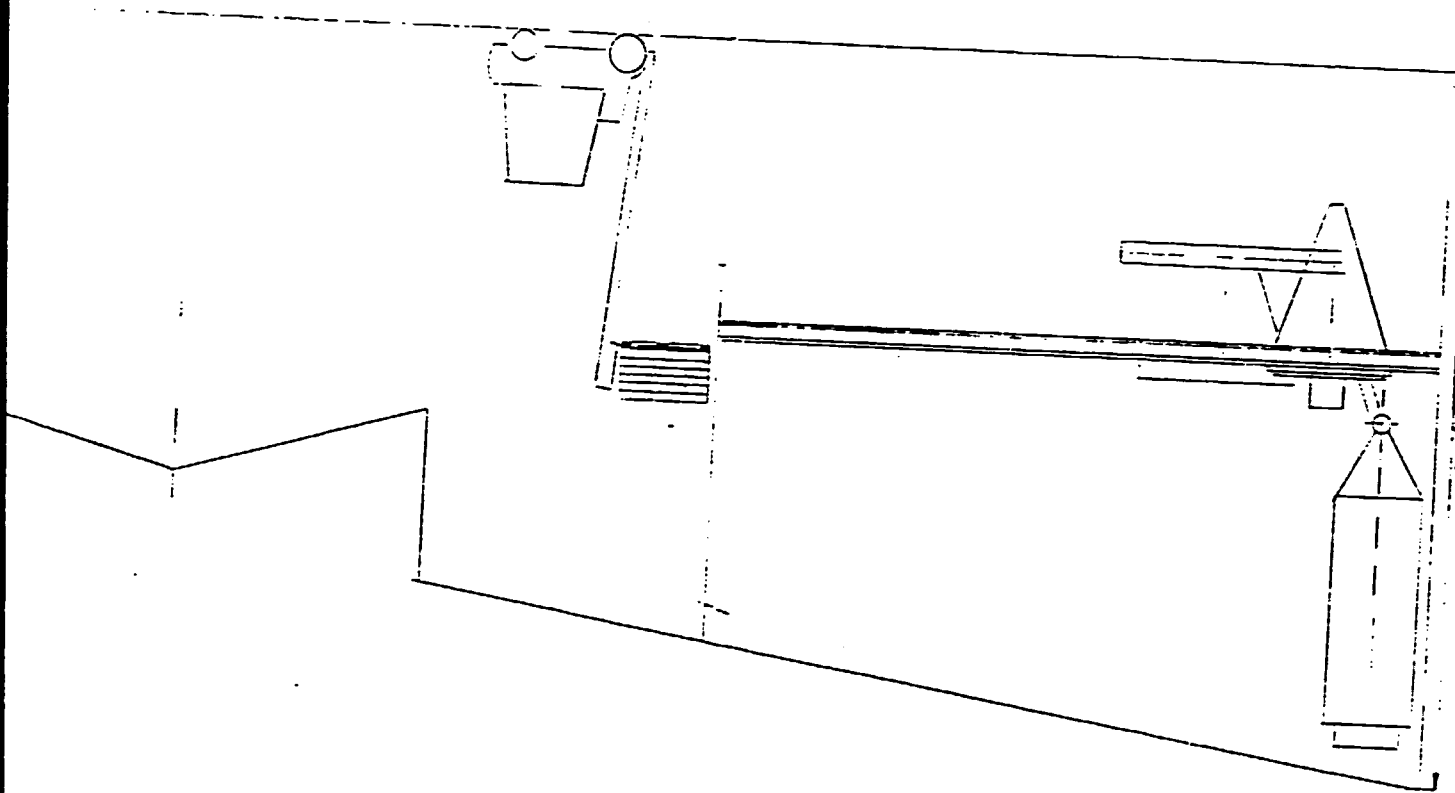
100 m²

~200 m²

bestehende Halle







(F)

19. October 1993

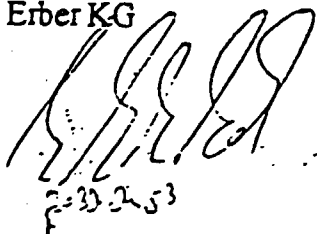
To whom it may concern

We hereby certify that the company activities of Ing. Erber KG in Austria covering the following:

- 1) General trading: import and export.
- 2) Distributing and sales of mechanical items, hardware, consumer products.
- 3) Distributing and sales of food items (canned foods), and food additives, flavouring agents, preservatives.
- 4) Manufacturing, distributing and sales of feed additives.
- 5) Tendering above related business for both domestic and foreign companies or distributing as exclusive agents.

St. Pölten, am 20.10.1993

Ing. Erber KG



Ing. Erich Erber / Director

Dr. WILFRIED KÖHLER

ÖFFENTLICHER NOTAR

1220 WIEN

DONAUSTADTSTRASSE 1/3

1150 WIEN

TELEFON 120001-1803

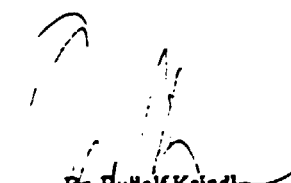
NOTARIAL CERTIFICATE OF OFFICIAL CHARACTER
pursuant to Section 89b Notary's Rules
(AMTSEBESTÄTIGUNG gemäß Paragraph 89b Notariatsordnung)

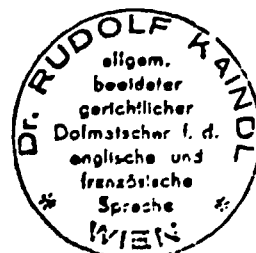
I, undersigned Dr. Rudolf KAINDL, Assistant Notary (Notar-substitut) and Translator in English and German Sworn to Courts, at A - 1220 Vienna, Donaustadtstrasse 1/3, after careful inspection of the relevant files and records which were presented to me, do here with state as follows:

- 1.) THAT Ing. Erich ERBER Kommanditgesellschaft at Industrie-strasse 21, 3130 Herzogenburg is a LIMITED PARTNERSHIP as provided for by Sections 161 to 177 Commercial Code (Handelsgesetzbuch);
- 2.) THAT Limited Partnerships are registered with the Commercial Register and THAT the said Ing. Erich ERBER Kommanditgesellschaft is registered with the St. Poelten Provincial Court under Court Index No. 20218h;
- 3.) THAT a Limited Partnership is operating a commercial enterprise with the personal liability of one or more of its partners towards third party creditors limited to the amount of their capital contribution and THAT however at last one partner, the "general partner" must be personally liable for the partnership debts;
- 4.) THAT due to the personal liability of at last one general partner as more fully described under item 3.) a Limited Partnership does not have an authorized share capital registered with the Commercial Register;
- 5.) THAT the Partnership Agreement of December 10, 1982 contains the Section IV "Capital Contribution" where it was agreed that that the Limited Partnership's capital contribution amounts to AS 200.000,-- (two hundred thousand Austrian Schillings) and THAT the personal liable partner Ing. Erich ERBER has contributed AS 180.000,-- and the limited liable partner Mrs. Margarete EBNER has contributed AS 20.000,--.

IN WITNESS WHEREOF my hand and seal given At Vienna this
August 17, 1994.




Dr. Rudolf Kaindl
Substitut des öffentl. Notars
Dr. Wilfried Köhler
Wien - Donaustadt I



NOTARIAL CERTIFICATE OF OFFICIAL CHARACTER
(AMTSBESTÄTIGUNG gemäß Paragraph 69a Notariatsordnung)

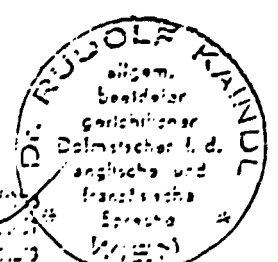
I, undersigned Dr. Rudolf KAINDL, Assistant Notary
(Notarsubstitut) and Translator in English and German Sworn to
Courts, at A - 1020 Vienna, Praterstrasse 40, do herewith state as
follows:

- 1.) THAT Ing. Erich ERBER Kommanditgesellschaft at Industrie-
strasse 21, 3130 Herzogenburg is a LIMITED PARTNERSHIP as
provided for by Sections 161 to 177 Commercial Code (Hand-
gesetzbuch);
- 2.) THAT Limited Partnerships are registered with the Commercial
Register and THAT the said Ing. Erich ERBER Kommanditgesell-
schaft is registered with the St. Poelten Provincial Court
under Court Index No. 20218h;
- 3.) THAT a Limited Partnership is operating a commercial enterprise
with the personal liability of one or more of its partners
toward third party creditors limited to the amount of their
capital contribution and THAT however at least one partner,
the "general partner" must be personally liable for the
partnership debts;
- 4.) THAT due to the personal liability of at least one general
partner as more fully described under item 3.) a Limited
Partnership does not have an authorized share capital
registered with the Commercial Register;
- 5.) THAT the Partnership Agreement of December 10, 1982, contains
the Section IV "Capital Contribution" where it was agreed that
that the Limited Partnership's capital contribution amounts to
AS 200.000,-- (two hundred thousand Austrian Shillings) and
THAT the personal liable partner Ing. Erich ERBER has con-
tributed AS 180.000,-- and the limited liable partner
Mrs. Margarete ERBER has contributed AS 20.000,--.

IN WITNESS WHEREOF my hand and seal given at Vienna this November
3rd, 1993.



Rudolf Kaindl



MEMORANDUM OF UNDERSTANDING

FOR THE

LEASE OF LAND

- Subject to contract-

November 1994

MEMORANDUM OF UNDERSTANDING

SUBJECT TO CONTACT

PARTIES

Party A : BIOMIN AUSTRIA
and
Represented by Mr Gottfried Kaser

Party B : PEOPLES COMPETE ITZ VAM DISTRICT
Company
HAI HUNG PROVINCE
Represented by VO DUY THUY CHAIRMAN

Whereas : Party A is in the process of applying for an Investment Licence for a 100% foreign owned PREMIX ANIMAL FEEDMILL. Party A seeks to lease a suitable piece of Land on which to build a Processing Plant. Storage facilities, office block and other relative facilities.

Party has a suitable piece of land situate at NHU QUYNH address ITZ VAM, HA HUNG

Area of the Land ABOUT 5000 m2
Dimensions- approximately 50 m x 100 m

Other Characteristics EMPTY LAND
NGUADAYS USED AS AGRICULTURAL AREA

Buildings.....

- Wall []
Enlrance gate []
Electricity supply []
Water supply []
Drainage []
Telephone []
Transforme []
Water tank []
Capacity.....m3

Terms: Lease period ~25 years
Annual rental per m2 not fixed yet
Total rental per year
Renewable for years
Other costs ACCORDING TO THE LAW OF VIETNAM

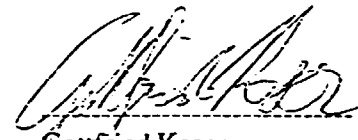
Utilities. (electricity, telephone etc. at the charge of the lessee - Party A)

Commencement: The lease will commence from the date on which Party A obtains the CONSTRUCTION PERMIT for the buildings.
Party B will assist Party A to obtain all necessary licence and permits for the use of the land as set out above.

Signed

for Party A

Biomia Austria

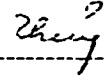


Gottfried Kaser

Date: 22/11/26

for Party b

CHAIRMAN OF PEOPLE'S COMMITTEE OF THE
HAN HUNG VAN



CHARTER

BIOMIN VIETNAM COMPANY ENTERPRISE WITH 100% FOREIGN OWNERSHIP

December 1994

Prepared by

International Business Advisers (Asia) Ltd

22 Hoa Ma Street, Hanoi, Vietnam

Tel: 844 250400 / 266292 Fax: 844 250424

BIOMIN VIETNAM COMPANY

VENTURE CHARTER

Private & Confidential

Article 1:

The Enterprise BIOMIN VIETNAM COMPANY with 100 per cent foreign owned capital wishing by the following owner to be established in the Socialist Republic of Vietnam:

1. The name of the company or individual: Ing Erich Erber Kommanditgesellschaft
2. The delegated representative : Ing Erich Erber
Title : Managing Director
Nationality : Austrian
Resident address :
3. Head office : Europaplatz 5
A-3100 St Pölten, Austria
Telephone : 43.2742 74075
Fax : 43.2742 74071
4. Main business line:

BIOMIN AUSTRIA's activities are in general production of feed additives and premixes for the animal feed industry and for mixing on the local farms. BIOMIN AUSTRIA exports to more than 20 countries in the world and has experienced a satisfactory growth over the past few years.

The activities of BIOMIN AUSTRIA and its affiliated companies include:

- * General trading: import & export
- * Marketing, sales and distribution of machinery and equipment, agricultural hardware and consumer product.
- * Marketing, sales and distribution of food items (canned food) food additives, flavouring agents and preservatives.
- * Marketing, sales and distribution of feed additives
- * Developing the above related business for both domestic & foreign companies or distributing as exclusive agents.

BIOMIN AUSTRIA has affiliated and distributors in Austria, Hungary, USA, United Kingdom, Malaysia, Taiwan and Hong Kong.

5. The certificate of Incorporation (Business) of the Company:

Registered at : St Pölten, Austria	Date :	December 10, 1982
Financial situation (registered capital)	:	Austrian Schillings 200000
Company's account opened at the Bank	:	GIROCREDIT BANK A. G. SPARKASSE, St Pölten
Account number	:	USS A/c 9907 - 201470

BIOMIN VIETNAM COMPANY

VENTURE CHARTER

Private & Confidential

Article 2:

The Enterprise BIOMIN VIETNAM COMPANY is established in the form of a company of limited liability, and is a Vietnamese juridical person.

Article 3:

1. The Enterprise with 100% foreign owned capital wishes to be established in the Socialist Republic of Vietnam for the purpose of manufacture of high nutrient feedstuffs for animals in the domestic market and for export.
2. The name of Enterprise is BIOMIN VIETNAM COMPANY.
3. The transaction name of the Enterprise under which it intends to conduct its business affairs is: As above

Article 4:

1. The address of the Enterprise: Location to be found
 - Head office:
 - Main Factory/Plant, workshop :
 - Branch(es) :
 - Representative Office:
2. Products capacity - 150 tonnes in the first year, doubling in the second year and then growing with market demand
3. The products of the Enterprise will be marketed as follows:
 - In the Vietnamese market - initially 100%
 - In Foreign markets - when product quality has been achieved, export will be made when possible

Article 5:

1. The total invested capital of BIOMIN VIETNAM COMPANY is US\$ 2,760,000.
2. The legal capital of the Enterprise is US\$ 700,000.
3. Apart from the legal capital of the Enterprise may have loans or credit so as to avail itself of increased capital, for its business purposes.

Article 6:

The time within which the legal capital of the Enterprise is to be realised is as follows: the legal capital will be transferred to Vietnam within six months of obtaining all Construction and import permits.

BIOMIN VIETNAM COMPANY

VENTURE CHARTER

Private & Confidential

Article 7:

The divestment of the foreign capital from the Enterprise to appropriate economic organisations of Vietnam or transfer of same in the form of a Joint Venture will be determined by the Board of Directors.

If no investment has been made by the end of the duration of the Enterprise, with approval from the appropriate authorities, the life of the Enterprise may be extended, otherwise the Enterprise will be wound up and the assets released.

Article 8:

The duration of the Enterprise is 35 years commencing from the date of issue of the Investment Licence. Changes to the conditions of operation of the Enterprise shall be reported by the Enterprise to SCCI for approval.

Article 9:

The schedule for implementing this contract after the date on which the Investment Licence by SCCI has been issued, the Construction Permit has been obtained and importation licences are approved, is as follows:

1. a) Importation (if applicable) of building materials for the main production area /plant or the office:
from month 1 to month 6
- b) Construction of the main production area/plant or the office:
from month 1 to month 6
2. Importation of equipment and machinery related to the actual production:
from month 4 to month 6
3. Production/trial operation:
from month 6 to month 8
4. Official production:
from month 9

Article 10:

1. The Enterprise uses United States dollars as a monetary unit for accounting purposes. Conversion of this currency to foreign currencies or vice-versa shall be executed in accordance with the official exchange rates published by the State Bank of Vietnam at the time of the actual payment/financial transaction.
2. The Enterprise shall execute all payments and accounting envisioned by the charter, through an account in Vietnamese and foreign currencies opened at ANZ - Australia & New Zealand Banking Group Ltd, 14 Le Thai To, Hanoi, Vietnam in the Socialist Republic of Vietnam of the Bank.

BIOMIN VIETNAM COMPANY

VENTURE CHARTER

Private & Confidential

Article 11:

1. The accounting system for implementing this charter is established according to an internationally acceptable Financial Accounting System. The system is set up in conformity with international practice, is approved by the Ministry of Finance and falls within the control of a Vietnamese authorised financial agency.
2. The depreciation rates of fixed assets are as follows:

Buildings	5%
Plant & Machinery	20%
Technical Know-how	33%
Office furniture	25%
Office equipment	30%
Cars and trucks	30%
Preliminary expenses	100%
3. The fiscal year of the Enterprise usually commences from January 1st and ends on December 31 every year. For the first year however, the fiscal year of the Enterprise commences from the date of issue of the Investment Licence and ends on December 31, 1995.
4. Each year, the Enterprise makes an accounting report in conformity with Vietnamese Government stipulations. All financial statements of the Enterprise shall be submitted to SCCI and the Tax collection offices of the Ministry of Finance within three (3) months from the date of the termination of the fiscal year.

Article 12:

The Enterprise shall be set up the Reserve Fund, the Welfare Fund and other funds. The nature of the scope, the source and principle of using each fund shall be decided by the General Director on the basis of accrued profits and in conformity with the Laws of the Socialist Republic of Vietnam.

Article 13:

The assets of the Enterprise are insured by the Hanoi Insurance Company (Bao Viet), Address 15C Tran Khanh Du Street, Hanoi, Vietnam and are not to be nationalised, appropriated or transferred into any other form of ownership by administrative measures.

Article 14:

The Enterprise shall fulfill all financial obligations towards the State of Vietnam as stipulated in the Investment Licence and operate on the principle of independent business, self-accounting and be responsible for its own profits and losses.

BIOMIN VIETNAM COMPANY

VENTURE CHARTER

Private & Confidential

Article 15:

1. The authorised representatives of the Enterprise in charge of relations with the State Agencies and the courts are Ing Erich Erber, Austria, passport no 303 83/93 and Ing Gottfried Kaser, Austria, passport no 003 01 87.
2. Biomin Vietnam will be managed by a Board of Administration which will comprise:-
 - Ing Erich Erber as chairman & Managing Director
 - The General Manager
 - And other Manager Nominated by BIOMIN AUSTRIA

Article 16:

The Enterprise may be dissolved ahead of schedule or cease to exist in the following cases:

- a) In case where force majeure such as natural disaster, war, etc. renders the investment activities inoperable. In such case, the Enterprise shall immediately inform the State Committee for Co-operation and Investment about all measures taken to overcome the situation (albeit unsuccessful).
- b) In accordance with an appropriate decision by SCCI.
- c) When the operation as stipulated in the Investment Licence expires, or terminates ahead of schedule as stipulated in this Article.

Article 17:

The remaining assets of the Enterprise after termination of its operation shall be disseminated as follows:-

1. In case the Enterprise goes into bankruptcy, all arising issues shall be resolved in accordance with the Law of Vietnam.
2. The liquidation (should it arise) of assets of the Enterprise shall be executed by the Liquidation Board. The rights and responsibilities of the Liquidation Board shall be decided by the owners of the Enterprise.

Article 18:

All other terms relating to the operation of the Enterprise which are not provided for in this Charter, shall be executed by the Enterprise in accordance with applicable provisions of the Foreign Investment Law of Vietnam as well as with appropriate provisions described in the Investment Licence issued by the SCCI.

BIOMIN VIETNAM COMPANY

VENTURE CHARTER

Private & Confidential

Article 19:

This Charter may be added to and /or amended on the basis of proposal made in writing by the authorised representatives of the Enterprise as stipulated in Article 15 of this Charter and after approval of same by SCCI.

Article 20:

This Charter shall take effect from the date the State Committee for Co-operation and Investment approves the investment application of the Enterprise.

Article 21:

This Charter is signed in Hanoi on in the Vietnamese version and in the English version. Both versions are of equal validity.

Ing ERICH ERBER KOMMANDITGESELLSCHAFT

Ing Erich Erber