

**SONADEZI**

**DONG NAI WATER SUPPLY COMPANY LIMITED**

Address: 48 Cach Mang Thang Tam Street, Quyet Thang Ward, Bien Hoa City, Dong Nai Province



## **INFORMATION DISCLOSURE**

**INITIAL PUBLIC OFFERING OF SHARES**

# **DONG NAI WATER SUPPLY COMPANY LIMITED**

To ensure investors' interest, Auction Board of Dong Nai Water Supply Company Limited would expect investors to refer to this information disclosure before deciding to participate in the auction.



**AUCTION ORGANIZATION**

**HOCHIMINH STOCK EXCHANGE**

Address: 16 Vo Van Kiet, District 1, HCM City

Website: [www.hsx.vn](http://www.hsx.vn)



**ADVISORY ORGANIZATION**

**BAOVIET SECURITIES JOINT STOCK COMPANY**

Address: 8 Le Thai To, Hoan Kiem, Ha Noi

**HOCHIMINH BRANCH**

Address: 233 Dong Khoi, District 1, Hochiminh City

Website: [www.bvsc.com.vn](http://www.bvsc.com.vn)

*Hochiminh City, October 2014*







## SECTION I: GENERAL INFORMATION ABOUT THE IPO

### SUMMARY OF THE INITIAL PUBLIC OFFERING OF SHARES

Issuer:	<b>DONG NAI WATER SUPPLY COMPANY LIMITED</b>
Charter capital of the issuer:	<b>VND 1,000,000,000,000</b>
Outstanding share:	100,000,000 shares
Par value:	VND 10,000/share
Type of share:	Common share
Offer volume:	<b>18,153,600</b> shares
%/charter capital:	18.15% of charter capital
Offering Method:	Through a public auction at the HOSE
Starting price:	<b>VND 10,100/share</b>
Price interval	VND 100
Investor:	Vietnamese and foreign organizations and individuals that meet the conditions specified in the Auction Regulation of the initial public offering shares of Dong Nai Water Supply Co., Ltd.
Maximum quantity of bidding shares:	18,153,600 shares
Minimum quantity of bidding shares:	100 shares
Maximum bidding volume of foreign investors:	18,153,600 shares
Place of receiving information statement, depositing cash and payment for the share purchase:	At the Agents
Time of registering for the auction, paying deposit and other information for attending the auction:	Under the provisions of the issuer's Auction Regulation.
Auction place:	Hochiminh Stock Exchange, 16 Vo Van Kiet, District 1, HCM city.
Deposit:	10% of total registered value at starting price.



## 1. LEGAL BASE OF THE IPO OF SHARES

- Law on Organization of People's Councils and People's Committees dated Nov 26<sup>th</sup>, 2003 by the National Assembly.
- Law on Enterprise No. 60/2005/QH11 dated Nov 29, 2005 by the 8<sup>th</sup> National Assembly.
- Decree No. 59/2011/NĐ-CP dated Jul 18<sup>th</sup>, 2011 by the Government on transformation of 100% state-owned enterprise into joint-stock-company.
- Circular No. 196/2011/TT-BTC dated Dec 26<sup>th</sup>, 2011 by the Ministry of Finance guiding on the initial sale of shares and the management and use of proceeds from the equitization of 100% state-owned enterprise into joint-stock-company.
- Circular No.202/2011/TT-BTC dated Dec 30<sup>th</sup>, 2011 by the Ministry of Finance guiding on the handling of finance and determination of enterprise value when transforming 100% state-owned enterprise into joint-stock-company.
- Decision No. 1946/QĐ-UBND dated June 30<sup>th</sup>, 2014 by the Dong Nai Province People's Committees on publishing enterprise value to equitize Dong Nai Water Supply Co., Ltd.
- Decision No.2744/QĐ-UBND dated Sept 05<sup>th</sup>, 2014 by the Dong Nai Province People's Committees on approving equitization plan and transforming Dong Nai Water Supply Co., Ltd into Dong Nai Water Supply JSC.
- Document No. 9486/UBND-KT dated Oct 08<sup>th</sup>, 2014 by the Dong Nai Province People's Committees on deciding starting price for the IPO of Dowaco shares.

## 2. PARTIES RESPONSIBLE FOR THE CONTENT OF THE INFORMATION DISCLOSURE

### 2.1. The Steering Committee of the Equitization

Ms. Do Thi Thu Hang	Chairman cum CEO of the Development Corporation Industrial Park	Chief of Steering Committee
Mr. Vu Van Hoc	Chairman of Member Council of Dong Nai Water Supply Co., Ltd.	Deputy Chief of Steering Committee
Mr. Tran Anh Tu	Head of Corporate Finance Department of Dong Nai Province	Member
Mr. Ngo Minh Dung	Deputy Director of Department of Home Affairs of Dong Nai Province	Member
Mr. Cao Tien Dung	Deputy Director of Department of Planning and Investment of Dong Nai Province	Member
Mr. Ta Huy Hoang	Director of Department of Construction of Dong Nai Province	Member
Mr Pham Van Cong	Deputy Director of Department of Labour, War Invalids and Social Affairs of Dong Nai Province	Member
Mr. Phan Hung	Director – Dong Nai Water Supply Co., Ltd.	Member



## 2.2. Issuer

### **DONG NAI WATER SUPPLY COMPANY LIMITED**

Mr. Phan Hung	Director
Mr. Le Duy Diep	Deputy Director
Mr. Nguyen Xuan Thinh	Deputy Director
Mr. Nguyen Van Binh	Deputy Director
Ms. Mai Ngoc Thu	Deputy Director
Mr. Nguyen Thu Oanh	Chief Accountant

We guarantee that the information and data provided in this information disclosure are suitable to the facts which are sufficient and necessary for the investors to evaluate performance results, financial condition, enterprise value and prospects of Dong Nai Water Supply Co., Ltd.

## 2.3. Advisory Organization

### **BAOVIET SECURITIES JOINT STOCK COMPANY**

Mr. Vo Huu Tuan	Deputy Director cum CEO of Hochiminh Branch
Mr. Nguyen Van Khanh	Head of Corporate Finance Department

We ensure that the evaluation and selection of words in this Information Disclosure are carried out prudently, based on the information and data provided by the Dong Nai Water Supply Co., Limited, and in compliance with the mandatory order, but do not imply a guarantee of stock value.





### 3. ABBREVIATIONS

DOWACO/ or the Company	: Dong Nai Water Supply Co., Ltd
Share	: DOWACO share
Ltd	: Private Limited
MTV	: One member
JSC	: Joint Stock Company
PC	: People’s Committees
HOSE	: The Hochiminh Stock Exchange
BVSC	: Baoviet Securities JSC
IP	: Industrial Park
FS	: Financial Statement
COGS	: Cost of Goods Sold
WTP	: Water Treatment Plant



## SECTION II: DOWACO BEFORE EQUITIZATION

### 1. General Information of Dowaco

100% capital of Dong Nai Water Supply Co., Ltd owned by SONADEZI.

- Vietnamese name: CÔNG TY TNHH MỘT THÀNH VIÊN CẤP NƯỚC ĐÔNG NAI
- English name: DONG NAI WATER SUPPLY COMPANY LIMITED
- Abbreviation: DOWACO

• Logo:



- Address: 48, Cach Mang Thang Tam Street, Quyet Thang Ward, Bien Hoa City, Dong Nai Province
- Tel: (061) 3843 316
- Fax: (061) 3847 149
- Website: [www.dowaco.vn](http://www.dowaco.vn)
- Email: [capnuocdongnai@dowaco.vn](mailto:capnuocdongnai@dowaco.vn)
- Business License No. 3600259296 issued by Dong Nai Department for Planning and Investment, the 1<sup>st</sup> registration by 07/04/2004, the 2<sup>nd</sup> registration by 16/09/2009, the 3<sup>rd</sup> registration by 23/05/2011 and the 4<sup>th</sup> registration by 17/04/2014.

### 2. Business segment

According to Business License, the company's main business lines as follows:

No	Business line	Code
1	Water exploration, treatment and supply: Exploring, filtering and supplying tap water to residential and industrial users.	3600 (core)
2	Mechanical processing; metal coating: Production of engineering products specialized in water supply segment.	2592
3	Short-stay services: hotel business.	5510



No	Business line	Code
4	Wholesale of accessories and other equipment installed in construction: Trade of material and equipment specialized in water supply segment.	4663
5	Architectural activities and related technical consultancy: Consulting on design of civil and industrial works, design of water supply facilities; design of water supply systems; Support services for construction, design of drainage works; Establishment and evaluation for investment projects; Supervision for civil-industrial construction; Preparation for bidding documents; and other consultancy services; Appraisal of bidding documents and cost estimates - total cost estimate; Appraisal of bidding results.	7110
6	Trading: real estate, right of land use. Urban infrastructure and industrial park construction. Housing construction and lease. Office building for lease.	6810
7	Production of non-alcoholic beverages, mineral water: Production of purified bottled water.	1104
8	Construction of other civil works: construction of industrial works.	4290
9	Installation of water supply and drainage system, heating and air conditioning system	4322
10	Support services related to promoting and organizing tours.	7920
11	Construction of public works: Construction of water supply. Pump station.	4220
12	Housing Construction: Construction of civil works.	4100

### 3. Established and developed History

#### 3.1. 1903-1975 Period:

In 1903 the French colonists built Ghênh Bridge and Sai Gon – Bien Hoa rail line. In province of Bien Hoa there were a few of French people and French governmental bodies such as: council hall, telegram stations, “Ken” Wall and etc. In addition, Vietnamese and Chinese businessmen mainly stayed at the market areas. Thus, the French colonists developed some electric generators and wells to serve electricity and water demand of administrative bodies and army camps.

In 1920 – 1921, there were some water-service pipes serving residents of the Bien Hoa market areas.

#### a) Bien Hoa Water Treatment Plant:

The factory was built in 1928 - 1930 by the French, with a capacity of 1,450 m<sup>3</sup> per day. This water supply system mainly serviced the administrative bodies of French colonial government and residents of Bien Hoa city. In 1958 Bien Hoa had 295 water meters and 16 public hydrants.





In 1967 the Australian Government Aids sponsored to build up a new feed water treatment with a capacity of 15,000 m<sup>3</sup>/day. The total output capacity at this time was 16,500m<sup>3</sup>/day.

**b) Long Khanh Water Supply System:**

In 1970 Long Khanh Water Supply Department, a branch of Sai Gon General Department of Water Supply, was established to serve 1000 households with a capacity of 1,400 m<sup>3</sup>/day, including 5 wells built in 1962-1969. After 1975, the government controlled this water supply system and established the Electricity and Water of Long Khanh Division, including 1 office and 5 pumping stations. The division was under control of Dong Nai Department of Industry in 1976, and then, handed-over to the Dong Nai Drilling & Water Supply Company in 1977.

In 1975, the water supply capacity of Dong Nai province was 17,900m<sup>3</sup>/day.

**3.2. 1976-1990 Period:**

**a) Bien Hoa Water Treatment Plant:**

After liberation of South Vietnam, in order to fully meet the pure water for residents, Dong Nai Drilling & Water Supply Company expanded the Bien Hoa Water Treatment Plant to increase the output capacity from 15,000m<sup>3</sup>/day to 22,000 m<sup>3</sup>/day.

**b) Long Khanh Water Supply System:**

In 1977, the Dong Nai Drilling & Water Supply Company upgraded in production in order to serve 1,500 households with an improved capacity of 2,740 m<sup>3</sup>/day.

In February 1987 Xuan Loc Water Exploitation Plant was established and split from Dong Nai Drilling & Water Supply Company, operating under control of Xuan Loc People's Committee. The plant upgraded the water supply system, including: built up 2 pumping stations with a capacity of 3,300m<sup>3</sup>/day. The number of clients grew up to 4,500 households. In October 1992, according to Decree No.388/1992/ ND-CP of the Government, Xuan Loc Water Exploitation Plant was transferred to Dong Nai Construction Department, and changed the name to The Long Khanh Water Supply & Drainage Plant.

In 1990, the water supply capacity of Dong Nai was 25,300m<sup>3</sup>/day.

The early 1990 is the hardest time of Dong Nai Drilling & Water Supply Company due to the negative influence of system-based on administrative subsidies. The company could not adapt to new changing environment. Its operation was instable and failed to meet the social demand. Thus, Dong Nai People's Committee decided to dissolve Dong Nai Drilling & Water Supply Company and established Dong Nai Water Supply Company in April 1990.

**3.3. 1991 – 2000 Period:**

**a) Bien Hoa Water Treatment Plant:**

The economy and society of Bien Hoa city, Dong Nai province was developing and its population growth rate was significant due to the launch of industrial zones. As a result, Dong Nai Water Supply Company extended Bien Hoa Water Treatment Plant second time from 22,000 m<sup>3</sup>/day to 36,000 m<sup>3</sup>/day to increase water supply to households of Bien Hoa.

**b) Long Binh Water Treatment Plant:**

In order to meet the water demand in industrial zones such as: Bien Hoa industrial zone, AMATA, Lotecco, and Ho Nai 3, Long Binh Water Treatment Plant was built and completed in April 1998 with phase 1 with capacity of 15,000m<sup>3</sup>/day.





### c) Nhon Trach Ground Water Treatment Plant:

In 1995 – 1996, many industrial zones in Nhon Trach District were formed and developed. There were 3 industrial zones: Nhon Trach 1, 2, 3. In order to meet the water demand of factories in operating industrial zones, Nhon Trach Ground Water Treatment Plant was established by joint venture of 3 companies: Dong Nai Water Supply Company, Household & Industrial Construction Company No.2 and Tin Nghia Company. It was constructed in 1997 -1998 phase 1 with capacity of 5,000m<sup>3</sup>/day and 10,000 m<sup>3</sup>/day from 2000.

### d) Long Khanh Water Plant:

Pursuant to Directive No 500/CP of the Government, Decision No 6159/QĐ.UBT of Dong Nai People's Committee, Long Khanh Water Plant merged with Dong Nai Water Supply Company. At this time, the plant increased its capacity to 4,384m<sup>3</sup>/day, serving 5,000 households. Dong Nai Water Supply Company also delegated management of Gia Ray Water Treatment Plant with 3,000 m<sup>3</sup>/day capacity to the plant in order to serve residents of Gia Ray Town.

In 2000, the water supply capacity of Dong Nai province was 68,500m<sup>3</sup>/day.

## 3.4. 2001 - 2006 Period:

### a) Long Binh Water Treatment Plant:

Due to the demand for using water of residential areas and industrial zones in Bien Hoa city significantly increased, Dong Nai Water Supply Company invested to develop the 2nd phase of Long Binh Water Plant in October 2001. As a result, the capacity grew from 15,000m<sup>3</sup>/day to 30,000 m<sup>3</sup>/day, and the treatment system was operated since July 2002.

### b) Vinh An Water Treatment Plant:

After the completion of Tri An Hydroelectric power plant, the administrative bodies of Vinh Cuu District moved to Vinh An Town – a newly established Town with uncompleted infrastructures and increasing population. In dry season, many wells were waterless, and therefore, Dong Nai People's Committee allowed for Dong Nai Water Supply Company to develop water supply system for Vinh An Town with the 1st phase capacity of 2,000 m<sup>3</sup>/day.

The plant began in Jan, 2001 and completed in the second quarter of 2002.

### c) Thien Tan Water Treatment Plant, Phase 1 with a capacity of 100,000 m<sup>3</sup>/day:

Bien Hoa City is considered as an industrial centre of southern Vietnam. Its annual economic and social growth rate was relatively high. In fact, the annual GDP growth rate was 10 -15%. In addition, Bien Hoa city was located near the main traffic areas: No1 National Highway, No.51 National Highway, Ho Chi Minh City, and Vung Tau City. Thus, foreign investment in Bien Hoa was considerable, and many industrial zones were established. For these reasons, investment in infrastructure development, such as water system, was extremely essential. Bien Hoa city was a type-II city, and in the economically developed areas of the South Vietnam.

Dong Nai Provincial Party Committee and Dong Nai People's Committee allowed Dong Nai Water Supply Company to prepare necessary documents to invest in Thien Tan Water Supply System, Phase I with a capacity of 100,000m<sup>3</sup>/day, using ODA fund of Korean government and counterpart fund of Vietnamese government. The pumping station was located at Thien Tan ward, Vinh Cuu District, and the treatment plant was at Hill 60, Tan Bien ward, Bien Hoa City. The design and construction oversee plant was a joint venture of Korea Consultancy International (KCI), Korea and Water Supply Sewerage and Environment JSC (WASE); and construction plant was VIKOLG Joint Venture, Korea.





On 5th Sep, 2000 the groundbreaking ceremony was organized with participation of some Vietnamese subcontractors:

- Bach Dang Construction Corporation (Ministry of Construction)
- The Water Supply & Sewerage Construction and Investment (WASECO)
- Vinaconex Construction Corporation (Ministry of Construction)

It was a big project, which required high level of technology and quality. Thus, this project was appraised on construction quality by State Authority for Construction Quality Inspection (SACQI) and on quality of imported goods by Vinacontrol Company.

On 18th May, 2004, the opening ceremony was organized and the system comes into operation of the phase 1 with capacity of 100,000m<sup>3</sup>/day.

With increasing water demand in the late 2009, the company has increased the plant's capacity to 120,000m<sup>3</sup>/day.

#### **d) Xuan Loc Water Treatment Plant:**

Pursuant to Document No 1064/UBT dated 18th April, 2003 on transferring Tam - Hung - Hoa Water Treatment Plant, Xuan Loc District to Dong Nai Water Supply Company, the company issued Decision No.87/QĐ-XDCN dated 26th May, 2003 on establishment of Xuan Loc Water Treatment Plant, as a merger between Gia Ray branch of Long Khanh Water Treatment Plant and Tam - Hung - Hoa Water Treatment Plant.

The plant included 2 divisions and 1 pumping station:

- Gia Ray division with a capacity of 2,400m<sup>3</sup>/day (improved to 3,200m<sup>3</sup>/day in 2009)
- Tam - Hung - Hoa Division with a capacity of 3,000m<sup>3</sup>/day
- Song Ray Pumping Station with a capacity of 300m<sup>3</sup>/day

The plant applied the dependent accounting approach.

In 2006, the company's total water supply capacity was 210,000m<sup>3</sup>/day, including:

- |                                    |   |
|------------------------------------|---|
| - Bien Hoa Water Treatment Plant   | - Capacity: 36,000m <sup>3</sup> /day.  |
| - Long Binh Water Treatment Plant  | - Capacity: 30,000m <sup>3</sup> /day.  |
| - Thien Tan Water Treatment Plant  | - Capacity: 120,000m <sup>3</sup> /day. |
| - Long Khanh Water Supply System   | - Capacity: 7,000m <sup>3</sup> /day.   |
| - Nhon Trach Water Treatment Plant | - Capacity: 10,000m <sup>3</sup> /day.  |
| - Xuan Loc Water Supply System     | - Capacity: 6,500m <sup>3</sup> /day    |

### **3.5. 2007 – 2013 Period:**

In order to implement re-structure of state-owned companies, investment attraction, and socialization of water supply industry as well as to reinforce initiative in business and manufacture, Dong Nai People's Committee allowed for Dong Nai Water Supply Co., Ltd to equitize a few subsidiaries and establish new joint stock companies:





**a) Long Khanh Water Supply JSC:**

Pursuant to the Decision No. 3060/QĐ-UBND dated September 24, 2007 by the Chairman of Dong Nai People's Committee on transferring Long Khanh Water Treatment Plant into a joint stock company, Long Khanh Water Supply JSC's company charter was ratified on the annual general meeting of shareholders on 21st January, 2008.

Dong Nai Water Supply Single Member LLC has held 51% of charter capital's Long Khanh Water Supply JSC.

Currently, Long Khanh water system has capacity of 11,000m<sup>3</sup>/day.

**b) Dong Nai Water Supply Service & Construction JSC:**

Pursuant to the Decision No 3058/QĐ-UBND dated September 24, 2007 by Chairman of Dong Nai People's Committee on transferring Water Supply Design & Construction Plant into a joint stock company, Dong Nai Water Supply Service & Construction JSC's company charter was ratified on the annual general meeting of shareholders on 16th January, 2008.

Dong Nai Water Supply Co., Ltd held 51% of charter capital's Dong Nai Water Supply Service & Construction JSC. In the annual general meeting 2013, Dong Nai Water Supply Co., Ltd reduced its ownership to 36% of charter capital of, Dong Nai Water Supply Service & Construction JSC.

Currently, Dong Nai Water Supply Service & Construction JSC manages Hoa An and Tan Hanh water supply system with total capacity of 15,000m<sup>3</sup>/day

**c) Nhon Trach Water Supply JSC:**

Pursuant to the Decision No.3059/QĐ-UBND dated September 24, 2007 by Chairman of Dong Nai People's Committee on transferring Nhon Trach Water Plant into a joint stock company, Nhon Trach Water Supply JSC's company charter was ratified on the annual general meeting of shareholders on 24th January, 2008.

Dong Nai Water Supply Co., Ltd has held 52.437% of charter capital's Nhon Trach Water Supply JSC.

Currently, Nhon Trach water system has capacity of 30,000m<sup>3</sup>/day, and Dai Phuoc Station's capacity is 5,000 m<sup>3</sup>/day.

**d) Ho Cau Moi Water Supply JSC:**

Pursuant to the Document No.10739/UBND-KT dated September 18, 2008 by Chairman of Dong Nai People's Committee on establishment of Ho Cau Moi Water Supply Joint Stock Company, Ho Cau Moi Water Supply JSC's company charter was ratified on the annual general meeting of shareholders on 21st January, 2008.

Dong Nai Water Supply Co., Ltd has held 36% of charter capital's Ho Cau Moi Water Supply JSC.

Currently, Ho Cau Moi water system is implementing Ho Cau Moi water supply system project with a capacity of 30,000m<sup>3</sup>/day.

**e) Nhon Trach Water Supply System, 1<sup>st</sup> Phase with a capacity of 100,000m<sup>3</sup>/day:**

Pursuant to the policies of provincial party committee and the Dong Nai People's Committee about industrialization, modernization and promoting Dong Nai Province to become the best industrial province in 2015, Nhon Trach Water Treatment Plant – phase 1 with a capacity of 100,000 m<sup>3</sup>/day was built by Dong Nai Water Supply Co., Ltd, using ODA funds of Japanese government and counterpart fund of Vietnamese government. The design & construction oversee plant was a joint venture between





Nippon Koei and Nihon Studio Consultant Company (Japan) and Vietnam Water, Sanitation, & Environment JSC (VIWASE). The project location was at Hill 60, Tan Bien Ward; the water source was for Dong Nai River. The project comes into operation in March, 2014.

**h) Tan Phu Water Supply System with a capacity of 2,500 m<sup>3</sup>/day:**

In order to meet the water demand of Tan Phu Town – Tan Phu District, Dong Nai People's Committee issued Decision No.606/QĐ-CT-UBT dated March 11, 2002 on approval for investment project of Tan Phu Water Supply System and Decision No.3597/QĐ-UBND dated October 13, 2005 on adjustment of this investment project. Accordingly, investor was Dong Nai Water Supply Co., Ltd; project location was at Tan Phu Town – Tan Phu District; the project planner was WASE, the pure water source was groundwater. Tan Phu Water Supply System come into operation in 2010.

**g) Dinh Quan Water Supply System with a capacity of 4,200 m<sup>3</sup>/day:**

In order to meet the water demand of Dinh Quan Town – Dinh Quan District, Dong Nai People's Committee issued Decision No.4598/QĐ-CT-UBT dated September 10, 2002 on approval for investment project of Dinh Quan Water Supply System and Decision No.3595/QĐ-UBND dated October 13, 2005 on adjustment of this investment project. Accordingly, investor was Dong Nai Water Supply Co., Ltd; project location was at Dinh Quan Town – Dinh Quan District; the pure water source was from Ba Giot Pumping Station. The Dinh Quan Water Supply System comes into operation in 2010.

**l) Trang Bom Water Supply System with a capacity of 2,000 m<sup>3</sup>/day:**

The Trang Bom Water Supply System project was approved by Dong Nai People's Committee on Decision No.6020/QĐ-UBND dated 29th December, 2005. The project will come into operation in the late of 2014

**4. Rewards & Achievements**

To promote the development of water industry, the company advocated policies about economic development of the provincial party's committee and Dong Nai People's Committee in order to implement industrialization and modernization objectives. As a result, the President rewarded:





- Third Class Labor Medal to the staffs of Dong Nai Water Supply Co., Ltd for their excellent performance in 1992 -1996 on development of National Socialism of Vietnam.
- Second Class Labor Medal to employees of Dong Nai Water Supply Co., Ltd for their excellent performance in 2001 -2005 on development of National Socialism of Vietnam.
- 
- Typical Enterprise and Excellent Businessman 2005 granted by Dong Nai People Committee; and other central and local achievements.

**5. Main Products and Services**

The primary business activities include water exploitation, treatment, and supply for domestic and industrial uses. In addition, it also participates in water supply & drainage constructions, pumping stations, household & industrial constructions, installation & repair services.



Some pictures of the company

<p>Head Quarter</p>	<p>Accerlator &amp; Greenleaf Filter tank – Bien Hoa Water Treatment Plant – Capacity of 36,000 m<sup>3</sup>/day</p>
	
<p>Nhon Trach Water Treatment Plant (Phase 1) - Capacity of 100,000 m<sup>3</sup>/day</p>	<p>Thien Tan Water Treatment Plant (Phase 1) - Capacity of 100,000 m<sup>3</sup>/day</p>
	

**Customer development milestone:**

The statistic pointed out that the number of domestic users has been increasing four times since 2001.

Year	Households
12/2001	30,500
12/2004	47,699
12/2005	57,736
12/2006	65,139
12/2007	73,149
12/2008	83,236



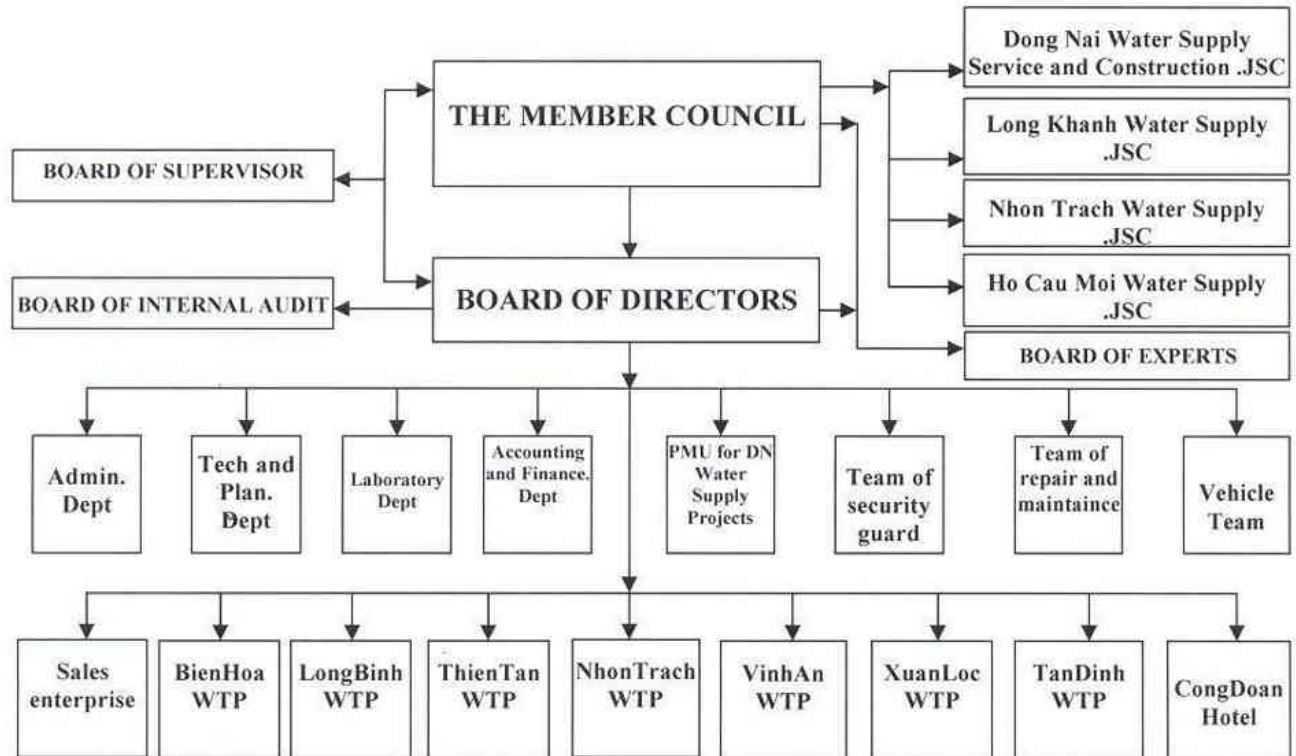


Year	Households
12/2009	90,069
12/2013	120,850

## 6. Organization structure of the Company

### 6.1 Organization chart before equitization

Dong Nai Water Supply Co., Ltd is organized as the following model.



Source: DOWACO

### 6.2 Management Board

#### - Member Council:

- ✓ Mr Vu Van Hoc - Chairman
- ✓ Mr Phan Hung - Member
- ✓ Mr Le Duy Diep - Member
- ✓ Mr Ngo Thanh Thuy - Member
- ✓ Mr Nguyen Van Binh - Member



- **Board of directors:**
  - ✓ Mr Phan Hung - Director
  - ✓ Mr Le Duy Diep - Deputy Director
  - ✓ Mr Nguyen Xuan Thinh - Deputy Director
  - ✓ Mr Nguyen Van Binh - Deputy Director
  - ✓ Ms Mai Ngoc Thu - Deputy Director
- **Chief Accountant:**
  - ✓ Ms Nguyen Thu Oanh

### 6.3 Employee

Up to the time of equitization, total number of the company's employees is 835 people, is classified as follow:

Type	Employee (person)	Percentage (%)
<b>Education level</b>	<b>835</b>	<b>100%</b>
Bachelor and Post-graduate	325	39%
College, intermediate, primary	142	17%
Technical workers and unskilled workers	368	44%
<b>Labor contract</b>	<b>828</b>	<b>99%</b>
Indefinite term contracts	663	79%
Definite term contracts	165	20%
Short-term contracts	-	-
<b>Gender</b>	<b>835</b>	<b>100%</b>
Male	563	67%
Female	272	33%

Source: Equitization Plan DOWACO

### 7. Enterprise value at the time of equitization

Pursuant to Decision No.1946/QĐ-UBND dated June 30th, 2014 by the People's Committee of Dong Nai Province publishing enterprise value of Dong Nai Water Supply Co., Ltd for equitization. Enterprise value of Dong Nai Water Supply Co., Ltd and the value of State-owned capital are as follow:



- The actual value of DOWACO as of 31/12/2013: VND 2,684,389,363,077.

Of which:

- The actual value of State-owned capital as of 31/12/2013: VND 727,872,424,845.

Result of enterprise valuation:

Unit: VND

STT	ITEMS	BOOK VALUE	REVALUATION	BALANCE(+/-)
	1	2	3	4=3-2
<b>A</b>	<b>ASSETS (I+II+III+IV)</b>	<b>2,440,603,905,210</b>	<b>2,684,389,363,077</b>	<b>+243,785,457,867</b>
<b>I</b>	<b>Fixed and long-term assets</b>	<b>2,113,312,854,017</b>	<b>2,342,989,623,013</b>	<b>+229,676,768,996</b>
<b>1</b>	<b>Fixed assets</b>	<b>1,357,654,258,775</b>	<b>1,545,156,955,015</b>	<b>+187,502,696,240</b>
1.1	Tangible assets	1,357,426,758,775	1,544,929,455,015	+187,502,696,240
1.1.1	<i>Buildings and Architecture</i>	160,679,697,317	284,409,689,200	+123,729,991,883
1.1.2	<i>Machinery and equipment</i>	397,158,139,090	427,087,744,887	+29,929,605,797
1.1.3	<i>Means of transportation and transmission</i>	785,562,182,351	818,381,666,930	+32,819,484,579
1.1.4	<i>Management equipments</i>	13,614,958,108	14,168,146,611	+553,188,503
1.1.5	<i>Other fixed assets</i>	411,781,909	882,207,387	+470,425,478
1.2	Leasing assets	-	-	-
1.3	Intangible assets	227,500,000	227,500,000	-
<b>2</b>	<b>Long-term investment</b>	<b>48,457,332,268</b>	<b>90,313,789,261</b>	<b>+ 41,856,456,993</b>
2.1	Investment in subsidiaries	39,493,053,500	78,527,020,000	+39,033,966,500
2.2	Investments in associates and joint ventures	7,014,178,768	9,677,046,771	+ 2,662,868,003
2.3	Other long-term investment	1,950,100,000	2,109,722,490	+ 159,622,490
2.4	Provision for devaluation of long-term investments	-	-	-
<b>3</b>	<b>Construction in progress</b>	<b>705,708,483,257</b>	<b>705,708,483,257</b>	<b>-</b>
<b>4</b>	<b>Escrow accounts and long-term deposit</b>	<b>-</b>	<b>-</b>	<b>-</b>





STT	ITEMS	BOOK VALUE	REVALUATION	BALANCE(+/-)
	I	2	3	4=3-2
5	Long-term prepaid expenses	1,492,779,717	1,810,395,480	+ 317,615,763
II	Current assets	317,220,007,993	317,839,681,841	+ 619,673,848
1	Cash	66,191,892,843	66,191,893,605	+ 762
1.1	Cash on hand	921,460,238	921,461,000	+ 762
1.2	Cash in banks	65,149,089,004	65,149,089,004	-
1.3	Cash on delivery	121,343,601	121,343,601	-
2	Short-term investment	-	-	-
3	Account receivables	196,993,706,943	196,993,706,943	-
4	Inventories	32,878,038,353	32,878,038,353	-
5	Other current assets	21,156,369,854	21,776,042,940	+ 619,673,086
6	Non-business expenditures	-	-	-
III	Goodwill	-	-	-
IV	Value of land use rights	10,071,043,200	23,560,058,223	+13,489,015,023
B	UNUSED ASSETS	-	-	-
I	Fixed and Long-term assets	-	-	-
1	Fixed assets	-	-	-
	<i>In which : assets from welfare and reward fund</i>	-	-	-
2	Long-term investment	-	-	-
3	Construction in progress	-	-	-
4	Escrow accounts and long-term deposit	-	-	-
II	Current assets	-	-	-
1	Bad debt	-	-	-



STT	ITEMS	BOOK VALUE	REVALUATION	BALANCE(+/-)
	1	2	3	4=3-2
2	Obsolete and damage goods	-	-	-
C	<b>FIXED ASSETS NEED TO BE LIQUIDATED</b>	-	-	-
I	Fixed assets and long-term investment	-	-	-
II	Current assets and short-term investment	-	-	-
D	<b>ASSETS FROM BONUS AND WELFARE FUND</b>	765,560,915	765,560,915	-
	<b>TOTAL AMOUNT OF ASSETS(A + B + C + D)</b>	2,441,369,466,125	2,685,154,923,992	+243,785,457,867
	In which:			
	<b>TOTAL ACTUAL AMOUNT OF ENTERPRISE (A)</b>	2,440,603,905,210	2,684,389,363,077	+243,785,457,867
E1.	LIABILITIES	1,955,693,402,219	1,955,693,402,219	-
	<i>In which: land using right value received need to pay back the State budget</i>	-	-	-
E2.	NON-BUSINESS EXPENDITURE SOURCE	823,536,013	823,536,013	-
	<b>TOTAL ACTUAL AMOUNT OF STATE-OWNED CAPITAL [A - (E1+E2)]</b>	484,086,966,978	727,872,424,845	+243,785,457,867

Source: Minutes of Enterprise Valuation of DOWACO at 31/12/2013



## 8. Main Assets Of The Company

### 8.1 The actual status of fixed assets

Fixed assets of the company according to accounting records and revaluation as of 31/12/2013 as follow:

*Unit: million VND*

No.	Asset	Book Value (*)		Revaluation		Balance	
		Prime Cost	Residual Value	Prime Cost	Residual Value	Prime Cost	Residual Value
<b>A</b>	<b>USED ASSETS</b>	2,890,286	2,073,433	3,062,651	2,274,425	172,365	200,992
<b>I</b>	<b>Tangible Fixed assets</b>	2,172,846	1,357,426	2,331,722	1,544,929	158,876	187,503
1	Buildings and Architecture	298,538	160,680	456,585	284,410	158,046	123,730
2	Machinery and equipment	612,269	397,158	612,269	427,088		29,930
3	Means of transportation and transmission	1,240,512	785,562	1,241,342	818,382	829	32,820
4	Device management tools	18,717	13,615	18,717	14,168		553
5	Other fixed assets	2,810	411	2,810	882		471
<b>II</b>	<b>Leasing assets</b>						
<b>III</b>	<b>Intangible fixed assets</b>	11,732	10,299	25,221	23,788	13,489	13,489
<b>IV</b>	<b>Construction in progress</b>	705,708	705,708	705,708	705,708		
<b>B</b>	<b>ASSETS NEED TO BE LIQUIDATED</b>						
<b>C</b>	<b>ASSETS FROM BONUS AND WELFARE FUND</b>	766					
<b>D</b>	<b>HANDED-OVER FIXED ASSETS</b>						
	<b>Total</b>	<b>2,891,052</b>	<b>2,073,433</b>	<b>3,062,651</b>	<b>2,274,425</b>	<b>172,365</b>	<b>200,992</b>

*Source: Summary of fixed assets recorded in the valuation file of DOWACO*

*(\*): Book value of fixed assets as of 31/12/2013 after resolution of financial issues.*





## 8.2 Total land area in use

The company is managing a land area of 1,148,569.2 m<sup>2</sup>, of which 1,144,817.5 m<sup>2</sup>, which is leased and paid annually by the company, excluded in the enterprise value. Only 3,751.7 m<sup>2</sup> is included in the enterprise value. Details of the land area and buildings:

No.	Name	Address	Total land area (m <sup>2</sup> )	Total buiding area (m <sup>2</sup> )
1	The company's office	48-CMT8, Quyet Thang ward Bien Hoa city, Dong Nai province	2,251.0	3,743.0
2	PMU for Dong Nai water supply projects	Bui Huu Nghia road, Dong Nai hamlet, Hoa An ward, Bien Hoa city, Dong Nai province	5,000.0	1,650.3
3	Bien Hoa WTP	48-CMT8, Quyet Thang ward Bien Hoa city, Dong Nai province	20,040.3	1,026.6
4	Long Binh WTP	Town 9, Tan Bien Ward, Bien Hoa city, Dong Nai province	28,840.0	1,254.4
5	Thien Tan WTP	Town No.8A, Tan Bien Ward, Bien Hoa city, Dong Nai province	385,259.0	10,125.4
6	Vinh An WTP	Vinh An Town, Vinh Cuu District, Dong Nai province	39,391.5	368.9
7	Nhon Trach WTP	Town 8A, Tan Bien Ward, Bien Hoa city, Dong Nai province	636,104.0	5,595.9
8	Xuan Loc WTP	Town 7, Gia Ray Ward, Xuan Loc District, DongNai province	12,539.6	481.3
9	Tan Dinh WTP	Tan Phu Ward, Dinh Quan District, Dong Nai province	16,223.3	216.5
10	Cong Doan Hotel	Alley 128, Ward 2, Vung Tau city, Ba Ria – Vung Tau province	1,172.2	1,845.0
11	Construction of water tower for pottery village	Tan Hanh	611.9	



No.	Name	Address	Total land area (m <sup>2</sup> )	Total building area (m <sup>2</sup> )
12	Chinfong pumping station	Ho Nai 3	1,136.4	
	<b>Total</b>		<b>1,148,569.2</b>	<b>26,307.4</b>

*Source: Equitization Plan of DOWACO*

## 9. Lists of parent company, subsidiaries and associated companies of the issuer

### 9.1 The Parent Company:

#### **Sonadezi Corporation**

Address: No.1 Street 1, Bien Hoa Industrial Park, An Binh Ward, Bien Hoa city, Dong Nai Province.

Core business: trading industrial park infrastructure, construction, real estate, logistic and services.

Charter Capital: 2,300 billion VND.

Percentage of ownership in DOWACO: 100% charter capital.

### 9.2 Subsidiaries Of The Issuer

#### - **Long Khanh Water Supply JSC**

Address: CMT8 Street, Xuan Binh Ward, Long Khanh Town, Dong Nai Province.

Core business: Processing and distributing tap water.

Charter capital: 25 billion VND.

% held by DOWACO: 51.0% of charter capital.

#### - **Nhon Trach Water Supply JSC**

Address: Tran Phu Street, Nhon Trach Industrial Park, Nhon Trach, Dong Nai.

Core business: manufacturing and distributing tap water.

Charter capital: 50 billion VND.

% held by DOWACO: 52.4% of charter capital.



### 9.3 Associate Companies Of The Issuer

#### - Dong Nai Water Supply Construction and Services JSC

Address: No.52- CMT8 Street, Quyet Thang Ward, Bien Hoa City, Dong Nai Province.

Core business: Installation of water supply system, processing and trading tap water.

Charter capital: 16.75 billion VND.

% held by DOWACO: 36% of charter capital.

#### - Ho Cau Moi Water Supply JSC

Address: 48, CMT8 Street, Quyet Thang Ward, Bien Hoa City, Dong Nai Province.

Core business: processing and distributing tap water.

Charter capital: 40 billion VND.

% held by DOWACO: 36% of charter capital.

## 10. The Operation Of The Company Before Equitization, Period 2011 – 2013

### 10.1 The Company's Operation

#### a. Production and revenue

DOWACO is currently managing and operating water supply systems with total capacity of nearly 300,000 m<sup>3</sup>/day, comprising:

No	Water Supply System	Capacity
1	Thien Tan Water Supply System (phase 1)	100,000 m <sup>3</sup> /day
2	Nhon Trach Water Supply System (phase 1)	100,000 m <sup>3</sup> /day
3	Long Binh WTP	30,000 m <sup>3</sup> / day
4	Bien Hoa WTP	36,000 m <sup>3</sup> /day
5	Trang Bom Water Supply System	2,000 m <sup>3</sup> /day
6	Vinh An Water Supply System	2,000 m <sup>3</sup> /day
7	Tan Phu Water Supply System	2,500 m <sup>3</sup> /day
8	Dinh Quan Water Supply System	4,200 m <sup>3</sup> /day
9	Tam Hung Hoa Water Supply System	3,000m <sup>3</sup> /day
10	Gia Ray Water Supply System	4,800m <sup>3</sup> /day





In addition, the company is managing some water supply plants and water supply systems which are running by Nhon Trach Water Supply JSC (A subsidiary of DOWACO) with capacity of 35,000 m<sup>3</sup>/day; and running by Long Khanh Water Supply JSC (A subsidiary of DOWACO) with capacity of 11,000 m<sup>3</sup>/day; and Hoa An Water Treatment Plant under Dong Nai Water Supply Construction and Services JSC (A associate company of DOWACO) with capacity of 15,000 m<sup>3</sup>/day.

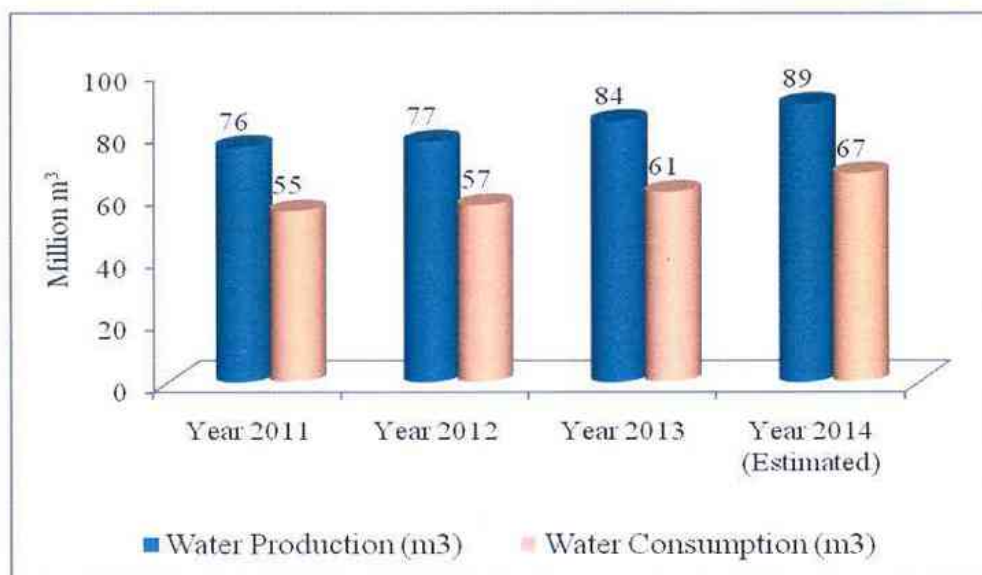
DOWACO is providing treated water to more than 120,850 households and applied many price support programs to workers, students. 2,388 households and 60,850 customers were supplied water in these programs.

**Produced and Consumed Water of DOWACO:**

Year	Water Production (m <sup>3</sup> )	Water Consumption (m <sup>3</sup> )
2011	75,536,388	54,928,102
2012	77,237,660	56,864,204
2013	83,877,500	61,141,646
2014 (Estimated)	89,333,000	67,000,000

Source: *Equitization Plan of DOWACO*

**Chart of Produced and Consumed Water of DOWACO**





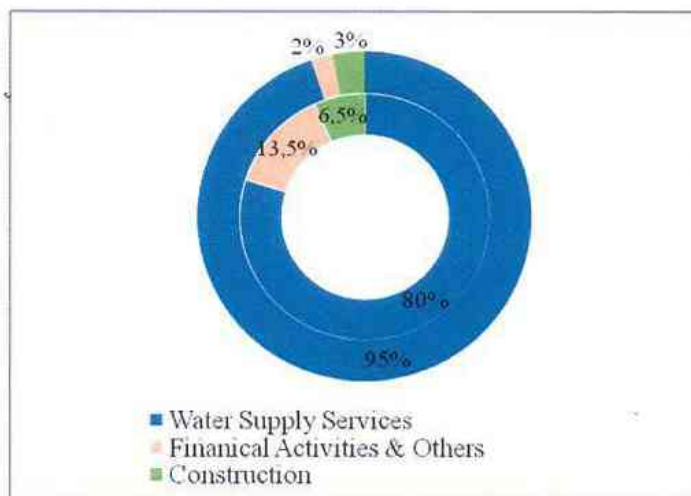
Revenue breakdown over years

Unit: Million VND

Item	Year 2011		Year 2012		Year 2013		Year 2014 (Estimated)	
	Value	%	Value	%	Value	%	Value	%
Water Supply Service	333,249	89.6%	390,051	91.2%	418,985	79.9%	521,125	94.8%
Financial activities and others	17,795	4.8%	8,108	1.9%	70,544	13.5%	11,215	2.1%
Construction	20,766	5.6%	29,507	7.0%	34,707	6.6%	17,280	3.1%
<b>Total</b>	<b>371,810</b>	<b>100%</b>	<b>427,666</b>	<b>100%</b>	<b>524,236</b>	<b>100%</b>	<b>549,620</b>	<b>100%</b>

Source: Equitization Plan of DOWACO

Chart of Revenue 2013 and Estimated 2014



Outside round: Estimated 2014

Inside round: 2013

**b. Material**

**• Material Source:**

Water from rivers and groundwater is the main input materials for production of treated water. Water is mostly extracted from the Dong Nai River. In recent years, due to quite erratic changes of weather, resulting a long dry season, water quality changes will affect raw water Extraction Company offers to customers.

In addition, the company also uses other materials such as power, alum, lime, chlorine, fluoride and other catalysts to process water before supply to customers.





- **The stability of material supply**

Main raw material in producing treated water is mostly extracted from natural resources; therefore the company's water input is relatively stable. However, water input is heavily dependent on natural conditions such as substances in water; climatic conditions (drought, storms, etc) will affect the water flow and water quality in the river.

- **Impact of material price to revenue and profit**

Raw water from rivers is different by 2 seasons in a year, rainy season and sunny season. Changing in natural condition of water resources can make risk to DOWACO's operation. The change in water quality and water flow affect greatly to water treatment process.

The rapid development of industrial and agricultural activities has been caused high water pollution. Some industrial plants have no any sewage treatment system. There are many chemicals used in agricultural activities such as fertilizers, pesticides, etc. Those pollute water. Especially, illegal activities in mining sand in the rivers, where the company's water inputs are extracted from, contaminate water highly.

Therefore, the company has to invest in modern equipments for water treatment and apply a strict water treatment to ensure high quality of water supplied to customers. Production cost of the company increased, and as a result, it decreases profit of the company.

**c. Operating Cost**

Ratio of costs of the Company compared to net revenue over years as follows

*In: million VND*

Indicators	Year 2011		Year 2012		Year 2013		Year 2014 (Estimated)	
	Value	% Revenue	Value	% Revenue	Value	% Revenue	Value	% Revenue
Cost of goods sold	227,824	61.3	259,795	60.7	389,701	74.3	410,956	74.8
Financial expenses	59,953	16.1	85,502	20	32,750	6.2	35,340	6.4
Selling expenses	31,642	8.5	36,199	8.5	51,231	9.8	51,715	9.4
Administrative expenses	25,082	6.7	22,968	5.4	25,828	4.9	27,687	5.0
Others	9,380	2.5	558	0.1	2,020	0.4	910	0.2
<b>Total</b>	<b>353,881</b>	<b>95.1</b>	<b>405,022</b>	<b>94.7</b>	<b>501,530</b>	<b>95.6</b>	<b>526,608</b>	<b>95.8</b>

*Source: DOWACO's Audited FS and the Equitization Plan*



Operating expenses consist of COGS, financial expenses, selling and administrative expenses. In the period of 2011-2014, the total cost/revenue ratio was approximately 95% and controlled relatively stably. Therefore, the Company has maintained a stable profit annually.

COGS cover the largest proportion of total operating cost, accounted for 61% to 75% of total revenue. It consists of depreciation, electric power, water treatment cost and labor cost.

Financial expenses mainly comprised of interest expenses and foreign exchange difference. In period of 2011 - 2012, the company loaned so heavy that financial expenses were 2-3 times higher than that figure in 2013. So, financial expense/revenue ratios in 2011 and 2012 were 16% and 20% respectively and decreased to 6.2 % in 2013. This ratio is estimated at 6.4% in 2014.

Selling expenses: maintained stably, ranged from 8.5% to lower than 10% over years, which are mainly labor cost.

Administrative expenses are controlled strictly, remained around 5% of revenue, and in downward trend in 2012- 2013 period. These ratio ranged from 5.4% to 4.9 % of revenue. In 2014, this ratio is estimated at 5% of total revenue.

However, to improve and control the costs more effectively, the company managers have applied measures of quality control in water production and business activities, such as establishing customer data, investing modern equipments to reduce water losses.

#### d. Technology Capability

DOWACO has always focused on in machines and technology to improve water quality and the company's operation. The company has 2 water treatment plants in Nhon Trach and Thien Tan.

- Nhon Trach Water Treatment Plant: This Plant was invested and came into operation in March, 2014 with the most advanced technology from Japan. The plant's capacity is 100,000 m<sup>3</sup>/day.
- Thien Tan Water Treatment Plant: This plan was invested in 2004. The company is bidding for supplying equipments to Thien Tan water plant (phase II). The plant's capacity is 100,000 m<sup>3</sup>/day, run by advanced technology of Korea.

Along with investment in technology, the company also focuses on periodic maintenance for machines and equipment, and on input management.

In addition, the company also invests in softwares, running on the GIS technology, to manage technical systems and customer management.

759  
DNC  
TNE  
CHA  
PN  
DNC  
DA





**e. Water Quality Control And Water Supply Service Control**

For the special features of water, the company must supply water directly to customers, thus quality of water is specially focused by the company.

All water plants have quality control team who are qualified chemical engineers and skilled technicians.

Quality control team, comprising 10 highly qualified environmental chemical engineers and water quality technicians, always follow the operation of the water treatment plants and carefully test water quality to make sure water supplying to customers meet standard.

**f. Marketing Activities**

The company is currently managing the water supply networks in Dong Nai Province where there are not rivals in the water supply segment.

The company mostly introduces and promotes DOWACO water supply services through DOWACO's website and Vietnam Water Supply and Sewerage Association's website.

**Customer Care:** After signing contracts with customers, the company always supplies after sales services, including repair and maintenance services. In some cases, such as water pressure is weak because of blocked old pipes or customers want to change or move water meters, customers shall request the company's after sales services. Right after receiving request from customers, the Company's customer care team will check, survey and repair for customers' need.

In addition, the company supplies other care services to build favourable conditions for customers. For example: in case customers are not at their home/office, the company's employees can not take information on water meter, those information on consumed water volume shall be collected by phone.

**g. Trademark**

The company's Logo:





#### h. Significant contracts which are in progress or signed:

Unit: million VND

No.	Name of contracts	Partner	Duration	Value
1	Contract of supplying tap water to Bau Xeo industry zone	Thong Nhat corp.	From 2005 to present	13,800
2	Contract of supplying tap water to Loteco industry zone	Long Binh Developing Industry zone Ltd.	From 2013 to present	36,300
3	Contract of supplying tap water to Long Thanh industry zone	Sonadezi Long Thanh Ltd.	From 2011 to present	60,000
4	Contract of supplying tap water to Hospital	Metal hospital	From 1997 to present	1,728
5	Contract of supplying tap water to Hospital	Dong Nai Hospital for kids	From 2012 to present	2,112
6	HD Contract of supplying tap water to Hospital	Dong Nai General Hospital	From 2013 to present	1,200
7	Contract of supplying tap water to Tin Nghia industry zone	Tin Nghia Developing Industry zone Corp.	From 2002 to present	12,000
8	Contract of supplying tap water to Bien Hoa 2 industry zone	Sonadezi Long Binh corp.	From 1997 to present	66,000
9	Contract of supplying tap water to Amata industry zone	Amata Corp.	From 2002 to present	49,200
10	Contract of supplying tap water to Ho Nai industry zone	Ho Nai industry zone Corp.	From 2003 to present	14,400
11	Contract of supplying tap water to ChangSinVN Ltd. at Thah Phu industry zone	ChangSinVN Ltd.	From 2007 to present	5,280
12	Contract of supplying tap water to Corporation 28	Corporation 28 Ltd.	From 1997 to present	2,208
13	Contract of supplying tap water to Vietbo JSC.	Vietbo Corp.	From 1997 to present	1,584
14	Contract of supplying tap water to Cooperative	An Hoa Cooperative	From 2005 to present	3,372
15	Contract of supplying tap water to Cooperative	Long Bien Cooperative	From 2007 to present	7,614





No.	Name of contracts	Partner	Duration	Value
16	Contract of supplying tap water to Bien Hoa Steel JSC. (Vicasa)	Bien Hoa Steel Corp. (Vicasa)	From 2005 to present	3,216
17	Contract of supplying tap water to Bien Hoa Sugar JSC.	Bien Hoa Sugar JSC	From 2005 to present	1,980
18	Contract of supplying tap water to Dielac Milk JSC.	Branch of Dielac Milk JSC	From 2006 to present	2,688
19	Contract of supplying tap water to Vina café Bien Hoa JSC	Vina café Bien Hoa JSC	From 2005 to present	1,100
20	Contract of supplying tap water to ULHWA VN Ltd.	ULHWA VN Ltd.	From 2005 to present	3,840
21	Contract of supplying tap water to Hospital	Thong nhât General Hospital	From 2003 to present	1,272

Source: DOWACO

## 10.2 The Company's Financial Situation and Performance In the 3 years prior to equitization

### - Some Indicators in 2011 – 2013 period and estimating for 2014:

Unit: million VND

No.	Indicators	2011	2012	2013	2014 (Estimated)
<b>Produced water volume (m<sup>3</sup>)</b>					
	<i>a) Produced water</i>	75,536,388	77,237,660	83,877,500	89,333,000
	<i>b) Consumed water</i>	54,928,102	56,864,204	61,141,646	67,000,000
1	Total assets	1,762,723	2,336,530	2,440,583	2,690,000
2	Book value of State-owned capital	183,871	311,981	484,087	770,059
3	Short-term debt	130,893	170,053	236,523	232,371
	<i>Therein: Overdue debt</i>	-	-	-	-
4	Long-term debt	1,447,364	1,853,786	1,719,171	1,690,410
	<i>Therein: Overdue debt</i>	-	-	-	-
5	Bad debt	-	150	-	-
6	Number of employees	665	689	723	858
7	Wage Fund	65,151	73,503	79,942	95,753



No.	Indicators	2011	2012	2013	2014 (Estimated)
8	Average income per month for 1 person	8,1	8,8	9,2	9,3
9	Total revenue (*)	371,810	427,666	524,236	549,620
10	Total cost (**)	353,881	405,022	501,530	526,608
11	Earned Profit	17,929	22,644	22,706	23,012
12	Net profit post tax	12,555	17,770	19,364	19,523
13	Ratio of Net profit post tax/State-owned capital	6.8	5.7	4.0	2.5

Source: *Equitization Plan of DOWACO, Audited FS 2011–2013 and FS of the first 6 months/2014*

(\*): *Include Net sales, Financial Revenue and other Revenues.*

(\*\*): *Include Cost of Goods Sold, Selling Expenses, General and Administration Expenses, Financial Expenses and other expenses.*

The specific point of DOWACO's operation is low competition, moreover tap water is a necessary element to domestic and industrial uses. Therefore, DOWACO's performance in 3 years before the equitization grew stably. Revenue and profit is increased year after year.

### 10.3 The factors affect the business operations of the Company

The following factors affected to DOWACO's operation in recent years:

#### a. Advantages

- DOWACO's operation is supported by Provincial Committee, People's Council, Dong Nai People's Committee, local provincial agencies and Sonadezi Corporation and local and central authorities. Therefore, the company always achieves its annual target results.
- The company's Board of Management and employees are experienced, enthusiastic and have passion in water supply segment.
- DOWACO has long history in water segment, so the company is experienced in: building up and developing water supplying network; well managing water supplying system which was equipped many current advanced equipments; reducing water loss ratio; negotiating with big partners; improving water pressure. The company's specialists are high-qualified in managing ODA Loan Projects from negotiation stage, choosing foreign associates, equipment suppliers and contractors.





- Having high value investment plan, such as enlarging water plant, investing in water supplying system, new equipments, etc... which were financed a part by ODA resource together local counterpart fund.
- Annually, the Company is received the State-owned capital for investing in water supplying pipe system to crowded residential areas in the province, that helps reducing the company's capital pressure.

#### **b. Disadvantages**

- Price of tap water is decided by Dong Nai People's Committee, so price adjustment isn't flexible and must be approved by many Departments, while cost of inputs has increased constantly which affects business and manufacture of the Company.
- Some water supplying pipes have been used for about 30 to 70 years and are made of materials, such as: galvanized iron, old cast iron and PVC, which can easily cause high water loss ratio. The Company's current rate of water loss rate is 25.3%. The Company has a plan to change these pipelines, however the main problem is that big capital is needed while the Company's capital is limited.
- The local residential areas in Dong Nai province are scattered over large scale. It will take the company a lot of money to invest in water treatment and distribution system while the Company encounter difficulties in investment sources. Thus, to meet the water demand of local residents, it's necessary to have financial support from State budget to districts and towns so as to develop water supply system.
- The level of knowledge and experience of DOWACO employees is not the same. Management qualification is still unsatisfactory to meet the demand in management and manufacture of the Company.

### **11. The Company's Position compared to Other Enterprises in the Industry**

#### **11.1 The Company's Position in the Industry**

The company has been managing whole of water supplying system in Dong Nai province which there are no rivals in the segment. It's ranked the third in water supplying capacity (after Ho Chi Minh city and Ha Noi) and also be a provincial agency which has many projects using ODA resource.

Some achievements of the company:

- Third Class Labor Medal to Dong Nai Water Supply Company's employees for their excellent performance in 1992 -1996 on development of National Socialism of Vietnam.
- Second Class Labor Medal to Dong Nai Water Supply Co., Ltd's employees for their excellent performance in 2001 -2005 on development of National Socialism of Vietnam.
- Typical Enterprise and Excellent Businessman 2005 granted by Dong Nai People Committee; and other central and local achievements.



In addition, the People's Committee of Dong Nai province held a ceremony to honor prominent enterprises and businessmen in the first time , in 2005, and the company received many awards, certificates of Central and local agencies.

### **11.2 Clean Water Industry's Outlook**

- Dong Nai province is one of key economic regions in the south of Vietnam, hence developing infrastructure including developing water supply system must be given priority.
- Clean water is always necessary for domestic and industrial uses, it is necessary to develop treated water supply network, consumer system for the economic development.
- The concentration of industrial parks and increase of residents from other provinces coming to Dong Nai province have pushed demand of clean water to increase rapidly which require the increased water supply amount.

Therefore, treated water manufacture and supply is very promising because the demand for this service is increasing.

### **11.3 The Appropriateness of the company's development strategy with industry's orientation, State's policy**

To meet the demand of social economic development of Dong Nai province as per water supply planning, the Company is planning to invest in expansion and upgrading the capacity of WTPs, the water supply networks, facilities to increase water volume to meet sufficiently the treated water demand of Bien Hoa city, towns and districts. The company's orientation matches with developing plan of Dong Nai province until 2020 and vision to 2050 as well as in accordance with the development prospect of the segment.





## SECTION III: INFORMATION ABOUT THE COMPANY AFTER EQUITIZATION

### 1. Introduction about the Company after equitization.

#### 1.1. General information about the Company after equitization.

- Vietnamese name: CÔNG TY CỔ PHẦN CẤP NƯỚC ĐỒNG NAI
- English name: DONG NAI WATER JOINT STOCK COMPANY
- Abreviation name :: DOWACO
- Logo:



- Head office: 48, Cach mang thang 8, Quyet Thang ward, Bien Hoa city, Dong Nai
- Telephone: (061) 3843316, Fax: (061) 3847149
- Website: [www.dowaco.vn](http://www.dowaco.vn)
- Email: [capnuoedongnai@dowaco.vn](mailto:capnuoedongnai@dowaco.vn)

#### 1.2. Legal form

After equitization, DOWACO will operate under the form of a joint stock company in compliance with Enterprise Law no. 60/2005/QH11 approved on 29/11/2005

#### 1.3. Expected business activities after equitization.

Business activities of DOWACO still remain unchanged with the following main activities:

- Water exploitation, treatment and supply: Exploitation, treatment to meet demand of urban and industrial uses, distribution of treated water
- Construction: Construction of water supply and drainage facilities, water pumping station, civil and industrial Works.
- Installation and repair services: Water supply system for residential areas and industrial zones.
- Consulting services: design of civil and industrial Works, water supply facilities, water supply system, supporting services of construction, other consulting services.
- Manufacture of specialized mechanical products of water sector.
- Investment on construction of urban and industrial infrastructure
- And other business activities in compliance with Vietnamese regulations.

#### 1.4. Business management organization structure.

Dong Nai Water Joint Stock Company operates under the Company's regulations on organization and operation approved by the shareholder's general meeting which bases on the regulations of Enterprise Law, under the management,



supervision and control by Executive Council, Board of Control and Board of Directors.

- **Shareholder’s general meeting:** This is the highest agency of the Company which includes all shareholders having right to vote or the shareholders authorized to vote.
- **Executive Council:** 07 people for the term of 05 years.
- **Control Board:** 03 people with the term of 5 years.
- **Board of Directors:** 01 Director và 04 Deputy Directors.
- **Chief accountant:** 01 person
- **Specialized Departments, Boards including:**
  - Financial – Accounting Dept (01 cashier): 09 people
  - Admin and Organization Dept: 15 people
  - Technical and Planning Dept: 20 people
  - Water Quality Control Dept: 12 people
  - System Management Dept: 05 people
  - Expert Board: 06 people
  - Internal Control Board: 03 people
  - PMU for Dong Nai Water Supply Projects: 28 people
  - Security Board: 53 people
  - Vehicle Team: 18 people
  - Maintenance and Repair Team: 21 people
  - Labor Union Hotel: 08 people
  - Subsidiaries: 630 people

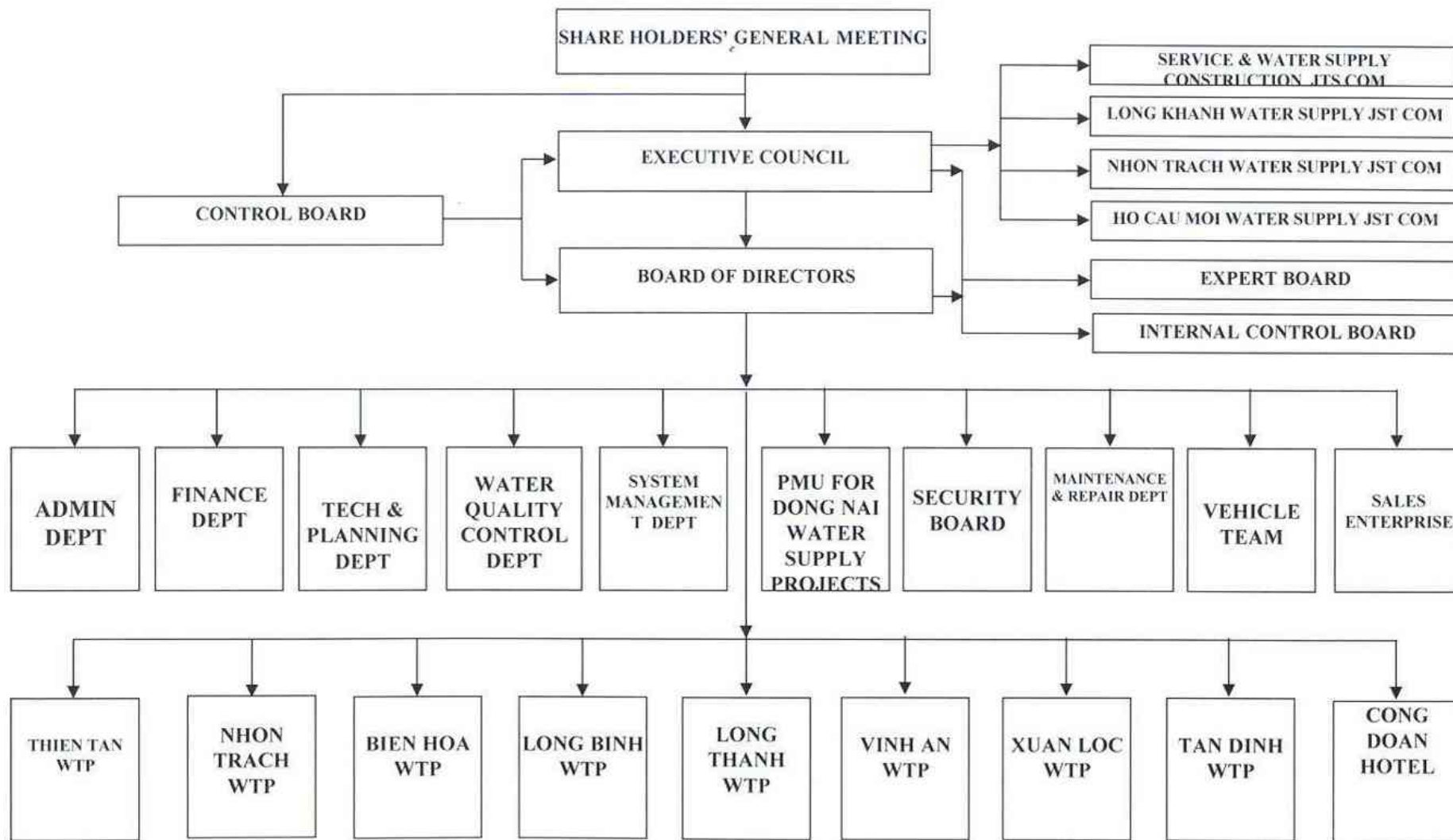
**1.5. Organization structure of the Company after equitization.**

Management mechanism: the principle of mechanism structure is simple, qualified and efficient which secures good performance in managing business and manufacture in the whole Company.





## ORGANIZATION CHART OF DONG NAI WATER JOINT STOCK COMPANY





**2. Investment solution and development strategies of the Company after equitization.**

**2.1. Some key information about investment plan and business development strategy after equitization.**

**a. On going projects and future projects implemented by the Company.**

To meet the demand of economic and social development of the Province, in accordance with water supply planning of Dong Nai province, water demand of the whole Province up to 2020 is 1 million m<sup>3</sup>/day. Thus, timely investment in water supply projects is very necessary.

- Thien Tan Water Supply System phase II with capacity of 100,000m<sup>3</sup>/day: Dong Nai Water Supply Co., Ltd is the Employer. The fund source is from ODA loan from Korean Government and local counterpart fund from Vietnamese Government. It is expected to commence the Works at the beginning of 2015.
- Nhon Trach Water Supply Project Phase II with capacity of 100,000m<sup>3</sup>/day are under consideration for ODA loan by Japan International Cooperation Agency (JICA).
- Gia Tan Joint Stock Company is expected to be founded. In compliance with the letter no. 705/UBND-KT dated 28/08/2009 dealing with structure of state capital of Gia Tan Joint Stock Company, Dong Nai Water Supply Co., Ltd is calling for investors to participate as the founding shareholders for establishment of the Gia Tan Joint Stock Company in the coming time.
- In addition, the Company is conducting expansion projects of water supply network for customers including:
  - + Water supply project for Trang Dai ward, Bien Hoa city.
  - + Water supply project for Buu Hoa ward, Bien Hoa city
  - + Water supply project for Long Binh Tan ward, Bien Hoa city
  - + Water supply project for Tan Phong ward, Bien Hoa city
  - + Expansion project for Vinh An Water Treatment Plant, Vinh Cuu district.
  - + Water supply project for Vinh An town, Vinh Cuu district.
  - + Water supply project for Trang Bom, Trang Bom district.
  - + Expansion project for water supply system of Gia Ray town, Xuan Loc district.
  - + Expansion project for water supply system of Long Hung commune, Bien Hoa city-phase 1.
  - + Water supply system project of Tan Phu town, Tan Phu district.
  - + Water supply system project of Hoa An-Tan Hanh.
  - + Water supply system project of Thanh Phu commune, Vinh Cuu district.
  - + Water supply system project of 4 wards (Bien Hoa city): An Binh, Tan Mai, Tam

101 2023 101  
 P 23 101  
 101 2023 101





Hiep and Tan Hiep.

- + Water supply system project of Long Hung commune, Bien Hoa city-phase 2.
- + Water supply pipeline project from National Highway 51 to Land force Officer Military School 2.
- + Water supply system project of Long Giao town, Cam My district.
- + Water supply system of Thien Tan commune.
- + Water supply pipeline project of Ong Huong hamlet area, Thien Tan, Vinh Cuu district.
- + Water supply system project of 3 communes of Binh Hoa, Tan Binh and Binh Loi, Vinh Cuu district.
- + Water supply system of Vinh Cuu district (capacity of 15.000 m<sup>3</sup>/day).
- + Water supply system of Tri An commune, Vinh Tan commune, Vinh Cuu district.
- + Water supply system of Tam Phuoc commune, Binh Hoa city.
- + Buu Hoa Water Treatment Plant project.
- + Ho Cau Moin water supply system project.

**b. DOWACO will focus on better development of business and manufacture activities after equitization with specific goals.**

- The Company invests and develops water supply systems in accordance with the approved planning by using ODA loan, its own capital, commercial loan, preferential loan, capital mobilized from customers and capital of other investors.
- The Company proceeds the investment projects of the water supply system to supply water to towns, concentrated residential areas, residential areas enjoying preferential policy by using annual state budget granted for districts, towns of the Province to expand water supply areas and to increase entities using treated water.
- The Company invests in increasing the capacity of Water Treatment Plants by expanding, upgrading and applying new technical and scientific advances.
- The Company invests in upgrading water supply systems, reducing water loss to 20% in 2020, to increase the ratio of urban residents who are supplied treated, hygiene water to 99% by 2020.
- To improve qualification in managing water supply systems, application of information technology in state management, distribution system, customer management system, application of form of system management of geographical information system (GIS).
- To efficiently manage the quality of material, equipment, material, finance, man power and application of information technology in management to reinforce service quality to customers, simplify the administrative procedures.



- To establish Long Thanh Water Enterprise to manage and expand customers in this area.
- To newly establish System Control Department to manage the land system (over 100 ha), water loss prevention system, distribution network management by information technology (GIS).
- To reinforce function, duty of some Departments, teams to successfully complete tasks in business and manufacture, Testing Department is changed into Water Quality Control Department, Maintenance and Repair Department is reinforced the function of the maintenance and repair on the network upon application of information technology in management.
- To assist Joint Stock Companies under the Company technical support, fund source, man power so that the Joint Stock Companies can successfully complete their tasks in development and water supply to meet the demand of domestic and industrial uses in Dong Nai province.

**2.2. System of key targets of the planning of business and manufacture in 3 consecutive years after equitization.**

**a. Investment planning**

*Unit: million VND*

No.	TARGET	2015 year	2016 year	2017 year
<b>A</b>	<b>Investment amount for projects</b>	<b>422.632</b>	<b>441.344</b>	<b>388.617</b>
1	Thien Tan Water Supply System (phase 2) capacity of 100.000 m <sup>3</sup> /day	379.632	398.344	366.617
2	Water Supply System of Vinh Cuu district capacity of 15.000 m <sup>3</sup> /day	43.000	43.000	22.000
<b>B</b>	<b>Investment source</b>	<b>422.632</b>	<b>441.344</b>	<b>388.617</b>
1	Thien Tan Water Supply System (phase 2) capacity of 100.000 m <sup>3</sup> /day	379.632	398.344	366.617
	- ODA loan fund	342.432	342.432	158.688
	- Credit loan	37.200	55.912	207.929
2	Water Supply System of Vinh Cuu district capacity of 15.000 m <sup>3</sup> /day	43.000	43.000	22.000
	- Fund from selling stocks	43.000	43.000	22.000

*Source: DOWACO Equitization plan*





- Thien Tan Water Supply System (phase 2) capacity of 100.000 m<sup>3</sup>/day is funded by ODA loan of Korean Government (41 million USD) and local counterpart fund (20 million USD). Duration for investment implementation is 3 years of 2015, 2016 and 2017. It is expected to be put into operation in 2018 to supply water for residential areas and industrial areas in Bien Hoa city and Trang Bom district. Time for capital recovery is 12 years from the Plant being put into operation.
- Water Supply System of Vinh Cuu district with capacity of 15.000 m<sup>3</sup>/day is funded from the source of VND 102.128.000.000 (one hundred and two billion one hundred twenty eight million VND) upon issuance of more stocks. Duration for investment implementation is 3 years of 2015, 2016 and 2017. It is expected to be put into operation in 2018 to supply water for residential areas and industrial areas in Vinh Cuu district. Time for capital recovery is 12 years from the Plant being put into operation.

#### b. Planning for business and manufacture.

Based on the result of business and manufacture in the 5 year-period of 2008-2013 and previous years as well as current economic situation in the country and the world, orientation of economic-social development in Dong Nai province in the period 2010-2020, development strategy of the Company after equitization, the Company prepares the plan for business and manufacture in the period of 2015 – 2017 with the following targets:

Targets	Unit	2015 year	2016 year	2017 year
1. Charter capital	Million VND	1.000.000	1.000.000	1.000.000
2. Total number of labor	person	883	925	969
3. Total salary budget	Million VND	100.232	110.296	121.312
4. Average income of 1person/month	Million VND	9,4	9,9	10,4
5. Total revenue	Tr.d	653.450	722.350	794.200
6. Total cost	Tr.d	569.450	618.350	672.200
7. Profit	Tr.d	84.000	104.000	122.000
8. Dividend rate	%	5	6	7

*DOWACO Equitization plan*



### 3. Charter capital and structure of charter capital

#### 3.1. Charter capital

Charter capital: 1,000,000,000.000 VND.

Value : 10,000 VND/stock with structure as follows :

No	Share holders	Quantity (stock)	Stock amount	
			(million VND)	Ratio %
<b>I</b>	<b>State</b>	<b>64.000.000</b>	<b>640.000</b>	<b>64,00%</b>
<b>II</b>	<b>Stocks to sell outside</b>	<b>36.000.000</b>	<b>360.000</b>	<b>36,00%</b>
1	Stocks to sell with preferential price to the staffs.	2.846.400	28.464	2,85%
2	Stocks to sell to strategic investors	15.000.000	150.000	15,00%
3	Stocks to sell to public on Ho Chi Minh city stock exchange.	18.153.600	181.536	18,15%
<b>Total</b>		<b>100.000.000</b>	<b>1.000.000</b>	<b>100%</b>

#### Limitation of stocks held by foreigners.

In compliance with Decision no. 55/2009/QĐ-TTg dated 15/04/2009 issued by Prime Minister regarding the ratio of stocks held by foreign investors upon participation into Vietnamese stock market, the maximum ratio of stocks held by foreign entities is 49% of the total stocks of the public Joint Stock Company.

Number of stock selling by auction through Ho Chi Minh City stock exchange is 18,153,600 stocks.

In case, total of 18,153,600 stocks is auctioned successfully and purchased by foreign investors. Then, possession ratio of foreign investors at the Company is 18.15% of charter capital which still secures the compliance with the Government regulation on stock ratio of not over 49% possessed by foreign investors.

#### Plan to increase/decrease charter capital after successful transformation to the Joint Stock Company.

In 3 years after equitization (2015-2017), the Company plans to maintain the charter capital level of 1,000 billion VND as same as those upon equitization.





#### 4. Expected risks

##### 4.1. Economic risks

The local economic stability and strength in the country and the world as well is the significantly important and necessary to the business activities of enterprises in general and to Dong Nai Water Supply Co., Ltd in particular.

During the past years, as the global financial crisis and economic depression has affected strongly to the world and Viet Nam economy, GDP growth rate of Viet Nam is reduced compared to those in the period before 2008. Specifically, the growth rates of 2011, 2012 and 2013 are 5,9%, 5,0% and 5,4% respectively, from which the average growth rate of 3 years of 2011-2013 achieved 5,4%. Due to effects from the world economy, the number of the foreign investors coming to Dong Nai province is not high affecting the business and manufacture activities of enterprises in industrial zones who are our customers.

However, the Company's business activities of treated water supply is the essential product to local residents and industrial zones. Thus, though macro economic situation is not favourable, the extent of its effect to business activities of the Company is not high.

##### 4.2. Risks regarding Law and regulations

Business and manufacture situation of the Company shall be also governed by various legal documents such as Enterprise Law, Environmental Protection Law, Water Resource Law and Tax Law...

Vietnamese Law system and sub-law documents are still under finalization. The change of policy especially, investment policy, policy on foreign labor at Viet Nam may occur which affects more and less the business situation of the Company because there are foreign experts participating into construction of water supply projects in Dong Nai province.

However, if Vietnamese policy, law system are promulgated synchronously, closely and scientifically in compliance with actual situation of Viet Nam and international customs, it will facilitate to attract foreign investment source to Viet Nam to boost the business and manufacture activities of Viet Nam in general and of the Company in particular.

##### 4.3. Risks from specialized sector:

###### a. Risk from exploitation of natural water source

Raw water, the incoming material to produce treated water, is exploited from Dong



Nai River which may be affected by 2 different seasons namely dry and rainy season. DOWACO may encounter risk upon the change of water source due to natural conditions. The change of quality and flow of raw water may tremendously affect the water treatment process.

Industrial and agricultural manufacture activities are rapidly developing resulting in the risk of high pollution of water source. Specifically, some individual manufacturing plants have not equipped with proper waste water treatment system, many chemicals such as fertilizer, pesticides are used in agricultural activities causing risk of water source pollution especially the illegal sand exploitation in river and at water source protection area which cause the most risk of high pollution.

In recent years, due to uncertain change of weather, the dry season is extended resulting in the sea water encroachment thus it may affect the raw water source exploited by the Company to produce treated water to supply customers.

To prevent the said risks, the Company has equipped the state-of-the-art facilities to treat water as well as to carry out the water treatment sequence to secure treated water quality for supplying customers and residents. Therefore, it affects the cost of manufacture and operation efficiency of business and manufacture activities of the Company.

#### **b. Risk of treated water loss**

The ratio of treated water loss of current water supply facilities is 25,3%. Leakage water is divided into 2 kinds: visible leakage (overflowing on land) and invisible leakage (under draining, flowing into the drainage sewer system, pipeline through bridge and stream...). Thus, the water loss control encounters many difficulties.

The repair of visible leakage point is carried out promptly. For underground leakage, it is necessary to have plan to detect and repair.

These water leaked points remains for a long time and water loss amount from these leakages accounts for tremendous amount. Moreover, if these leakages are not detected and repaired systematically, it will result in more serious leakages and more water loss amount which will affect the treated amount supplying to the customers.

The development of technical, traffic, urban infrastructure also affects significantly the water loss. During construction, upgrading and new construction of road routes, existing pipeline network are broken resulting in water loss.

As awareness of some residents is still low, they have some actions such as hacking and breaking the pipelines and using water without payment. Some equipment, fittings on network is still not synchronous, unsatisfactory which also affect the water loss amount.





The water management, distribution and customer management is still simple and information technology has not been applied in customer management. Thus, it also affects the water loss rate.

The Company has reinforced the network and customer management as well as to raise local resident's awareness about water saving and water source protection and closely coordinate with agencies who construct technical, traffic and urban infrastructure to minimize the water loss during construction so as to reduce the water loss rate.

#### **4.4. The risk from the selling.**

Vietnamese stock market in the first 9 months of 2014 has recorded a relatively high point increase. In over 9 months of beginning 2014, VNIndex has increased by 24.9% from 504,6 points (31/12/2013) to 630.3 points (15/09/2014). The main cause is from the local macro economy which is still suffered from difficulties but gradually stabilized and the inflation is gradually controlled, the interest rate level is constantly adjusted in the declined direction... which are strong points attracting investors to come back to the Vietnamese stock market.

The DOWACO's first selling of stocks to public will depend on the situation of the stock market at the auction time, interest of the investors as well as the attractive feature of stocks of the Company. Thus, the risk of not selling all the expected number of stocks is possible.

#### **4.5. Risk of exchange rate.**

For investment projects with ODA loan fund, the exchange rate has been fluctuated in recent years which causes the difference in foreign exchange rate with the adverse trend to the Company. This risk is out of control of the Company.

#### **4.6. Other risks**

Business activities of the Company may be affected by many other risks such as political and social unrest in the world, war, epidemic... which weaken the markets and destabilize potential markets. These risks may affect directly and indirectly the business activities of the Company.



## SECTION IV: INFORMATION FOR SELLING

### 1. The sale and payment methods of shares purchase

According to the approved equitization plan, the offered subjects and the sale methods are summarized in the following table:

No.	The offered subjects	Price	Quantity for sales	%/new Charter Capital (*)
1	Employee		2,846,400	2.85%
1.1	<i>According to the criteria of seniority</i>	<i>By 60% of the lowest successful bid price of the public auction</i>	806,900	0.81%
1.2	<i>According to working commitment</i>	<i>By the lowest successful bid price of the public auction</i>	2,039,500	2.04%
2	Strategic investors	According to the provisions of the sale price for Strategic Investors	15,000,000	15.0%
3	Investors participating in the auction	Starting price of the auction: 10,100	18,153,600	18.15%
	<b>Total</b>		<b>36,000,000</b>	<b>36.0%</b>

(\*): After equitization the new charter capital of the Company is 1,000 billion VND.

Details:

#### 1.1. For the Employees:

##### a. Quantity and price:

- The employees' shares are purchased in accordance the criteria of seniority

According to the provisions of Paragraph 1, Article 48 of Decree No.59/2011/NĐ-CP dated July 18, 2011 issued by the Government regarding transfer of business with state owned capital of 100% into joint-stock companies, in this case the price of shares for employees is: *"The employees presented in the regular list of the company at the time of announcement of equitized enterprise value are purchased a maximum of 100 shares per year for practical work in the State Sector with the sales price by 60% of the lowest successful bid price of the public auction (in the case of prior public auction) or by 60% of the lowest successful price for strategic investors (in the case of prior selling to strategic investors).* Details:

- Total number of employees included in the list of company employees in June 30,





2014 (at the time of Dong Nai Province People's Committee announced enterprise value of Dong Nai Water Supply Co., Ltd for equitization) is: **837 persons;**

- Total number of employees who have permission to purchase in accordance with the criteria of working seniority in the State Sector is : **704 persons;**
- Total number of working years of the whole employees who have permission to purchase in accordance with the criteria of working seniority in the State Sector is: **8,069 years;**
- The quantity of shares sold to the employees in this form is **806,900 shares;** make up **0.81%** of the charter capital of the Joint-Stock Company.
- Time for selling shares to the employees: Implementation of selling shares to the employees will be done after holding the public auction.

**The price:** is 60% of the lowest successful bid price of the public auction because the Company conducts the public auction prior to selling shares to the strategic investors.

- The employees' shares are purchase in accordance with commitment of long term employment in the joint-stock company

According to the provision of Paragraph 2c, Article 48 of Decree No.59/2011/NĐ-CP dated July 18, 2011 issued by the Government regarding transfer of business with state owned capital of 100% into joint-stock companies, in this case the price for the employees is: *"The preferential share price for the employee to purchase are regulated at Point b, Paragraph 2, Article 48 of Decree No.59/2011/NĐ-CP dated July 18, 2011 issued by the Government, it is identified as the lowest successful bid price (in the case of prior public auction) or the lowest successful price for the strategic investors (in the case of prior selling to strategic investors)"*.

- 800 employees of DOWACO registered to purchase in accordance with this form. The quantity of shares sold to the employees in this form is **2,039,500 shares;** make up **2.04%** of the charter capital of the Joint-Stock Company
- Time for selling shares to the employees: Implementation of selling shares to the employees will be done after holding the public auction.

**The price:** is the lowest successful bid price of the public auction because the Company conducts the public auction prior to selling shares to the strategic investors.

#### **b. Payment methods:**

- The employee shall register to purchase at DOWACO and pay directly to DOWACO's escrow account.
- The planned purchase time: In October 2014
- The information of the escrow account:



**Name:** DONG NAI WATER SUPPLY CO., LTD

**Account Number:** 10201-000204404-6

**At: Vietnam Joint Stock Commercial Bank for Industry and Trade – Dong Nai Branch**

- Payment Period: within 10 days from the date of registration

### 1.2. For the strategic investors:

#### a. Quantity and price:

Total number of proposed shares sold to the strategic investors is **15,000,000 shares**, make up **15%** of the charter capital of the Joint-Stock Company.

The sale of shares to the strategic investors is selected in the following methods:

- In the case, a maximum of 3 strategic investors registers to purchase shares, if the maximum registered shares quantity of strategic investors is the same as the number of shares selling to the strategic investors, Equitization Steering Board will discuss the number of sold shares, the price, then submit to Dong Nai People's Committee for approval or make decision as authorized by Dong Nai People's Committee.
- In the case, a maximum of 3 strategic investors registers to purchase shares, if the registered shares quantity of the strategic investor is more than the number of shares selling to the strategic investors or if there are more than 3 strategic investors registering to purchase shares, the auction shall be hold between the strategic investors

**The price:** The strategic investors will be selected when the quantity of shares will be sold sufficiently basing on the purchased price from high to low and the lowest successful bid price of the auction is not lower than the starting price approved by Dong Nai People's Committee (in the case of sale to the strategic investors before selling in the public auction) or not lower than the lowest successful bid price of the public auction (in the case of sale to the strategic investors after selling in the public auction).

- b. Payment methods:** The strategic investors shall pay a deposit of 10% of shares which is registered to purchase under the starting price approved by Dong Nai People's Committee. If the investors give up the right to buy, they may not get back the deposit.

### 1.3. For the investors participating in the auction:

#### a. Quantity and price:

- The share quantity sold to the investors participating in the auction is: **18,153,600 shares**, make up **18.15%** of the charter capital.





- **The starting price: 10,100 VND.**
- Pursuant to determine the starting price:
  - + Documents of enterprise valuation of DOWACO are prepared by Dong Nai Price Evaluation Joint Stock Company.
  - + Revision of the starting price determined report of BVSC Consultant Agency.
  - + The situation of the stock market of Vietnam and the world as well as other affecting factors at the time of the public auction holding.
  - + Subjects: individual investors, local and abroad institutional investors under regulations of the law (As regulated at Article 6 of Decree No.59/211/NĐ-CP dated July 18, 2011 issued by the Government).
- b. Payment methods:** Under the provision of the initial public offering (IPO) shares auction Regulations promulgated by HoChiMinh Department of Stock Exchange.

## 2. The use plan of the proceeds from equitization

Based on the characteristics and the actual situation, the Enterprise choose equitization form in accordance with Paragraph 2, Article 4 of Decree No.59/211/NĐ-CP dated July 18, 2011 issued by the Government regarding transfer of business with state capital of 100% into joint-stock companies “*Selling a part of state owned capital and additional issuance of shares to increase the charter capital*”.

Total expected proceeds from the sale of shares: 360 billion VND, of which

- Submission to the parent company (by selling the state owned capital): 88 billion VND.
- The amount is expected to be retained by DOWACO: 272 billion VNĐ.

Based on Decision No.2744/QĐ-UBND dated June 30, 2014 issued by Dong Nai People’s Committee regarding approval of equitization plan and transfer of Dong Nai Water Supply Co., Ltd into joint-stock companies, under which, the actual value of the state owned capital at the time of December 31<sup>st</sup>, 2013 is 727.87 billion VND and the new charter capital of the company after equitization is 1,000 billion VND. Thus, **the amount of additional issued IPO shares used by DOWACO is 272.13 billion VND.** This amount is used to repay the budget’s advance payment (central and local) carrying out the investment projects: 170 billion VND. The remaining amount is used for development of the Company after equitization: 102.13 billion VND.



The money use plan is summarized as follows:

Unit: Billion VND

The charter capital after equitization.	1,000
Of which:	
<i>The state owned capital</i>	727.87
<i>The amount of additional issuance</i>	272.13
<b>Proceeds from equitization</b>	<b>272.13</b>
Use for:	
<i>Repayment of the budget's advance payment</i>	170
<i>Additional investment in Vinh Cuu water supply system (*)</i>	102.13

Source: Equitization Plan of DOWACO

(\*): The amount of additional issuance is expected to use for Vinh Cuu water supply system with capacity of 15,000m<sup>3</sup>/day. Investment period is 3 years (2015, 2016, 2017). It is expected that this system will be operated for supplying water to residential areas and the industrial zone in Vinh Cuu District in 2018.

### 3. Conclusion

The information disclosure is provided for the purpose of help the investors in evaluation of the assets, financial condition, results and business prospects of DOWACO before registering to purchase shares.

The information disclosure prepared on the basis of the audited (or reviewed) information and figures which was provided by DOWACO and adopted by SONADEZI ensuring openness, transparency and legal rights of the investors.

We recommended that the investors should refer to the information disclosure before deciding to participate in the auction to purchase DOWACO's shares.

Sincerely Yours,







Dong Nai, ...October...9....., 2014

**ON BEHALF OF THE EQUITIZATION STEERING BOARD  
OF DONG NAI WATER SUPPLY CO., LTD**



*[Signature]*  
**DO THI THU HANG**

**DONG NAI WATER SUPPLY CO., LTD  
DIRECTOR**



*[Signature]*  
**PHAN HUNG**