# Vietnam in 2008
## Goodbye Laggard, Welcome Leader!

2007 at a glance

| Economic indicators | |
|---|---|
| Real GDP growth | 8.4% |
| CPI | 12.6% |
| **Markets indexes** | |
| VN index | 927.0 (+25.1%) |
| HaSTC index | 323.6 (+33.7%) |
| **Government bond rates** | |
| 5-year | 8.725% |
| 10-year | 9.075% |
| **Currencies** | |
| VND/USD | 16,016.5 |
| VND/EUR | 23,369.7 |
| VND/JPY | 69.8 |

11th January 2008

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# Executive Summary

*Increasingly challenging external environment*… Upon enjoying a strong growth rate in the past few years, the global economy could face a real challenge in 2008 impacted by the downturn in US housing market, the ongoing international financial turmoil and potentially high inflation rate due to the persistently high commodity prices.

*OECD indicators are pointing towards slower economic growth for the major OECD economies.* The combination of cooling of US economy, spreading of subprime issues, weakening US dollar and stubbornly high oil price are weighing down the broader economy as evidenced in the recent OECD composite leading indicators (CLIs), which are designed to provide early signals of the economic growth cycle. The OECD CLI fell by 0.5pts to 99.3 in Oct 07, representing a decline for four consecutive months which signals a weakening outlook for the major OECD economies such as Japan, US, UK and Euro Area.

*Asia's economic growth is expected to remain resilient despite of US slowdown.* Although we believe the 'decoupling story' on Asia economies is unlikely to happen in the near future, we expect the Asia economies to be better positioned to cope with US slowdown supported by rising domestic demand, increasingly diversified export and high foreign reserve holdings and saving rates.

*Vietnam's economy growth is expected to moderate to 8.3% in 2008.* We remain optimistic that Vietnam's economic growth will continue to remain resilient despite the increased external risk. The country's economy is likely to grow by 8.4% in 2007 before moderating to 8.3% in 2008 supported by the resilient export, strong investment and robust consumption growth. However, we wish to caution that the gradual trade liberalization has turned Vietnam to be one of the most open economies where exports plus imports are now close to 150% of GDP, one of the highest in the region. Therefore, the country is now inseparably linked to global markets and could be adversely impacted by the economic slow down in the US.

*Leader to laggard.* Despite the optimism surrounding Vietnam's equity market, the performance of the overall market has been disappointing for 2007. Ho Chi Minh index (VN Index) has only returned 25% in 2007 which is relatively low compared with the spectacular return attained in 2006. On a regional comparison, the performance of VN Index also lagged the major indices of the emerging economies such as China, India, Malaysia, Thailand and Indonesia.

*Premium against the regional market has eroded.* Although VN Index continues to trade at a premium compared to the regional indices, its premium has eroded upon the relative underperformance in 2007. We believe that value has started to emerge in the market where VN Index still offers one of highest earnings growth compared with the regional indices.

*VN Index target of 1,140 for 2008.* Our target of VN Index for 2008 is at 1,140, pegging on a forward PER of 28x with expectation of 20.1% earnings growth in 2008. We believe the Vietnam's stock market will continue to trade at a premium against the regional markets due to the continued equitization programme, expected strong earnings growth, increased investibility of the market due to rising market capitalization and improved market transparency coupled with expected surge of domestic liquidity given the negative real deposit yield environment. Other potential catalysts to the market include upward revision of foreign ownership of banking stocks to 49% and inclusion of Vietnam's index to the series of MSCI Indices.

*Key downside risks to our VN Index target.* The key risk going into 2008 is the potential recession risk of the US economy. Other domestic risks that could hinder the uptrend of the VN Index include inflation, delay in SOEs equitization, inability of the corporate to sustain high earnings growth, potential massive issuance of dilutive capital instruments coupled with potential policy risks.

# Macroeconomic Outlook

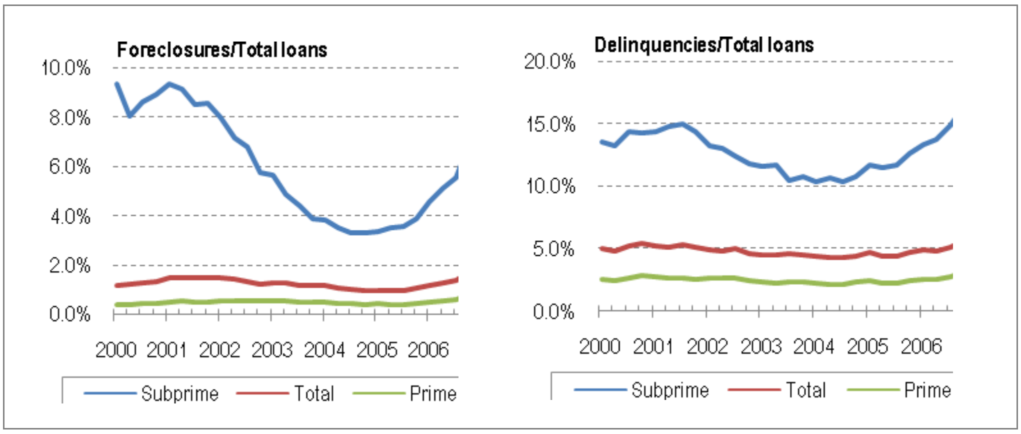
## External Economy

*Increased external uncertainties….* The recent external economic developments indicate that global economy could face a real challenge in 2008 upon enjoying strong growth rate in the past few years. The major threats that could thwart the global economy growth are:

1. US housing market is showing no signs of bottoming
2. The ongoing international financial turmoil arising from the sub prime issues
3. The persistently high oil and commodity prices which could put downward pressure to the consumption growth and non oil related companies' profits.

*US housing crisis is far from over.* Although the US housing market has worsened considerably in 2007, market consensus is that US housing crisis is far from over. The latest event that could further deepen the housing crisis is the resetting of mortgage rate where the borrowers of adjustable-rate mortgage (ARM) who obtained favorable low starting rates in the first three years of mortgages term are now due for upward rates revision. Given that about 20% of the more than US$10tn home loans outstanding in the US are ARM borrowers, mortgage delinquencies and property foreclosures are set to increase further.

Foreclosures and delinquencies indices *Source: Bloomberg*




*Massive write down of assets by financial institutions….* The subprime crisis has been spreading to the broader financial sector in the region. Many financial institutions with exposure to the subprime mortgage mainly through investments in collateralized debt obligations (CDOs) are licking their wounds upon suffering multi billion assets write down and further provision could not be discounted. While there are no reliable estimates about how far fetched these losses could turn out to be, it appears that these financial institutions are not out of the woods yet. Although the current financial turmoil has yet to have any major adverse impact on the broader economy, we should not underestimate the potential damage should it prolong further. The continued huge losses suffered by these financial institutions may lead to downsizing and further staff retrenchments. Furthermore, concern about the ongoing financial turbulence could erode consumer confidence and business sentiment.

## Macroeconomic Outlook

*US Government officials come to rescue…….??* In order to address the ongoing credit crunch and subprime issues, US government has recently devised a plan to temporarily freeze the interest rates of qualified subprime mortgages. Nonetheless, the plan is viewed as a short term relief for some of the ARM borrowers and will not arrest the further downturn in the housing market. In fact, a recent research report released by Moody has estimated that US housing is not going to recover any time soon and forecasted that many metro areas will record losses of 20% or more during the downturn, with the national median price for single-family homes dropping 13% through early 2009.

*High oil price versus rate cuts….* On the other hand, the US Feds have lowered its official fed rates by 100 basis points (bps) and injected multi billion dollar into the financial system since August to alleviate the tightening credit conditions and to arrest the slumps in both housing and equity markets. The continued expansionary monetary policy engaged by US Feds has led to a slide in the US dollar which has boosted the country's export at the expense of other economies. Although US Feds are expected to lean towards continuing rates cut going forward to address the deepening subprime issues, the current high global commodity prices particularly the crude oil price are likely to reinforce the inflation concerns which could deter US Feds' easing policy. In addition, the high oil price is expected to put downward pressure to the global consumption growth and profit margin of non oil related companies.

*Inflation rate may be coming down….??* On a positive note, some economists are cautiously optimistic that inflation rate may be coming down in 2008 with the expectation that major commodity prices may undergo a consolidation phase. Many expect that oil price may actually fall due to the downturn in US and potential unwinding of long position by hedge funds. Besides that, many also believe that the recent spike in food prices due to the bad harvest resulting from floods and droughts is unlikely to recur in 2008.

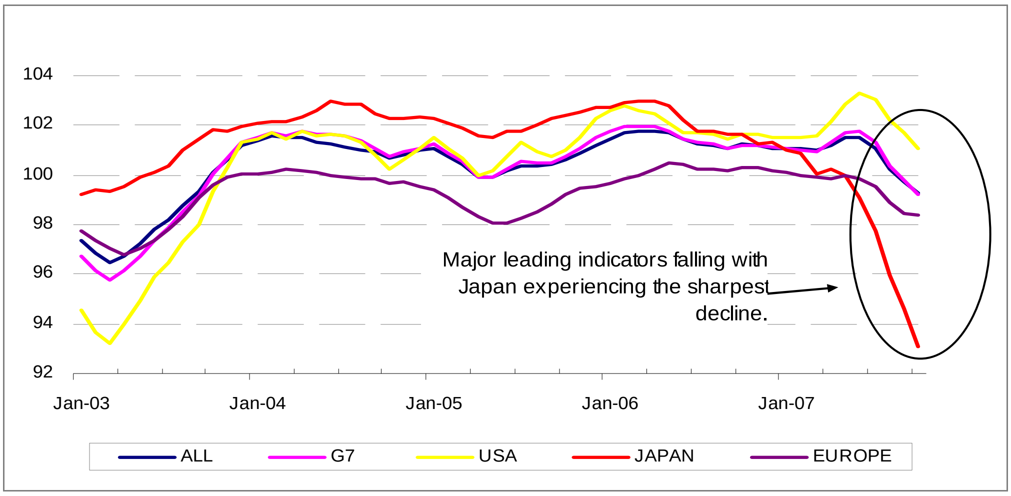
*US economy downturn is dragging down the rest….*Are we being too obsessed with the US by divulging significant part of our discussion paper on the weaknesses in the US economy and ignoring the potential decoupling of the other major economies? We do not think so. In fact, the combination of cooling of US economy, spreading of subprime issues, weakening US dollar and stubbornly high oil price are weighing down the wider economy as evidenced in the recent OECD composite leading indicators (CLIs), which are designed to provide early signals of the economic growth cycle. The OECD CLI fell by 0.5pts to 99.3 in Oct 07, representing a decline for four consecutive months which signals a weakening outlook for the major OECD economies.

*All round weakening in CLIs.* The CLI for the United States fell by 0.6 point to 101.1 points in October and it is 0.5 point lower than a year ago, indicating a further downturn for the US economy in the months ahead given the continued housing woes. The Euro area's CLI continues its slide to 98.4 points. The weakening outlook in Euro area is partially due to the continued appreciation of Euro against the US dollar which eroded the competitiveness of the Euro area's exports and the recent financial turbulences with European banks' large exposure to US subprime. On the other hand, higher crude oil price and tighter credit conditions have dampened companies and consumers' spending power in the Euro area. In fact, Germany's ZEW Economic Sentiment index, which measures investor and analyst expectations of the country's economic outlook, fell to minus 32.5 in November, the lowest reading registered since February 1993. Meanwhile, the CLI for Japan fell by 1.6 point to 93.1 points, indicating a strong slowdown (-8.5 points on a y-o-y basis) driven mainly by struggling housing sector and clouding export outlook. These indicators show that the major OECD economies including Euro area and Japan are likely to be dragged down by the slowdown in the US economy.

## Macroeconomic Outlook

### OECD leading indicators

*Source: Bloomberg*




***Decoupling story sweet to hear but unlikely….Nonetheless, Asian economies should be resilient.*** In view of the increased economic uncertainties, the International Monetary Fund (IMF) has recently revised downward its 2008 forecasts for the global economic growth to 4.8% compared with 5.2% projected in July. Nonetheless, IMF remains positive that while global economy will be adversely impacted by spillover effect from the US downturn, developing Asian economies including Vietnam are likely to sustain lower but robust growth led by double digit expansion in China. We share the optimism of IMF about the moderate but robust Asian's economic growth in 2008. Although we believe the 'decoupling story' on Asian economies is unlikely to happen in the near future, we expect that the Asian economies are better positioned to cope with US slowdown given that:

- *Rising domestic demand.* Rising per capita income and improved consumer confidence continue to sustain consumption growth. Furthermore, investment spending should remain strong due to healthy profit margin, strong balance sheet, rising capacity utilization rates and robust long-term global growth.
- *Increasingly diversified export in Asian economies.* There are now higher inter-regional trades among the Asian economies, which help to reduce their reliance on US market. Indeed we are witnessing the gradual decline on US share of Asia export with the emergence of China as a consumption powerhouse.
- *High foreign reserve holdings and saving rates.* The high foreign reserve holdings and saving rates in the Asian economies are expected to help them to cushion any significant US economic downturn.

| GDP growth (%) | | | Revised projected in October 2007 | | % Revision compared to July 2007 | |
|---|---|---|---|---|---|---|
| | 2005 | 2006 | 2007E | 2008F | 2007E | 2008F |
| Global economy | 4.8 | 5.4 | 5.2 | 4.8 | - | -0.4 |
| Advanced economies | 2.5 | 2.9 | 2.5 | 2.2 | -0.1 | -0.6 |
| United States | 3.1 | 2.9 | 1.9 | 1.9 | -0.1 | -0.9 |
| Euro area | 1.5 | 2.8 | 2.5 | 2.1 | -0.1 | -0.4 |
| Japan | 1.9 | 2.2 | 2.0 | 1.7 | -0.6 | -0.3 |
| United Kingdom | 1.8 | 2.8 | 3.1 | 2.3 | 0.2 | -0.4 |
| Newly industrialized Asian economies | 4.7 | 5.3 | 4.9 | 4.4 | 0.1 | -0.4 |
| China | 10.4 | 11.1 | 11.5 | 10.0 | 0.3 | -0.5 |
| India | 9.0 | 9.7 | 8.9 | 8.4 | -0.1 | - |

*Source: IMF*

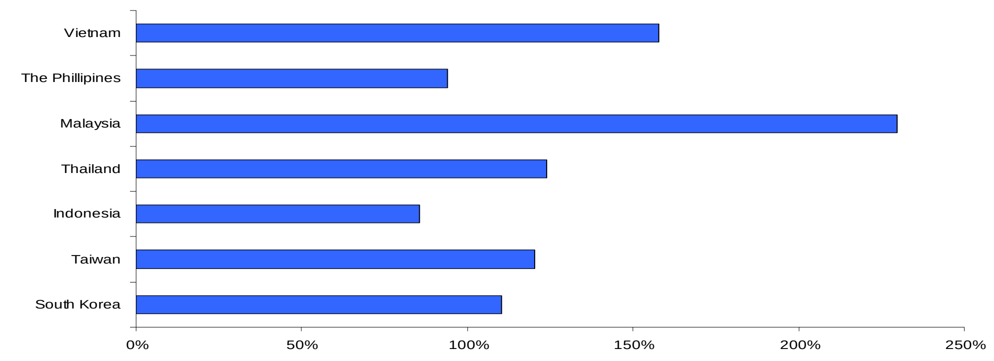
## Domestic Economy

*Strong exports, investment and consumption to drive economic growth.* On the domestic front, we remain optimistic that the economic growth will continue to remain resilient despite the increased external risk. We believe that the country's economy is likely to grow by 8.4% in 2007 before moderating to 8.3% in 2008 supported by the resilient export, strong investment and robust consumption growth.

*Increased external risks could impact Vietnam.* However, we wish to caution that the gradual trade liberalization has turned Vietnam to be one of the most open economies where exports plus imports are now closed to 150% of GDP, one of the highest in the region. Therefore, the country is now inseparably linked to global markets and could be adversely impacted by the economic slow down in US.

Expected Total Trades over GDP for 2007 — *Source: IMF, GSO, Mekong Securities' estimates*

*Total Trades: Exports plus imports



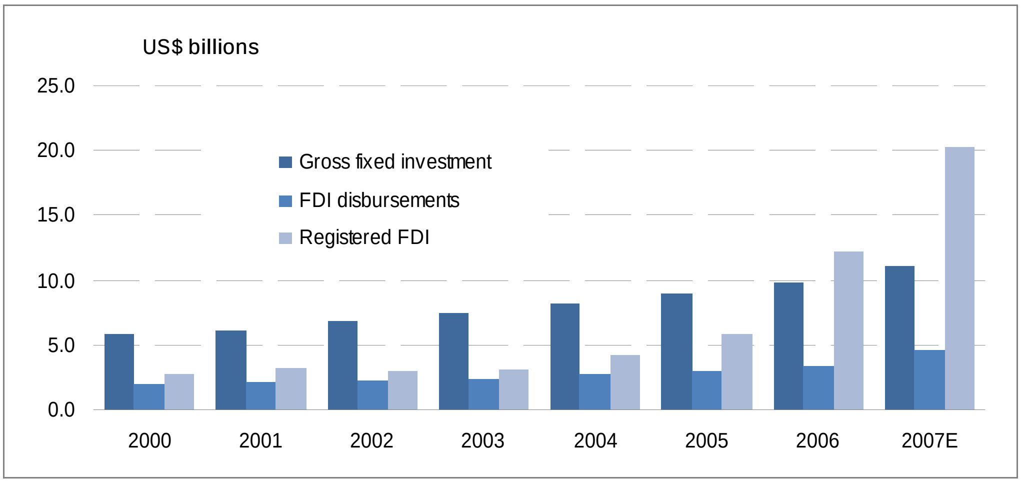

| Components of growth *(% annual change)* | 2005 | 2006 | 2007e | 2008f |
|---|---|---|---|---|
| Real GDP growth | 8.4% | 8.2% | 8.4% | 8.3% |
| <u>Demand</u> | | | | |
| Private consumption | 7.5% | 7.3% | 7.5% | 7.7% |
| Government consumption | 7.9% | 8.8% | 7.5% | 7.5% |
| Gross fixed investment | 9.8% | 8.6% | 11.0% | 11.3% |
| Exports | 20.5% | 15.3% | 15.7% | 17.0% |
| Imports | 15.9% | 14.4% | 17.5% | 16.7% |
| <u>Supply</u> | | | | |
| Agriculture, Forestry, Fishing | 4.0% | 3.4% | 3.2% | 3.0% |
| Industry and Construction | 10.7% | 10.4% | 10.3% | 10.2% |
| Services | 8.5% | 8.3% | 9.0% | 8.7% |

*e – estimated, f – forecast* *Sources: Economist Intelligence Unit*

*Investment continues to be the main growth driver.* Upon Vietnam's accession to World Trade Organization (WTO) in January 2007, FDI inflows have surpassed US$20bn in 2007, compared with US$12.2bn recorded in 2006. FDI inflows are expected to remain strong going forward benefiting from the continued trade liberalization and the 'China plus one' strategy. On the domestic front, strong balance sheet coupled with high profit margin will induce expansion in corporate investment plans going forward. Overall, we expect the gross fixed investment in 2008 to expand by 11.3%, a marginal increase compared with 2007 fueled by strong consumer confidence and business sentiments.

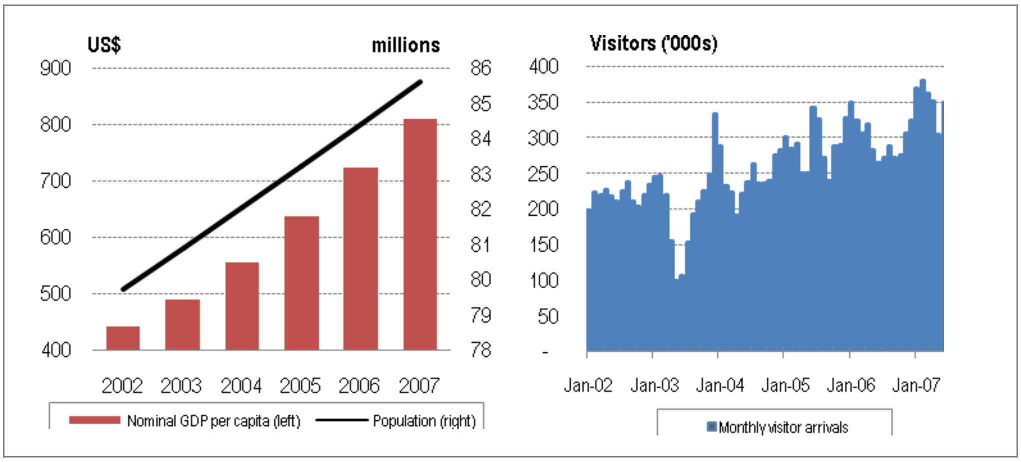
## Macroeconomic Outlook

Gross fixed investment, FDI disbursements, and Registered FDI, 2000-2007
*Sources: Economist Intelligence Unit, various media*




*Robust consumption growth.* According to a recent survey by MasterCard Worldwide, Vietnamese consumer confidence has strengthened from May and ranked the highest in the Asia-Pacific region. The MasterCard Index, which measures consumer confidence on a scale from zero to 100, with 100 being most optimistic, indicates that Vietnam ranks first with score of 94.3, followed by Hong Kong with 85.9, China with 85.5 and Singapore with 83.6. We believe the favorable demographic structure of the population, rising consumerism and high savings will continue to support consumer spending in the country. Furthermore, the increased tourist arrivals will also attract higher spending in the country.

GDP per capita at current prices, national population and international visitor arrivals per month, 2002-2007
*Sources: IMF, GSO*




*Increasingly diversified exports.* Exports now account for more than 70% of Vietnam's GDP. With the country's continued trade liberalization, we have witnessed the growth of non oil exports such as textiles, footwear, furniture and electronic products. Although the cool down in US economy is likely to slow down the country's exports of secondary products going forward, we believe that deceleration in export will be mitigated by the strong demand for its primary products such as commodity and agricultural goods. Besides that, we believe Vietnam is able to capture market share in global tradable goods at the expense of higher-cost producers, which is a reflection of globalization and has little correlation with the economic cycle. For instance, Vietnam's furniture exports to US have risen by 10.5% the first ten months of 2007, despite US imports of furniture lowered by 16.2% during the corresponding period due the ongoing housing slump. We also believe that lower domestic oil production in the near term will not significantly reduce its oil revenue going forward in view of the continued high oil price.

# Market Outlook

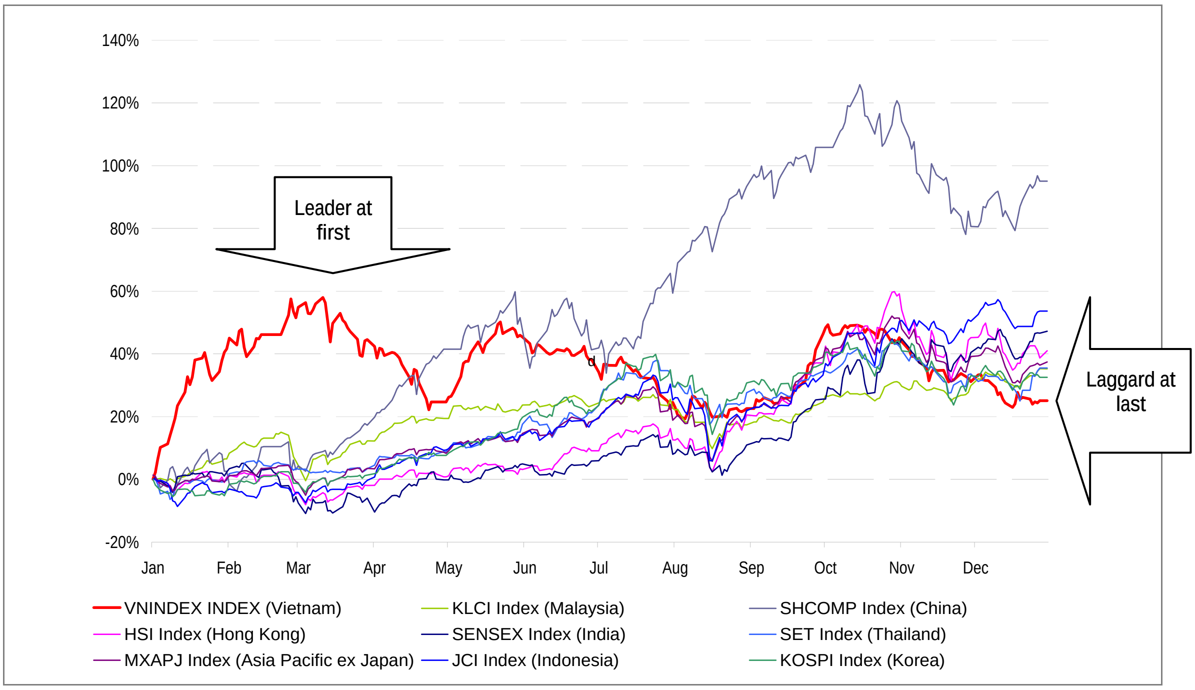
## Reflection of 2007 – 'a Leader Turned to Laggard' - Increased Volatility and a Subdue End to the Market

*Leader to laggard.* Despite the optimism surrounding Vietnam's equity market at the beginning of the year, the performance of the overall market has been disappointing for 2007. Ho Chi Minh index has only returned 25% in 2007 which is relatively low compared with the spectacular return attained in 2006. It is also important to note that the market hit a high of 1,170.67 in the month of March and since then has been struggling around the 900-1,000 level.

On a regional comparison, the performance of VN Index also lags the key indices of the emerging economies' such as China, India, Hong Kong, Malaysia, Indonesia, Thailand and even MSCI Asia Pacific ex Japan as illustrated below:

Regional index performance comparison

*Source: Bloomberg*




Furthermore, volatility has increased substantially in 2007 where we no longer witness a smooth ride in the market this year compared to 2006. In general, the market has gone through three phases of consolidation between March to April, June to August and towards the year end. The major factors constituting to the underperformance of the market were mainly:

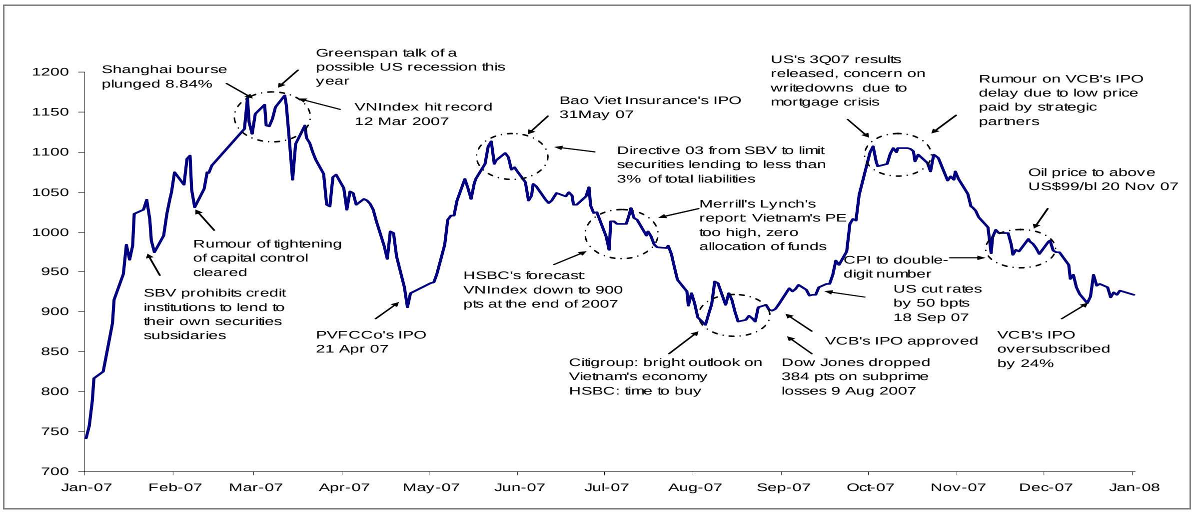
1. High number of initial public offering (such as Bao Viet Insurance and the Vietcombank) and large amount of new issues in the public listed companies has drained the short term liquidity of the market. In 2007, the State Securities Commission (SSC) has granted licenses to 179 companies to issue 2.5bn shares to the public, worth US$3bn, or 25 folds higher than that in 2006. In addition, the IPOs of state owned companies in 2007 such as Bao Viet Insurance, and Vietcombank are estimated to exhaust around US$2bn from the market.

## Market Outlook

2. The upcycles in both the commodity and real estate markets have led to the switching of funds from the equity market.
3. The 3% cap on the securities lending to be enforced by January 2008 has effectively restricted the speculative and trading activities in the market and led to temporary unwinding by the investors.
4. Measures taken by the Government such as increased reserve requirements and to squeeze liquidity from the financial market to control inflation.
5. General weaknesses in the overseas market.

### VN Index and major events in 2007

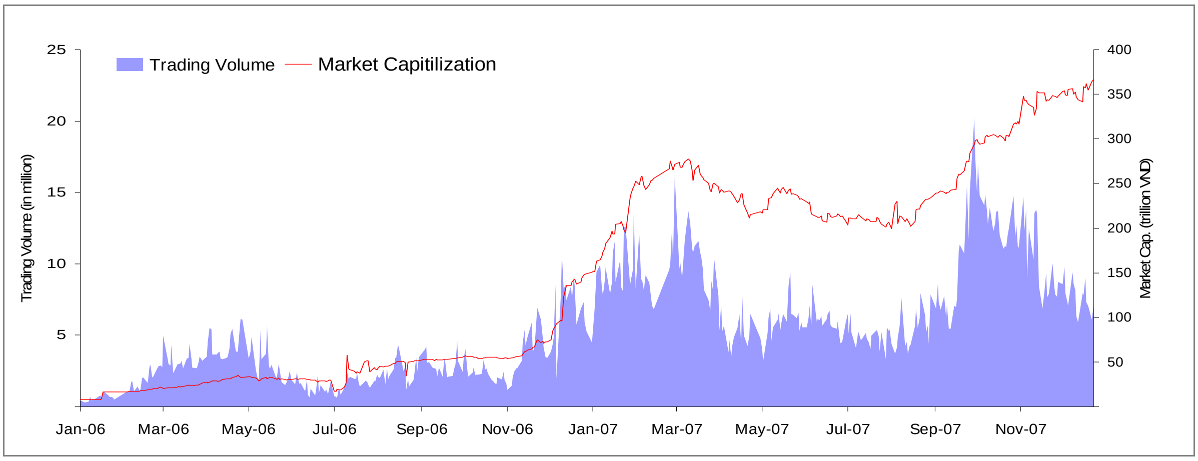
*Sources: Bloomberg, various media, Mekong Securities*




*Market capitalization and liquidity have increased.* In view of the increase in general share price and large amount of new share issuance, the market capitalization and liquidity of the domestic equity market have increased substantially compared with 2006. By late December, the combined capitalization value of the two equity markets had reached around VND490tn ($30.6bn) excluding bonds, or nearly equal to 40% of GDP. Besides that, the combined average daily trading volume and average daily trading value in 2007 for the two equity markets have increased by more than two folds and five folds to 10.6mn and US$68.6mn respectively compared with 2006.

### Market capitalization and trading volume of the VN Index, 2006-2007

*Source: Bloomberg*




*Premium against the regional market has eroded.* Although VN Index continues to trade at a premium compared to the regional indices as illustrated below, its premium has eroded upon the relative underperformance in 2007. We believe that value has started to emerge in the market where VN Index still offers one of the highest earnings growth compared with the regional indices.

## Market Outlook

| Major Indices | Country | P/ B | Expected PER 2007 | Forward PER 2008 | Expected earnings growth 2008 | PEG 2008 |
|---|---|---|---|---|---|---|
| *VN INDEX* | *Vietnam* | *7.2* | *26.8* | *22.8* | *20.1%* | *1.1* |
| SHENZHEN SE COMP. | China | 7.1 | 47.3 | 36.6 | 29.3% | 1.3 |
| FTSE 100 | Great Britain | 2.4 | 12.7 | 11.8 | 8.0% | 1.5 |
| HANG SENG | Hong Kong | 2.9 | 18.7 | 17.7 | 5.5% | 3.2 |
| BOMBAY STOCK EX 500 | India | 6.2 | 24.3 | 20.6 | 18.4% | 1.1 |
| JAKARTA COMP. | Indonesia | 3.8 | 19.6 | 16.8 | 16.5% | 1.0 |
| NIKKEI 225 | Japan | 1.8 | 17.4 | 16.5 | 5.6% | 2.9 |
| KOSPI | Korea | 1.8 | 13.9 | 12.1 | 15.0% | 0.8 |
| KUALA LUMPUR COMP. | Malaysia | 2.5 | 16.9 | 14.9 | 14.0% | 1.1 |
| STRAITS TIMES | Singapore | 2.2 | 15.7 | 14.2 | 10.5% | 1.3 |
| TAIEX | Taiwan | 0.8 | 13.8 | 12.0 | 15.1% | 0.8 |
| SET | Thailand | 2.0 | 13.4 | 11.9 | 12.3% | 1.0 |
| S&P 500 | US | 2.8 | 16.3 | 14.2 | 15.3% | 0.9 |

### Room for Optimism in 2008

Moving into 2008, we remain optimistic of the market prospects despite the disappointing market performance in the second half of 2007. As outlined above, we believe the economic growth in 2008 will continue to remain robust despite the softening of global economic growth. The strong underlying economic fundamentals should continue to support the positive momentum of the market going forward. Furthermore, we believe that various investment themes and developments that have fueled the positive market sentiments in the past will continue to remain largely intact.

*VN INDEX target of 1,140 for 2008.* Our VN Index target for 2008 is at 1,140, pegging on a forward PER of 28x with expectation of 20.1% earnings growth in 2008. We believe the Vietnam's stock market will continue to trade at a premium against the regional markets due to the continued equitization programme, expected strong earnings growth, increased investibility of the market due to rising market capitalization and improved market transparency coupled with the expected surge of domestic liquidity given the negative real deposit yield environment. Other potential catalysts to the market include upward revision of foreign ownership of banking stocks to 49% and inclusion of Vietnam's index to the series of MSCI Indices.

*Continued equitization of state owned enterprises (SOEs).* The ambitious privatization programme embarked by the Government to equitize all the SOEs by 2010 remains the major catalyst for the market rally back in 2006 and early 2007. Although there are several hiccups and delays in the equitization process this year mainly due to the pricing issues and the concern of oversupply of new shares, the decision to equitize Vietcombank in December 2007 has shown the Government's commitment in continuing its privatization programme. As such, we are cautiously optimistic that even though the equitization process of all SOEs may face some delays, it will not deviate significantly from the Government's schedule. We have provided a list of large SOEs that are expected to be equitized in the coming months. We believe the successful equitization of these SOEs going forward could boost the market capitalization of Vietnam's equity market significantly and continue to serve as a strong catalyst to re-rate the market. Some of these companies will be highlighted under our sector review.

## Market Outlook

| | Company name | Abbrev. | Sector | IPO Schedule |
|---|---|---|---|---|
| 1 | Saigon Beer Alcohol - Beverage Corporation | Sabeco | Beverage | 1Q2008 |
| 2 | Hanoi Beer – Alcohol – Beverage Corporation | Habeco | Beverage | 1Q2008 |
| 3 | Vietnam Mobile Service Company | Mobifone | Telecommunication | 2008 |
| 4 | Viettel Telecom | Viettel | Telecommunication | 2008 |
| 5 | Housing and Urban Development Corporation | HUD | Real Estate | 2008 |
| 6 | Viet Nam Seaproducts Coporation | Seaprodex | Fishery | 2008 |
| 7 | Mekong Delta Housing Bank | MHB | Banking | 2008 |
| 8 | Urban Infrastructure Development Investment Corporation | UDIC | Real Estate | 2008 |
| 9 | Vietnam National Textile and Garment Corporation | Vinatex | Garment/Textile | 2008 |
| 10 | Vietnam Airlines Corporation | Vietnam Airlines | Transportation | 2008 |
| 11 | Vietnam Engine and Agricultural Machinery Corporation | VEAM | Machinery | 2008 |
| 12 | Infrastructure Development and Construction Corporation | LICOGI | Real Estate | 2008 |
| 13 | Vietnam Glass and Ceramics for Construction Corporation | Viglacera | Building Materials | 2008 |
| 14 | Industrial and Commercial Bank of Vietnam | Incombank | Banking | 2008 |
| 15 | Bank for Investment and Development of Vietnam | BIDV | Banking | 2008 |
| 16 | Hanoitourist Corporation | Hanoitourist | Tourism | 2008 |
| 17 | Saigon Trading Group | Satra | Trading | 2008 |
| 18 | Vietnam Paper Corp. | Vinapimex | Paper | 2009 |
| 19 | Vietnam Steel Corp. | VSC | Steel | 2009 |
| 20 | Vietnam Motors Corporation | Vietnam Motors | Automobile | 2009 |
| 21 | Vietnam Bank for Agriculture and Rural Development | Agribank | Banking | 2009 |
| 22 | HAPRO | HAPRO | Trading | 2009 |
| 23 | Hanoi Transport and Services Corporation | TRANSERCO | Transportation | 2009 |
| 24 | Saigontourist Holding Company | Saigontourist | Tourism | 2009 |
| 25 | Saigon Real Estate Corporation | Resco | Real Estate | 2009 |

*Resilient earnings growth.* Despite the moderation in economic growth, corporate earnings growth is expected to remain strong boosted by:

1. Robust domestic consumption growth;
2. Improved efficiency and profitability of the state owned enterprises (SOEs) post equitization;
3. Persistently high commodity and agricultural prices to benefit energy and agriculture related stocks;
4. Higher earnings contribution from the financial stocks;
5. Upcycle in the property sector to benefit companies venturing into the property development sector;

Based on our projections, the EPS growth for the listed companies will remain robust at 20.1% in 2008 albeit lower than the expected earnings growth of 34.1% in 2007.

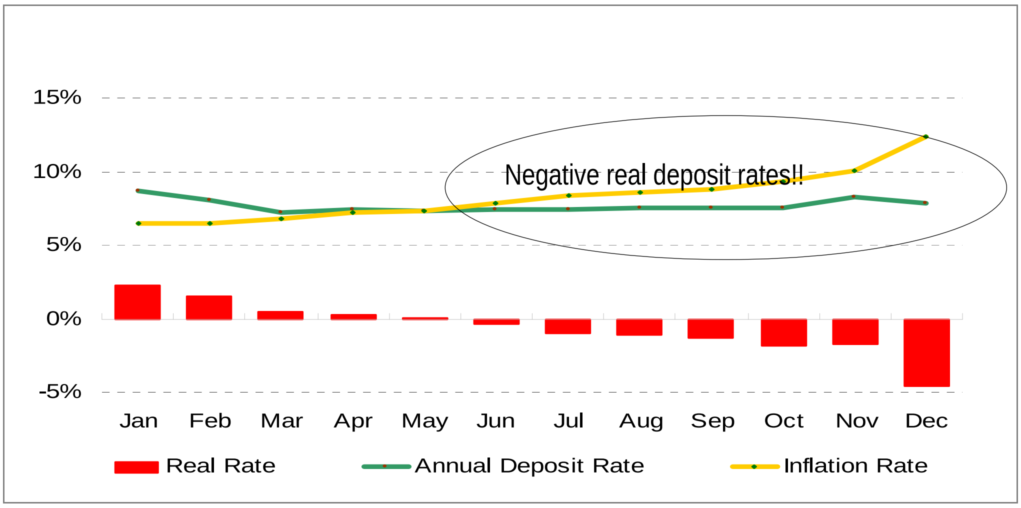
*Increased market transparency to raise investibility.* Vietnam's equity market has continued to remain under researched despite the rising foreign interests. Research coverage by domestic and foreign broking houses on the listed and over the counter (OTC) companies remain minimal although we are starting to witness the forming of research team by brokers this year. We believe the lack of coverage on the listed companies may have restricted the participations of large foreign institution funds in the past. Therefore, we expect the foreign involvement in the market to increase going forward with the rising investibility of the market due to higher investment research activities coupled with increased corporate governance.

*Negative real deposit rates.* Vietnam's real deposit rates have turned negative due to the rising inflation rate. A classical response might be for the State Bank of Vietnam (SBV) to increase interest rates. However, we believe that it is unlikely given the pro-growth policy engaged by the Government. Although we expect the high inflation rate to persist in the near term, we believe that the Government will reluctantly tolerate the negative real deposit rates. The prolonged negative deposit rate environment should induce the retail investors to switch out from loss-making deposits into other high yielding assets such property or stocks. We believe this could drive up the domestic liquidity in the equity market.

## Market Outlook

Deposit rates and yearly change in CPI

*Sources: Standard Chartered Bank, Bloomberg, Mekong Securities' estimations*




*Potential revision of foreign ownership in banking stocks to 49%.* Despite the relative underperformance of the market, foreign interests in the banking stocks continue to remain high due to the optimism about the prospects of banking sector. In fact, foreign shareholdings on the two listed banks (i.e. Asia Commercial Bank and Sacombank) have remained closed to the 30% foreign ceiling since listing. Although there have been speculations in the market about the possible upward revision of foreign cap on banking stocks to 49%, these have failed to realize in 2007. We believe that the potential relaxation of foreign ownership constraints in 2008 could boost the liquidity of the market given the large weighting of banking stocks on the listed market and the potential big initial public offering (IPOs) of the state owned commercial banks (SOCBs). For a simple illustration, the relaxation of foreign shareholdings on Asia Commercial Bank and Sacombank to 49% could attract close to US$900mn foreign inflows to the stock market to fill up the additional 19% foreign room.

*Potential inclusion to MSCI indices.* Given the rapidly rising market capital, increased investibility and attractiveness of the Vietnam's equity market to the foreign investors, we believe that there exists a possibility that Vietnam could be included in the MSCI index in the near future. The potential inclusion of the Vietnam's stocks to the MSCI Emerging Market index could attract high inflows of external funds which mirror the MSCI Emerging Market Index.

## So What Could Still Go Wrong in 2008?

The key risk going into 2008 is the external environment particularly the potential recession risk of the US economy. Although the performance of Vietnam's equity market so far has been quite independent from the regional equity markets, we believe that the correlation will increase going forward with the increased inflows of foreign funds to our market. Therefore, if the US goes into recession, there would likely be a sharp correction in global share prices where Vietnam will not be spared.

Other domestic risks that could hinder the uptrend of the share market include:

*Inflation risk continues to haunt the economy.* We believe that high inflation rate could be the major downside risks to the economic growth in Vietnam. The consumer price index (CPI) for December has hit 12.6%, surpassing the expected economic growth estimated for this year and hindering Government's target to keep the inflation rate below the real GDP growth. Given the Government's pro growth policies and the persistently high food and commodity prices, we are not surprised if CPI for 2008 remains high between 9-10%.

*Delay in SOEs equitization and lack of sound offering structure discourage investors.* As mentioned above, continued equitization of these SOEs could boost the market capitalization of Vietnam's equity market significantly and serve as a strong catalyst to re-rate the market going forward. Therefore, further delay in SOEs equitization could potentially dampen the investors' interests and impede the development of the equity market. Furthermore, the lack of standard procedures and valuation methodology to equitize the SOEs has also discouraged investors' participation.

*Inability to sustain high earnings growth.* The increasingly challenging operating environment with higher external risks, increased domestic competition coupled with high inflation rate could compress the companies' profit margins going forward. Furthermore, we are witnessing a worrying trend where many companies are engaged in unrelated diversification activities particularly in the property development and share investments. The heavy involvements in unfamiliar businesses could divert the companies' resources and hinder its core earnings growth and earnings quality.

*Potential massive issuance of dilutive capital instruments.* Many companies have resorted to use equity rather than debt to expand their business. The potential massive issuance of dilutive capital instruments for these companies to raise capitals could cause severe dilution to their earnings per share.

*Potential policy shocks.* Unexpected change in the Government's policies include deceleration in the liberalization process, tightening of monetary polices or imposition of regulations to cool down the equity market such as capital control policy could potentially cap the upside of the market going forward.

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## Banking

*High growth in domestic credit.* Domestic credit has continued to expand at around 34% annually, reaching US$50bn by mid 2007, or 78% of GDP, despite attempts by the State Bank to curb lending to within an annual target band between 18-25%. Key factors driving credit growth include a booming residential property market and somewhat perversely, eased retail credit conditions as banks attempt to meet the governmental decree of reducing the proportion of securities loans to 3% of their total liabilities.

*Total deposits continued to grow, although at slower pace.* Total deposits continued to rise, reaching an estimated US$61.7bn at the end of the year as inflationary pressures began to cut into deposit rates, easing early growth in new accounts from 45% annual growth at mid-year to around 30% by year-end. Expansion of electronic services and overseas remittances totaling US$5bn, or 67% of Vietnam's foreign direct investment are similarly driving the increase in deposit accounts and demand for banking services.

*High growth and low penetration continues to offer massive potential.* Despite rapid growth however, new loans only represent around 50% of domestic investment financing. Furthermore the existing eight million bank accounts only represent a penetration rate of 9.4% which compares favorably with the developing market average penetration of 45%, suggesting the banking sector in Vietnam has considerable room to grow with private corporations, small and medium enterprises, and personal lending products emerging as the key growth segments above the historically prominent state-owned sector.

*Continued dominance of State Owned Commercial Banks strengthens calls for reform.* Controlling around 67% of the financial system and 70% of all liabilities in 2006, the excessive concentration of banking operations by the state-owned commercial banks (SOCBs) has strengthened calls for continued reform within banking sector, including equitization and restructuring of the loan portfolios. The state-owned Agribank alone controls close to half of the nation's 4,000 bank branches.

*Foreign banks at the door.* Around 35 foreign banks, including six joint-venture banks are currently operating in Vietnam. They account for a combined 14% of total lending activity and are expected to increase their total domestic assets by 8% in 2007 to VND215tn (US$13.4bn) with profits of VND2.4tn (US$150mn). Another 24 foreign and 18 domestic applicants are awaiting approval.

*Full bank liberalization by 2011.* Hefty capital restrictions on foreign banks establishing additional branches and in accepting deposits continue to provide some protection for domestic institutions. A fully liberalized financial sector by 2011 will permit offshore banks with minimum assets of US$20bn to operate as 100% foreign-owned commercial banks under fully equivalent national treatment.

*Capital expansion to strengthen market presence.* Ten domestic banks were recently approved to issue new shares before the end of 2007, enabling them to expand their transaction networks and high-end client base before competition opens up completely.

*Overcrowded position leads to consolidation.* The State Bank has recently approved the licensing for four more domestic banks, being FPT Bank (VND1tn registered capital), PetroFinance Bank (VND5tn), Lien Viet Bank (VND3.3tn), and Bao Viet Bank (VND1.5tn), increasing the total number of banks to more than 75 in 2007. We expect the banking sector to undergo sharp consolidation in the medium term in view of the increasingly intensified competition and overcrowded position.

*Increased investment opportunities going forward.* Foreign interests have been strong on the listed banking stocks with both of the listed banks ACB and Sacombank at their foreign investment limits. Nonetheless, the ongoing equitization of the SOCBs coupled with potential lifting for foreign ownership cap to 49% are expected to increase the investibility of the banking stocks.

| Stocks to watch | |
|---|---|
| Listed companies: | ACB, STB |
| OTC: | Eximbank, Techcombank, East Asia Bank, Military Bank, Vietcombank |
| Potential IPO: | Bank of Investment and Development of Vietnam (BIDV), Industrial and Commercial Bank of Vietnam (ICB), Housing Bank of Mekong Delta (MHB) |

## Brewing

*Total production capacity to breach 3.5bn litres by 2010.* Vietnam's brewery market was estimated to be around US$2.3bn in 2006. Annual beer production has enjoyed a compounding annual growth rate (CAGR) of 18% between 2002 – 2006 with total output of 1.7bn litres equivalent to annual consumption rate of 15 litre per capita in 2006. The production is expected to reach 2bn litres in 2007 and 3.5bn litres by 2010.

*Market share remains heavily concentrated.* Although there are about 300 breweries in the sector, the market is highly concentrated with the top three brewers, Saigon Beverage Company (Sabeco), Vietnam Brewery Limited (VBL) and Hanoi Beverage Company (Habeco) capturing more than 60% of the market share. Mainstream beer is the largest segment dominated by large domestic players, accounting for 45% of the volume and 50% of the sales for 2006. Meanwhile, premium beer accounts for 12% of the volume and 20% of the sales. The remaining significant portion is dominated by Bia Hoi, which is an unpasteurized old fashion beer.

*Rising per capita income, low penetration, favorable demographic and cultural factors will continue to drive the sector*. Outlook of the domestic beer sector is very promising in view of the rising per capita income, relatively low market penetration coupled with favorable demographic. Interestingly, it is a typical Vietnamese culture to drink beer in social events and business gatherings. Besides that, there are also opportunities for new products such as low or non alcohol beer, stout and dark beer, to enter the country.

*Sector may undergo consolidation phase going forward.* Sector liberalization upon WTO accession, the push by Government to encourage the use of modern technologies, increased quality control and capacity to meet international standards are expected to intensify competition in the sector and induce brewers to enhance their efficiencies and product qualities. In view of the high fragmentation of the sector and the absence of economies of scale for small domestic brewers to compete with the big players, we foresee that the sector may consolidate over the next few years.

*Opportunities for foreign investors.* Sabeco and Habeco, the two leading brewers currently wholly owned by the state are planning to undergo IPO in late January and 1Q2008 with the initial disposal of 20% and 15% stakes to the public respectively. State ownership is expected to reduce to 51% eventually. In the case of Habeco, Carlsberg will be acquiring 10% equity stake of the Group as part of the privatization process. The IPO of Sabeco and Habeco are expected to present attractive investment opportunities for both domestic and foreign investors.

### Stocks to watch

| | |
|---|---|
| Listed companies: | N/A |
| OTC: | N/A |
| Potential IPO: | Sabeco, Habeco |

## Confectionary

*Sizable market with relatively high growth rate.* According to Business Monitor International (BMI), Vietnam's confectionary market has enjoyed an estimated CAGR of 7.4% between 2000 and 2007. The confectionary sales in Vietnam is expected to reach US$272mn in 2007, making it the third largest market in Southeast Asia, behind Philippines (US$542mn) and Indonesia (US$315mn) but ahead of Singapore (US$161mn), Thailand (US$71mn) and Malaysia (US$62mn). Despite the relatively low GDP per capita, confectionary sales per capita in Vietnam is estimated to reach US$3.10 in 2007, which is 1.3x higher than Malaysia and 2.9x higher than Thailand.

*Rising disposable income and changing consumption habits are driving growth.* The higher per capita consumption spending on confectionary is mainly driven by strong economic growth and increased consumer exposure to high quality products. Besides that, there is a great potential for manufacturers to develop high end products which typically command higher profit margin given that Vietnam's average confectionary selling price per volume is quite low at US$2,895/ton compared to China of US$3,783/ton or Singapore of US$12,778/ton.

*Increased competition post WTO.* Tariff cut upon WTO accession will reduce entry barrier and intensify competition in the domestic markets. Major beneficiaries are low and medium-end products from China and high-end products from developed countries. Domestic companies such as Kinh Do and Bibica are gearing up through product innovation, distribution expansion and various promotional initiatives to strengthen their market presence.

### Stocks to watch

| | |
|---|---|
| Listed companies: | KDC, NKD, BBC, HHC |
| OTC: | Kido |
| Potential IPO: | N/A |

## Dairy foods

*Continued double digit growth.* Vietnam's dairy sector has enjoyed an average annual growth rate of 20% in volume over the past few years. According to AC Nielson, the total market value is estimated to reach US$800mn in 2007 and is expected to grow by 12% -15% annually over the next few years. This is significantly higher than the average 2.4% CAGR in 2005-2010 for the global dairy market projected by EuroMonitor.

*Driven by economic prosperity, growing health awareness and the current low consumption rate.* Improved living standards and increasing health awareness will continue to encourage the consumption of dairy products. Moreover, current dairy consumption is only 7-8 litres per capita in Vietnam, which is substantially lower than Japan, Singapore and Thailand who consume 44, 33 and 15 liters per capita respectively. We expect such low consumption rate to offer enormous growth potential for the sector.

*Government's incentive to boost the sector.* The Government has actively encouraged the development of domestic dairy sector to reduce the country's dependence on the imported daily products. According to the sector statistics, around 85% of milk products produced in Vietnam is from imported powdered milk. The nation has recently set an ambitious target to produce sufficient amount of fresh milk that could meet around 40% of domestic demand by 2010 compared with less than 20% at present. The Ministry of Agriculture and Rural Development has also proposed the establishment of milk production co-operatives and an association for dairy farmers to spur the development of dairy farms and processing facilities. Besides that, the Government has introduced various incentives to attract domestic and foreign investment in the milk sector.

*Cutting down on import levies.* Recent reduction in import levies has brought some relief to producers who rely heavily on the imported milk powder and materials. Levies on imported ingredients and dairy products used to be as high as 30% - 40% but have been recently reduced to 3%-7%. Although this has not led to downward adjustments in retail dairy prices, the lower imported levies have helped to mitigate the potential margin compression suffered by the producers due to soaring global material costs.

*Tremendous growth potential challenged by intensified competition and hiking material costs.* At present, dairy manufacturers are aggressively expanding their farm stocks in order to secure sufficient material inputs domestically. This is considered imperative as the global milk price has not shown any signs of price weaknesses due to weather interruptions, reducing outputs for major suppliers coupled with increased demand from emerging Asian countries, especially India and China. Despite the challenges outlined above, we remain positive of the long term development of the sector in view of the strong underlying fundamentals.

### Stocks to watch.

| | |
|---|---|
| Listed companies: | VNM, HNM, TRI |
| OTC: | Nutifood |
| Potential IPO: | N/A |

## Fertilizer

*Strengthening local production but still relying on the imported fertilizer.* Domestic fertilizer production has increased from 1.2mn tons in 2000 to 2.4mn tons in 2007. Major contribution comes from PetroVietnam Fertilizer and Chemical (DPM) with designed capacity of 740,000thd tons/year, which commenced operation in 2004. Fertilizer manufactories in Vietnam have the advantage of closed proximity to material sources, such as the natural gas resources in the South and ore and coal resources in the North, and preferred treatments from Government in taxes and material prices. Nonetheless, the country continues to rely heavily on imported fertilizers to fulfill domestic demand. It is estimated that more than half of the domestic demand is met by imported fertilizers at present.

*Domestic fertilizer price highly exposed to international fluctuations.* Vietnam National Corporation (Vinachem) estimated that Vietnam needs to import around 4.9mn tons of fertilizer annually up to 2011 due to limited domestic production capacity. The surge of fertilizer price in the international markets has driven up local fertilizer price substantially in the past few years. Fertilizer imports in 2007 are estimated at US$996mn, up 21.6% in volume but 44.9% in value, due to the increased material prices and transportation costs. The uptrend of domestic fertilizer price is expected to continue in view of limited supply in the market. This is due to the constraints in production capacity of domestic manufacturers and importers' hesitation to import fertilizers at high prices.

*Significant improvement of local production capacity in medium term.* Government has devised a plan to expand the domestic production capacity of the sector in order to meet most of fertilizer demand by 2011. Government has targeted that 100% of urea would be provided domestically by 2011 with the establishment of two urea manufacturing plants in Ninh Binh and Ca Mau and the expansion of existing plants. DAP fertilizer, which is 100% imports at present, will be reduced to 53% with the expected completion of DAP fertilizer manufacturing plant in Dinh Vu, Hai Phong in 2008 with capacity of 330,000 tons per year. Nonetheless, shortages of major raw material resources for fertilizer production remain a concern.

### Stock to watch

| | |
|---|---|
| Listed companies: | DPM, HSI |
| OTC: | N/A |
| Potential IPO: | Lam Thao Super Phosphorous & Chemical, Southern Fertilizers, Binh Dien Fertilizers, Ha Bac Nitrogenous Fertlizers |

Sectors Review

## Infrastructure

*Significant role in driving economy growth.* Despite the strong economic growth registered by Vietnam in the past few years, the absence of good infrastructure could potentially obstruct the country's economic growth going forward. While the old challenges of providing basic services to all remain, new challenges are emerging such as accessing new sources of finance, preparing for rapid urbanization and developing stronger institutions to encourage private finance of infrastructure.

*Ambitious plan and ample opportunities.* Realizing the prominent role of infrastructure in driving the economy growth, the Government has laid out over 70 large infrastructure projects for the period 2006 – 2010. These include 12 highway projects, 15 for railways, five for airports, 11 for seaports, two for seaway, nine for industrial park related projects, three for bridges and seven for electricity.

*US$1.9bn government funding planned for transportation in 2008.* According to the Ministry of Transportation (MOT), the Government needs to spend around US$1.3bn to complete the targeted and urgent projects especially in seaway cleaning, new international airport and airways in Danang. About 52% of this comes from the Government reserve (including US$373mn ODA funds) and the remaining from the Government bonds. In addition to funding the MOT, the Government also plans to provide around US$621mn for transportation projects under the control of the military and provinces.

*At least US$48bn required for express highway development by 2020.* Vietnam has no express highway but only 14,935km national highway and only a quarter of the road network has more than one lane. To resolve the overloaded and heavy traffic congestion issues with the number of cars on the road growing more than 20% per annum, the Government has planned to build 20 express routes totaling 5,830km in the main regions especially HCMC, Hanoi, Hai Phong, Da Nang and Can Tho. As scheduled, US$27bn will be needed for the completion of 2,775km by 2020 and another US$27bn will be spent for the remaining 2,995km. The Government hopes to raise 62% from Official Development Assistance (ODA), 17% from BOT, 16% from bond issuance and remaining from OCR.

*Power has been a longtime headache….* Domestic electricity demand has been rising at an average growth rate of 16% as estimated by the Asia Development Bank (ADB). Current estimated annual electricity demand is at about 7.1bn kWh while the supply is only 6.9bn kWh including import from China. The shortage is partly due to network inefficiencies with up to 15% transmission lost and the new plants unlikely to be operational in 2008 as scheduled. With 10bn kWh more is called for investment at present, the Government will probably need to accept joint-venture form with foreign partners to speed up the process. Furthermore, with only 78% of the population having access to electricity and per capital consumption of less than 300kWh per annum, there is a large pent-up demand in the country.

*Increased private sector participation.* Due to the restrained government funding (30% maximum) and the lack of fixed income instruments such as revenue bonds for financing, private and foreign participations in the form of Building-Operate-Transfer (BOT), Building-Transfer-Operate (BTO) and Building-Transfer (BT), joint-venture or 100% foreign owned are becoming important sources of funding for the infrastructure projects. Private investment currently accounts for around 15% of the total infrastructure investment which mainly focus on telecom and power. However, the lack of experience in planning and managing project coupled with funding difficulties throughout projects phases have led to delays in project implementation.

*Struggle to introduce the right investment model.* On the other hand, traditional BOT model does not seem to be attractive to foreign players due to undefined ownerships and long payout periods. A flat toll rate to be charged by the toll operators regardless of the amount of initial investment amount has also deterred private investments. Some alternative business models that have surfaced include the land for infrastructure projects where Government allows the developers to own certain parcel of lands should the developers agree to build a proper infrastructure system. Nonetheless, the Government is struggling to define the right investment models for the different infrastructure projects.

Stocks to watch:

| | |
|---|---|
| Listed companies: | CII, ITA, KBC, SD9, PPC |
| OTC: | Southern Hydropwer JSC, Ba Ria Thermal Power Plant, Tam Phuoc Industrial Park, BOT PhuMy JSC. |
| Potential IPO: | Song Hong Corp, Housing and Urban Development Corp, LICOGI |

## Insurance

*WTO entry catalyzes record growth in 2007.* Vietnam's WTO entry in early 2007 catalyzed a year of strong growth in insurance premiums as domestic insurers sought to firm up market share with aggressive marketing and an expanded product range ahead of full market liberalization on the 1st of January 2008. Non-life premiums recorded an estimated annual growth rate of 30% to VND8.4tn (US$0.5bn) in 2007 driven primarily by compulsory insurance of the rapidly expanding national motor vehicle fleet and property/fire cover awarded exclusively to local providers. Life insurance premiums, dominated by foreign firms, emerged from a comparative slump to hit a three-year high growth rate of 12%, reaching VND9.5tn (US$0.6bn) as the attractiveness of alternative investment channels began to fade in the latter half of the year.

*95% of the market remains untapped according to the Association of Insurers in Vietnam.* Climbing to 0.7% of GDP in 2007 from 0.4% in 1999, non-life insurance premiums have been growing at an average annual rate of 26% per year. The opportunities in life-cover however are compelling. With around seven million policies written on a population of 84mn, a current spending rate of little more than 1.0% of GDP, and with 60% of the nation's increasingly affluent population under 30 years of age the life insurance market is only getting bigger with the government anticipating annual insurance spending of around US$3.7bn by 2010 or 4.2% of GDP.

*Fully liberalized market in 2008.* Foreign life insurers will be permitted to provide a full range of insurance products on equal footing with local companies as wholly owned operations from 1st January 2008. Foreign providers such as Prudential, Manulife, AIA, and Dai Ichi Life have already established a collectively dominant presence against the local heavyweight Bao Viet. Other foreign players have recently signaled their intentions to enter the market include HSBC, emerging as the strategic partner of Bao Viet with a 10% stake and the opening of a representative office by HSBC Life International. AXA Insurance Group has similarly entered with a bold 16% holding in Bao Minh on the Hanoi Securities Trading Center.

*Competition and consolidation.* Notwithstanding the expected entrance of large foreign players, local institutions remain confident of the market outlook, vying for the mid-size market and in particular the rapidly expanding small-and-medium enterprise sector. Vietcombank and SEA Bank have recently teamed with Cardif Life in a US$8.7mn venture to provide insurance products through agency distribution networks. Prudential has established alliances with Vietcombank and Asia Commercial Bank, Manulife with East Asia Bank, and Bao Viet with Techcombank and Agribank.

*Broader investment alternatives.* At the end of 2006, over 74% and 65% of the investment portfolio of the major domestic life insurance companies and non-life insurance companies are in bonds or bank deposits, which typically yield low return. Nonetheless, the rapid development of the equity market coupled with the Government's increased reliance on bonds as a source of financing are offering broader investment alternatives for the insurance companies to diversify their portfolio into higher yielding assets.

| Stocks to watch | |
|---|---|
| Listed companies: | BMI, PVI, VNR |
| OTC: | Bao Viet Insurance, Bao Long Insurance |
| Potential IPO: | VASS |

## Oil and Gas

*Oil price hike expected to continue in 2008.* According to Energy Information Administration (EIA), average global oil price is expected to increase by 17.8% to US$84.93 per barrel in 2008 attributed by the OPEC decision to maintain their current production quotas, rising oil consumption driven by emerging economies especially China, India and the Middle East, modest growth in non-OPEC supply coupled with continuing risks of supply disruptions in a number of major oil producing nations. On the domestic front, the Government's decision to remove the subsidy of imported oil has led to the recent surge in petrol prices.

*Remains as a net crude oil exporter.* Vietnam continues to remain net oil exporter for 2007. The country is expected to import about 12.0mn tons of refined oil in 2007 valued at US$8.2bn while export about 15.0mn tons of crude oil valued at US$8.4bn. Nonetheless, the country may become net oil importer in 2008 in view of the declining oil export and the country's strong appetite for imported refined oil. According to Business Monitor International (BMI), domestic refined oil demand is expected to grow by 8% from 2008 – 2010. Import of refined oil is expected to increase at the similar pace to cope with higher domestic demand until the first refinery Dung Quat becomes fully operational in the 2H2009.

*Inducing huge capital expenditure in upstream activities.* To capitalize on the rising oil price and to meet export target, PetroVietnam, a state owned oil giant, is aggressively seeking for more exploration projects both in onshore and offshore with 13 exploration and operation contracts signed up for the first nine months of 2007. This is expected to increase demand for the exploration and maintenance services to cater for 300 domestic oil rigs that is expected to increase to 900 by 2020. These developments coupled with recent market liberalization in services sector which allows foreign involvement are expected to provide opportunities for foreign oil service providers to participate.

*Boosting downstream sectors on the back of growing economy.* Soaring energy demand from the expansion of the manufacturing sector across the nation and growing overseas oil exploration projects led by PetroVietnam have further enhanced the development of the oil and gas transportation sector. The expected completion of Dung Quat by second half of 2009 and Nghi Son by 2013 have also attracted large scale investment in setting up of petrochemical plants to utilize the byproducts from these oil refineries to meet the rising demand for petrochemical products. Some of these large scale projects include a $1.2bn Naptha Cracking Complex in Phu Yen due to commence operations in 2012; petrochemicals complex in Danang and Binh Dinh to produce Polypropylene (PP), Polymers of ethylene (PE) and Polyvinylchroride (PVC).

*Increasing demand for LPG.* Vietnam consumed about 800,000 tons of LPG (at which 60% was imported) in 2006 and the demand is projected to grow at least 10% annually over the next five years in both residential and industrial sectors. Improving living standard, expansion in industrialized zones and booming construction projects are the key drivers for the high LPG consumption. Moreover, the low penetration rate (9.5kg per capita) compared to world average (35kg per capita) illustrates that LPG market has plenty of room to grow over the long term. Natural gas produced from oil rigs is on the rise but can only be supplied to power plants rather than catering for domestic use due to limited infrastructure.

*Optimistic sector outlook.* We remain optimistic for the outlook of the oil and gas sector and envisage great investment opportunities given the persistently high oil price, supportive policies introduced by the Government and the imminent needs for foreign contributions in terms of capital expenditure, modern technologies as well as management consultancies.

### Stocks to watch

| | |
|---|---|
| Listed companies: | PVD, PVC, PVS, PVE, PGS, |
| OTC: | PV Gas North |
| Potential IPO: | N/A |

Sectors Review

## Pharmaceutical

*Robust growth in 2007.* According to the Ministry of Health (MoH), the total value of drugs consumed in Vietnam for 2007 is estimated to exceed US$1.1bn, up 16.5% from 2006. This translates to consumption per capita of US$12.70, which is comparable to Indonesia, but still far below developed countries like Singapore of nearly US$129 per capita. Growth in pharmaceutical is expected to be robust, up to 14-15% annually based on Vietnam Pharmaceutical Companies Association (VNPCA)'s projection. VNPCA estimates that the total market size will reach US$2.3bn in 2015 and eventually $3.5bn in 2020, which is more than three times the current market size.

*Infant sector providing strong growth potential.* Vietnam's pharmaceutical sector is still in its infancy where domestic companies mostly produce generic drugs and are not fully compliant with international standards. According to MoH, Vietnam is home to 180 pharmaceutical factories, but only 75 factories have achieved the Good Manufacturing Practice (GMP) standard, which include 25 foreign-invested factories. Foreign-owned factories account for 29.7% of domestic production revenue and around 34.5% of total revenue generated by GMP-certificated factories in 2006. Domestic production value is expected to surge 18% in 2007, reaching total production value of US$560mn and meeting 50% of the domestic demand. The Government expects the domestic production to meet up to 60% of domestic demand by 2010 and 80% by 2015, which we believe is optimistic given the low investment level for capacity expansion and R&D.

*Extensive distribution channels to ensure profitability.* The country is operating a restrictive distribution system that is only open for domestic companies. In view of the limited available market information and the absence of detailed regulation on marketing of pharmaceuticals, companies such as DHC and DMC with extensive distribution networks are able to build reputable strong brand names for their products, expand their market share and ensure robust earnings growth.

*Heavy reliance on imports.* On the other hand, the country is heavily dependant on pharmaceutical imports. Imported drugs are estimated to reach US$700mn in 2007, up 27.6% compared with 2006. Imports are expected to account for around 90% of the production materials costs and 28.5% of the production value in 2007. Due to the increase in imported materials costs, manufacturers have raised the drugs prices several times this year. We expect drugs imports to continue rising in the medium term as domestic companies have little expertise in producing the imported materials and high-quality drugs.

*Wide pricing gap ensures that price of domestic product has room to grow.* Average selling price of some domestically produced pharmaceuticals is substantially lower than the similar imported products. With the ongoing campaigns by the Government to encourage the consumption of domestic produced pharmaceuticals, we believe that there is room for the domestic manufacturers to raise the selling price and therefore enhance their profit margin.

*Number of foreign-invested enterprises shooting up.* The number of registered pharmaceutical companies is expected to surge to 370 in 2007, twice the figure recorded in 2005. However, there are concerns over supply quality as most companies are small medium enterprises (SMEs) from Asian countries which include India (87), Korea (37) and China (31). Up to 58% of the foreign drugs registered in Vietnam in 2007 are sold by Indian and South Korean companies.

*Tough challenges post WTO.* WTO offers an opportunity for domestic consumers to enjoy cheaper and high quality pharmaceutical products. After the 1st of January 2009, foreign companies are permitted to import drugs directly and sell to the domestic market, allowing them to bypass the ineffective local distributors. Furthermore, tariff on imported drugs will be reduced from the current 0-10% to 0-5% and the average rate will be 2.5% after five years of WTO membership. On the other hand, most domestic manufacturers are still struggling to meet the international levels (GMP & GSP) by 1st Jul 2008 imposed by MoH. The expected large amount of spending to refine their production procedures and upgrade existing facilities to meet these international standards are poised to increase their cost base in the near term although it could benefit them over the long run.

Stock to watch

| | |
|---|---|
| Listed companies: | DHG, DMC, IMP |
| OTC: | Pharimexco, Mekophar, Traphaco, Hataphar. |
| Potential IPO: | N/A |

Sectors Review

## Real Estate

*Double digit growth in construction sector.* The construction sector grew by 21.9% on a y-o-y basis for the first nine months in 2007, bringing the five year average growth to 20.0%, fuelled by strong demand in infrastructure, commercial property, and residential developments. In addition, the more transparent legal framework and favorable policies introduced by the Government have also helped to drive the sector.

*Improved legal framework to boost property demand*….The new housing law and the property transaction law , which took effect in Jul 2006 and January 2007 respectively, have helped to boost the real estate market in 2007. Besides that, Decree 84 issued in May 2007 which allows the foreign investors to extend leasehold tenure from 50 to 70 years has also increased the accessibility of the real estate market to the foreign investors.

*Office rental fee one of the highest in the regions.* The offices in Ho Chi Minh City (HCMC) and Hanoi are almost fully occupied. Average rental rates have increased up to 40% HCMC and 25% in Hanoi on a year-to-date basis with rental rates in HCMC almost double the rental rates in Bangkok or Manila. In view of limited supply in the coming years coupled with potential delays in the several ongoing development projects, we foresee that the average office rental rates could increase further in the medium term.

*US$50bn retail market with no space to display.* According to a research conducted by A.T. Kearny, Vietnam is ranked fourth after Russia, China and India in terms of attractiveness of retail development. The retail market has enjoyed consistently high growth rate of 20% and is expected to surpass the US$50bn mark in 2008. Nonetheless, retail space in the major cities is in severe shortage where HCMC and Hanoi only have 140,000 sqm and 90,000 sqm gross letting area (GLA) of retail space available as at end of 2Q07. Both cities have attained around 95% occupancy rate. Supply of retail space is expected to be more constrained in HCMC where new supply up to 2010 is just 140,000 sqm GLA compared to new stock of 300,000 sqm GLA under construction in Hanoi.

*Strong demand for housing in major cities.* High urbanization growth rate, rising income levels, increased speculative demand and limited supply available are the major drivers behind the surge in demand for residential property in Vietnam. A recent event where thousands of people rushing to buy apartments in The Vista and The Sky Garden III in HCMC, at price of US$1,600/sqm, illustrates the current property boom in Vietnam.

*Government's effort to cool property.* The recent surge in the property prices has concerned the Government. Several policies have been issued to cool down the property boom. The most notable policy is the 25% capital gains tax on property transaction introduced in Nov 2007. Despite the imposition of such policies, we remain optimistic of the property market in 2008 in view of limited near term supply and sustainable high demand. Other potential catalysts include the further liberalization allowing foreigners to purchase properties and the postponement of the capital gains tax on real estate transactions.

### Stocks to watch

| | |
|---|---|
| Listed companies: | SJS, TDH, VIC, NTL, SC5 |
| OTC: | Hoang Anh Gia Lai Group, Binh Chanh Construction Investment Shareholding (BCCI), Coteccons, Vinaconex |
| Potential IPO: | Housing and Urban Development Corp, Hanoi Housing Development and Investment Corp, Urban Infrastructure Development Investment Corp, Infrastructure Development and Construction Corp. |

Sectors Review

## Rubber

*World's fourth largest natural rubber (NR) exporter.* Since being introduced to Vietnam in 1897, rubber trees have been gradually expanded all over the country but more concentrated in the East Southern region. Supported by the Government's reforestation scheme, the sector has achieved an encouraging performance with 3% CAGR in plantation area and 11% CAGR in output over from 2000 to 2006, making it the fourth largest natural rubber (NR) exporter in the world. In 2006, the cultivation area reached 490,700ha and yielded 540,000 tons of NR, which accounts for 5.5% global production. NR output is expected to reach 600,000 tons in 2007. In terms of export volume, only 80% comes from domestic harvesting, the remaining is often imported from Thailand, Cambodia and Indonesia and re-export to other countries. NR has brought the country US$1.3bn export revenue in 2006 and estimated US$1.4bn for 2007. Since most replantation areas not ready for yielding, the target set by the Ministry of Industry for 2008 is quite modest with 4% increase in output and 12.5% rise in value due to the expected higher average selling price.

*Limited processed products with obsolete technologies.* It is estimated that up to 80% of machinery and equipment in the sector is obsolete. This has restrained Vietnam from fully utilizing the available resources for higher margin products and instead, it has to export as much as 80% of NR output as raw materials. Domestic NR consumption is mainly for tyre production to serve the domestic market. The lack of modern processing technologies also prevents Vietnam from exporting large volume of high demand latex such as amoniac NR (HA and LA), SVR10 and SVR20. This has hampered the domestic player's ability to build up their presence in the international market.

*China remains major export market.* China typically accounts for over 60% of Vietnam's NR export in the past few years. This is likely to rise due to its soaring demand that is expected to grow between 10% - 15% annually for the next five years to carter for the booming tyre production in China in correspondence to the country's increased tyre export, rapid highway development and fast growing automotive market, which is now ranked second after the US.

*Upward price trend in 2008 and close correlation with global oil price.* The rising NR price is mainly supported by a number of fundamental dynamics. Firstly, it is due to the fast rising global NR demand mostly driven by China and India. Despite being the world largest NR consumer, China's demand alone has jumped 40% in 2007 compared to 2006. On the other hand, the upward price pressure on NR is caused by output reduction in major rubber exporting countries. This could potentially reduce the global reserve and push up the price in 2008. Specifically, Thailand, which used to contribute 30% of the global production, has suffered a 1.5% decline in output in 2007 due to unexpected long rainy season. Furthermore, a long term concern over the political insurgency in its major plantation area (Thai South's Songkha) coupled with plantation damage from the tsunami event in 2005 would not help the production in a near term. Meanwhile, Malaysia, the third largest NR supplier, is forecast to lower its NR supply gradually to switch to higher yielding oil palm. Finally, due to the strong correlation between oil price, NR and synthetic rubber (SR) price, SR is likely to be more costly given the upward global oil price next year which could induce the consumers to shift to NR.

*Great investment opportunities upon privatization.* We remain optimistic about the long term outlook of the domestic rubber sector especially in the development of processed products given its low technologies level but abundant NR resources. Furthermore, NR is one of the ten major exporting products and is ranked number two in agricultural exports after rice. Therefore, the Government has strongly encouraged the development of the sector. The long term NR supply also appears positive reflected by the expansion of the new plantation of 300,000ha equally located in Central Vietnam, Laos and Cambodia. However, we are cautious that NR price may face a downward pressure from 2011 onwards due to a surge in supply from the replantation in China, Laos, Cambodia and Brazil which will be ready for harvest by then. In the near term, we believe the rising foreign investments in the rubber sector will lead to the gradually modernization of the sector which could induce the domestic players to move up the value chain and produce high quality latex.

| Stocks to watch: | |
|---|---|
| Listed companies: | DPR, HRC, TNC, TRC |
| OTC: | Phuoc Hoa Rubber Company |
| Potential IPO: | Phu Rieng Rubber Company, Ba Ria Rubber Company, Binh Long Rubber |

## Seafood

*Among the top ten global aquatic producers.* Vietnam is recognized by the UN Food and Agricultural Organization (FAO) as one of world largest aquatic farmers just behind China, India, Indonesia and the Philippines. Seafood export value for 2006 has increased by 22.6% on a y-o-y basis reaching US$3.3bn which is equivalent to about 5% of the GDP. The country is now the seventh largest seafood exporter in the world and is expected to enjoy a robust growth rate of 12% for 2007 with the seafood export value reaching US$3.8bn (4.0mn tons). The country has targeted to export 4.1mn tons of seafood valued at US$4.0bn in 2008.

*Driven by rising global and domestic demand.* According to industry studies, global seafood demand is expected to continue rising while supplies are relatively limited in most major importing countries. For instance, catfish productions in the US and EU are gradually declining despite growing demand with farmers switching to other high margin products. This is expected to offer enormous potential for overseas seafood suppliers. Interestingly, catfish is perceived as a quality white-fish product that has complemented Alaska pollock in Europe and thus fills the supply gap. Russia has recently emerged as a large catfish importer although the frequent amendments to their quality control policies remain a concern. On the domestic front, there is rising demand for seafood products as a result of growing economic prosperity and increasing health awareness where consumers now consider seafood as a healthier alternative to live stocks.

*Famous for black tiger shrimp and catfish/ Ca Tra / Basa (Pangasius).* Black tiger shrimp and catfish are the traditional products and the main source of income (contributing 39.4% and 26.2% of seafood export revenue respectively), followed by tuna and octopus. EU remains the largest seafood importer accounting for about 24% overall export value, ahead of the US (19%) and Japan (19%). EU is also the largest catfish importer, accounting for almost 50% in volume. Although the US has high demand for catfish, the anti-dumping taxes imposed on Vietnam are somehow discouraging large imports to the country. Meanwhile, Japan remains the largest shrimp importer although its share has declined from 40% in 2005 to around 20% in 2007. This is followed by EU (18%) and US (10%).

*Abundant supply and improved product varieties.* Vietnam is expected to become the largest global catfish producer and aims to harvest 1mn tons by 2010 from the current 825,000 tons thanks to the favorable condition in Mekong Delta. Besides that, the overall country climate is also suitable for shrimp farming. Due to intensified competition and the increased use of modern technologies, Vietnam can now promote more value added products such as processed seafood and fish paste that are highly popular among the EU and new emerging markets like Korea and Taiwan.

*Highly fragmented market, under capacity utilization, costs and quality control issues.* There are currently 500 seafood processing factories with just over 50% qualified for export to EU. This is because some farmers have not followed strict guidance on cultivating, the use of chemical and antibiotics, which threaten the output quality and output stability. The poor qualities of some seafood products have led to the reduction of shrimp export to Japan from 40% in 2005 down to around 20% in 2007. Apart from the health and safety issue, Vietnam's black tiger shrimp are facing fierce competition from the white leg shrimps (Penaeus Vannamei) produced in Thailand and China whose prices are 20% - 30% lower than the former. The average net margin in the processing sector is relatively thin ranging from 3% to below 10% due to the increased cost of feed where bulk of which is imported, rapidly rising labor costs and underutilized production capacity. Therefore, it is increasingly difficult for the domestic players to improve on cost management, quality control and output maximization.

*Outlook remains bright.* Despite the challenges outlined above, the sector still possesses great opportunities in view of its natural competitive advantage and the established international recognitions. The sector is in need of foreign investments to ensure transfer of knowledge and market expansion. Moreover, effective automation and mechanization are considered to be necessary due to the potential labor shortage going forward. We also expect the sector to undergo a consolidation phase going forward in view of the presence of large number of domestic players.

| Stocks to watch | |
|---|---|
| Listed companies: | ANV, MPC, VHC, AGF, ABT |
| OTC: | Hung Vuong Seafood Corp. |
| Potential IPO: | Vietnam Seaprodex, Ha Long Corp, East Sea Fisheries Corp |

## Shipping and seaports

*Choking infrastructure network.* Sustained external trade volume growth of around 18% annually since 1995, including containerized trade growth above 20% have literally strained Vietnam's shipping and seaports to capacity. Anticipated annual growth rates approaching 25% into the next decade have raised calls for investments of at least US$4.5bn just to meet anticipated throughput volumes of 250mn tons in 2010, rising to 550mn tons by 2020. The problem however, is that without an equivalent level of investment in associated road and rail transport networks, the newly developed world-class port facilities will do little to ease the bottlenecks that threaten to choke Vietnam's post-WTO trade boom.

*Massive seaport development.* Major port development plans include the Cai Mep-Thi Vai deepwater ports in the south, the Lien Chien facility in the central region and the Lach Huyen facility in the north. The hugely ambitious US$3.5bn Van Phong Bay International Transhipment harbor is positioning itself to rival Singapore's global dominance. Strategically located in the heart of the bustling South China Sea shipping lanes, and having secured an initial commitment from the Sumitomo Corporation of Japan for what will amount to a massive US$16bn development, the Van Phong Bay International Transhipment Port may well elevate Vietnam's status as a world class maritime trading hub able to accommodate the largest container ships up to 100,000 DWT (15,000 TEU) with an anticipated annual throughput capacity of 17 million TEU by 2020.

*Emergence of foreign owned shippers.* Averaging less than 1,000 TEU in capacity and dedicated primarily to serving the protected domestic and intra-regional liner and feeder routes, Vietnam's aging shipping fleet is less susceptible to the global freight cycle determinants than other regional operators. This situation however is about to change. More than 35 international shipping lines already operate in the Vietnamese market, in most cases through agency arrangements and restricted joint-venture agreements with local firms. Three of the world's largest companies – Maersk, APL-NOL, and Mitsui O.S.K – already operate as 100% wholly foreign owned enterprises under bilaterally negotiated arrangements that other multinationals will not enjoy until 2012.

*Aging shipping fleet to be the imminent risk.* The imminent risk facing Vietnamese lines is not so much an opening floodgate of foreign shipping lines however, but the age and condition of the fleet. More than 30 vessels were detained in foreign ports in 2007 alone, failing to satisfy minimum safe operating conditions.

*Investment opportunities.* A prime ministerial directive to equitize the maritime industry as a priority has led to the listing of major shipping companies such as Vitaco, PV Trans, Vosco & Vitranschart in 2007, most of which are subsidiaries of the state-owned Vinalines and Vinashin shipbuilding conglomerates. Although foreign participation in the initial public offerings has been restricted, the sector managed to attract significant inflows of capital, including US$750mn in the first government bond issue in 2005 and US$1.7bn in separate deals through Credit Suisse with both Vinalines and Vinashin to finance fleet expansions and facilities upgrading, reflecting in itself the primacy of the shipbuilding industry in Vietnam's remarkable and continuing growth story.

| Stocks to watch | |
|---|---|
| Listed companies: | GMD, VTO, PVT, VTO, VSP |
| OTC: | Vosco, Vitranschart, Sotrans |
| Potential IPO: | N/A |

## Wireless Services

*Remarkable growth rate.* Vietnam's telecom market has recorded a remarkable growth rate surpassing 30% from 2003 to 2006 and the market size could reach around US$3.2bn in 2007. Mobile phone services have outperformed the overall sector with annual growth rate ranging from 40% to 70% and ranked the second fastest growing in the world after China with expected revenue exceeding US$2.5bn in 2007. Furthermore, the number of subscribers in 2007 is expected to surge by 68.6% to 32.0mn (including the inactive accounts) compared with 2006. The subscription rate of mobile phone is expected to continue growing at 50% per annual till 2010 with number of mobile subscribers is estimated to hit 53mn. Internet service also enjoyed sterling performance with 4.1mn subscribers in 2006 and is expected to grow by 25% in 2007. Asymmetric Digital Subscriber Line (ADSL) subscribers are expected to surge by 108% from 0.6mn in 2006 to over 1.2mn in 2007, accounting for approximately 24% total internet subscribers. Meanwhile, value added service (VAS) is still at its infancy and accounted for only 7% of the total revenue for the mobile phone services.

*Sector liberalization opens doors for competition.* Telecom sector was liberalized since 1995 with the granting of telecom licenses to companies not under the Ministry of Information and Communication (MIC) such as Saigon Postel Telecom (SPT) in 1995 and Viettel in 1997. Nonetheless, the competition only intensified since 2004 when Viettel started to aggressively expand their market share. This has triggered continuous price war and active promotional campaigns. All mobile carriers have strived to develop VAS, improve service quality and diversify product offerings to boost average revenue per user (ARPU), retain and broaden customer base to provincial and rural areas.

*Highly concentrated market.* At present, there are six players in the sector with Mobifone, Viettel and Vinaphone operating on a Global System for Mobile Communication (GSM) platform while S-fone (under SPT), Hanoi Telecom and EVN Telecom deploying Code Division Multiple Access technology (CDMA). All GSM operators have continued to remain as market leaders and dominate about 90% combined market share due to their strong experience, extensive national coverage and aggressive marketing strategies. On the other hand, CDMA operators may need to consolidate going forward to sustain their operations due to the narrow network coverage and limited subscriber base.

*Favorable growth drivers.* The sector is expected to continue enjoying double digit growth going forward driven by strong GDP growth, relatively young population and low penetration rate (expected 37% for mobile phone and 1% for ADSL in 2007) coupled with improving standard of living. A recent survey by Alcatel-Lucent revealed that over 70% internet users want to use ADSL and 88% confirmed that internet access is crucial for their daily life and business. The fact that Vietnam is ranked top in Consumer Confidence Index by Mastercard Worldwide has reaffirmed the strong growth in consumer spending going forward which is expected to benefit the wireless service sector tremendously given its relatively low penetration rate.

*3-G and Wimax on the way.* The auction for 3G license is scheduled to take place in early 2008 where the MIC is expected to grant maximum three or four licenses. Although all carriers are ready to be 3G operators and some have completed the trial tests, 3G is expected to be widely available earliest in 2009 since it could take at least one year to build up the network. We do not expect the Government to award the Wimax's license in the near term due to the absence of proven track record and skepticism with regards to its commercial viability.

*Ample investment opportunities.* We believe that the continued high growth in the sector and imminent equitization of the telco giants will present attractive investment opportunities to the investors. Mobifone will be the first telco giant to go IPO in 2H2008. The other two giants Vinaphone and Viettel will follow suit but no specific schedules have been given. Additionally, the ongoing robust growth of subscribers in mobile and ADSL services would also greatly benefit the current players like FPT, a leading mobile handset distributor and also a key ADSL provider holding around 18% market share.

**Stocks to watch.**

| | |
|---|---|
| Listed companies: | FPT |
| OTC: | SPT |
| Potential IPO: | Mobifone, Viettel, Vinaphone |

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# Asia Commercial Bank

## ACB • ACB

**VNĐ163,700 • US$10.17**



| | |
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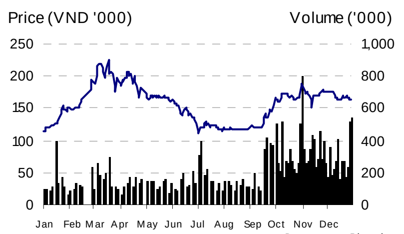
| **Fax** | +84 8 839 9885 |
| **Website** | www.acb.com.vn |
| **Email** | acb@acb.com.vn |
| **Contact** | Mr Nguyen Thanh Toai Investor Relations |

### Ownership

| | | |
|---|---|---|
| **Foreign** | 30.0% | 78,901,799 |
| **Domestic** | 70.0% | 184,104,198 |
| **State** | 0.0% | 0 |
| **Outstanding** | 100.0% | 263,005,997 |

### ACB • Trading history, 2007 (adjusted)




*Data source: Bloomberg*

### Market statistics

| | | | |
|---|---|---|---|
| **Exchange** | Hanoi Securities Trading Center | **52 week high** | VNĐ224,618 • US$13.95 |
| **Sector** | Banking | **52 week low** | VNĐ111,800 • US$6.94 |
| **Market cap.** | US$2.573bn | **EPS basic** | VNĐ7,283 • US$0.45 |
| **Index weight** | 30.00% | **P/E (2007 est.)** | 21.6x |
| **30-day av. daily trading value** | US$2.88mn | **Beta** | 0.97 |

### Company profile

Asia Commercial Bank (ACB) is the largest commercial bank in Vietnam, ranking fifth by total assets. Having listed on the Hanoi Securities Trading Center in November 2006, ACB has increased its capital base from an initial chartered capital of US$1.2mn in 1993 to US$157.1mn in 2006. Awarded the Best Bank in Vietnam in 2005 and 2006, ACB's ambition is to become Vietnam's leading retail bank, with particular emphasis on retail customers and small and medium enterprises.

The bank's network consists of more than 110 branches and 4000 staff nationwide while institutional shareholders account for the total foreign limit of the shares outstanding, being Standard Chartered Bank (8.6%), International Financial Corporation (7.3%), Dragon Financial Holdings Ltd. (6.8%), and Connaught Investors (7.3%).

Building upon its financial services expertise, ACB has established a securities firm (ACB Securities) and an asset management firm (ACB Assets and Liabilities Management), and is in the process of establishing a financial leasing company (ACB Leasing) and a fund management company (ACB Capital). ACB has also taken significant stake-holdings in several local banks, including Eximbank, Dai A, Gia Dinh, and Kien Long Bank and top listed companies including ITA, PVD and DPM.

### Financial highlights

ACB has achieved sustained growth in total assets in the last three years of up to 84% annually. Despite maintaining a conservative lending philosophy with a default ratio of less than 1%, ACB is Vietnam's most profitable listed bank with a return on equity in the range of 30% per year.

At the end of the third quarter 2007, total assets had reached US$4.4bn generating pre-tax profits of US$77.8mn for the year, an increase of 298% over the same period in the previous year. Although interest income remains the primary revenue driver, growing by 63% to US$58.9mn, non-interest income is gaining strongly at a 416% annual growth rate to US$56.2mn representing 49% of total income compared to 23% in same period last year as the bank's product and service range continues to expand into non-core banking activities.

| Summary Income Statements *(US$ mill.)* | 2004 | 2005 | 2006 | 2007e* |
|---|---|---|---|---|
| **Revenue** | 29.0 | 42.6 | 80.0 | 195.8 |
| **Operating Income** | 18.0 | 24.7 | 44.8 | 141.5 |
| **Profit Before Tax** | 17.3 | 24.3 | 42.7 | 132.4 |
| **Net Profit After Tax** | 13.1 | 18.6 | 31.4 | 119.0 |
| **Operating Margin** | 62.1% | 57.9% | 56.1% | 72.3% |
| **Pre-tax Margin** | 59.6% | 57.0% | 53.4% | 67.6% |
| **Net Margin** | 45.4% | 43.6% | 39.3% | 60.8% |
| **Revenue Growth** | 32.6% | 47.2% | 87.5% | 144.9% |
| **Operating Income Growth** | 39.2% | 37.2% | 81.5% | 215.6% |
| **Pre-tax Profit Growth** | 47.6% | 40.8% | 75.5% | 210.2% |
| **Net Profit Growth** | 60.2% | 41.3% | 68.9% | 279.0% |

** e - Management guidance and Mekong Securities' estimates*

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# Nam Viet Corporation

## NAVICO • ANV

## VNĐ90,000 • US$5.59




| | |
|---|---|
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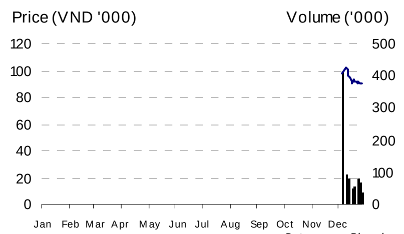
| **Contact** | Mr Nguyen Duy Nhat<br>Investor Relations |


### Ownership

| | | |
|---|---|---|
| **Foreign** | 16.7% | 11,039,730 |
| **Domestic** | 83.3% | 54,960,270 |
| **State** | 0.0% | 0 |
| **Outstanding** | 100.0% | 66,000,000 |

### ANV • Trading history, 2007 (adjusted)



*Data source: Bloomberg*

### Market statistics

| | | | |
|---|---|---|---|
| **Exchange** | Ho Chi Minh City Stock Exchange | **52 week high** | VNĐ102,000 • US$6.34 |
| **Sector** | Seafood Processing | **52 week low** | VNĐ90,000 • US$5.59 |
| **Market cap.** | US$0.369bn | **EPS basic** | VNĐ6,155 • US$0.38 |
| **Index weight** | 1.63% | **P/E (2007 est.)** | 14.6x |
| **30-day av. daily trading value** | US$0.52mn | **Beta** | 0.30 |

### Company profile

Originally a construction firm established in 1993, Navico began processing seafood in 2000 and has since grown to become the largest producer and exporter of frozen Ca Tra (*Pangasius hypophthalmus*) and Basa catfish (*Pangasius bocourti*) in Vietnam. Navico converted to a Joint Stock Company in 2006 and subsequently listed on the Ho Chi Minh City Stock Exchange in December 2007 with chartered capital of US$41.0mn.

Ca Tra is the main source of Navico's income, generating approximately 90% of total revenues and over 60% of pre-tax profit, and more than 20% (approximately 76,000 tons) of Vietnam's total Ca Tra exports, estimated to be worth more than US$830mn in 2006. Navico's international standard HACCP, ISO 9001:2000 and HALAL accreditations have enabled access to more than 60 export markets worldwide. The combined European and Russian markets now account for more than 70% of Navico's export income where Navico has successfully established exclusive distribution networks.

With a large current input capacity of 500 tons per day Navico has also been able to achieve economies of scale with its own integrated business line consisting of seven modern factories, including four seafood-processing plants inclusive of the 700 ton-per-day Indian Ocean Seafood Factory scheduled to commence operations in early 2008, ice, and packaging plants. To secure input stability, Navico plans to establish a 500 hectare catfish farm and has built up an expansive long-term supplier network throughout the Mekong Delta region.

### Financial highlights

Revenues of US$168.0mn and net profit of US$16.5mn in 2006 represent respective annual growth rates of 123.3% and 268% due primarily to the full capacity utilization and rising global demand.

At the end of November 2007, Navico had achieved US$183.6mn in revenues and US$24.2mn pre-tax profit, accounting for 70% and 87% of the respective full-year targets, a significant result given the adverse impact of Russia's seafood product recalls affecting Navico in the first half of 2007.

| Summary Income Statements *(US$ mill.)* | 2004 | 2005 | 2006 | 2007e* |
|---|---|---|---|---|
| **Revenue** | 62.4 | 75.3 | 168.1 | 211.2 |
| **Gross Profit** | 8.1 | 12.2 | 13.2 | 44.8 |
| **Operating Income** | 3.1 | 4.6 | 17.1 | 26.4 |
| **Profit Before Tax** | 3.0 | 4.6 | 17.3 | 26.9 |
| **Net Profit After Tax** | 3.0 | 4.5 | 16.5 | 25.2 |
| **Gross Margin** | 13.0% | 16.2% | 7.9% | 21.2% |
| **Operating Margin** | 4.9% | 6.1% | 10.2% | 12.5% |
| **Pre-tax Margin** | 4.8% | 6.1% | 10.3% | 12.7% |
| **Net Margin** | 4.8% | 6.0% | 9.8% | 11.9% |
| **Revenue Growth** | n.a. | 20.7% | 123.3% | 25.6% |
| **Gross Profit Growth** | n.a. | 50.3% | 8.4% | 238.9% |
| **Operating Income Growth** | n.a. | 48.2% | 274.4% | 54.9% |
| **Pre-tax Profit Growth** | n.a. | 53.3% | 276.7% | 55.7% |
| **Net Profit Growth** | n.a. | 50.4% | 267.8% | 52.6% |

** e - Annualized result and Mekong Securities' estimates*

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# Bim Son Cement Joint Stock Company

## BIM SON CEMENT • BCC

## VNĐ29,200 • US$1.81



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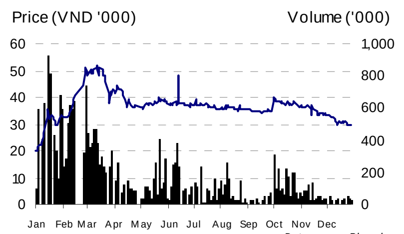
**Contact** Mr Pham Anh Tuan, Investor Relations

### Ownership

| | | |
|---|---|---|
| **Foreign** | 14.9% | 13,432,139 |
| **Domestic** | 85.1% | 76,567,861 |
| **State** | 0.0% | 0 |
| **Outstanding** | 100.0% | 90,000,000 |

### BCC • Trading history, 2007 (adjusted)



*Data source: Bloomberg*

### Market statistics

| | | | |
|---|---|---|---|
| **Exchange** | Hanoi Securities Trading Center | **52 week high** | VNĐ51,769 • US$3.22 |
| **Sector** | Cement | **52 week low** | VNĐ29,500 • US$1.83 |
| **Market cap.** | US$0.163bn | **EPS basic** | VNĐ1,336 • US$0.08 |
| **Index weight** | 2.13% | **P/E (2007 est.)** | 21.9x |
| **30-day av. daily trading value** | US$0.07mn | **Beta** | 0.71 |

### Company profile

Bim Son Cement Joint Stock Company (BCC) is one of the largest cement producers in Vietnam holding a 6% share of the nationwide market. Established in 1980 using Soviet technology, BCC was equitized in March 2006 and subsequently listed on the Hanoi Securities Trading Center in November 2006. Parent company Vietnam National Cement Corporation retains a controlling 74% stake.

BCC's core business operations include the manufacture and distribution of cement (97% of revenues) and clinker brick (3%). Business operations include nine branches in Vietnam and a single branch in neighboring Laos. Primarily focused on the northern and central regions, BCC expects to maintain current production volume of 2.4mn tons per year in 2007 and 2008 with plans to increase capacity by 2.0mn tons per year with a new manufacturing plant coming into operation in early 2009.

### Financial highlights

BCC's cement sales have increased by around 10% in two years from 2.2mn tons in 2004 to just above 2.4mn tons in 2006, while clinker sales decreased from 0.29mn tons to 0.05mn tons. Although production capacity remains comparatively stable in 2007 and 2008, bottom line profit will continue to benefit from the a two-year tax exemption granted upon listing.

At the end of the third quarter 2007, BCC had achieved revenues of US$67.6mn and net profit of US $5.7mn, amounting to 69% and 74% of the respective full-year targets. Despite rising input materials prices, gross margin has held reasonably firm due to stringent cost control policies, falling by only 1.3% from 25.3% in 2006.

| Summary Income Statements *(US$ mill.)* | 2004 | 2005 | 2006 | 2007e* |
|---|---|---|---|---|
| **Revenue** | 98.0 | 95.6 | 99.0 | 98.2 |
| **Gross Profit** | 24.5 | 24.1 | 25.1 | 23.6 |
| **Operating Income** | 5.0 | 6.5 | 7.1 | 7.4 |
| **Profit Before Tax** | 5.2 | 6.7 | 7.3 | 7.5 |
| **Net Profit After Tax** | 4.5 | 5.4 | 5.7 | 7.5 |
| **Gross Margin** | 25.0% | 25.2% | 25.3% | 24.0% |
| **Operating Margin** | 5.1% | 6.8% | 7.2% | 7.5% |
| **Pre-tax Margin** | 5.4% | 7.0% | 7.4% | 7.6% |
| **Net Margin** | 4.6% | 5.6% | 5.8% | 7.6% |
| **Revenue Growth** | n.a. | -2.5% | 3.5% | -0.8% |
| **Gross Profit Growth** | n.a. | -1.5% | 3.9% | -6.1% |
| **Operating Income Growth** | n.a. | 29.3% | 9.8% | 3.6% |
| **Pre-tax Profit Growth** | n.a. | 27.3% | 9.0% | 2.6% |
| **Net Profit Growth** | n.a. | 18.9% | 7.2% | 30.2% |

** e - Management guidance and Mekong Securities' estimates*

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# Bao Minh Insurance Corporation

## BAO MINH • BMI

## VNĐ78,800 • US$4.89

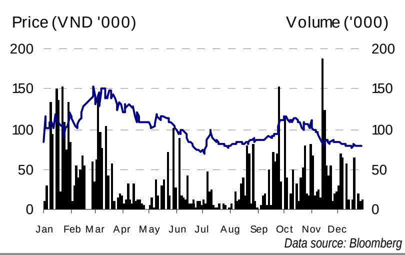


| | |
|---|---|
| **Address** | 26 Ton That Dam St.<br>District 1<br>Ho Chi Minh City, Vietnam |
| **Telephone** | +84 8 829 4180 |
| **Fax** | +84 8 829 4185 |
| **Website** | www.baominh.com.vn |
| **Email** | baominh@baominh.com.vn |
| **Contact** | Mr Tran Vinh Duc<br>Chairman, Investor Relations |

### Ownership

| | | |
|---|---|---|
| **Foreign** | 23.1% | 17,426,300 |
| **Domestic** | 26.2% | 19,794,900 |
| **State** | 50.7% | 38,278,800 |
| **Outstanding** | 100.0% | 75,500,000 |

### BMI • Trading history, 2007 (adjusted)




### Market statistics

| | | | |
|---|---|---|---|
| **Exchange** | Hanoi Securities Trading Center | **52 week high** | VNĐ153,887 • US$9.56 |
| **Sector** | Insurance | **52 week low** | VNĐ68,100 • US$4.23 |
| **Market cap.** | US$0.370bn | **EPS basic** | VNĐ1,921 • US$0.12 |
| **Index weight** | 4.33% | **P/E (2007 est.)** | 41.0x |
| **30-day av. daily trading value** | US$0.14mn | **Beta** | 0.76 |

### Company profile

Initially incorporated in 1994 as the Ho Chi Minh City branch of the Vietnam Insurance Corporation (Bao Viet), Bao Minh Insurance Corporation (BMI) has grown rapidly since listing on the Hanoi Securities Trading Center in December 2006 and is Vietnam's third largest non-life insurer with a 22% share of the non-life insurance market, including 70% of the local aviation insurance market.

Having recently secured lucrative contracts in the shipbuilding and construction industries, BMI has also established a securities firm and is currently awaiting a funds management license. With an ultimate vision of becoming Vietnam's leading local insurer, BMI provides a full range of insurance products in life and non-life insurance through a network of 61 subsidiaries, more than 8,500 agents, and a workforce of more than 1,500 staff nationwide.

BMI has recently sought a license to re-list on the Ho Chi Minh City Stock Exchange in 2008. AXA Insurance Group (France) holds a strategic 16.6% stake.

### Financial highlights

BMI has achieved premium revenues of US$86.1mn in 2006, a growth rate of 17.7% over the previous year. Net profit grew by 18.2% to US$6.2mn boosted by the realization of investment gains of US $6.0mn in 2006. Investment gains have increased by 17% year on year and remain a significant source of net income.

The recent sale of BMI-CMG to Dai-Ichi Mutual Life Insurance in the first quarter resulted in significant non-recurring income gains. At the end of the third quarter 2007, total premium revenues of US $84.5mn accounted for 85.6% of the full-year target, while pre-tax profits of US$7.7mn exceed the full year target by 12%. Total assets reached US$192.5mn in the same period.

| Summary Income Statements *(US$ mill.)* | 2004 | 2005 | 2006 | 2007e* |
|---|---|---|---|---|
| **Revenue** | 38.1 | 40.0 | 58.9 | 106.1 |
| **Gross Profit** | 11.2 | 17.0 | 19.8 | 28.9 |
| **Operating Income** | 3.9 | 5.3 | 6.2 | 9.0 |
| **Profit Before Tax** | 3.9 | 5.3 | 6.3 | 9.0 |
| **Net Profit After Tax** | 3.2 | 5.3 | 6.3 | 9.0 |
| **Gross Margin** | 29.3% | 42.5% | 33.5% | 27.3% |
| **Operating Margin** | 10.2% | 13.3% | 10.6% | 8.5% |
| **Pre-tax Margin** | 10.3% | 13.2% | 10.6% | 8.5% |
| **Net Margin** | 8.4% | 13.2% | 10.6% | 8.5% |
| **Revenue Growth** | 9.6% | 5.0% | 47.2% | 80.1% |
| **Gross Profit Growth** | 44.2% | 52.2% | 16.1% | 46.4% |
| **Operating Income Growth** | 43.0% | 36.7% | 17.6% | 43.9% |
| **Pre-tax Profit Growth** | 23.3% | 35.4% | 18.2% | 43.9% |
| **Net Profit Growth** | 45.1% | 64.7% | 18.2% | 43.9% |

** e - Management guidance and Mekong Securities' estimates*

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# Bao Viet Securities Company
## BVSC • BVS

**VNĐ212,900 • US$13.22**




| | |
|---|---|
| **Address** | 94 Ba Trieu St. Hoan Kiem District Hanoi, Vietnam |
| **Telephone** | +84 4 943 3016 |
| **Fax** | +84 4 943 3012 |
| **Website** | www.bvsc.com.vn |
| **Email** | services@bvsc.com.vn |
| **Contact** | Nguyen Thi Phuc Lam Investor Relations |


### Ownership

| | | |
|---|---|---|
| **Foreign** | 25.3% | 3,795,552 |
| **Domestic** | 74.7% | 11,204,448 |
| **State** | 0.0% | 0 |
| **Outstanding** | 100.0% | 15,000,000 |

### BVS • Trading history, 2007 (adjusted)

*Data source: Bloomberg*

### Market statistics

| | | | |
|---|---|---|---|
| **Exchange** | Hanoi Securities Trading Center | **52 week high** | VNĐ236,500 • US$14.69 |
| **Sector** | Securities services | **52 week low** | VNĐ113,092 • US$7.02 |
| **Market cap.** | US$0.198bn | **EPS basic** | VNĐ18,204 • US$1.13 |
| **Index weight** | 6.83% | **P/E (2007 est.)** | 11.7x |
| **30-day av. daily trading value** | US$0.68mn | **Beta** | 0.63 |

### Company profile

Accounting for 17.7% of the total value of trading on the Ho Chi Minh City Stock Exchange in 2006 and 12.1% of the Hanoi Securities Trading Center, Bao Viet Securities Company (BVS) is the second-largest securities company in Vietnam, offering services in brokerage, dealing, underwriting, advisory and depository operations.

Established in 1999 as the securities trading arm of Bao Viet Insurance Group, BVS was the first securities trading firm in Vietnam. Subsequently listed on the Hanoi Securities Trading Center in November 2006, Bao Viet Insurance retains an outright majority 60% of total shares outstanding. The company's key strengths are in brokerage, proprietary trading, and underwriting services.

BVS currently accounts for 17.5% of trading accounts in Vietnam, second to VCBS with 19.0%.

### Financial highlights

BVS' fortunes rose sharply in 2006 with the strong growth momentum expected to continue into 2007. Brokerage, proprietary trading, and underwriting were the three primary revenue drivers in 2006, amounting to 42%, 23%, and 16% of total revenue respectively.

At the end of the third quarter 2007, BVS had achieved net profit US$12.7mn, exceeding the full-year target by 44%. Proprietary trading has since become the leading revenue driver, contributing 39% of total revenue, followed by brokerage (37%), and underwriting services (16%).

| Summary Income Statements *(US$ mill.)* | 2004 | 2005 | 2006 | 2007e* |
|---|---|---|---|---|
| **Revenue** | 0.9 | 1.6 | 5.7 | 25.0 |
| **Gross Profit** | 0.9 | 1.3 | 4.9 | 22.5 |
| **Operating Income** | 0.4 | 0.7 | 3.9 | 18.8 |
| **Profit Before Tax** | 0.4 | 0.7 | 3.9 | 18.8 |
| **Net Profit After Tax** | 0.4 | 0.6 | 3.2 | 17.0 |
| **Gross Margin** | 93.1% | 81.8% | 85.3% | 89.8% |
| **Operating Margin** | 44.1% | 43.5% | 68.3% | 75.2% |
| **Pre-tax Margin** | 44.0% | 43.4% | 68.4% | 75.2% |
| **Net Margin** | 44.0% | 38.8% | 55.2% | 67.8% |
| **Revenue Growth** | n.a. | 72.5% | 257.2% | 336.8% |
| **Gross Profit Growth** | n.a. | 51.6% | 272.5% | 359.9% |
| **Operating Income Growth** | n.a. | 70.1% | 461.5% | 381.0% |
| **Pre-tax Profit Growth** | n.a. | 69.9% | 462.8% | 380.8% |
| **Net Profit Growth** | n.a. | 52.1% | 407.8% | 436.5% |

** e - Annualized result and Mekong Securities' estimates*

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28TH DECEMBER, 2007

# PetroVietnam Fertilizer and Chemical Joint Stock Company

## PVFCCo • DPM

## VNĐ74,000 • US$4.60

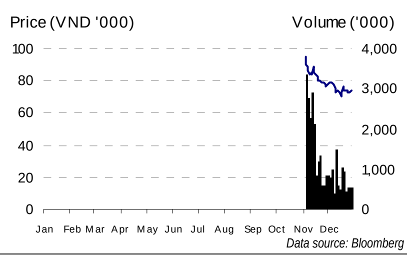


| | |
|---|---|
| **Address** | 3-4th Floor, Waseco Bldg.<br>10 Pho Quang<br>Ho Chi Minh City, Vietnam |
| **Telephone** | +84 8 9974748 |
| **Fax** | +84 8 9974757 |
| **Website** | www.damphumy.vn |
| **Email** | |
| **Contact** | Mr Pham Thanh Vinh<br>Investor Relations |

### Ownership

| | | |
|---|---|---|
| **Foreign** | 9.5% | 36,139,727 |
| **Domestic** | 30.0% | 113,960,273 |
| **State** | 60.5% | 229,900,000 |
| **Outstanding** | 100.0% | 380,000,000 |

### DPM • Trading history, 2007 (adjusted)




*Data source: Bloomberg*

### Market statistics

| | | | |
|---|---|---|---|
| **Exchange** | Ho Chi Minh City Stock Exchange | **52 week high** | VNĐ95,000 • US$5.90 |
| **Sector** | Chemicals | **52 week low** | VNĐ70,500 • US$4.38 |
| **Market cap.** | US$1.747bn | **EPS basic** | VNĐ3,128 • US$0.19 |
| **Index weight** | 7.70% | **P/E (2007 est.)** | 23.7x |
| **30-day av. daily trading value** | US$3.22mn | **Beta** | 0.56 |

### Company profile

Petrovietnam Fertilizer and Chemical Company (DPM) is the largest domestic fertilizer manufacturer in Vietnam. DPM was originally established in 2001 by the state-owned Vietnam Oil and Gas Corporation (PetroVietnam) to control and administer the Phu My Fertilizer Plant, commencing operations in 2004 and achieving full production capacity three years later. DPM was listed on the Ho Chi Minh City Stock Exchange in November 2007 to become one of the largest listed companies in Vietnam by market capitalization.

DPM currently holds 40% of the domestic urea market, the company's primary product which accounts for 80% of total revenues, ahead of Ha Bac Nitrogen Fertilizer and Chemicals Company (Hanichemco) which holds less than 10% market share.

DPM's Phu My Fertilizer Plant has an annual production capacity of 740,000 tons of urea and 420,000 tons of ammonia per year. The plant produces 1,350 tons of ammonia per day based on imported Danish Haldor Topsoe technology and 2,200 tons per day of urea using Italian Snamprogetti technology with feed stock derived from Cuu Long and Nam Con Son natural gas basins. Production surplus includes around 35 tons of ammonia per year and 2,000MW of electricity per month, which is sold to the national grid through Electricity Vietnam.

### Financial highlights

On 19th December 2007, DPM announced that it had achieved its production plan of 740,000 ton of urea for 2007, the first time the company has achieved full utilization before year-end.

Revenues of US$230mn and pre-tax income of US$68mn up to 17th December 2007 exceed management's full-year projections by 7% and 10% respectively.

| Summary Income Statements *(US$ mill.)* | 2004 | 2005 | 2006 | 2007e* |
|---|---|---|---|---|
| **Revenue** | 29.2 | 157.6 | 189.5 | 236.6 |
| **Gross Profit** | 13.2 | 56.0 | 69.9 | 90.1 |
| **Operating Income** | 9.1 | 43.1 | 51.0 | 73.9 |
| **Profit Before Tax** | 9.1 | 49.2 | 72.1 | 73.9 |
| **Net Profit After Tax** | 9.1 | 49.2 | 72.1 | 73.8 |
| **Gross Margin** | 45.4% | 35.6% | 36.9% | 38.1% |
| **Operating Margin** | 31.1% | 27.4% | 26.9% | 31.2% |
| **Pre-tax Margin** | 31.1% | 31.2% | 38.1% | 31.2% |
| **Net Margin** | 31.1% | 31.2% | 38.1% | 31.2% |
| **Revenue Growth** | n.a. | 440.3% | 20.2% | 24.9% |
| **Gross Profit Growth** | n.a. | 323.4% | 24.8% | 28.8% |
| **Operating Income Growth** | n.a. | 375.4% | 18.3% | 44.8% |
| **Pre-tax Profit Growth** | n.a. | 442.3% | 46.7% | 2.4% |
| **Net Profit Growth** | n.a. | 442.3% | 46.7% | 2.4% |

** e - Mekong Securities' estimates*

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28TH DECEMBER, 2007

# Dong Phu Rubber Joint Stock Company

## DORUCO • DPR

## VNĐ85,000 • US$5.28

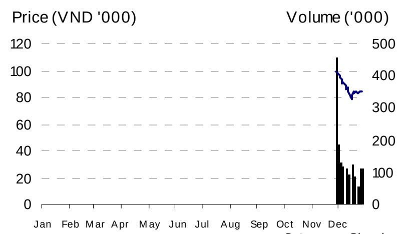


| | |
|---|---|
| **Address** | Thuan Phu Commune<br>Dong Phu District<br>Binh Phuoc Province, Vietnam |
| **Telephone** | +84 651 819 786 |
| **Fax** | +84 651 819 620 |
| **Website** | www.doruco.com.vn |
| **Email** | doruco.bpc@hcm.vnn.vn |
| **Contact** | Mr Nguyen Thanh Hai<br>General Director |

### Ownership

| | | |
|---|---|---|
| **Foreign** | 7.6% | 3,023,550 |
| **Domestic** | 32.4% | 12,976,450 |
| **State** | 60.0% | 24,000,000 |
| **Outstanding** | 100.0% | 40,000,000 |

### DPR • Trading history, 2007 (adjusted)




*Data source: Bloomberg*

### Market statistics

| | | | |
|---|---|---|---|
| **Exchange** | Ho Chi Minh City Stock Exchange | **52 week high** | VNĐ99,000 • US$6.15 |
| **Sector** | Rubber | **52 week low** | VNĐ78,500 • US$4.88 |
| **Market cap.** | US$0.211bn | **EPS basic** | VNĐ5,294 • US$0.33 |
| **Index weight** | 0.93% | **P/E (2007 est.)** | 16.1x |
| **30-day av. daily trading value** | US$0.58mn | **Beta** | 0.76 |

### Company profile

Doruco was originally incorporated by Michelin (France) in 1927. Restructured in 1981 and incorporated under the Ministry of Agriculture in 1993, Doruco was listed on the Ho Chi Minh City Stock Exchange in November 2007.

Being one of the leading rubber manufacturers in southern Vietnam, Doruco produces more than 16,000 tons of processed rubber per year from six company-owned rubber plantations totaling more than 9,000 hectares. More than 85% of Doruco's output is exported to China, Korea, Europe, and the United States under the ISO9001:2000 quality standard.

Productivity has increased by around 10% per year since 2004, although Doruco currently faces significant supply constraints necessitating externally sourced raw material. Doruco is currently seeking to acquire additional plantations in Vietnam, Cambodia, and Laos. Other significant interests include a 40 hectare residential development complex and a 200 hectare industrial zone currently in planning.

### Financial highlights

Total assets have nearly doubled in 2006 to US$105.6mn while net profits of US$9.3mn grew by 30% over the previous fiscal year. Doruco expects to increase production capacity to more than 16,000 tons per year, supplemented with an additional 3,500 tons of externally sourced product to achieve total output in 2007 of more than 19,500 tons of rubber produced.

Doruco maintains a low cost base enabling net margins consistently above 20%. Latex rubber production increased by 23% in 2006 while Standard Vietnamese Rubber (SVR) products remain stable as the largest component of total revenue. At the end of the third quarter 2007, Doruco had achieved US$28mn in revenue and US$9.9mn in net profits, accounting for 87.7% and 116% of the full year targets respectively.

| Summary Income Statements *(US$ mill.)* | 2004 | 2005 | 2006 | 2007e* |
|---|---|---|---|---|
| **Revenue** | 22.6 | 26.9 | 37.4 | 37.3 |
| **Gross Profit** | 7.5 | 10.4 | 14.4 | 15.1 |
| **Operating Income** | 6.5 | 9.2 | 12.3 | 13.1 |
| **Profit Before Tax** | 7.1 | 9.6 | 12.7 | 13.2 |
| **Net Profit After Tax** | 5.2 | 7.1 | 9.3 | 13.2 |
| **Gross Margin** | 33.1% | 38.7% | 38.5% | 40.6% |
| **Operating Margin** | 28.7% | 34.2% | 32.9% | 35.2% |
| **Pre-tax Margin** | 31.5% | 35.5% | 34.0% | 35.3% |
| **Net Margin** | 23.0% | 26.4% | 24.8% | 35.3% |
| **Revenue Growth** | n.a. | 19.1% | 39.0% | -0.3% |
| **Gross Profit Growth** | n.a. | 39.2% | 38.2% | 5.1% |
| **Operating Income Growth** | n.a. | 42.1% | 33.7% | 6.6% |
| **Pre-tax Profit Growth** | n.a. | 34.4% | 33.0% | 3.5% |
| **Net Profit Growth** | n.a. | 36.7% | 30.6% | 41.7% |

** e - Annualized result and Mekong Securities' estimates*

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28TH DECEMBER, 2007

# The Corporation for Financing and Promoting Technology

## FPT Corp. • FPT

**VNĐ223,000 • US$13.85**

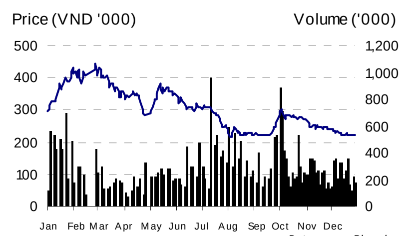


| | |
|---|---|
| **Address** | 89 Lang Ha St.<br>Dong Da District<br>Hanoi, Vietnam |
| **Telephone** | +84 4 730 1515 |
| **Fax** | +84 4 736 6274 |
| **Website** | www.fpt.com.vn |
| **Email** | infor@fpt.com.vn |
| **Contact** | Mr Nguyen The Phuong<br>Investor Relations |

### Ownership

| | | |
|---|---|---|
| **Foreign** | 22.3% | 20,488,541 |
| **Domestic** | 70.4% | 64,702,257 |
| **State** | 7.3% | 6,708,661 |
| **Outstanding** | 100.0% | 91,899,459 |

### FPT • Trading history, 2007 (adjusted)




*Data source: Bloomberg*

### Market statistics

| | | | |
|---|---|---|---|
| **Exchange** | Ho Chi Minh City Stock Exchange | **52 week high** | VNĐ443,333 • US$27.54 |
| **Sector** | Information Technology | **52 week low** | VNĐ217,000 • US$13.48 |
| **Market cap.** | US$1.273bn | **EPS basic** | VNĐ7,048 • US$0.44 |
| **Index weight** | 5.61% | **P/E (2007 est.)** | 31.6x |
| **30-day av. daily trading value** | US$3.41mn | **Beta** | 1.21 |

### Company profile

As a state-owned company in 1997, FPT became the first Vietnamese company to provide internet services (ISP), content (ICP), and software development. FPT has since successfully established itself as a blue-chip information and communication technology player in Vietnam having won a substantial number of high-profile IT contracts within the state and private sectors. FPT has also secured distributorships from technology giants including Cisco, Microsoft, IBM and Oracle and is progressing with plans to establish a diversified operational portfolio, including high-margin financial services and real estate ventures to sustain earnings growth in the long run.

FPT's principal business activities include: (1) provision of information system services including system integration, software solutions, and ERP implementation services; (2) provision of software outsourcing services; (2) mobile telephone distribution, including Nokia, Motorola and as main distributor for Samsung; (3) IT related retail products; (4) hardware and PC assembly; (5) telecommunications services; (6) technology training, and more recently (7) financial services (banking, securities and funds management). Whereas outsourcing services typically generate the highest margins, distributorships have been the greatest revenue drivers to date.

After skyrocketing in 2006, FPT's stock price fell significantly in 2007. The sale of 1.19 mn shares by strategic foreign investor TPG in July and the company's subsequent failure to articulate a comprehensive business strategy to investors in addition to the market's negative perception of insider share sales exacerbated the slide. FPT's plans for 2008 include an increase in chartered capital by 10%, focus on IT retail products, banking, and training, financial services and to reduce revenue-dependency on mobile phone distribution.

### Financial highlights

At the end of the third quarter of 2007, FPT had generated US$566mn in revenues and US$41mn in pretax profit, achieving 57% and 80% of the full-year target respectively. Systems integration, distributorships and in particulare software development and outsourcing contracts were the main revenue contributors (98.5%). FPT management remains confident of exceeding pre-tax profit forecasts by 15% by the year end.

| Summary Income Statements *(US$ mill.)* | 2004 | 2005 | 2006 | 2007e* |
|---|---|---|---|---|
| **Revenue** | 316.7 | 510.0 | 726.3 | 808.2 |
| **Gross Profit** | 0.0 | 57.2 | 96.1 | 128.2 |
| **Operating Income** | 11.9 | 20.8 | 34.7 | 48.6 |
| **Profit Before Tax** | 12.0 | 21.4 | 37.8 | 58.5 |
| **Net Profit After Tax** | 8.6 | 17.4 | 28.0 | 40.2 |
| **Gross Margin** | 0.0% | 11.2% | 13.2% | 15.9% |
| **Operating Margin** | 3.8% | 4.1% | 4.8% | 6.0% |
| **Pre-tax Margin** | 3.8% | 4.2% | 5.2% | 7.2% |
| **Net Margin** | 2.7% | 3.4% | 3.9% | 5.0% |
| **Revenue Growth** | n.a. | 61.0% | 42.4% | 11.3% |
| **Gross Profit Growth** | n.a. | n.a. | 67.9% | 33.4% |
| **Operating Income Growth** | n.a. | 74.7% | 66.8% | 40.0% |
| **Pre-tax Profit Growth** | n.a. | 78.4% | 77.2% | 54.6% |
| **Net Profit Growth** | n.a. | 101.9% | 60.6% | 43.8% |

** e - Annualized result and Mekong Securities' estimates*

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# Gemadept Corporation

## GEMADEPT • GMD

## VNĐ133,000 • US$8.26



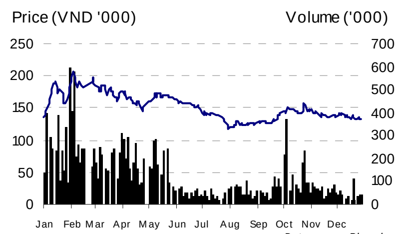
GEMADEPT


| | |
|---|---|
| **Address** | 15th Floor, Harbour View Tower<br>35 Nguyen Hue St.<br>Ho Chi Minh City, Vietnam |
| **Telephone** | +84 8 914 0141 |
| **Fax** | +84 8 821 5189 |
| **Website** | www.gemadept.com.vn |
| **Email** | gmdhcm@hcm.vnn.vn |
| **Contact** | Mr Nguyen Thanh Tinh<br>Business Development |


### Ownership

| | | |
|---|---|---|
| **Foreign** | 49.0% | 21,289,277 |
| **Domestic** | 45.1% | 19,599,170 |
| **State** | 5.9% | 2,559,058 |
| **Outstanding** | 100.0% | 43,447,505 |

### GMD • Trading history, 2007 (adjusted)




*Data source: Bloomberg*

### Market statistics

| | | | |
|---|---|---|---|
| **Exchange** | Ho Chi Minh City Stock Exchange | **52 week high** | VNĐ208,000 • US$12.92 |
| **Sector** | Freight & Logistics | **52 week low** | VNĐ116,000 • US$7.20 |
| **Market cap.** | US$0.359bn | **EPS basic** | VNĐ4,484 • US$0.28 |
| **Index weight** | 1.58% | **P/E (2007 est.)** | 29.7x |
| **30-day av. daily trading value** | US$0.33mn | **Beta** | 0.99 |

### Company profile

Gemadept is one of the leading transportation and logistics service providers in Vietnam commanding around 18% of the local transportation market. Incorporated in 1990 under the Ministry of Transportation, equitized in 1993 and subsequently listed on the Ho Chi Minh Stock Exchange in April 2002, Gemadept currently boasts five prominent foreign institutional shareholders on its register, being Dragon Financial Holdings Ltd, Deutsche Bank, Citigroup, Merrill Lynch and KITMC Fund.

With a current fleet of 14 vessels and 150 trucks, Gemadept is among the top three Vietnamese transportation and logistics operators in Vietnam. Gemadept also operates agency agreements and ventures with leading multinational operators Hyundai (Korea) and Schenker (Germany) in providing inbound and outbound transhipment services.

Gemadept's expansion plans include construction and operation of the deepwater Dung Quat International Port, Nhon Hoi port, Cai Mep-Thi Vai facility and up to seven new vessels to be purchased in 2007-2008.

### Financial highlights

Gemadept has achieved a remarkable annual revenue growth rate of 39% since 1996 and 35% annual growth in net profits during the same period. Total assets reached US$86.5mn in 2006, representing 36% growth over the prior year.

At the end of the third quarter 2007, cumulative revenues reached US$47mn, accounting for 62.3% of the full-year target, while pre-tax profit reached US$12.2mn or 71% of the full-year target. Earnings were boosted in part by US$2.3mn in financial income with transport operations growth due to higher freight rates and an expanded fleet capacity.

GMD's Maritime Trading Center is expected to generate a lease income of US$84mn in 2008 having already secured 100% lease contracts. Management also expect the new the Dung Quat Port to be a substantial revenue driver on commencement of operations in the second quarter of 2008.

| Summary Income Statements *(US$ mill.)* | 2004 | 2005 | 2006 | 2007e* |
|---|---|---|---|---|
| **Revenue** | 51.2 | 68.5 | 75.3 | 70.9 |
| **Gross Profit** | 11.1 | 15.2 | 15.4 | 17.3 |
| **Operating Income** | 9.6 | 11.9 | 13.4 | 16.8 |
| **Profit Before Tax** | 9.6 | 12.0 | 13.6 | 16.8 |
| **Net Profit After Tax** | 7.0 | 9.2 | 10.5 | 12.1 |
| **Gross Margin** | 21.8% | 22.2% | 20.4% | 24.4% |
| **Operating Margin** | 18.8% | 17.4% | 17.8% | 23.7% |
| **Pre-tax Margin** | 18.8% | 17.5% | 18.1% | 23.7% |
| **Net Margin** | 13.7% | 13.4% | 13.9% | 17.1% |
| **Revenue Growth** | 44.7% | 33.8% | 9.8% | -5.8% |
| **Gross Profit Growth** | 36.1% | 36.6% | 1.0% | 12.6% |
| **Operating Income Growth** | 35.5% | 24.0% | 12.1% | 25.6% |
| **Pre-tax Profit Growth** | 35.3% | 24.9% | 13.5% | 23.2% |
| **Net Profit Growth** | 11.1% | 31.2% | 14.3% | 15.3% |

** e - Mekong Securities' estimates*

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# Hoa Phat Group Joint Stock Company

28TH DECEMBER, 2007

## HOA PHAT GROUP • HPG

## VNĐ95,000 • US$5.90

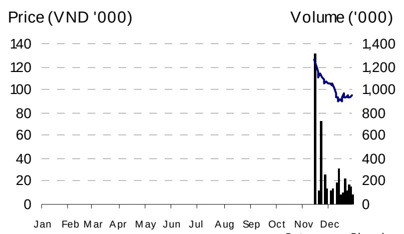
www.mekongsecurities.com

| | |
|---|---|
| **Address** | Pho Noi A Industrial Park<br>Yen Mai District<br>Hung Yen Province, Vietnam |
| **Telephone** | +84 321 942 884 |
| **Fax** | +84 321 942 613 |
| **Website** | www.hoaphat.com.vn |
| **Email** | |
| **Contact** | Ms Ta Thi Thu Hien<br>Chief Financial Officer |

### Ownership

| | | |
|---|---|---|
| **Foreign** | 11.3% | 14,941,840 |
| **Domestic** | 88.7% | 117,058,160 |
| **State** | 0.0% | 0 |
| **Outstanding** | 100.0% | 132,000,000 |

### HPG • Trading history, 2007 (adjusted)




*Data source: Bloomberg*

### Market statistics

| | | | |
|---|---|---|---|
| **Exchange** | Ho Chi Minh City Stock Exchange | **52 week high** | VNĐ127,000 • US$7.89 |
| **Sector** | Construction | **52 week low** | VNĐ90,000 • US$5.59 |
| **Market cap.** | US$0.779bn | **EPS basic** | VNĐ4,174 • US$0.26 |
| **Index weight** | 3.43% | **P/E (2007 est.)** | 22.8x |
| **30-day av. daily trading value** | US$0.88mn | **Beta** | 0.50 |

### Company profile

Founded in 1992 as a merger between six construction machinery, mechanical and electrical engineering (M&E) companies, Hoa Phat Group (HPG) has become one of the leading multi-business groups in Vietnam. HPG was listed on the Ho Chi Minh City Stock Exchange on the 15th November 2007 with initial charted capital of US$82mn. HPG's core product lines in 2006 include steel manufacturing (36.7% of revenue), steel pipes (24.4%) and furniture (17.2%), followed by M&E (13.3%).

In addition to having the sole distribution rights of small and medium sized construction machinery and equipment for leading international brands, HPG is the largest steel pipe manufacturer in Vietnam with a dominating 80% local market share. HPG is also a major furniture supplier, controlling over 20% of the residential and outdoor furniture market. HPG has also achieved significant success in real estate and has recently been approved to invest in Pho Noi Industrial Zone and Residential projects with a total development site of 790 hectares in Hung Yen. The Hoa Phat cement project in Ha Nam province is currently under implementation.

Through eight subsidiaries and three affiliates in cement and mining, the HPG is targeting more aggressive expansion in the mining, construction and real estate sectors mainly in the northern regions.

### Financial highlights

HPG posted strong revenues and earnings of US$81.9mn and US$4.5mn respectively in 2006. Third quarter 2007 cumulative revenues of US$241mn and net profit of US$25.7mn amounted to 83% and 98% of the full-year targets respectively.

HPG plans to scale-up registered capital to US$123.7mn in 2008 from the current US$82.0mn to fund capacity expansion and large projects in cement (to 3mn tons per year), cast iron and steel complexes (to 0.7mn tons per year), iron ore processing plant in Laos (0.3mn tons per year) and real estate. HPG expects to utilize considerable synergistic advantages to generate annual revenues exceeding US $600mn by 2010.

| Summary Income Statements *(US$ mill.)* | 2004 | 2005 | 2006 | 2007e* |
|---|---|---|---|---|
| **Revenue** | 48.0 | 56.5 | 81.9 | 316.3 |
| **Gross Profit** | -0.3 | 1.0 | 7.9 | 53.0 |
| **Operating Income** | -2.7 | -0.9 | 4.6 | 40.4 |
| **Profit Before Tax** | -0.4 | 0.2 | 4.6 | 40.6 |
| **Net Profit After Tax** | -0.4 | 0.2 | 4.5 | 34.2 |
| **Gross Margin** | -0.7% | 1.7% | 9.6% | 16.8% |
| **Operating Margin** | -5.7% | -1.7% | 5.6% | 12.8% |
| **Pre-tax Margin** | -0.8% | 0.3% | 5.6% | 12.8% |
| **Net Margin** | -0.8% | 0.3% | 5.5% | 10.8% |
| **Revenue Growth** | n.a. | 17.6% | 45.1% | 286.1% |
| **Gross Profit Growth** | n.a. | n.a. | 726.3% | 574.4% |
| **Operating Income Growth** | n.a. | n.a. | n.a. | 773.5% |
| **Pre-tax Profit Growth** | n.a. | n.a. | 2630.9% | 776.4% |
| **Net Profit Growth** | n.a. | n.a. | 2536.4% | 666.0% |

** e - Annualized result and Mekong Securities' estimates*

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# Hoa Binh Rubber Joint Stock Company

## HORUCO • HRC

**VNĐ168,000 • US$10.43**

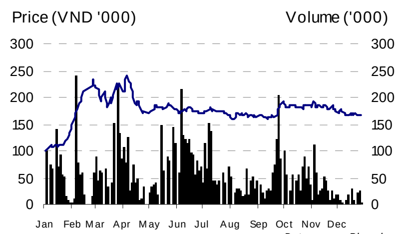


**Address** Hoa Binh Ward
Xuyen Moc District
Ba Ria-Vung Tau Province, Vietnam
**Telephone** +84 64 872 104
**Fax** +84 64 873 495
**Website** www.horuco.com.vn
**Email** horuco@horuco.com.vn
**Contact** Mr Banh Manh Duc
Investor Relations

### Ownership

| | | |
|---|---|---|
| **Foreign** | 26.7% | 4,580,557 |
| **Domestic** | 18.3% | 3,141,880 |
| **State** | 55.0% | 9,438,534 |
| **Outstanding** | 100.0% | 17,160,970 |

### HRC • Trading history, 2007 (adjusted)




*Data source: Bloomberg*

### Market statistics

| | | | |
|---|---|---|---|
| **Exchange** | Ho Chi Minh City Stock Exchange | **52 week high** | VNĐ240,000 • US$14.91 |
| **Sector** | Rubber | **52 week low** | VNĐ99,444 • US$6.18 |
| **Market cap.** | US$0.179bn | **EPS basic** | VNĐ7,082 • US$0.44 |
| **Index weight** | 0.79% | **P/E (2007 est.)** | 23.7x |
| **30-day av. daily trading value** | US$0.11mn | **Beta** | 0.72 |

### Company profile

Horuco was established in 2004 and listed on the Ho Chi Minh City Stock Exchange in December 2006. Although having a comparatively small plantation area, Horuco is a medium sized company ranking eleventh among the top 15 rubber producers in Vietnam with a 6,000 ton per annum processing plant and a 5,000 hectare rubber plantation yielding a maximum 8,000 tons per year. The domestic market remains the largest single market at around 45% of total output, while export markets in China including Taiwan account for 35% and European markets account for the remaining output.

Horuco has enjoyed a healthy annual revenue growth rate of more than 40% in the past three years due primarily to rising global rubber prices and near-full capacity utilization. Horuco's rubber production however is highly susceptible to local weather conditions including storm damage wiping out more than 500 hectares in early 2007. In addition, cyclical replanting of more than 30% of Horuco's plantation will affect production capacity in the medium term.

To sustain long term growth amidst climatic susceptibility, Horuco has engaged in a diversified business model. These investments are funded by a doubling of chartered capital from US$5.9mn to US$10.7mn in May 2007, including investments in a total of 100,000 hectares of rubber plantations in Laos and Cambodia in partnership with Ba Ria Rubber Company (10,000 hectares planted in 2007), the An Phu Seafood Processing Company in Dong Thap, the Long Khanh Industrial Park in Dong Nai, the Dong Nai Wood Processing plant, and various equity market investments.

### Financial highlights

Up to the third quarter of 2007, Horuco had achieved US$12.6mn in revenues and a pre-tax profit of US$5.7mn, amounting to 80% and 97% of the respective full year targets.

Given favorable global market conditions, including strong sustained demand for natural rubber from China and spiking oil prices pressuring synthetic rubber costs, Horuco is well positioned to surpass the full-year target despite the impact of storm damage sustained earlier in the year.

| Summary Income Statements *(US$ mill.)* | 2004 | 2005 | 2006 | 2007e* |
|---|---|---|---|---|
| **Revenue** | 8.5 | 13.7 | 19.9 | 16.9 |
| **Gross Profit** | 3.8 | 5.4 | 8.6 | 6.6 |
| **Operating Income** | 3.3 | 4.7 | 8.1 | 6.0 |
| **Profit Before Tax** | 3.3 | 5.0 | 9.0 | 7.5 |
| **Net Profit After Tax** | 3.3 | 5.0 | 8.9 | 7.5 |
| **Gross Margin** | 44.5% | 39.1% | 43.2% | 39.4% |
| **Operating Margin** | 38.6% | 34.3% | 40.5% | 35.6% |
| **Pre-tax Margin** | 38.9% | 36.3% | 45.2% | 44.8% |
| **Net Margin** | 38.9% | 36.3% | 44.5% | 44.8% |
| **Revenue Growth** | n.a. | 62.3% | 45.2% | -15.4% |
| **Gross Profit Growth** | n.a. | 42.6% | 60.2% | -22.7% |
| **Operating Income Growth** | n.a. | 44.4% | 71.2% | -25.5% |
| **Pre-tax Profit Growth** | n.a. | 51.6% | 80.7% | -16.1% |
| **Net Profit Growth** | n.a. | 51.6% | 77.8% | -14.8% |

** e - Annualized result and Mekong Securities' estimates*

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# Ha Tien 1 Cement Joint Stock Company

## HA TIEN 1 • HT1

## VNĐ46,300 • US$2.88

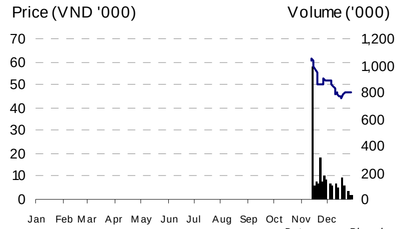
www.mekongsecurities.com

| | |
|---|---|
| **Address** | Km. 8 Hanoi Hwy. Truong Tho Ward, Thu Duc Ho Chi Minh City, Vietnam |
| **Telephone** | +84 8 8966608 |
| **Fax** | +84 8 8967635 |
| **Website** | www.hatien1.com.vn |
| **Email** | ht-1@hcm.vnn.vn |
| **Contact** | Mr Mai Anh Tai Investor Relations |

### Ownership

| | | |
|---|---|---|
| **Foreign** | 1.0% | 885,080 |
| **Domestic** | 34.0% | 29,564,920 |
| **State** | 65.0% | 56,550,000 |
| **Outstanding** | 100.0% | 87,000,000 |

### HT1 • Trading history, 2007 (adjusted)




*Data source: Bloomberg*

### Market statistics

| | | | |
|---|---|---|---|
| **Exchange** | Ho Chi Minh City Stock Exchange | **52 week high** | VNĐ61,000 • US$3.79 |
| **Sector** | Cement | **52 week low** | VNĐ44,000 • US$2.73 |
| **Market cap.** | US$0.250bn | **EPS basic** | VNĐ852 • US$0.05 |
| **Index weight** | 1.10% | **P/E (2007 est.)** | 54.3x |
| **30-day av. daily trading value** | US$0.23mn | **Beta** | 0.45 |

### Company profile

Ha Tien 1 is the leading subsidiary of the Vietnam National Cement Corporation (VNCC) in southern Vietnam, implementing the imported VENOT.PIC technology from France. Established in 1964, Ha Tien 1 was equitized in February 2007 and listed on the Ho Chi Minh City Stock Exchange in November 2007. VNCC is remains the major shareholder with 65% of total shares outstanding.

Deriving nearly 98% of total revenue from cement products, Ha Tien 1 held 39% of the cement market in southern Vietnam and 8% nationally in 2006. Ha Tien 1 has plans to increase annual output from the current capacity of 1.9mn tons per year to 3.3mn tons by 2008 and expects to achieve 5.30mn tons by 2010 with additional production capacity from two new manufacturing plants.

### Financial highlights

Production and sales volumes in 2006 were 2.53 million tons and 2.51 million tons respectively, representing growth rates of 4.7% and 4.0% above 2005 levels. Revenue growth of 9.8% reflects both volume and pricing increases implemented in 2006.

Ha Tien 1 achieved revenues of US$96mn and net profit of US$3.5mn up to the end of the third quarter of 2007, accounting for 64% and 55% of the respective full-year targets although expects to face lower margins in future due to rising clinker prices - the main material for cement production, and increased production facility maintenance costs.

| Summary Income Statements *(US$ mill.)* | 2004 | 2005 | 2006 | 2007e* |
|---|---|---|---|---|
| **Revenue** | 102.0 | 122.6 | 132.7 | 127.7 |
| **Gross Profit** | 12.5 | 11.2 | 13.0 | 13.2 |
| **Operating Income** | 9.6 | 3.7 | 3.9 | 4.6 |
| **Profit Before Tax** | 9.6 | 4.0 | 4.1 | 4.6 |
| **Net Profit After Tax** | 7.6 | 3.1 | 3.3 | 4.6 |
| **Gross Margin** | 12.2% | 9.2% | 9.8% | 10.4% |
| **Operating Margin** | 9.4% | 3.0% | 2.9% | 3.6% |
| **Pre-tax Margin** | 9.4% | 3.3% | 3.1% | 3.6% |
| **Net Margin** | 7.4% | 2.5% | 2.5% | 3.6% |
| **Revenue Growth** | n.a. | 20.2% | 8.3% | -3.8% |
| **Gross Profit Growth** | n.a. | -9.7% | 16.0% | 1.3% |
| **Operating Income Growth** | n.a. | -61.7% | 6.1% | 16.5% |
| **Pre-tax Profit Growth** | n.a. | -57.8% | 1.5% | 12.3% |
| **Net Profit Growth** | n.a. | -59.4% | 7.4% | 38.9% |

** e - Management guidance and Mekong Securities' estimates*

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# Tan Tao Industrial Park Joint Stock Company

## ITACO • ITA

## VNĐ126,000 • US$7.83

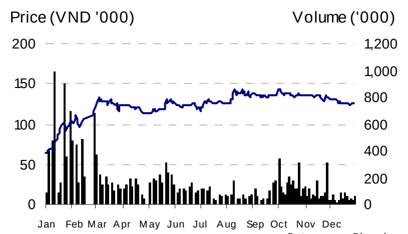


| | |
|---|---|
| **Address** | Tan Tao Industrial Zone<br>Binh Dinh District<br>Ho Chi Minh City, Vietnam |
| **Telephone** | +84 8 750 5171 |
| **Fax** | +84 8 750 8237 |
| **Website** | www.tantaocity.com |
| **Email** | |
| **Contact** | Ms Nguyen Thi Suong<br>Chief Accountant |

### Ownership

| | | |
|---|---|---|
| **Foreign** | 34.1% | 27,249,053 |
| **Domestic** | 65.9% | 52,749,147 |
| **State** | 0.0% | 0 |
| **Outstanding** | 100.0% | 79,998,200 |

### ITA • Trading history, 2007 (adjusted)




*Data source: Bloomberg*

### Market statistics

| | | | |
|---|---|---|---|
| **Exchange** | Ho Chi Minh City Stock Exchange | **52 week high** | VNĐ144,000 • US$8.94 |
| **Sector** | Industrial Park Construction | **52 week low** | VNĐ63,600 • US$3.95 |
| **Market cap.** | US$0.626bn | **EPS basic** | VNĐ4,022 • US$0.25 |
| **Index weight** | 2.76% | **P/E (2007 est.)** | 31.3x |
| **30-day av. daily trading value** | US$0.32mn | **Beta** | 0.72 |

### Company profile

ITACO is a leading industrial park developer in Vietnam. Listed on the Ho Chi Minh City Stock Exchange in November 2006, ITACO is now among the top 20 companies by market capitalization. The company's first development, the Tan Tao Industrial Park built in 1996 with an initial total area of 181 hectares has expanded to 413 hectares in 2000. It is now the largest industrial park in Ho Chi Minh City.

Prior to 2006, 100% of ITACO's revenue was derived from property leasing and services in Tan Tao Industrial Park which had achieved an occupancy rate of 98% by the end of the third quarter 2007. ITACO also has a major stake in the 535 hectare Tan Duc Industrial Park in Long An province, the first phase of which has been completed with a total area of 273 hectares with the second phase expected to commence in 2008.

In addition to Industrial Park development, ITACO is expanding its operating base into residential property development, including the 100 hectare Tan Tao Residential Area Project and 422 hectare Tan Duc Residential Urban Area Project commencing in 2008. In the longer term, ITACO's major plans include the construction of the US$270mn Tan Son Nhat-Long An Tollway, a 300,000 cubic meter per day water supply project supporting 17 Industrial Parks in Long An province, a 2x300MW thermal power plant at a cost of US$600mn and a 10,320 hectare rice research program in Long An province, the Dong Nam A Universal College, and 2,500 hectare Saigon-Mekong Urban Zone.

### Financial highlights

ITACO has to date recorded strong growth in 2007 with revenues of US$39.2mn and net profit of US $14.6mn at the end of the third quarter 2007, representing year on year growth rates of 287% and 163% respectively. These results were achieved following the consolidation of the Tan Duc Industrial Park into ITACO's financial results. ITACO's increased shareholding in Tan Duc Industrial Park from 40% to 94% at the end of the third quarter 2007 and Tan Duc Industrial Park's rapid fill rate are the main drivers behind ITACO's significant performance in 2007.

| Summary Income Statements *(US$ mill.)* | 2004 | 2005 | 2006 | 2007e* |
|---|---|---|---|---|
| **Revenue** | 16.8 | 19.5 | 21.9 | 52.3 |
| **Gross Profit** | 7.1 | 10.7 | 13.0 | 26.8 |
| **Operating Income** | 6.5 | 8.3 | 10.8 | 25.1 |
| **Profit Before Tax** | 6.5 | 8.4 | 11.0 | 25.1 |
| **Net Profit After Tax** | 6.0 | 6.8 | 8.8 | 20.0 |
| **Gross Margin** | 42.6% | 55.0% | 59.2% | 51.1% |
| **Operating Margin** | 38.4% | 42.7% | 49.3% | 47.9% |
| **Pre-tax Margin** | 38.4% | 43.4% | 50.2% | 48.0% |
| **Net Margin** | 35.6% | 35.1% | 40.1% | 38.2% |
| **Revenue Growth** | 32.0% | 15.8% | 12.6% | 138.8% |
| **Gross Profit Growth** | 40.0% | 49.8% | 21.3% | 106.2% |
| **Operating Income Growth** | 45.6% | 28.7% | 30.2% | 131.8% |
| **Pre-tax Profit Growth** | 45.2% | 30.7% | 30.5% | 128.4% |
| **Net Profit Growth** | 79.1% | 14.2% | 28.4% | 127.7% |

** e - Annualized result and Mekong Securities' estimates*

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28TH DECEMBER, 2007

# Kinh Do Corporation

## KINH DO • KDC

## VNĐ194,000 • US$12.05

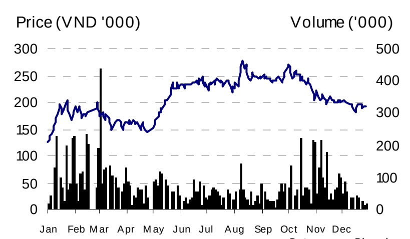


| | |
|---|---|
| **Address** | 6/134 National Highway 13<br>Thu Duc District<br>Ho Chi Minh City, Vietnam |
| **Telephone** | +84 8 726 9474 |
| **Fax** | +84 8 726 9472 |
| **Website** | www.kinhdofood.com |
| **Email** | kido.co@kinhdofood.com |
| **Contact** | Mr Le Phuong Hao<br>Deputy General Director |

### Ownership

| | | |
|---|---|---|
| **Foreign** | 32.8% | 11,793,008 |
| **Domestic** | 67.2% | 24,205,217 |
| **State** | 0.0% | 0 |
| **Outstanding** | 100.0% | 35,998,225 |

### KDC • Trading history, 2007 (adjusted)




*Data source: Bloomberg*

### Market statistics

| | | | |
|---|---|---|---|
| **Exchange** | Ho Chi Minh City Stock Exchange | **52 week high** | VNĐ277,000 • US$17.20 |
| **Sector** | Food & Beverage | **52 week low** | VNĐ124,167 • US$7.71 |
| **Market cap.** | US$0.434bn | **EPS basic** | VNĐ6,081 • US$0.38 |
| **Index weight** | 1.91% | **P/E (2007 est.)** | 31.9x |
| **30-day av. daily trading value** | US$0.54mn | **Beta** | 1.18 |

### Company profile

Starting from a very small private bakery established in 1993 with a staff of six, Kinh Do bakery (KDC) has now become the most recognized confectionery brands in Vietnam with chartered capital of US $18.6mn and a workforce of more than 6,000. Listed on the Ho Chi Minh City Stock Exchange in December 2005, its share price had quadrupled just one year later.

KDC produces more than 200 varieties of high quality bakery products catering to a diverse range of customer tastes with mid-range pricing and professional packaging. An extensive local distribution network consisting of 215 agents and more than 65,000 retail outlets has generated enviable brand recognition locally and abroad. KDC currently holds around 40% of the domestic market share while approximately 15% of revenues are derived from export sales to more than 30 countries.

KDC's stated mission is to continue enhancing its dominant market position in confectionery and baked goods while diversifying into the booming real estate and financial service sectors. Of nine subsidiaries, seven are engaged in food and beverage production and two in real estate development. KDC plans to develop three real estate projects in Ho Chi Minh City including a 45-storey office tower on Le Loi high street, the Thu Duc Residential development, and the Cong Hoa Plaza complex.

The seasonal nature of Kinh Do's business lines is reflected in its financial performance, with sales peak during the traditional Mid Autumn and New Year festivals. The “Kinh Do Moon Cake” traditionally sold during the Mid Autumn festival has developed a commanding 80% share of the domestic market and an increasing international presence, contributes more than 30% of Kinh Do's annual revenue, followed by cracker biscuits (20%). Kinh Do is currently planning to merge with Kido and North Kinh Do in early 2008, following the recent acquisition of a 30% stake in Nutifood.

### Financial highlights

High growth rates continued in 2006 with KDC recording total revenues of US$62.0mn and pre-tax profit of US$10.3mn, representing annual growth of 25% and 60% respectively. Third quarter 2007 results of US$53.9mn in revenues and US$10.2mn in pre-tax profits account for 67% and 69% of the respective full-year targets.

| Summary Income Statements *(US$ mill.)* | 2004 | 2005 | 2006 | 2007e* |
|---|---|---|---|---|
| **Revenue** | 44.6 | 49.6 | 62.0 | 74.0 |
| **Gross Profit** | 12.6 | 14.3 | 17.5 | 19.8 |
| **Operating Income** | 5.3 | 6.1 | 9.7 | 11.6 |
| **Profit Before Tax** | 5.3 | 6.5 | 10.3 | 13.5 |
| **Net Profit After Tax** | 4.8 | 5.7 | 10.4 | 13.6 |
| **Gross Margin** | 28.2% | 28.8% | 28.2% | 26.8% |
| **Operating Margin** | 11.9% | 12.2% | 15.6% | 15.7% |
| **Pre-tax Margin** | 11.9% | 13.0% | 16.7% | 18.3% |
| **Net Margin** | 10.8% | 11.4% | 16.8% | 18.4% |
| **Revenue Growth** | 15.3% | 11.1% | 25.0% | 19.4% |
| **Gross Profit Growth** | 26.1% | 13.3% | 22.5% | 13.6% |
| **Operating Income Growth** | 12.0% | 14.2% | 59.6% | 20.5% |
| **Pre-tax Profit Growth** | 11.3% | 21.4% | 60.2% | 30.9% |
| **Net Profit Growth** | 1.2% | 17.0% | 83.5% | 30.9% |

** e - Annualized result and Mekong Securities' estimates*

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28TH DECEMBER, 2007

# Pha Lai Thermal Power Joint Stock Company

## PLPC • PPC

## VNĐ59,500 • US$3.70

www.mekongsecurities.com

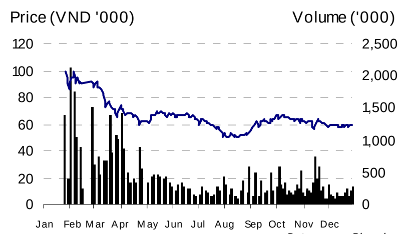
PLPC

| | |
|---|---|
| **Address** | Phao Son Hamlet, Pha Lai Town, Chi Linh Hai Duong Province, Vietnam |
| **Telephone** | +84 032 881126 |
| **Fax** | +84 032 881338 |
| **Website** | www.ppc.evn.vn |
| **Email** | |
| **Contact** | Mr Nguyen Khac Son Investor Relations |

### Ownership

| | | |
|---|---|---|
| **Foreign** | 13.7% | 44,526,834 |
| **Domestic** | 18.5% | 60,133,789 |
| **State** | 67.8% | 220,574,377 |
| **Outstanding** | 100.0% | 325,235,000 |

### PPC • Trading history, 2007 (adjusted)




*Data source: Bloomberg*

### Market statistics

| | | | |
|---|---|---|---|
| **Exchange** | Ho Chi Minh City Stock Exchange | **52 week high** | VNĐ100,000 • US$6.21 |
| **Sector** | Power & Energy | **52 week low** | VNĐ50,500 • US$3.14 |
| **Market cap.** | US$1.202bn | **EPS basic** | VNĐ2,777 • US$0.17 |
| **Index weight** | 5.30% | **P/E (2007 est.)** | 21.4x |
| **30-day av. daily trading value** | US$0.52mn | **Beta** | 0.75 |

### Company profile

Originally established under the Ministry of Electricity in 1982, Pha Lai Thermal Power Company (PPC) is the largest coal-fired thermal power plant in Vietnam, generating 40% of northern Vietnam's electricity output and 10% of the national total. PPC subsequently became a subsidiary of the state-owned Electricity Vietnam (EVN), listed on the Hanoi Securities Trading Center in May 2006 and re-listed on the Ho Chi Minh City Stock Exchange in January 2007.

PPC operates two power plants with a total design capacity of 1,040MW and annual output of 6.54bn KWh, consuming around 9.5% of generated electricity internally with the remaining output sold to EVN at 3.61 cents per kilowatt-hour.

PPC is expanding through capital investments in new power plants in northern Vietnam and is planning to list on the Singapore Stock Exchange.

### Financial highlights

After increasing the unit price of electricity sold to EVN upon equitization, PPC's revenues and net profit surged strongly in 2006 to US$236mn and US$61mn respectively, markedly higher than the respective 2005 results of US$91mn and US$0.6mn.

At the end of the third quarter 2007, PPC had attained revenues of US$184mn and net profit of US $46mn, achieving 87% and 122% of the entire 2007 target. Gross margin has declined however from 34.1% in 2006 to 29.9% in the first nine months of 2007 due to the increase in material prices. The company is wholly tax-exempt for the 2007-2009 periods.

| Summary Income Statements *(US$ mill.)* | 2005 | 2006 | 2007e* |
|---|---|---|---|
| **Revenue** | 90.6 | 224.0 | 222.5 |
| **Gross Profit** | 9.8 | 78.2 | 66.5 |
| **Operating Income** | 0.7 | 59.8 | 55.8 |
| **Profit Before Tax** | 0.8 | 60.0 | 56.1 |
| **Net Profit After Tax** | 0.6 | 60.8 | 56.1 |
| **Gross Margin** | 10.8% | 34.9% | 29.9% |
| **Operating Margin** | 0.8% | 26.7% | 25.1% |
| **Pre-tax Margin** | 0.9% | 26.8% | 25.2% |
| **Net Margin** | 0.6% | 27.2% | 25.2% |
| **Revenue Growth** | n.a. | 147.2% | -0.7% |
| **Gross Profit Growth** | n.a. | 699.0% | -15.0% |
| **Operating Income Growth** | n.a. | 8351.0% | -6.8% |
| **Pre-tax Profit Growth** | n.a. | 7616.5% | -6.4% |
| **Net Profit Growth** | n.a. | 10771.7% | -7.8% |

** e - Annualized result and Mekong Securities' estimates*

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# PetroVietnam Drilling & Well Services Joint Stock Company

## PV DRILLING • PVD

## VNĐ152,000 • US$9.44



PETROVIETNAM
PV Drilling



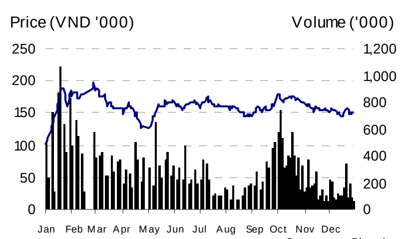
| | |
|---|---|
| **Address** | 2nd Fl. 12 Nam Ky Khoi Nghia District 1 Ho Chi Minh City, Vietnam |
| **Telephone** | +84 8 914 2012 |
| **Fax** | +84 8 914 2021 |
| **Website** | |
| **Email** | |
| **Contact** | Mr Luong Trong Diep Investor Relations |



### Ownership

| | | |
|---|---|---|
| **Foreign** | 22.9% | 25,214,807 |
| **Domestic** | 40.6% | 44,701,894 |
| **State** | 36.5% | 40,223,029 |
| **Outstanding** | 100.0% | 110,139,730 |

### PVD • Trading history, 2007 (adjusted)




*Data source: Bloomberg*

### Market statistics

| | | | |
|---|---|---|---|
| **Exchange** | Ho Chi Minh City Stock Exchange | **52 week high** | VNĐ197,315 • US$12.26 |
| **Sector** | Oil & Gas | **52 week low** | VNĐ103,113 • US$6.40 |
| **Market cap.** | US$1.040bn | **EPS basic** | VNĐ4,876 • US$0.30 |
| **Index weight** | 4.59% | **P/E (2007 est.)** | 31.2x |
| **30-day av. daily trading value** | US$1.14mn | **Beta** | 1.11 |

### Company profile

PetroVietnam Drilling & Well Services Joint Stock Company (PVD) is the only local rig owner and operator in Vietnam, holding one out of ten jack-up oil rigs operating in Vietnam. Established in 1994 as a member of the PetroVietnam group of companies, PVD was equitized in February 2006 and listed on the Ho Chi Minh City Stock Exchange in December 2006.

PVD's core drilling and well-service operations have been growing at an average annual rate of 37% from 2004-2007. PVD's engineering services division currently accounts for 20% of the Vietnam market while equipment rental, maintenance and testing services occupy an approximate 70% market share.

In 2007, PVD deployed its rig operating business with one jack-up under contract until 2009 and one land-rig. Another jack-up rig will be acquired in October 2009. The traditional well service operation is mainly conducted through partnership agreements with foreign contractors for the supply of services. Key alliances and partnerships include Production Testers International Ltd, BJ Services (joint venture), Baker Hughes, Halliburton and the Expro Group.

### Financial highlights

Total revenues of US$83.8mn also represent a growth rate of 33% in 2006, while pre-tax profits of US $10.4mn represent a growth rate of 128%.

At the end of the third quarter 2007, net profit had reached US$25mn, accounting for 72% of the full-year target. Total assets have doubled to US$268.4mn with the investment in new rigs. Rig leasing agreements account for 30% of total income and will continue to be PVD's main growth driver.

| Summary Income Statements *(US$ mill.)* | 2004 | 2005 | 2006 | 2007e* |
|---|---|---|---|---|
| **Revenue** | 41.2 | 66.6 | 83.8 | 152.5 |
| **Gross Profit** | 3.9 | 5.9 | 12.2 | 43.5 |
| **Operating Income** | 2.3 | 4.4 | 10.0 | 31.6 |
| **Profit Before Tax** | 2.5 | 4.5 | 10.0 | 33.4 |
| **Net Profit After Tax** | 1.8 | 3.3 | 7.2 | 33.4 |
| **Gross Margin** | 9.5% | 8.9% | 14.5% | 28.6% |
| **Operating Margin** | 5.6% | 6.6% | 12.0% | 20.7% |
| **Pre-tax Margin** | 6.1% | 6.8% | 12.0% | 21.9% |
| **Net Margin** | 4.4% | 4.9% | 8.6% | 21.9% |
| **Revenue Growth** | 34.5% | 61.7% | 25.9% | 82.0% |
| **Gross Profit Growth** | -9.4% | 52.2% | 105.6% | 257.2% |
| **Operating Income Growth** | -24.1% | 89.7% | 128.8% | 215.2% |
| **Pre-tax Profit Growth** | -18.2% | 80.1% | 121.1% | 232.7% |
| **Net Profit Growth** | 1.6% | 80.2% | 121.6% | 361.3% |

** e - Annualized result and Mekong Securities' estimates*

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# PetroVietnam Insurance Joint Stock Corporation

## PVI • PVI

**VNĐ79,700 • US$4.95**

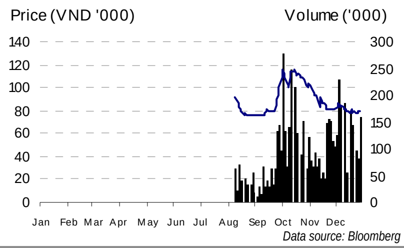


| | |
|---|---|
| **Address** | 154 Nguyen Thai Hoc St. Ba Dinh District Hanoi, Vietnam |
| **Telephone** | +84 4 7335588 |
| **Fax** | +84 4 7336284 |
| **Website** | www.pvi.com.vn |
| **Email** | contact@pvi.com.vn |
| **Contact** | Mr Pham Hoai Nam Investor Relations |

### Ownership

| | | |
|---|---|---|
| **Foreign** | 4.6% | 3,876,500 |
| **Domestic** | 28.2% | 23,922,128 |
| **State** | 67.2% | 57,000,000 |
| **Outstanding** | 100.0% | 84,798,628 |

### PVI • Trading history, 2007 (adjusted)




*Data source: Bloomberg*

### Market statistics

| | | | |
|---|---|---|---|
| **Exchange** | Hanoi Securities Trading Center | **52 week high** | VNĐ116,000 • US$7.20 |
| **Sector** | Insurance | **52 week low** | VNĐ75,400 • US$4.68 |
| **Market cap.** | US$0.420bn | **EPS basic** | VNĐ2,948 • US$0.18 |
| **Index weight** | 4.90% | **P/E (2007 est.)** | 27.0x |
| **30-day av. daily trading value** | US$0.61mn | **Beta** | 0.72 |

### Company profile

PetroVietnam Insurance Company (PVI) is the second largest non-life insurer in Vietnam and is the leading insurer in the energy, maritime, and construction & installation sectors. PVI was established in 1996 and became the third insurance company to be listed on the Hanoi Securities Trading Center in 2007.

PVI's main product focus is in the oil & gas, maritime, property, public liability, personal accident, motor vehicle, and voluntary insurance. Revenues from energy, maritime, and construction & installation comprised 78% of PVI's total revenue in 2006.

Primary clients include such high profile names as Vietsovpetro, PetroVietnam, Vinalines, Vinashin, EVN, VNPT and a number of multinational oil & gas contractors including Technip, BP, Huyndai, and Petronas. The group is also expanding abroad with underwriting agreements in Korea, Algeria, and Malaysia.

### Financial highlights

PVI's gross premium revenues have more than doubled between 2004-2006, with primary growth drivers in energy insurance (compound annual growth of 23%), maritime insurance (16%), construction & installation (175%), and motor vehicle insurance (148%).

At the end of the third quarter 2007, PVI had posted revenues of US$90.9mn and US$9.3mn in net profit accounting for 92% and 85% of the respective full-year targets elevating PVI's status as the second most profitable non-life insurer behind sector leader Bao Viet.

| Summary Income Statements *(US$ mill.)* | 2004 | 2005 | 2006 | 2007e* |
|---|---|---|---|---|
| **Revenue** | 37.0 | 47.7 | 77.3 | 118.6 |
| **Gross Profit** | 10.7 | 11.6 | 19.1 | 39.5 |
| **Operating Income** | 2.2 | 2.5 | 3.7 | 15.2 |
| **Profit Before Tax** | 2.2 | 2.5 | 3.7 | 15.5 |
| **Net Profit After Tax** | 1.5 | 1.8 | 2.7 | 15.5 |
| **Gross Margin** | 28.9% | 24.3% | 24.7% | 33.3% |
| **Operating Margin** | 5.9% | 5.2% | 4.8% | 12.8% |
| **Pre-tax Margin** | 5.9% | 5.2% | 4.8% | 13.1% |
| **Net Margin** | 4.1% | 3.8% | 3.5% | 13.1% |
| **Revenue Growth** | n.a. | 28.9% | 62.1% | 53.5% |
| **Gross Profit Growth** | n.a. | 8.4% | 64.7% | 106.8% |
| **Operating Income Growth** | n.a. | 13.6% | 48.0% | 311.3% |
| **Pre-tax Profit Growth** | n.a. | 13.6% | 48.0% | 319.7% |
| **Net Profit Growth** | n.a. | 20.0% | 50.0% | 475.1% |

** e - Management guidance and Mekong Securities' estimates*

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28TH DECEMBER, 2007

# Petroleum Technical Services Corporation

## PTSC • PVS

## VNĐ121,300 • US$7.53





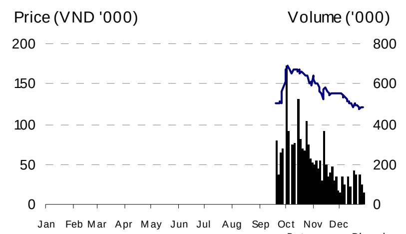
| | |
|---|---|
| **Address** | 5th Floor, PetroVietnam Tower<br>1-5 Le Duan Street, District 1<br>Ho Chi Minh City, Vietnam |
| **Telephone** | +84 8 910 2828 |
| **Fax** | +84 8 910 2929 |
| **Website** | www.ptsc.com.vn |
| **Email** | |
| **Contact** | Mr Do Huy The<br>Investor Relations |



### Ownership

| | | |
|---|---|---|
| **Foreign** | 5.8% | 5,781,700 |
| **Domestic** | 34.2% | 34,218,300 |
| **State** | 60.0% | 60,000,000 |
| **Outstanding** | 100.0% | 100,000,000 |

### PVS • Trading history, 2007 (adjusted)




*Data source: Bloomberg*

### Market statistics

| | | | |
|---|---|---|---|
| **Exchange** | Hanoi Securities Trading Center | **52 week high** | VNĐ173,800 • US$10.80 |
| **Sector** | Oil & Gas | **52 week low** | VNĐ119,000 • US$7.39 |
| **Market cap.** | US$0.753bn | **EPS basic** | VNĐ2,897 • US$0.18 |
| **Index weight** | 8.77% | **P/E (2007 est.)** | 41.9x |
| **30-day av. daily trading value** | US$0.89mn | **Beta** | 0.88 |

### Company profile

Petroleum Technical Services Corporation (PVS) is a member of the Vietnam National Oil & Gas Group (PetroVietnam) providing a diverse range of services for the national and international oil & gas sector. PVS was established in 1993 and became the second largest company by market capitalization upon listing on Hanoi Securities Trading Center in September 2007.

Accounting for more than 90% of the oil marine services in Vietnam, PVS's service range includes maritime oil support services (35% of revenue in 2006), oil & gas equipment supply (28%), fuel trading (10%), and plant fabrication & installation for oil & gas projects (8%).

Maritime oil support services similarly contribute the major component of net profit in 2006 (29%), followed by supply base services (21%), fabrication & installation services (12%), operation & maintenance (10%), and FPSO shipping services (9%).

### Financial highlights

PVS's financial results reflect the continuing strong demand for oil marine services and in particular the concentration of Vietnam's oil supply base and production services at Dung Quat.

Financial results for the first nine months of 2007 are promising, with revenue and pre-tax earnings growing by 44% to US$259.8mn and 10% to US$13.5mn respectively.

PVS currently enjoys 100% tax exemption until 2008 and a 50% tax reduction from 2009 to 2010.

| Summary Income Statements *(US$ mill.)* | 2005 | 2006 | 2007e* |
|---|---|---|---|
| **Revenue** | 201.6 | 279.3 | 346.3 |
| **Gross Profit** | 20.4 | 21.4 | 26.1 |
| **Operating Income** | 13.6 | 15.2 | 17.9 |
| **Profit Before Tax** | 13.8 | 15.6 | 18.0 |
| **Net Profit After Tax** | 9.9 | 10.7 | 18.0 |
| **Gross Margin** | 10.1% | 7.7% | 7.5% |
| **Operating Margin** | 6.7% | 5.4% | 5.2% |
| **Pre-tax Margin** | 6.9% | 5.6% | 5.2% |
| **Net Margin** | 4.9% | 3.8% | 5.2% |
| **Revenue Growth** | n.a. | 38.6% | 24.0% |
| **Gross Profit Growth** | n.a. | 4.6% | 22.1% |
| **Operating Income Growth** | n.a. | 12.1% | 17.7% |
| **Pre-tax Profit Growth** | n.a. | 12.5% | 15.7% |
| **Net Profit Growth** | n.a. | 8.0% | 67.6% |

** e - Annualized result and Mekong Securities' estimates*

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28TH DECEMBER, 2007

# PetroVietnam Transportation Corporation

## PV TRANS • PVT

## VNĐ75,500 • US$4.69

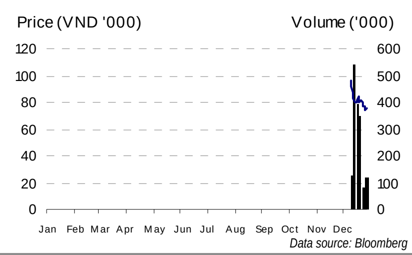
www.mekongsecurities.com

| | |
|---|---|
| **Address** | 56 Nguyen Dinh Chieu Street<br>Da Kao Ward, District 1<br>Ho Chi Minh City, Vietnam |
| **Telephone** | +84 8 911 1301 |
| **Fax** | +84 8 911 1300 |
| **Website** | www.pvtrans.com |
| **Email** | pvtrans@hcm.fpt.vn |
| **Contact** | Mr Pham Viet Anh<br>General Director |

### Ownership

| | | |
|---|---|---|
| **Foreign** | 1.4% | 1,023,780 |
| **Domestic** | 38.6% | 27,776,220 |
| **State** | 60.0% | 43,200,000 |
| **Outstanding** | 100.0% | 72,000,000 |

### PVT • Trading history, 2007 (adjusted)




### Market statistics

| | | | |
|---|---|---|---|
| **Exchange** | Ho Chi Minh City Stock Exchange | **52 week high** | VNĐ96,000 • US$5.96 |
| **Sector** | Oil & Gas Transportation | **52 week low** | VNĐ74,500 • US$4.63 |
| **Market cap.** | US$0.338bn | **EPS basic** | VNĐ260 • US$0.02 |
| **Index weight** | 1.49% | **P/E (2007 est.)** | 290.0x |
| **30-day av. daily trading value** | US$0.96mn | **Beta** | 0.89 |

### Company profile

PetroVietnam Transportation Company (PVT) is the sole crude oil transporter in Vietnam serving multinational oil and gas companies. PVT was incorporated in 2002 and purchased the first 96,000DWT Aframax tanker in Vietnam, the *Poseidon M*, in 2003. Their second 96,000DWT vessel, the *Hercules M*, was purchased in May 2006, boosting income significantly prior to listing on the Ho Chi Minh Stock Exchange in December 2007.

With an annual deliverable capacity of 3mn DWT per year, PVT accounts for 30% of Vietnam's crude oil export market, shipping to and from ports in Australia, Japan, China, Singapore, Korea and the Middle East. PVT's main clients include the PetroVietnam group and multinational oil and gas companies including BP, Shell, Chevron Texaco, Exxon Mobil and LG Caltex.

Having signed seven new partnership agreements and placed a US$191.4mn order for three new Aframax-class 105,000DWT vessels with local shipbuilder Vinashin for delivery in 2009 and 2010, PVT focuses on servicing Vietnam's international oil trade as Vietnam's new refineries in Dung Quat, Nghi Son and Long Son become operational from 2008.

### Financial highlights

Crude oil transportation accounts for 99% of PVT's total revenues, having doubled to US$2.8mn in 2006 while total assets of US$87.5mn represented 145.8% growth over the previous year, climbing another 37% by the end of the third quarter in 2007.

At the end of the third quarter in 2007, total revenues had reached US$22.2mn, accounting for 75% of the full-year 2007 target, while net profit of US$0.9mn amounted to 78% of the full-year target. The earnings decline in 2007 is attributed to capacity constraints and climbing crude oil prices impacting underlying demand on international routes. New ships coming into service are expected to boost respective revenues and net earnings by 52% and 113% per year from 2008 through to 2010.

| Summary Income Statements *(US$ mill.)* | 2004 | 2005 | 2006 | 2007e* |
|---|---|---|---|---|
| **Revenue** | 12.7 | 13.5 | 27.5 | 29.6 |
| **Gross Profit** | 4.7 | 4.2 | 8.7 | 7.1 |
| **Operating Income** | 2.3 | 1.7 | 3.2 | 1.4 |
| **Profit Before Tax** | 2.3 | 1.7 | 3.2 | 1.4 |
| **Net Profit After Tax** | 2.3 | 1.4 | 2.8 | 1.2 |
| **Gross Margin** | 37.2% | 31.1% | 31.6% | 24.0% |
| **Operating Margin** | 18.2% | 12.4% | 11.8% | 4.8% |
| **Pre-tax Margin** | 18.2% | 12.4% | 11.8% | 4.8% |
| **Net Margin** | 18.2% | 10.6% | 10.2% | 3.9% |
| **Revenue Growth** | n.a. | 6.5% | 103.8% | 7.9% |
| **Gross Profit Growth** | n.a. | -11.1% | 107.1% | -18.0% |
| **Operating Income Growth** | n.a. | -27.6% | 95.0% | -56.4% |
| **Pre-tax Profit Growth** | n.a. | -27.6% | 95.0% | -56.4% |
| **Net Profit Growth** | n.a. | -37.8% | 95.0% | -58.3% |

** e - Management guidance and Mekong Securities' estimates*

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MEKONG SECURITIES

28TH DECEMBER, 2007

# Refrigeration & Electrical Engineering Corporation

## REE Corp. • REE

## VNĐ137,000 • US$8.51

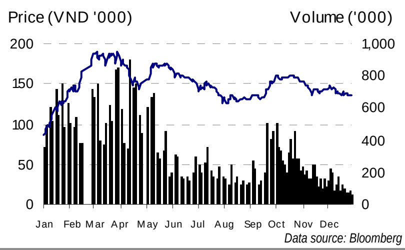
www.mekongsecurities.com


| | |
|---|---|
| **Address** | 364 Cong Hoa Street, Ward 13<br>Tan Binh District<br>Ho Chi Minh City, Vietnam |
| **Telephone** | +84 8 810 0350 |
| **Fax** | +84 8 810 0337 |
| **Website** | www.reecorp.com.vn |
| **Email** | ree@reecorp.com.vn |
| **Contact** | Luc Chanh Truong<br>Investment Director |


### Ownership

| | | |
|---|---|---|
| **Foreign** | 49.0% | 28,057,584 |
| **Domestic** | 44.2% | 25,280,467 |
| **State** | 6.9% | 3,922,337 |
| **Outstanding** | 100.0% | 57,260,388 |

### REE • Trading history, 2007 (adjusted)




### Market statistics

| | | | |
|---|---|---|---|
| **Exchange** | Ho Chi Minh City Stock Exchange | **52 week high** | VNĐ190,000 • US$11.80 |
| **Sector** | Refrigeration | **52 week low** | VNĐ85,333 • US$5.30 |
| **Market cap.** | US$0.487bn | **EPS basic** | VNĐ4,583 • US$0.28 |
| **Index weight** | 2.15% | **P/E (2007 est.)** | 29.9x |
| **30-day av. daily trading value** | US$0.96mn | **Beta** | 1.13 |

### Company profile

REE Corporation (REE) was founded as a 100% state-owned company specializing in refrigeration & electrical engineering in 1977. The first company to be privatized in Vietnam in 1993, REE was subsequently listed on the Ho Chi Minh Stock Exchange in July 2000.

REE is the leading mechanical & electrical engineering services contractor in Vietnam, participating in key construction projects. Besides, the Group has established a strong presence in the supply of air conditioning systems with around 6% market share.

REE's early venture into the property development and stock investment has turned out to be a sound strategic move. REE is currently one of the largest listed property developers in Ho Chi Minh City with a total of 70,000 square meters in office space for lease. In addition, the Group has a diversified portfolio with large holdings in listed and OTC companies with unrealized gains of nearly US$95mn at the end of the third quarter.

### Financial highlights

Real estate and financial investments began to gain in prominence on REE's bottom line in 2006, together contributing more than 75% of the total pre-tax income of US$18.6mn, an almost threefold increase over 2005.

At the end of the third quarter in 2007, REE had achieved pre-tax income of US$18.0mn, completing 85% of the full-year plan and representing a growth rate of 48% over the same period last year. The strong nine-month result is mainly driven by financial income, which grew by 56% compared to the same period last year and contributed more than 56% of the REE's pre-tax income. The second major income driver is real estate with the opening of e.town 2 in March 2007, contributing 23% of pre-tax income in the first nine months.

| Summary Income Statements *(US$ mill.)* | 2004 | 2005 | 2006 | 2007e* |
|---|---|---|---|---|
| **Revenue** | 22.6 | 24.1 | 51.2 | 59.3 |
| **Gross Profit** | 7.5 | 8.6 | 13.5 | 16.2 |
| **Operating Income** | 4.0 | 5.4 | 18.4 | 27.2 |
| **Profit Before Tax** | 4.0 | 5.0 | 18.6 | 24.0 |
| **Net Profit After Tax** | 3.5 | 4.2 | 13.8 | 16.3 |
| **Gross Margin** | 33.0% | 35.7% | 26.3% | 27.4% |
| **Operating Margin** | 17.6% | 22.4% | 36.0% | 45.8% |
| **Pre-tax Margin** | 17.8% | 20.9% | 36.3% | 40.6% |
| **Net Margin** | 15.5% | 17.6% | 27.0% | 27.5% |
| **Revenue Growth** | -2.3% | 6.5% | 112.8% | 15.8% |
| **Gross Profit Growth** | 11.5% | 15.1% | 56.7% | 20.7% |
| **Operating Income Growth** | 35.0% | 35.0% | 242.7% | 47.4% |
| **Pre-tax Profit Growth** | 33.8% | 25.1% | 269.3% | 29.5% |
| **Net Profit Growth** | 46.9% | 20.8% | 227.2% | 17.9% |

** e - Mekong Securities' estimates*

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28TH DECEMBER, 2007

# Cables and Telecommunications Materials Joint Stock Company

## SACOM • SAM

## VNĐ137,000 • US$8.51





| | |
|---|---|
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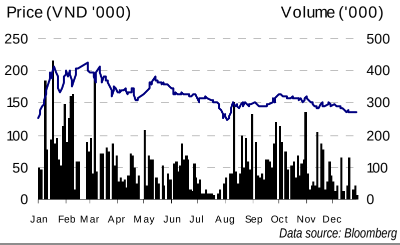
| **Telephone** | +84 8 512 2917 |
| **Fax** | +84 8 512 2919 |
| **Website** | www.sacom.com.vn |
| **Email** | sacom@hcm.vnn.vn |
| **Contact** | Ms Pham Thi Loi Investor Relations |



### Ownership

| | | |
|---|---|---|
| **Foreign** | 44.6% | 24,319,303 |
| **Domestic** | 17.7% | 9,672,347 |
| **State** | 37.6% | 20,508,350 |
| **Outstanding** | 100.0% | 54,500,000 |

### SAM • Trading history, 2007 (adjusted)



*Data source: Bloomberg*

### Market statistics

| | | | |
|---|---|---|---|
| **Exchange** | Ho Chi Minh City Stock Exchange | **52 week high** | VNĐ212,209 • US$13.18 |
| **Sector** | Telecom Materials | **52 week low** | VNĐ125,000 • US$7.76 |
| **Market cap.** | US$0.464bn | **EPS basic** | VNĐ3,481 • US$0.22 |
| **Index weight** | 2.05% | **P/E (2007 est.)** | 39.4x |
| **30-day av. daily trading value** | US$0.38mn | **Beta** | 1.17 |

### Company profile

Originally established as a state-owned enterprise in 1986 by the Vietnam Post and Telecom Corporation (VNPT) and equitized in 1998, Sacom was among the first companies listed on the Ho Chi Minh City Stock Exchange in July 2000. Sacom is engaged in manufacturing, distributing and exporting a range of cables and telecommunications equipment, including fiber optic cables, telecoms components, copper wires, plastic pipes, and wooden cable reels. Other divisions include technical infrastructure and real estate development.

The Company also retains holdings in five telecom and cable related companies including a joint-venture with Cambodia's second largest telecom company, PCP. Sacom increased chartered capital in August 2007 from US$17.7mn to US$28.4mn to fund three new projects including the PCP joint venture, Sam Resort in Dalat, and an office building in Binh Thanh District, Ho Chi Minh City.

Sacom's extensive sector experience, modern technologies utilization, quality control and a long-time supply arrangement with VNPT have ensured solid positioning within Vietnam's high growth telecommunications sector of which Sacom currently holds around 50% of the telecommunications cables market in Vietnam. VNPT remains Sacom's primary client, securing 80% of total annual output.

### Financial highlights

SAM has achieved a solid growth performance over the past two years with average annual growth rates of 84% and 60% in revenues and net profit respectively.

Third quarter revenues of US$88.6mn and net profit of US$8.8mn amount to 79% and 54% of the respective full year 2007 targets. Margins have tightened in recent months due to rising copper and aluminum prices combined with intense competition which is not expected to ease in the near term.

| Summary Income Statements *(US$ mill.)* | 2004 | 2005 | 2006 | 2007e* |
|---|---|---|---|---|
| **Revenue** | 30.2 | 51.9 | 102.8 | 118.2 |
| **Gross Profit** | 7.5 | 11.7 | 22.3 | 15.0 |
| **Operating Income** | 4.3 | 6.3 | 12.9 | 12.1 |
| **Profit Before Tax** | 4.9 | 6.9 | 13.7 | 12.7 |
| **Net Profit After Tax** | 4.5 | 6.4 | 12.7 | 11.8 |
| **Gross Margin** | 25.0% | 22.6% | 21.7% | 12.7% |
| **Operating Margin** | 14.1% | 12.2% | 12.6% | 10.2% |
| **Pre-tax Margin** | 16.3% | 13.4% | 13.3% | 10.8% |
| **Net Margin** | 15.0% | 12.3% | 12.3% | 10.0% |
| **Revenue Growth** | 46.7% | 72.1% | 97.8% | 15.0% |
| **Gross Profit Growth** | 16.5% | 55.8% | 90.3% | -33.0% |
| **Operating Income Growth** | 3.8% | 49.2% | 103.3% | -6.5% |
| **Pre-tax Profit Growth** | 15.0% | 40.8% | 97.1% | -6.9% |
| **Net Profit Growth** | 21.1% | 41.2% | 97.5% | -6.9% |

** e - Annualized result and Mekong Securities' estimates*

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# Song Da Urban & Industrial Zone Development and Investment JSC

28TH DECEMBER, 2007

## SUDICO • SJS

## VNĐ250,000 • US$15.53

www.mekongsecurities.com

SUDICO



| | |
|---|---|
| **Address** | Floors 1-2, CT1 Building<br>Tu Liem District<br>Hanoi, Vietnam |
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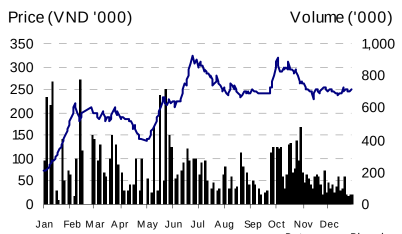
| **Fax** | +84 4 768 4029 |
| **Website** | www.sudicosd.com.vn |
| **Email** | info@sudicosd.com |
| **Contact** | Mr. Vu Hong Su<br>Investor Relations |



### Ownership

| | | |
|---|---|---|
| **Foreign** | 27.4% | 10,971,299 |
| **Domestic** | 21.6% | 8,628,701 |
| **State** | 51.0% | 20,400,000 |
| **Outstanding** | 100.0% | 40,000,000 |

### SJS • Trading history, 2007 (adjusted)




*Data source: Bloomberg*

### Market statistics

| | | | |
|---|---|---|---|
| **Exchange** | Ho Chi Minh City Stock Exchange | **52 week high** | VNĐ323,000 • US$20.06 |
| **Sector** | Construction | **52 week low** | VNĐ73,677 • US$4.58 |
| **Market cap.** | US$0.621bn | **EPS basic** | VNĐ5,261 • US$0.33 |
| **Index weight** | 2.74% | **P/E (2007 est.)** | 47.5x |
| **30-day av. daily trading value** | US$1.36mn | **Beta** | 1.10 |

### Company profile

Sudico was established in 2001, equitized in July 2003 and subsequently listed on the Ho Chi Minh City Stock Exchange in July 2006. Sudico is one of the leading real estate developers in Vietnam with total assets of approximately US$62.2mn at the end of 2006. Sudico is principally involved in the development of urban and industrial zones and residential projects predominantly in northern Vietnam. Other projects include hospitality and eco-tourism services.

Sudico has completed the My Dinh – Metri residential project (Hanoi), Truong Chinh Highway 62. The company has recently been approved to develop a massive urban and residential project covering over 1,400 hectares in Hoa Binh. This comes in addition to the Song Da – Ha Long Hotel project in Ha Long Bay, a 24 hectare residential project in Hoa Binh, a 65 hectare residential development in Nhon Trach – Dong Nai, and the Song Da – Ngoc Vung eco-tourism project in Quang Ninh. Sudico was also recently selected as the primary contractor to the Song Da Corporation responsible for implementing the 312 hectare South An Khanh urban and residential project in Ha Tay province.

### Financial highlights

Sudico has maintained net margins at around 40% for a number of years although the majority of its resources are tied down in the development of South An Khanh urban project which has not yielded a return in 2006. The South An Khanh project is expected to be a significant income generator within the next 3 years.

Third quarter earnings of US$9.8mn and revenues of US$24.3mn equate to around 60% and 64% of the company's respective full-year targets.

| Summary Income Statements *(US$ mill.)* | 2004 | 2005 | 2006 | 2007e* |
|---|---|---|---|---|
| **Revenue** | 22.2 | 23.5 | 20.9 | 32.4 |
| **Gross Profit** | 12.3 | 11.1 | 8.1 | 13.8 |
| **Operating Income** | 12.3 | 10.8 | 7.4 | 13.1 |
| **Profit Before Tax** | 12.3 | 10.8 | 7.4 | 13.1 |
| **Net Profit After Tax** | 12.3 | 10.8 | 7.4 | 13.1 |
| **Gross Margin** | 55.5% | 47.3% | 38.9% | 42.6% |
| **Operating Margin** | 55.5% | 46.1% | 35.7% | 40.4% |
| **Pre-tax Margin** | 55.5% | 46.1% | 35.7% | 40.4% |
| **Net Margin** | 55.5% | 46.1% | 35.7% | 40.4% |
| **Revenue Growth** | n.a. | 5.8% | -11.1% | 55.1% |
| **Gross Profit Growth** | n.a. | -9.9% | -26.9% | 70.2% |
| **Operating Income Growth** | n.a. | -12.1% | -31.2% | 75.5% |
| **Pre-tax Profit Growth** | n.a. | -12.1% | -31.2% | 75.6% |
| **Net Profit Growth** | n.a. | -12.1% | -31.2% | 75.6% |

** e - Annualized result and Mekong Securities' estimates*

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# Saigon Securities Inc.

## SSI • SSI

## VNĐ168,000 • US$10.43

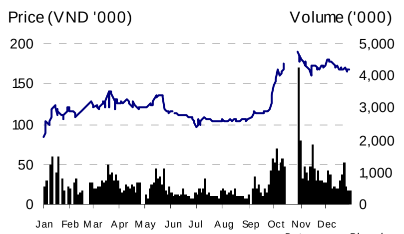


| | |
|---|---|
| **Address** | 72 Nguyen Hue Street District 1 Ho Chi Minh City, Vietnam |
| **Telephone** | +84 8 824 2897 |
| **Fax** | +84 8 824 2997 |
| **Website** | www.ssi.com.vn |
| **Email** | info@ssi.com.vn |
| **Contact** | Mr Nguyen Duy Hung Chairman |

### Ownership

| | | |
|---|---|---|
| **Foreign** | 29.2% | 34,984,326 |
| **Domestic** | 70.8% | 85,015,550 |
| **State** | 0.0% | 0 |
| **Outstanding** | 100.0% | 119,999,876 |

### SSI • Trading history, 2007 (adjusted)




*Data source: Bloomberg*

### Market statistics

| | | | |
|---|---|---|---|
| **Exchange** | Ho Chi Minh City Stock Exchange | **52 week high** | VNĐ190,000 • US$11.80 |
| **Sector** | Securities services | **52 week low** | VNĐ84,722 • US$5.26 |
| **Market cap.** | US$1.252bn | **EPS basic** | VNĐ8,349 • US$0.52 |
| **Index weight** | 5.52% | **P/E (2007 est.)** | 20.1x |
| **30-day av. daily trading value** | US$6.92mn | **Beta** | 1.38 |

### Company profile

Established in 1999 with an initial chartered capital of just US$0.4mn, SSI has expanded both its service range and client base to become the leading securities company in Vietnam. With current chartered capital standing at $49.7mn, SSI initially listed on the Hanoi Securities Trading Center in December 2005, subsequently relisting on the Ho Chi Minh Stock Exchange in October 2007.

With five branch offices throughout Vietnam serving more than 25,000 retail and institutional clients, SSI has established itself as one of the most profitable securities companies in Vietnam, accounting for around 20% of all trades on the Ho Chi Minh City Stock Exchange and 25% on the Hanoi Securities Trading Center. SSI aims to provide fully fledged investment banking services focusing on advisory and underwriting services with more than 20 deals in the pipeline and has recently incorporated an asset management firm.

SSI has also announced plans to list on Singapore Stock Exchange in 2008.

### Financial highlights

SSI's net profit reached US$15mn in 2006, representing a high double-digit growth rate that is expected to be sustained in 2007. Proprietary trading accounts for more than 56% of 2006 revenues. At the end of October 2007, SSI's total revenue had reached US$70.4mn while net profit reached US $50mn, fulfilling the total full-year target with proprietary trading remaining the key income driver.

| Summary Income Statements *(US$ mill.)* | 2004 | 2005 | 2006 | 2007e* |
|---|---|---|---|---|
| **Revenue** | 1.7 | 3.2 | 23.5 | 80.6 |
| **Gross Profit** | 0.9 | 1.7 | 18.8 | 69.2 |
| **Operating Income** | 0.8 | 1.7 | 18.8 | 69.1 |
| **Profit Before Tax** | 0.8 | 1.7 | 18.8 | 69.1 |
| **Net Profit After Tax** | 0.8 | 1.6 | 15.0 | 62.2 |
| **Gross Margin** | 50.1% | 54.1% | 80.1% | 85.8% |
| **Operating Margin** | 49.2% | 53.0% | 80.0% | 85.7% |
| **Pre-tax Margin** | 49.2% | 53.0% | 80.0% | 85.8% |
| **Net Margin** | 49.2% | 49.8% | 63.9% | 77.2% |
| **Revenue Growth** | n.a. | 83.3% | 643.5% | 242.9% |
| **Gross Profit Growth** | n.a. | 98.1% | 1001.2% | 267.2% |
| **Operating Income Growth** | n.a. | 97.5% | 1022.2% | 267.6% |
| **Pre-tax Profit Growth** | n.a. | 97.6% | 1022.2% | 267.7% |
| **Net Profit Growth** | n.a. | 85.7% | 854.6% | 314.0% |

** e - Annualized result and Mekong Securities' estimates*

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28TH DECEMBER, 2007

# Saigon Thuong Tin Commercial Joint Stock Bank

## SACOMBANK • STB

## VNĐ65,500 • US$4.07

www.mekongsecurities.com


| | |
|---|---|
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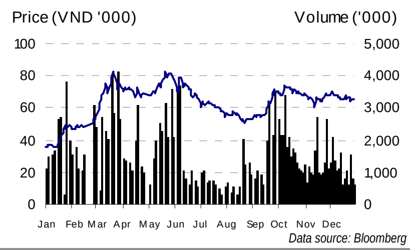
| **Fax** | +84 8 932 0424 |
| **Website** | www.sacombank.com.vn |
| **Email** | sacombank@vnn.vn |
| **Contact** | Mr Dang Van Thanh<br>Chairman, Investor Relations |


### Ownership

| | | |
|---|---|---|
| **Foreign** | 29.8% | 132,761,255 |
| **Domestic** | 70.1% | 312,075,674 |
| **State** | 0.0% | 44,488 |
| **Outstanding** | 100.0% | 444,881,417 |

### STB • Trading history, 2007 (adjusted)



*Data source: Bloomberg*

### Market statistics

| | | | |
|---|---|---|---|
| **Exchange** | Ho Chi Minh City Stock Exchange | **52 week high** | VNĐ82,812 • US$5.14 |
| **Sector** | Banking | **52 week low** | VNĐ35,245 • US$2.19 |
| **Market cap.** | US$1.810bn | **EPS basic** | VNĐ3,079 • US$0.19 |
| **Index weight** | 7.98% | **P/E (2007 est.)** | 21.3x |
| **30-day av. daily trading value** | US$4.88mn | **Beta** | 0.90 |

### Company profile

Sacombank was established in 1991 with an initial chartered capital of US$0.2mn and became the first bank to be listed on the Ho Chi Minh City Stock Exchange in July 2006. With total assets of US$3.1bn and chartered capital of US$276mn, Sacombank is the second largest commercial bank in Vietnam and sixth largest bank by total assets. Ending ACB's two-year reign as Euromoney's Best Bank in Vietnam in 2007, Sacombank also boasts the largest operational network with 194 branch offices across 41 provinces and more than 5,000 staff with an expanded network of 9,700 agencies with 250 banks in 91 countries and territories globally.

Sacombank has four subsidiaries being Sacombank Securities (SBS), a remittance express service (SacomRex), finance leasing (SacomLeasing), and asset management division (AMC). Sacombank also partners with Dragon Capital in the VietFund Management (VFM) joint venture and has recently opened a branch office in Nanning, China, to capitalize on Vietnam's growing cross-border trade.

The World Bank's International Finance Corporation has recently announced plans to divest its 7.7% stake to focus on other strategic investments while ANZ Bank has recently announced an increase in shareholding to 10% (from 9.8%). Other major shareholders include Dragon Financial Holdings (8.8%), together accounting for the bulk of STB's foreign ownership limit.

### Financial highlights

Sacombank has achieved the fastest asset growth rate among all of the commercial banks, with total assets increasing from US$262mn in 2002 to US$1.5bn at the end of 2006. Pretax profit increased correspondingly from US$5.0mn in 2002 to more than US$38.0mn in 2006, while eleven month pre-tax profit results for 2007 were US$84.2mn representing year on year growth of 181%, exceeding the full-year target by 13%.

Total assets reached US$3.1bn by the end of the third quarter 2007, a growth rate of more than 100% since the beginning of the year. Non-interest income accounted for 58% of total income, an increase from 38% in 2006 reflecting Sacombank's expansion of peripheral banking and securities activities.

| Summary Income Statements *(US$ mill.)* | 2004 | 2005 | 2006 | 2007e* |
|---|---|---|---|---|
| **Revenue** | 24.6 | 37.1 | 66.1 | 144.6 |
| **Operating Income** | 13.3 | 20.9 | 40.6 | 102.7 |
| **Profit Before Tax** | 12.3 | 19.4 | 38.0 | 95.8 |
| **Net Profit After Tax** | 9.4 | 14.8 | 29.2 | 85.1 |
| **Operating Margin** | 53.9% | 56.4% | 61.5% | 71.0% |
| **Pre-tax Margin** | 50.0% | 52.4% | 57.5% | 66.3% |
| **Net Margin** | 38.2% | 40.0% | 44.2% | 58.8% |
| **Revenue Growth** | 45.4% | 50.6% | 78.3% | 118.9% |
| **Operating Income Growth** | 56.2% | 57.5% | 94.6% | 152.8% |
| **Pre-tax Profit Growth** | 58.3% | 58.0% | 95.4% | 152.4% |
| **Net Profit Growth** | 67.6% | 57.7% | 97.2% | 191.3% |

** e - Annualized result and Mekong Securities' estimates*

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# Thu Duc Housing Development Corporation

## THUDUC HOUSE • TDH

## VNĐ138,000 • US$8.57



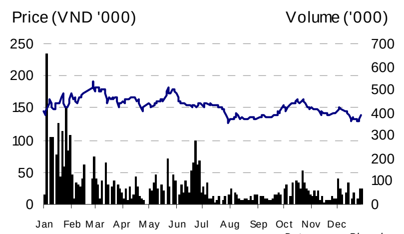
THUDUC HOUSE

| | |
|---|---|
| **Address** | 384 Vo Van Ngan St.<br>Binh Tho Ward, Thu Duc District<br>Ho Chi Minh City, Vietnam |
| **Telephone** | +84 8 896 6676 |
| **Fax** | +84 8 896 1123 |
| **Website** | www.thuduchouse.com |
| **Email** | thuduchouse@hcm.vnn.vn |
| **Contact** | Mr Nguyen Khac Son<br>Investor Relations |

### Ownership

| | | |
|---|---|---|
| **Foreign** | 48.9% | 10,809,497 |
| **Domestic** | 51.1% | 11,290,503 |
| **State** | 0.0% | 0 |
| **Outstanding** | 100.0% | 22,100,000 |

### TDH • Trading history, 2007 (adjusted)




*Data source: Bloomberg*

### Market statistics

| | | | |
|---|---|---|---|
| **Exchange** | Ho Chi Minh City Stock Exchange | **52 week high** | VNĐ191,473 • US$11.89 |
| **Sector** | Construction | **52 week low** | VNĐ126,593 • US$7.86 |
| **Market cap.** | US$0.189bn | **EPS basic** | VNĐ5,804 • US$0.36 |
| **Index weight** | 0.84% | **P/E (2007 est.)** | 23.8x |
| **30-day av. daily trading value** | US$0.41mn | **Beta** | 0.88 |

### Company profile

Founded in 1990 and equitized in 2000 with chartered capital of US$0.9mn, Thu Duc House (TDH) was subsequently listed on the Ho Chi Minh Stock Exchange in December 2006 with chartered capital of US$10.6mn becoming one of the most successful real estate developers in Ho Chi Minh City achieving Gold Star Awards for "Best Product in Vietnam" in 2006 and "Top 100 Brands in Vietnam" in 2007.

Focusing primarily on residential housing and real estate investments, which accounted for 62% of the company's total profit in 2006, other interests an investment portfolio comprising the Housing Development Bank (6.5%), OCBank (2.02%), Prudential Balanced Fund 1 (2.5%), the Ho Chi Minh City Securities Company (2.89%), and the listed Ho Chi Minh City Infrastructure Investment Company (1.32%).

Having successfully completed more than 30 residential and urban area development projects, its current large-scale developments plans in Ho Chi Minh City up to 2011 include residential and commercial developments totaling US$124mn located in the Binh An Ward, District 2 (65,000 square meters), Thu Duc District (separate 157,000 and 7,000 square meter projects), Cantavil Apartments, District 2 (46,600 square meters), District 9 (11,582 square meters), Phuoc Binh Apartments (4.8 hectare site), Phuoc Long (3,500 square meters) and Thu Duc Market (12,000 square meters). TDH has also recently ventured into low cost construction materials manufacturing.

### Financial highlights

Although revenue declined substantially in 2006 to US$8.8mn from US$15.1mn in 2005, net profit increased significantly due to the revaluation gain of US$3.1mn, which is equivalent to 54% of pretax income, from the Daewon - ThuDuc Housing Development Joint Venture.

At 98% of the full year target, net profit of US$6.0mn for the first nine months of 2007 is an impressive result, attributed to the strong housing sales of its Truong Tho and Binh Chieu projects.

| Summary Income Statements *(US$ mill.)* | 2004 | 2005 | 2006 | 2007e* |
|---|---|---|---|---|
| **Revenue** | 12.1 | 15.1 | 8.8 | 20.0 |
| **Gross Profit** | 6.1 | 3.4 | 2.7 | 7.6 |
| **Operating Income** | 4.6 | 2.2 | 2.6 | 8.2 |
| **Profit Before Tax** | 4.7 | 3.0 | 5.8 | 9.0 |
| **Net Profit After Tax** | 4.0 | 2.5 | 5.0 | 8.0 |
| **Gross Margin** | 50.5% | 22.7% | 31.3% | 38.0% |
| **Operating Margin** | 38.0% | 14.6% | 29.8% | 41.0% |
| **Pre-tax Margin** | 39.2% | 19.6% | 65.8% | 45.1% |
| **Net Margin** | 33.0% | 16.7% | 56.6% | 39.9% |
| **Revenue Growth** | 11.1% | 24.5% | -41.8% | 127.7% |
| **Gross Profit Growth** | -6.5% | -44.1% | -19.7% | 175.9% |
| **Operating Income Growth** | -19.2% | -52.3% | 18.9% | 213.5% |
| **Pre-tax Profit Growth** | -17.1% | -37.7% | 95.1% | 56.0% |
| **Net Profit Growth** | -26.3% | -36.9% | 97.0% | 60.6% |

** e - Management guidance and Mekong Securities' estimates*

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# Tay Ninh Rubber Joint Stock Company

## TANIRUCO • TRC

## VNĐ122,000 • US$7.58





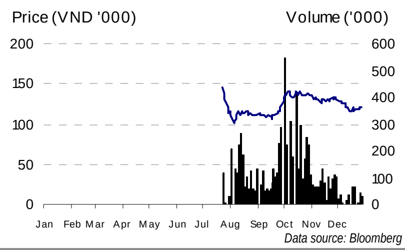
| | |
|---|---|
| **Address** | Highway 22B<br>Hiep Thanh Hamlet, Go Dau<br>Tay Ninh Province, Vietnam |
| **Telephone** | +84 66 853 606 |
| **Fax** | +84 66 853 608 |
| **Website** | www.taniruco.com.vn |
| **Email** | qtns@taniruco.com |
| **Contact** | Mr Trinh Van Vinh<br>Investor Relations |



### Ownership

| | | |
|---|---|---|
| **Foreign** | 22.0% | 6,587,920 |
| **Domestic** | 18.0% | 5,412,080 |
| **State** | 60.0% | 18,000,000 |
| **Outstanding** | 100.0% | 30,000,000 |

### TRC • Trading history, 2007 (adjusted)




*Data source: Bloomberg*

### Market statistics

| | | | |
|---|---|---|---|
| **Exchange** | Ho Chi Minh City Stock Exchange | **52 week high** | VNĐ145,000 • US$9.01 |
| **Sector** | Rubber | **52 week low** | VNĐ102,000 • US$6.34 |
| **Market cap.** | US$0.227bn | **EPS basic** | VNĐ5,118 • US$0.32 |
| **Index weight** | 1.00% | **P/E (2007 est.)** | 23.8x |
| **30-day av. daily trading value** | US$0.20mn | **Beta** | 0.65 |

### Company profile

Established as a rubber plantation in the French colonial period, Tay Ninh Rubber Company (TRC) was acquired by the Vietnam Rubber Corporation in 1945, privatized in 2006, and subsequently listed on Ho Chi Minh City Stock Exchange in July 2007 with chartered capital of US$18.6mn. Ranking as the ninth largest rubber producer in Vietnam, TRC's 6,000-hectare plantation area is among the highest yielding in Vietnam with more than 50% of the plantation area currently at peak yield. With more than 40% of plants older than 18 years however, TRC has sought to offset the imminent production losses with investments in new plantations in neighboring Cambodia (10,000 hectares) and Laos (50,000 hectares) to secure a stable supply source from 2012 onwards.

Additional measures undertaken to offset cyclical business risks include diversified interests in the Chi Linh-Hai Duong Industrial Zone (10% stake amounting to US$1.2mn), a 600,000 barrels per year drum manufacturing plant worth US$2.0mn, and a 20% stake (US$3.1mn) in a phosphate fertilizer factory. TRC's SVR3L and Latex products accounted for around 4% of the national production in 2006, exporting as much as 50% of their total production.

TRC's long -term prospects remains positive given its successful diversification strategies and ongoing replantation schedule. Additional favourable conditions include a stable and experienced labor force and the company's long-term sector presence. The company will however need to maintain investments in technological improvements and market expansion to remain competitive in a liberalized market.

### Financial highlights

TRC's net margin held firm at around 30% for the period 2004 to 2006 amid rising global prices. Although the first half of 2007 proved to be challenging given unfavorable climatic conditions including and extended wet season and storm damage wiping out 126,000 rubber trees, third quarter revenues recovered strongly to US$18.4mn, representing quarter on quarter growth of 387% compared to the second quarter due primarily to rising global prices and China's demand for external rubber supplies. Full year results may be lower year on year however given the poor first-half results and only 56% of the full-year target revenues having been attained by the end of September 2007.

| Summary Income Statements *(US$ mill.)* | 2004 | 2005 | 2006 | 2007e* |
|---|---|---|---|---|
| **Revenue** | 14.1 | 20.1 | 28.8 | 24.6 |
| **Gross Profit** | 6.1 | 8.4 | 12.1 | 10.8 |
| **Operating Income** | 5.5 | 7.4 | 10.9 | 9.2 |
| **Profit Before Tax** | 5.7 | 8.2 | 11.3 | 9.5 |
| **Net Profit After Tax** | 4.1 | 5.9 | 8.9 | 9.5 |
| **Gross Margin** | 43.3% | 41.9% | 42.1% | 44.1% |
| **Operating Margin** | 38.7% | 37.1% | 37.8% | 37.3% |
| **Pre-tax Margin** | 40.5% | 40.8% | 39.0% | 38.8% |
| **Net Margin** | 29.2% | 29.5% | 30.8% | 38.8% |
| **Revenue Growth** | n.a. | 42.2% | 43.8% | -14.8% |
| **Gross Profit Growth** | n.a. | 37.7% | 44.4% | -10.7% |
| **Operating Income Growth** | n.a. | 36.4% | 46.3% | -15.8% |
| **Pre-tax Profit Growth** | n.a. | 43.5% | 37.4% | -15.3% |
| **Net Profit Growth** | n.a. | 43.5% | 50.5% | 7.3% |

** e - Annualized result and Mekong Securities' estimates*

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# Vincom Joint Stock Company

## VINCOM • VIC

## VNĐ155,000 • US$9.63



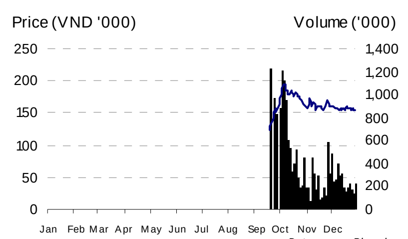
VINCOM

| | |
|---|---|
| **Address** | 191 Ba Trieu Steet<br>Hai Ba Trung District<br>Hanoi, Vietnam |
| **Telephone** | +84 4 974 9999 |
| **Fax** | +84 4 974 8888 |
| **Website** | www.vincom.com.vn |
| **Email** | info@vincomjsc.com.vn |
| **Contact** | Ms Nguyen Dieu Linh<br>Investor Relations |

### Ownership

| | | |
|---|---|---|
| **Foreign** | 4.5% | 3,603,501 |
| **Domestic** | 95.5% | 76,396,499 |
| **State** | 0.0% | 0 |
| **Outstanding** | 100.0% | 80,000,000 |

### VIC • Trading history, 2007 (adjusted)




*Data source: Bloomberg*

### Market statistics

| | | | |
|---|---|---|---|
| **Exchange** | Ho Chi Minh City Stock Exchange | **52 week high** | VNĐ193,000 • US$11.99 |
| **Sector** | Construction | **52 week low** | VNĐ125,000 • US$7.76 |
| **Market cap.** | US$0.770bn | **EPS basic** | VNĐ2,197 • US$0.14 |
| **Index weight** | 3.40% | **P/E (2007 est.)** | 70.6x |
| **30-day av. daily trading value** | US$2.16mn | **Beta** | 0.62 |

### Company profile

Incorporated in 2002 with chartered capital of US$12.2mn, Vincom has since increased its chartered capital to US$49.7mn upon listing on the Ho Chi Minh Stock Exchange in September 2007.

Landmark projects include the award winning 50,000 square meter Vincom City Towers in Hanoi comprising office space, commercial facilities, and an entertainment precinct. Managed by CBRE in Vietnam, the Vincom City Towers currently boasts a 98% occupancy level with more than 50 leasing contracts signed on average three year terms.

Vincom's new real estate development projects include a new urban area project, a commercial complex in Ho Chi Minh City, redevelopment of the Thong Nhat recreational parkland, and a 25 storey second tower adjacent to the Vincom Towers which will become the largest commercial complex in Vietnam with a gross area of 130,000 square meters. Vincom has also received approval to establish Vincom Securities Joint Stock Company in 2008 with a chartered capital of US$18.6mn headquartered on two floors of the Vincom City Towers.

### Financial highlights

Despite booking losses for the first three years of operations, net earnings in 2006 were boosted substantially by the sale of a 31% stake in the Vincom Towers to the Investment and Development Bank of Vietnam (BIDV) for US$24.5mn. Total assets of US$42mn in 2006 represent a growth rate of 37.9% over the previous year while office-leasing revenues grew 11% to US$8.8mn in the same period.

At the end of the third quarter 2007, total revenues had reached US$8.3mn, or 60.5% of the full-year target, while a net profit of US$9.7mn amounted to 123% of the full-year target. The Vincom City Towers project remains the primary revenue driver although the leasing of new apartment projects in 2009 are expected to boost revenues and post-tax earnings to US$132mn and US$71mn respectively.

| Summary Income Statements *(US$ mill.)* | 2004 | 2005 | 2006 | 2007e* |
|---|---|---|---|---|
| **Revenue** | 0.3 | 8.5 | 34.1 | 13.7 |
| **Gross Profit** | 0.0 | 5.9 | 22.2 | 9.2 |
| **Operating Income** | -0.4 | 4.6 | 21.0 | 7.9 |
| **Profit Before Tax** | -0.3 | 4.3 | 21.6 | 11.8 |
| **Net Profit After Tax** | -0.3 | 4.3 | 21.4 | 10.9 |
| **Gross Margin** | 10.5% | 69.1% | 65.0% | 67.1% |
| **Operating Margin** | -103.8% | 53.8% | 61.8% | 57.8% |
| **Pre-tax Margin** | -95.1% | 50.0% | 63.3% | 85.9% |
| **Net Margin** | -95.1% | 50.0% | 62.7% | 79.5% |
| **Revenue Growth** | n.a. | 2375.4% | 300.4% | -59.7% |
| **Gross Profit Growth** | n.a. | 16189.8% | 276.8% | -58.4% |
| **Operating Income Growth** | n.a. | n.a. | 359.9% | -62.3% |
| **Pre-tax Profit Growth** | n.a. | n.a. | 406.7% | -45.3% |
| **Net Profit Growth** | n.a. | n.a. | 401.7% | -48.9% |

** e - Management guidance and Mekong Securities' estimates*

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28TH DECEMBER, 2007

# Vietnam Dairy Products Joint Stock Company

## VINAMILK • VNM

## VNĐ166,000 • US$10.31

www.mekongsecurities.com

VINAMILK

| | |
|---|---|
| **Address** | 184-188 Nguyen Dinh Chieu St. District 3 Ho Chi Minh City, Vietnam |
| **Telephone** | +84 8 930 0358 |
| **Fax** | +84 8 930 5206 |
| **Website** | www.vinamilk.com.vn |
| **Email** | vinamilk@vinamilk.com.vn |
| **Contact** | Ms Le Quang Thanh Truc Investor Relations |

### Ownership

| | | |
|---|---|---|
| **Foreign** | 44.6% | 78,227,230 |
| **Domestic** | 7.8% | 13,617,221 |
| **State** | 47.6% | 83,431,219 |
| **Outstanding** | 100.0% | 175,275,670 |

### VNM • Trading history, 2007 (adjusted)


*Data source: Bloomberg*

### Market statistics

| | | | |
|---|---|---|---|
| **Exchange** | Ho Chi Minh City Stock Exchange | **52 week high** | VNĐ212,000 • US$13.17 |
| **Sector** | Food & Beverage | **52 week low** | VNĐ119,386 • US$7.42 |
| **Market cap.** | US$1.807bn | **EPS basic** | VNĐ5,504 • US$0.34 |
| **Index weight** | 7.97% | **P/E (2007 est.)** | 30.2x |
| **30-day av. daily trading value** | US$0.76mn | **Beta** | 1.16 |

### Company profile

Vinamilk is the market-leading dairy food producer in Vietnam with expanding interests in alcoholic beverages, coffee, tea, fruit juice lines and clinical services. Originally incorporated in 1976, Vinamilk was equitized in October 2003 and has established itself as one of Vietnam's premiere blue-chip enterprises since listing on the Ho Chi Minh City Stock Exchange in December 2005.

Spanning all 64 provinces, Vinamilk's extensive distribution network has been a key factor in maintaining close to 70% of the nationwide dairy-products market despite being dominated by multi-national heavyweights in the highly competitive urban markets. Their one hectoliter brewing joint venture with world-leading SAB Miller, expected to be in full production by 2010, will similarly benefit.

Following recent global dairy price instability impacting both domestic and export sales, Vinamilk has ramped up its supply integration plans by investing in dairy farms locally and overseas, including a 55% stake in local producer Milas Milk. Other significant non-core interests include a sizable stake in the listed VF1 Fund and Saigon Securities Inc. (SSI).

Having restricted the foreign ownership cap to 46%, Vinamilk's much anticipated offshore listing is expected to reach fruition in early 2008.

### Financial highlights

Vinamilk's eleven-month earnings of US$57mn on revenues of US$386mn are generally in line with Mekong Securities' published forecasts, representing 112% and 91% of management's full-year targets respectively. Disproportionate earnings growth continues to reflect substantial investment gains booked in the first quarter of 2007.

Sustained high domestic and imported input prices have eroded Vinamilks' operating margins throughout 2007 with a late year boost driven by a domestic marketing campaign. Although export sales improved marginally later in the year, they still fall well short of management's initially optimistic projections.

| Summary Income Statements *(US$ mill.)* | 2004 | 2005 | 2006 | 2007e* |
|---|---|---|---|---|
| **Revenue** | 262.5 | 350.2 | 411.1 | 430.6 |
| **Gross Profit** | 65.9 | 78.2 | 99.8 | 102.6 |
| **Operating Income** | 33.0 | 34.8 | 39.0 | 39.5 |
| **Profit Before Tax** | 33.8 | 37.4 | 45.6 | 59.9 |
| **Net Profit After Tax** | 32.2 | 37.6 | 45.4 | 59.9 |
| **Gross Margin** | 25.1% | 22.3% | 24.3% | 23.8% |
| **Operating Margin** | 12.6% | 9.9% | 9.5% | 9.2% |
| **Pre-tax Margin** | 12.9% | 10.7% | 11.1% | 13.9% |
| **Net Margin** | 12.2% | 10.7% | 11.1% | 13.9% |
| **Revenue Growth** | 25.9% | 33.4% | 17.4% | 4.7% |
| **Gross Profit Growth** | 4.9% | 18.7% | 27.6% | 2.8% |
| **Operating Income Growth** | -15.9% | 5.3% | 12.3% | 1.3% |
| **Pre-tax Profit Growth** | -26.4% | 10.8% | 21.9% | 31.3% |
| **Net Profit Growth** | 13.4% | 17.0% | 20.8% | 31.9% |

** e - Mekong Securities' estimates*

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# Vinh Son - Song Hinh Hydropower Joint Stock Company

## VSHPC • VSH

**VNĐ46,700 • US$2.90**





| | |
|---|---|
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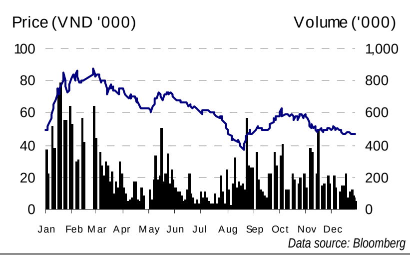
| **Telephone** | +84 56 892 792 |
| **Fax** | +84 56 891 975 |
| **Website** | www.vshpc.evn.com.vn |
| **Email** | nmtdvson@dng.vnn.vn |
| **Contact** | Mr Do Phong Thu<br>Deputy Director |



### Ownership

| | | |
|---|---|---|
| **Foreign** | 22.4% | 30,852,064 |
| **Domestic** | 17.6% | 24,145,639 |
| **State** | 60.0% | 82,496,555 |
| **Outstanding** | 100.0% | 137,494,258 |

### VSH • Trading history, 2007 (adjusted)




### Market statistics

| | | | |
|---|---|---|---|
| **Exchange** | Ho Chi Minh City Stock Exchange | **52 week high** | VNĐ87,683 • US$5.45 |
| **Sector** | Power & Energy | **52 week low** | VNĐ37,600 • US$2.34 |
| **Market cap.** | US$0.399bn | **EPS basic** | VNĐ1,166 • US$0.07 |
| **Index weight** | 1.76% | **P/E (2007 est.)** | 40.0x |
| **30-day av. daily trading value** | US$0.39mn | **Beta** | 1.15 |

### Company profile

Vinh Son Song Hinh Hydropower Joint Stock Company (VSH) was the first hydroelectric plant established under the state-owned Electricity Vietnam (EVN) and is currently the largest power supplier in central Vietnam producing 1.2% of the national power generating capacity. Equitized in early 2005 and listed on the Hanoi Securities Trading Center in July of that year, VSH subsequently re-listed on the Ho Chi Minh City Stock Exchange in July 2006.

Current capacity includes the Vinh Son and Song Hinh hydropower plants with a combined generation capacity of 136 MW, producing around 715mn KWh annually with EVN being the sole client subject to a fixed-price contract set to expire in 2009. Production tends to be seasonally dependent, being lowest during the dry season lasting from July to September.

VSH has also received approval to commence construction of the 80MW Vinh Son #2 and 220MW Thuong Kontum hydropower plants in the central highlands region to be financed by new share issuances, including US$7.8mn raised in December 2007. Construction is expected to commence in early 2008 with the two plants becoming fully operational by 2011 and 2013 respectively. An application to commence construction of the 110 MW Dong Cam plant is awaiting review.

The company is also developing expertise in power management services which will provide a future source of revenue.

### Financial highlights

Although VSH enjoyed solid earnings growth in 2006, they are not expected to repeat their prior year's performance in 2007 with electricity generation declining by 32% up to the third quarter primarily due to unseasonably dry conditions followed by severe storm flooding in the central region.

Cumulative third quarter revenues of US$14.4mn and a pre-tax profit of US$7.7mn represent only 50% of the respective full year targets and a decline of 32% and 39% respectively over the same period last year. We anticipate VSH will struggle to achieve the full year target revenue of US$28mn although substantial investment gains will maintain bottom line earnings growth.

| Summary Income Statements *(US$ mill.)* | 2005 | 2006 | 2007e* |
|---|---|---|---|
| **Revenue** | 12.2 | 27.1 | 18.0 |
| **Gross Profit** | 6.7 | 15.1 | 7.4 |
| **Operating Income** | 5.5 | 16.8 | 9.9 |
| **Profit Before Tax** | 5.5 | 16.8 | 10.0 |
| **Net Profit After Tax** | 5.5 | 16.8 | 10.0 |
| **Gross Margin** | 55.3% | 55.8% | 41.3% |
| **Operating Margin** | 45.4% | 61.9% | 55.4% |
| **Pre-tax Margin** | 45.4% | 62.0% | 55.5% |
| **Net Margin** | 45.4% | 62.0% | 55.5% |
| **Revenue Growth** | n.a. | 123.0% | -33.8% |
| **Gross Profit Growth** | n.a. | 125.3% | -51.0% |
| **Operating Income Growth** | n.a. | 204.1% | -40.8% |
| **Pre-tax Profit Growth** | n.a. | 204.7% | -40.8% |
| **Net Profit Growth** | n.a. | 204.7% | -40.8% |

** e - Annualized result and Mekong Securities' estimates*

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# Vietnam Tanker Joint Stock Company

## VITACO • VTO

## VNĐ59,500 • US$3.70




| | |
|---|---|
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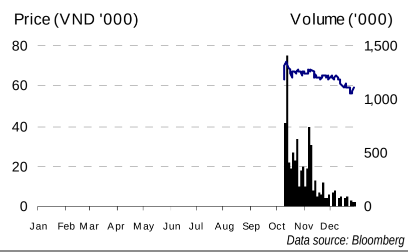
### Ownership

| | | |
|---|---|---|
| **Foreign** | 11.7% | 7,030,470 |
| **Domestic** | 37.3% | 22,369,530 |
| **State** | 51.0% | 30,600,000 |
| **Outstanding** | 100.0% | 60,000,000 |

### VTO • Trading history, 2007 (adjusted)




*Data source: Bloomberg*

### Market statistics

| | | | |
|---|---|---|---|
| **Exchange** | Ho Chi Minh City Stock Exchange | **52 week high** | VNĐ72,048 • US$4.48 |
| **Sector** | Oil & Gas Transportation | **52 week low** | VNĐ56,500 • US$3.51 |
| **Market cap.** | US$0.222bn | **EPS basic** | VNĐ3,333 • US$0.21 |
| **Index weight** | 0.98% | **P/E (2007 est.)** | 17.9x |
| **30-day av. daily trading value** | US$0.27mn | **Beta** | 0.49 |

### Company profile

Vietnam Tanker Joint Stock Company (VITACO) is the leading oil and cargo transportation company in Vietnam. Initially established in 1975 under the Ministry of Transportation and subsequently equitized in February 2006, VITACO was listed on the Ho Chi Minh City Stock Exchange in October 2007.

Serving its largest client and parent company Petrolimex, VITACO freights around 25% of the imported cargo volume into Vietnam and 40% of domestically shipped freight. VITACO's operational capacity includes a fleet of nine vessels with a total capacity of more than 140,000DWT, supported by two branch offices, five subsidiaries and more than 350 staff throughout Vietnam.

External trade routes remain the primary source of VITACO's revenue, accounting for more than 75% of total income with transport volumes more than doubling since the launching of the *Petrolimex08* in September 2005. VITACO has also recently signed a US$50.6mn contract for the purchase of the 40,000DWT *Petrolimex04* with plans to acquire additional 20,000DWT and 40,000DWT tankers to be operational by 2010 to serve primarily international and intra-regional routes.

VITACO's development plan includes the expansion of its bulk carrier fleet in addition to real estate investments, including an US$0.6mn office block in Binh Thanh District, Ho Chi Minh City, a US $0.3mn branch office and further real estate ventures in Danang in partnership with PetroLand and An Phu Joint Stock Company.

### Financial highlights

At the end of the third quarter 2007, VITACO had posted revenues of US$33.6mn, just shy of their twelve-month target. Third quarter cumulative earnings of US$5.7mn are supplemented by the US $5mn sale of the fully-depreciated *Petrolimex01* in early December 2007.

The company retains full tax exemption for 2007, rising to a partial exemption (50%) in 2008 and 2009, although higher maintenance costs and increased competition are expected to constrain growth to more sustainable levels in the foreseeable term.

| Summary Income Statements *(US$ mill.)* | 2004 | 2005 | 2006 | 2007e* |
|---|---|---|---|---|
| **Revenue** | 14.9 | 23.5 | 27.6 | 44.8 |
| **Gross Profit** | 2.7 | 4.7 | 9.5 | 13.3 |
| **Operating Income** | 1.9 | 2.6 | 6.0 | 12.4 |
| **Profit Before Tax** | 2.3 | 2.6 | 6.4 | 12.4 |
| **Net Profit After Tax** | 1.7 | 1.9 | 6.1 | 12.4 |
| **Gross Margin** | 18.4% | 20.1% | 34.2% | 29.7% |
| **Operating Margin** | 12.5% | 11.0% | 21.8% | 27.7% |
| **Pre-tax Margin** | 15.4% | 11.1% | 23.0% | 27.7% |
| **Net Margin** | 11.2% | 8.0% | 22.1% | 27.7% |
| **Revenue Growth** | n.a. | 58.0% | 17.7% | 62.3% |
| **Gross Profit Growth** | n.a. | 73.0% | 100.2% | 40.7% |
| **Operating Income Growth** | n.a. | 39.3% | 132.8% | 106.1% |
| **Pre-tax Profit Growth** | n.a. | 13.3% | 144.4% | 95.6% |
| **Net Profit Growth** | n.a. | 12.3% | 226.5% | 103.4% |

** e - Annualized result and Mekong Securities' estimates*

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