

TAN THUAN EXPORT PROCESSING ZONE

No.1 INDUSTRIAL ZONE IN ASIA



ISO 9001

TAN THUAN CORPORATION

A STABLE ENVIRONMENT FOR INVESTORS: TAN THUAN EXPORT PROCESSING ZONE



The Doi Moi reform policies of 1986 were a watershed in Vietnamese economic history. These bold reforms, and the many that followed, have allowed the Vietnamese people to reach their true potential. Key economic indicators have steadily improved and during the recent economic crisis only the Vietnamese economy weathered the storm with little change of either exchange rates or inflation. Now that investors are once again warming to Southeast Asia, Vietnam's prospect for strong economic growth are excellent. Of course, Vietnam is still an economy in transition, despite its rapid progress towards building a modern market economy.

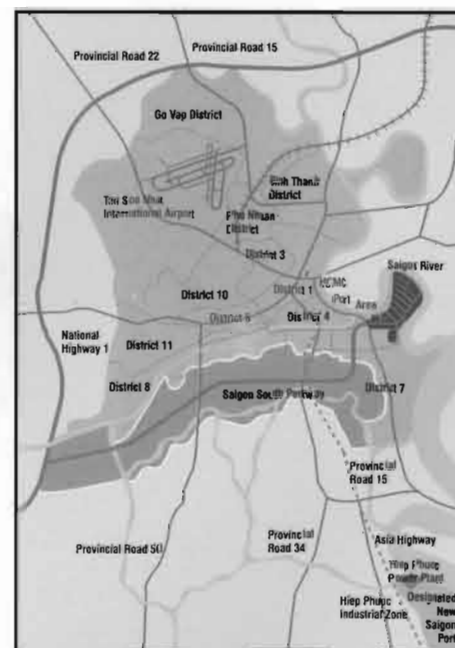
Wise investors want to cash in on Vietnam's tremendous opportunities without taking on unnecessary risk caused by fiscal and legal reforms. That is why the Tan Thuan Export Processing Zone (TTZ) has been so successful.¹ Tan Thuan offers a safe haven for investors, shielding them from the risks associated with investing in a developing economy. Manufacturers benefit from a work environment similar to more developed countries, including excellent

infrastructure and a range of international-standard facilities. The Zone's management has also negotiated generous tax benefits and streamlined licensing procedures to help investors maximize profits and minimize delays.

The Zone is managed by the Tan Thuan Corporation (TTC) - a joint venture between the Tan Thuan Industrial Promotion Corporation (IPC), and Central Trading & Development Group (CT&D).² In just nine years since its groundbreaking, the Zone is more than 70% full and has developed a reputation for excellence in Vietnam and abroad.

1. In May 1995, TTZ was invited to join the World Economic Processing Zones Association (WEPZA), and became the first member from Vietnam.
2. In February 1997, Vietnam Prime Minister Vo Van Kiet awarded TTZ an award for its accomplishments, a first for any foreign invested corporation.
3. In May 1998, the National Assembly President awarded TTZ the Labor Award.
4. The People's Committee of HCM City awarded TTZ a certificate for Best Landscaping Unit.
5. In September 1999, Corporate Location Magazine rated the TTZ as the best industrial zone in the Asia Pacific region.
6. In October 1999, the TTZ was granted ISO 9002 certification and in August 2001 TTZ received ISO 9001 certification, the first and only industrial zone in the world to be certified.

The Zone was highly recommended in the EIU's³ Vietnam 3rd Quarter Country Report (1999) for its complete infrastructure and its protection for foreign investors from the complicated licensing procedures. TTZ was rated the number one manufacturing location in "100 Practical Guidelines for Doing Business in Vietnam," published in *International Business Lawyer*.⁴



Map of Ho Chi Minh City

1. An Export Processing Zone (EPZ) is a free-trade industrial area in which investors are granted unique tax benefits and other financial incentives. Governments in rapidly developing countries often use EPZs to promote and accelerate investment in and exports from their country. In October 1991, the Vietnamese government announced Decree No. 322/HDBT to govern the establishment, management, and operation of EPZs. On November 25, 1991, in accordance with this statute, the Chairman of the Council of Ministers signed Decision No. 394-CT to establish Tan Thuan Export Processing Zone, the first EPZ in Vietnam.

2. IPC is a company of the HCMC People's Committee. CT&D Group, headquartered in Taipei, is a consortium of international companies. It has branch offices in Vietnam, and agents in Japan, Korea, the United Kingdom, and the United States.

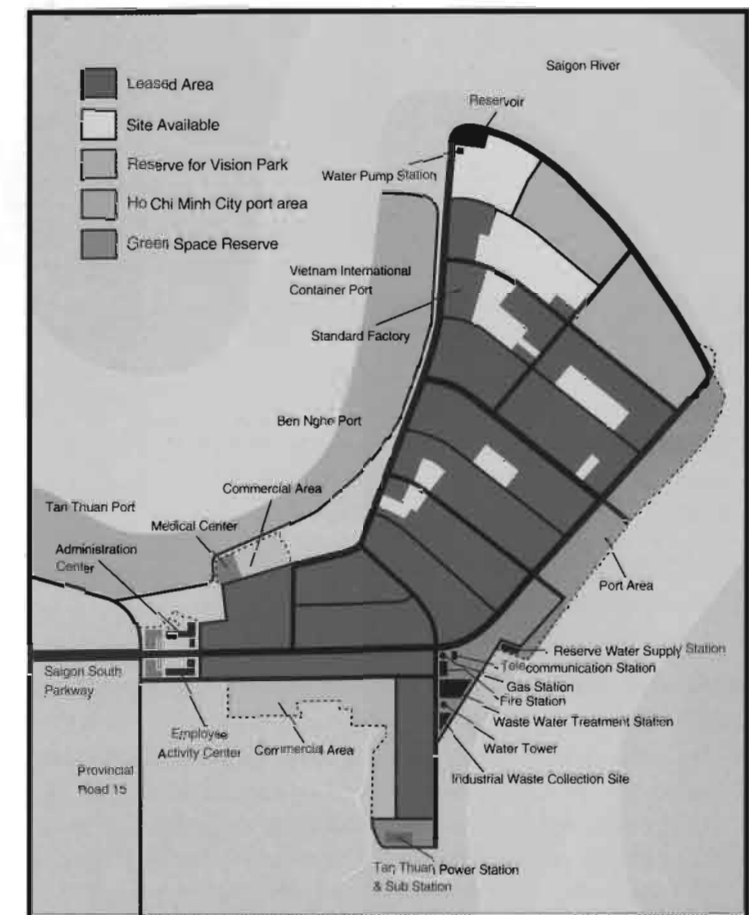
3. The Economist Intelligence Unit is an independent international organization that specializes in research related to politics and economics. It has operated for forty years and is well known for the keen judgment of its researchers.

Ho Chi Minh City An Engine for Growth

HCMC has long been the center of Vietnam's economic development. The City is blessed with abundant natural resources and a well-developed infrastructure. Today the city is expanding southward in a series of well-planned developments that include: Saigon South⁵, (which is rapidly becoming home to 500,000 people); the new Saigon Port, for ships of up to 50,000 tons; Hiep Phuoc Power Plant⁶, producing over 50% of the City's power demand; Hiep Phuoc Industrial Zone, the region's only heavy industry zone; TTZ, providing employment for 100,000 workers.

These major projects are helping to modernize HCMC and make it one of Asia's major cities. TTZ's location is perfect for firms that wish to capitalize on the exciting changes now underway in the HCMC area. It's the best opportunity to join in the first stages of the creation of a new Asian economic powerhouse.

As of July 2001, TTZ had 152 committed investors and 103 operating companies, including firms such as Gunze textiles, Tatung ceramics, Askey computers, Futaba electronics, Chainxen steel, Juki industrial sewing machines, Dai Tan (Dah Hsin) Industrial, Nidec Tosok precision small motors and parts, Furukawa, Taiwan Pulp & Paper; 69 companies have increased investment capital and expanded factory sites.



Site Map of TTZ



Back-up generators



Hiep Phuoc Power Plant

4. Irwin Jay Robinson, "100 Practical Guidelines for Doing Business in Vietnam," *International Business Lawyer* (October 1996), #53. Mr. Robinson is a partner at Philips, Nizer, Benjamin, Kohn & Ballon LLP, New York. He is also the chairman of the Vietnam Chamber of Commerce for New York.

5. Saigon South is a 3,300 hectare (ha) urban development project masterplanned by the Phu My Hung Corporation. It is currently operating in Phase One of its master plan.

6. Hiep Phuoc Power Plant, another project of the CT&D Group, is located 20 kilometers south of TTZ, inside the Hiep Phuoc Industrial Zone. Planned output capacity is 675 megawatts, to be augmented on demand. Current output is 375MW.

7. Saigon South Parkway is the major access road for Saigon South and the first link between HCMC ports and National Highway 1. The first two lanes were complete and open to traffic in 1997. The Parkway is an investment project of the Phu My Hung Corporation.

HARDWARE ADVANTAGES

AN IDEAL LOCATION

The TTZ's 300 hectares in HCMC's District 7 are on a peninsula entirely surrounded by the Saigon River. TTZ is only 4 kilometers from the current city center in District 1, and is equally close to the large talented workforce pool in Districts 4 and 5. The Saigon South New City Center Urban Development is just south of TTZ, less than a five minute ride by car. The New City Center provides expatriates with comfortable housing and a full range of recreation, education, and leisure facilities. Thus, the TTZ provides not only complete industrial infrastructure, but its unique location also provides investors a stable and comprehensive living environment - all just minutes from the heart of Saigon.



Aerial photo of the Zone

TRANSPORTATION FACILITIES

TTZ's ideal location gives manufacturers access to a complete transportation network, which facilitates transportation and translates into substantial savings on inland freight charges.

Water Transport

Just one block to the west of TTZ is the HCMC port area, with complete facilities for handling ships up to 20,000 dwt. Immediately adjacent to TTZ is the Ben Nghe Port, one of the largest container ports in the city, with a capacity of 200,000 containers per month. The VICT Container Port, a joint venture between Japanese, Singaporean and Vietnamese companies, can be directly accessed from the Zone. The proximity to the port area translated into substantial savings on inland shipping costs, as well as reduced costs due to time delays. Currently, container traffic on the roads to the port area is restricted to certain times of the day, and there are many traffic jams; thus investors in the TTZ can save much time as the TTZ is located adjacent to the ports, thus making it easily accessible. In addition, TTZ will build a container port on the southeast side of TTZ.

Land Transport

The TTZ's central location makes land transportation extremely convenient. Provincial Road 15 runs north from the TTZ to downtown HCMC. The CT&D Group, in cooperation with the Government of Vietnam, has built the Saigon South Parkway.⁷ This vital link is currently a 2 lanes, 17.8 kilometers long highway, connecting the TTZ to National Highway 1 - Vietnam's only North / South Highway. Highway 1 also grants access to the resource rich Mekong Delta and highland provinces. Fully built out, the Parkway will be a 10-lane, 120-meter wide, high-speed roadway.

Air Transport

TTZ is located only 13 kilometers (30-minutes) from the Tan Son Nhat International Airport, the largest airport in Vietnam.

INFRASTRUCTURE FACILITIES

Fully integrated infrastructure works ensure manufacturers a reliable and stable work environment.

Electricity

The Hiep Phuoc Power Plant (HPPP) supplies high quality, reliable power to the TTZ. HPPC's first phase is composed of 3x125MW oil-fired thermal generators, over 50% of the power demand of HCMC. Back-up generation facilities include diesel generators on site at the TTZ.

Water

To ensure TTZ a sufficient supply of water, the HCMC Government has built a pipeline from the Thu Duc Water Plant. It supplies 35,000 cubic meters of water per day to TTZ. Output can be increased to meet the demand of manufacturers. TTZ's reserve water supply station can supply 2,000 cubic meters per day when needed.

Telecommunications

Currently 2000 phone lines are available. Private postal services (DHL, Federal Express) are also available.

Public Facilities

A comprehensive network of roads and sewer systems has been planned to maintain a smooth traffic flow within TTZ. Land leveling was completed in 1996, followed by civil works that included compacting procedures to provide a strong foundation for all buildings constructed in TTZ. Utilities such as drainage, sanitation, waste processing and flood protection have been completed. Additional facilities, including an administration building, a bank, security office, fire station, health clinic, waste water treatment plant are in operation; container port, warehouse and industrial disposal process station are currently under construction. In addition to all these, TTZ plans to build an air cargo transfer station near Tan Son Nhat International Airport for use by all investors. Imports and exports will be spared unnecessary delays and administrative hassles by customs clearance at port or airport.

Finally, TTZ has embraced the natural environment and has a substantial amount of green space, to preserve and create as much natural beauty as possible.

STANDARD FACTORY

To serve smaller investors, TTZ has standard factory buildings available for purchase. The buildings are three stories high with ceiling height of 4 meters, each floor has 2 units, and each unit is 1,680 square meters. The standard factory minimizes start-up time while providing facilities appropriate to small-scale manufacturers. (For further details please refer to the standard factory brochure).



Vietnam International Container Port is right next to TTZ





Secretary General of Vietnam Communist Party Nong Duc Manh visits the Zone



Prime Minister Phan Van Khai Visits the Zone



Mr. Vo Van Kiet, former Prime Minister of Vietnam has visited TTZ several times

INSTALLMENT PLAN

The legal and banking systems in Vietnam currently are not clear regarding using land as collateral, installment payments, or other financing schemes, thus investors are unable to get financing. Only the TTZ offers financed leases. Under the current installment payment plan, investors will receive their land after having paid 50% of the total land rental cost. The remaining 50% balance is then paid over 5 years in ten equal six-month installments at an annual interest rate of 8.5% (Please contact a TTZ marketing representative for further details.)

FINANCIAL INCENTIVES FOR INVESTMENT

TTZ offers investors a wide range of incentives to participate in its unique approach to doing business in Vietnam.

Land Use

A 50-year investment period is available and is subject to renewal after expiration. Investors are entitled to transfer right of land use to a third party.

Tax Benefits

- For manufacturing-related enterprises, a four-year tax holiday beginning from the first profitable year and a fifty (50) percent reduction for a further period of four (4) years, with a 10% corporate profit tax thereafter. Compare to a tax holiday of only two years and a tax rate of 10% to 15% for joint ventures or enterprises outside TTZ.
- For service-related enterprises, a two-year tax holiday and a corporate profit tax rate of 15%.
- No import duty on machinery, equipment and material. No export duty for overseas items.
- As an incentive to reinvest, refunds are available for taxes previously paid on profits that are later reinvested in Vietnam for at least three years.
- Although TTZ is an export zone, some items can be sold for domestic consumption, upon approval. However, such items may be subject to import duties, in compliance with Vietnam's current regulations.
- Profits made in the zone may be repatriated subject to a 3% tax. Outside the Zone, repatriation rates are as high as 5% to 10%.
- VAT of 0%.

Other Benefits

- Investors in the garment and textile industries enjoy the same treatment on quota allocations as investors outside the Zone.
- Investors are free to control their own production and operation.
- Within the Zone, business may be transacted in currencies other than Vietnamese dong.
- Manufacturers may negotiate wages and benefits directly with labor, and can enter into labor contracts.

SOFTWARE BENEFITS

"One-Stop" service

The Ho Chi Minh City Export Processing and Industrial Zones Authority (HEPZA) brings together all relevant agencies to make investing easy. HEPZA expedites all of the following applications:

- Investment licenses
- Construction permits
- Operation licenses
- Import/export licenses, certificates of origin

Joint Service Center

To further assist enterprises in the zone, the TTC and HEPZA formed the Joint Service Center to assist with license applications and related matters.

Professionals at the Center work with investors on preparing applications, translating documents and any other investment-related issues. Applications handled by the Joint Service Center receive licenses in an average of one month, some as fast as ten days.

Additional Benefits

In order to provide a fully integrated investment environment, TTZ is committed to establishing international-standard services, including:

- Investment consulting
- Management consulting
- Accounting and auditing
- Insurance consulting
- Transportation
- Customs Clearance
- Labor recruitment and training consulting
- Factory design and construction
- Warehousing
- Sanitation



Some pictures in Saigon South



Fire Station



Waste Water Treatment Station



Standard Factory



Japanese manufacturer in the Zone

300ha
 108 usd/ha
 4/4
 - Gravel
 - Bicycles
 - Scrap/needed
 - Light infection
 152-47
 729 occupants
 502 down payment
 8.58 per year
 A COMPARISON
 TW/JP/US/UK
 Home Products Company
 Skiff
 → Value: Jewellery
 Public Facilities
 Public maintenance fee
 0.049 usd/ha
 (10 years)
 0.37/total exp
 value

	Inside TTZ	Outside TTZ
Administration	HEPZA provides "One-Stop" service for licensing approval within 1 month	Complicated process, which sometimes lasts for years
Tax Structure for Manufacturers	4-years tax holiday after first profitable year; further 4 years at 50% reduction; 10% profit tax thereafter	2-year tax holiday after first profitable year; 15% to 25% profit tax thereafter
Land Tax	None	Tax levied according to land category, size, and location
Remittance tax	3%	5% - 10%
Public Facilities	Well-planned, secure and guaranteed	Must provide own facilities, often requires large capital investment
Power Supply	Dedicated power plant, independent and self-guaranteed power supply; back-up power generation at the Zone	Inadequate supply; unstable and unreliable 30-145-1220 / 50kw 380V/100m
Transportation	Land: Complete road system; Saigon South Parkway will connect to National Highway 1 Sea: Less than 30 meters from HCMC port area Air: Half hour drive from Tan Son Nhat International Airport	Inconvenient; Expensive; incurs high inland freight charges
Labor	Introduced through HEPZA for a nominal fee to ensure workforce quality	Subject to provision via labor agency for monthly commission
Value Added Tax	0%	VAT of 10%
Raw Materials Import	No need to verify the materials imported	Verification needed

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100 pmt / clearance → township

A COMPARISON

	Inside TTZ	Outside TTZ
Administration	HEPZA provides "One-Stop" service for licensing approval within 1 month	Complicated process, which sometimes lasts for years
Tax Structure for Manufacturers	4-years tax holiday after first profitable year; further 4 years at 50% reduction; 10% profit tax thereafter	2-year tax holiday after first profitable year; 15% to 25% profit tax thereafter
Sales Tax	None	Tax levied according to item type; rates up to 40%
Land Tax	None	Tax levied according to land category, size, and location
Remittance tax	5%	5% - 10%
Public Facilities	Well-planned, secure and guaranteed	Must provide own facilities, often requires large capital investment
Power Supply	Dedicated power plant, independent and self-guaranteed power supply; back-up power generation at the Zone	Inadequate supply; unstable and unreliable
Transportation	Land: Complete road system; Saigon South Parkway will connect to National Highway 1 Sea: Less than 30 meters from HCMC port area Air: Half hour drive from Tan Son Nhat International Airport	Inconvenient; Expensive; incurs high inland freight charges
Labor	Introduced through HEPZA for a nominal fee to ensure workforce quality	Subject to provision via labor agency for monthly commission
Value Added Tax	None	VAT of 10%
Raw Materials Import	No approval needed	Approval needed for every import

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