

28 July 2011

Giang Hoang, Analyst
giang.hoang@vcsc.com.vn
 +84 3 3814 5588, ext 142

Tu Pham, Senior Analyst
Tu.pham@vcsc.com.vn
 +84 3 3814 5588, ext 120

HOLD

Target price VND97,500
Up/Downside 5%

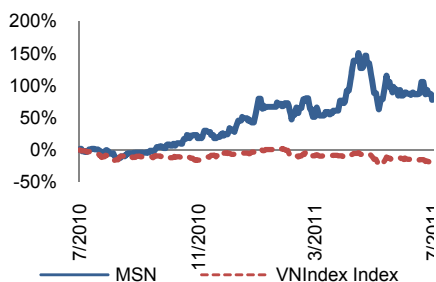
Conglomerate

Key Indicators

Price @ 27 July 2011	92,500
Target price	97,500
Upside to target price	5%
52-week low	45,000
52-week high	129,000
Average 10 day trading volume	29,824
Outstanding shares (mn)	515,272,269
Market capitalization (VND bn)	49,466
Market capitalization (USD mn)	2,355
Foreign ownership	20.85%

Valuation	2010	2011F	2012F
EPS (basic)	4,431	5,274	6,210
EPS growth %	416.3%	19.0%	17.8%
P/E (market)	16.93x	17.26x	14.65x
P/B (market)	3.64x	3.52x	2.84x
EV / EBITDA	35.10x	14.78x	12.05x
ROE	30.5%	23.0%	22.3%
ROA	18.7%	13.8%	14.3%
ROIC	21.2%	16.2%	17.1%
Debt-to-equity %	50.4%	36.1%	24.7%

Performance	3M	6M	12M
Absolute %	2.2	4.0	78.6
Relative %	12.5	23.6	97.5



Ownership structure

Masan Corp.	52.57%
Sunflower Ltd.	20.95%
BankInvest	10.48%

See important disclosure at the end of this document
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Impressive M&A pipeline is accretive to shareholders

We are increasingly bullish on the Group with a target price of VND97,500, suggesting a 5% upside from the current price. We used an SOTP method to derive our target price where we valued each business unit separately. Masan Group currently trades at 17.4x of anticipated 2011 net income of USD130mn, a discount to regional players that trade at 28x despite what we believe to be a superior growth profile relative to its peers. Considering the company's current war chest and proven track record, we believe M&A announcements could unleash major upside catalysts for the Group. Only assuming organic growth from its current business portfolio, we believe our current valuation is attractive as accretive acquisitions, new product launches, and the conversion of probable to proven reserves at the Nui Phao mine are all catalysts that could provide upside rerating on the stock. Risks to our valuation include macro-economic risks, higher supply side inflation and an inability to pass commodity price increases to end customers.

We anticipate Masan Group to deliver USD400m in revenue (60% YoY growth) and USD130m in net income in 2011 driven by strength in its consumer business.

Validation by marquee investors. We are encouraged to see the validation of the Group's strategy with the recent KKR deal, which to date is the largest private sector deal in Vietnam. KKR's valuation of Masan Consumer at USD1.6bn, at a premium to the industry, underscores the confidence KKR places on the brand, its distribution channel, its ability to continue to gain market share in the F&B space as well as management's ability to build category leaders

Solid management team with vision to build asset light businesses in frontier markets. Masan Group has been able to assemble a team of heavy hitters at both the holdco and its subsidiaries. The vision is to build asset light businesses with attractive cash flows and to maintain a conservative balance sheet.

Uninterrupted outperformance of Group's business portfolio. Masan Group's three portfolio businesses Masan Consumer, Masan Resources and Techcombank are showing impressive growth.

i. Masan Consumer: We expect Masan Consumer's revenue to continue to grow at a CAGR of 30% over the next five years with the potential to generate USD1bn in revenue by 2015. Defensive product portfolio, sticky prices for non-discretionary products, and a strong distribution channel offer favourable tail winds to the business. We are also impressed with its strong balance sheet and return on capital.

ii. Masan Resources: We have seen several positive developments since the acquisition of the majority stake in Nui Phao from Dragon Capital: 1) APT Tungsten prices (major component in the mine) have increased c.80% since the acquisition 2) Investment for a 20% stake of Masan Resources by Mount Kelleet raises valuation of the mine to USD500mn 3) Masan Group has an "in-the-money" call option in a 20% stake in Nui Phao still held by DC.

iii. Techcombank: Techcombank is one of the fastest growing commercial bank with impressive three-year CAGR of assets and earnings of 12% and 36% respectively. Techcombank ranks 5th largest asset-based bank among joint-stock commercial banks after CTG, VCB, ACB and STB.

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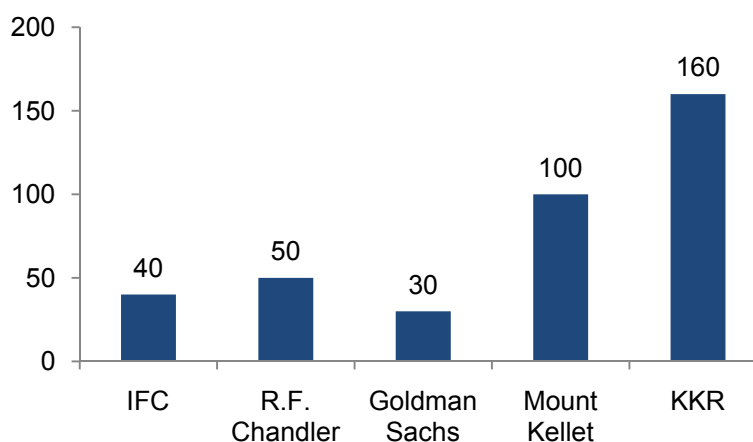
Investment Thesis

We are increasingly bullish on Masan Group as a result of 1) further validation of the Group's strategy by marquee investors; 2) a solid management team capable of navigating the financial cycle volatility in a frontier market; 3) proven ability to pursue both organic and inorganic growth with one of the heftiest war chests in Vietnam; 4) uninterrupted outperformance of the Group's operating businesses. Additionally, we believe the company offers the potential for further upside with accretive acquisitions, new product launches, and the conversion of probable to proven reserves at the Nui Phao mine.

1. Validation by marquee investors

Masan Group's strategy has focused on building asset-light businesses that provide the potential to generate substantial free cash flows. The strategy has paid dividends as it has allowed the company to navigate through tough macro-economic conditions and short financial cycles characterised by higher volatility in business performance. We are encouraged to see the validation of this strategy with the recent KKR deal, which to date is the largest private sector deal in Vietnam. KKR's investment not only gives the company significant cash to consolidate the sector but also to enter new market segments that are potentially under-penetrated. The deal also serves as a validation of Masan Group's strategy to build premium brands in Vietnam and move up relatively to an industry that has solely focused on price competition to gain market share. KKR valued Masan Consumer at USD1.6bn implying a PE of 16x anticipated 2011 net income of USD100mn. The valuation, which is at a premium to the industry, underscores the confidence KKR places on the brand, its distribution channel, its ability to continue to gain market share in the F&B space as well as management's ability to build category leaders.

Figure 1: Investor base comprises of the most discerning investors globally



Source: VCSC summarizes

Since our initiation report, Masan's branding and execution platforms have been validated both at the operating subsidiaries and the holdco levels by premier investors into each of these platforms. In May 2010, the International Finance Corporation (IFC) provided Masan a

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six-year USD40bn partial convertible loan. In October, the Orchid Fund, run by R.F. Chandler, invested USD50m taking an equity stake in the Group. In November, Goldman Sachs acquired a 1.7% stake on a fully diluted basis in the company with a USD30 million convertible loan validating Masan Group's strategy. Further, valuation of the company's platform can be seen in HSBC taking a strategic stake of 20% in Techcombank and Mount Kellet, a premier PE Group targeting resources companies acquiring a 20% stake (for USD100mn) in Masan Resources.

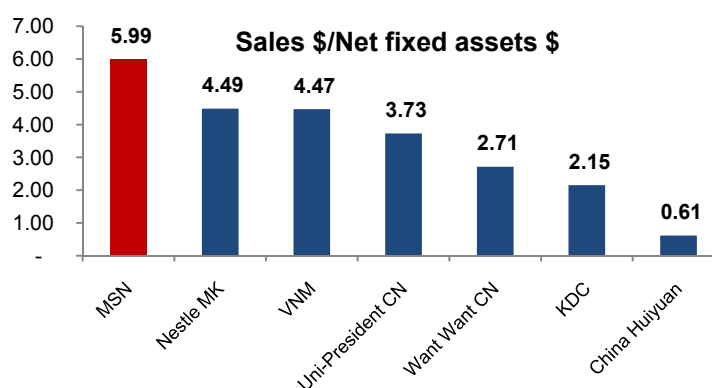
The presence of these strategic investors at the operating business level has helped the company get best business practices from overseas. We note that no other private sector company in Vietnam has had access to such a diversified group of strategic and financial investors. We believe that Masan's cash flow generating businesses and access to capital through these marquee investors gives it a significant competitive advantage relative to its peers in Vietnam where access to capital is scarce and positions it in a place of strength to consolidate its peers.

2. Exceptional management team for frontier markets

Masan Group has been able to assemble one of the best team of professionals at both the holdco and its subsidiaries. The team collectively now has 150 years of work experience in some of the best multi-nationals globally. A solid management team enables the Group to benefit from best global business practices, risk management strategies and financial disciplines. Identifying new markets where it can customize product offerings to local taste has helped the company compete effectively against other MNCs while a marketing strategy that focuses on building a premium product has helped it to differentiate itself from the rest of its local peers that have historically competed on prices.

The vision of the CEO has been to build asset light businesses with attractive cash flows and maintain a conservative balance sheet to leverage the macro volatility in frontier markets like Vietnam to its advantage. We believe a management team that understands how to navigate the financial cycle volatility in a frontier market like Vietnam is a key competitive advantage and positions the company to emerge as a regional leader.

Figure 2: Asset-light strategy provides better fixed assets turnover cf. domestic and regional peers



Source: Bloomberg, VCSC

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3. Actively seeking value enhancing deals given its hefty war chest

The conservative balance sheet management enables the company to grow organically as well as to opportunistically acquire businesses at distressed valuations during times of financial distress. The current tight liquidity and extra-ordinarily high borrowing cost validates the vision of the management and provides the Group with the leverage to pursue its roll-up strategy both for its existing businesses as well as to add new businesses at distressed valuations.

The Group has built one of the most sizeable acquisition war chests in the country, with a strong consolidated cash position of c.USD346mn on its balance sheet as of June 30. With this, we believe the Group can focus on identifying new white space categories where: 1) it can create category leaders and 2) local companies have competitive advantages over other large MNCs.

4. Uninterrupted outperformance of the Group's operating businesses

Masan Group's three portfolio businesses Masan Consumer, Masan Resources and Techcombank continue to demonstrate impressive growth.

Masan Consumer is a market leader in the non-discretionary F&B sector, claiming 80% branded soy sauce, 74% branded fish sauce, and 17% instant noodle markets. The company has registered revenue CAGR of 104% and net income CAGR of 143% from 2007-2010. We remain bullish over Masan Consumer's ability to deliver strong performance given its defensive product portfolio, sticky prices for non-discretionary products, and its strong distribution channel. For FY11, we forecast Masan Consumer will generate USD400mn in revenue and USD100mn in net income, providing an impressive 45% and 69% growth YoY respectively.

Masan Resource holds the largest tungsten mine outside China which is expected to produce 8% of global tungsten supply. We forecast Masan Resource will register c.USD500mn in revenue and c.USD330mn in cash flow starting 2013. We believe this acquisition evidences that the Group is capable to generate additional returns to investors apart from the value contributed from the current two portfolio companies.

Techcombank is the third largest private sector bank, growing its assets at 12% and its earnings at 36% CAGR over the past three years. We anticipate that Techcombank will continue to deliver strong performance on back of its consistent focus on SMEs, MMEs and retail banking, strong network expansion, new technology, enhanced equity and long term funds, and better asset management. We forecast that Techcombank will generate c.VND3,900bn net income in 2011, implying a 17% growth YoY.

In long term view, Vietnam banking system is still the key sector for economic growth and has strong prospect on:

- Credit growth continues to be the key driver for GDP growth
- Nascent retail banking market which will develop rapidly on build up personal income
- High savings of local people and the savings habits changed day by day from keeping gold and USD at home to depositing in banks. Estimated local savings account for 40% of Vietnam GDP.

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Masan Consumer

Revenue trending upward

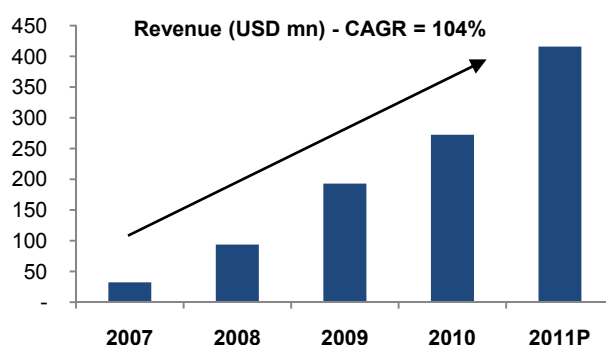
Masan Group has seen accelerated revenue growth at 104% CAGR since 2007, which currently only factors in revenue generated at Masan Consumer. We expect Masan Consumers' revenue to grow at a CAGR of 30% over the next five years with the potential to generate USD1bn in revenue by 2015.

We believe the growth story of Masan Consumer will continue at least over the next five years driven by its fish sauce and instant noodle segments. Fish sauce generated 55% revenue in 1Q11 and there is still huge room for growth as Masan Consumer currently accounts for only c.29.4% total market share - it claims 74% of the premium branded fish sauce market, which accounts for 40% total market. The remaining 70% of the fish sauce market is quite fragmented where small local manufacturers with unbranded products operate on small scales and use obsolete technology. We see enormous potential for Masan Consumer to start consolidating this market. In addition, as disposable income increases, we foresee a shift of demand for unbranded fish sauce gearing towards branded products. In this sense, the company can expect to enjoy higher than industry growth which is around 20-25% per annum in the next five years.

With regards to instant noodle, Masan Consumer has managed to acquire 17% market share as of 1Q11, a 30% growth cf. 1Q10. Like fish sauce, the market is fragmented and a number of players are fighting for the leading position, including Acecook and Asiafood, who together claim more than 50% of the market. Although we see much more competition in this segment than in fish sauce, we believe Masan Consumer has the capability to outrun other players and lead the competition in the next five years on the back of its well thought-out marketing strategy, product innovation and superior distribution network.

Given its performance in the first half, we expect the company to deliver USD400mn in revenue for FY2011, which is a 60% growth over 2010. Of note, our estimates do not incorporate any new product introductions in 2011, which could further boost growth and deliver upside to our estimates. We note that the company has recently been restructured to Masan Consumer from Masan Foods in order to position itself as a broader consumer play in Vietnam. Masan Consumer currently is evaluating several new markets, which we believe will bring upside to our estimates.

Figure 3: Revenue trend improving



Source: Masan Consumer, VCSC estimates

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Revenue breakdown

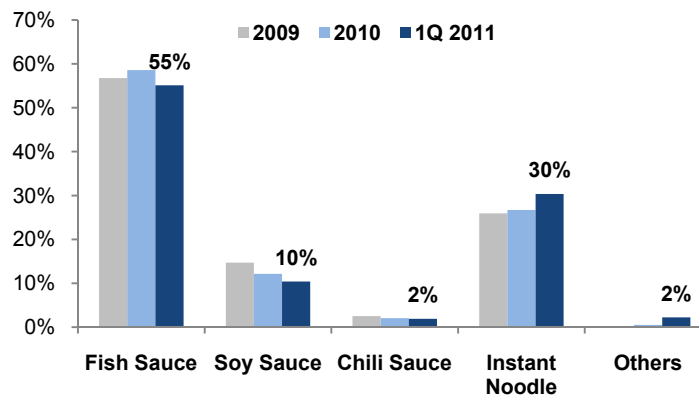
Masan Group currently only consolidates Masan Consumer related revenue as Techcombank's stake is reflected in the "Share of associate's results" item on its Income Statement. Within the Masan Consumer, revenue comes from 1) fish sauce, which contributed 55% of the revenue, 2) noodles, which contributed 30% of the revenue, 3) soy sauce, which contributed 10% of the revenue and 4) chill sauce, which contributed 2% of the revenue. Cooking oil, which was introduced in early 2011 contributed approximately 1% of the revenue.

In 1Q11, fish sauce revenue increased to VND730bn, implying an increase of 40% YoY. Fish sauce represented 55% of total revenue down from 84% in 1Q10 as noodles gained market share. Fish sauce's gross margins remain impressive at 47% in 1Q11. We note that the company has been able to increase margins consistently within this category for the last three years.

We are encouraged with the company's progress on improving its margins within the noodles segment. Masan consumer was a late entrant to the highly competitive noodle market. However, the brand entry strategy that the company has successfully deployed for other products helped the company successfully enter this segment. Initially targeting the high end noodle market through its premium Omachi brand, the company moved downwards offering a mass market noodle brand Tien Vua. Noodles revenue increased to VND402bn implying a 68% growth YoY. In terms of market share, Masan Consumer share increased to 17% from 13% in 2010. Margins in 2011 increased to 24% cf. 19% in 2010. We are encouraged with Masan Consumer's success within the noodle category, which we believe is a foray into the packaged and convenience foods category.

Soy sauce revenue increased to VND138bn - an increase of 24% YoY, however margins dropped to 39% from 44%. Market share remained steady at 80%. Chilli sauce revenue increased to VND25bn implying an increase of 135% YoY, while margins increased to 38% from 21% in 2010.

Figure 4: Revenue breakdown



Source: MSN

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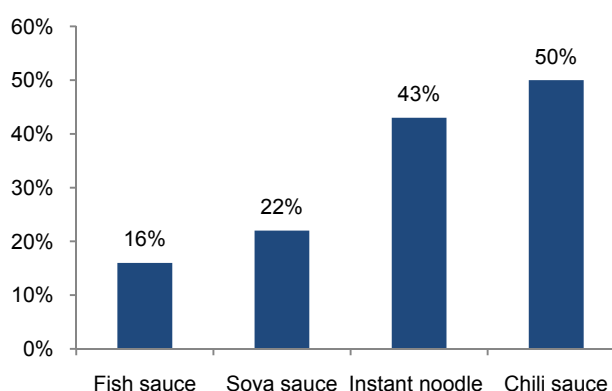
Margins expansion

Masan Group's net income is consolidated from its two main subsidiaries Masan Consumer (with 62.3% directly in equity and 14.2% indirectly through a forward purchase of SPVs that owns a 16% stake in Masan Consumer) and Techcombank (with a 19.88% direct stake and 10.96% economic interest via a subscription to Techcombank's convertible subordinate debt), in which earnings from Techcombank is put under the "Share of associate's results" item on its Income Statement. Masan Resource will start contributing to the Group's earnings in 2013 when exploitation activities begin. Therefore, strong margin expansion in the past years and the next two years mostly come from Masan Consumer.

Masan Consumer has stuck to its strategy on brand building, targeting premium market segments to create new market categories and using the brand umbrella to introduce products targeting the mass market segment. Focus on building brands has helped the company to differentiate its products relative to its competitors, which have followed a price competition model, and to expand margins in spite of the challenges related to Vietnam macro economy. In 2010, according to market research, three of the top 20 brands in Vietnam were Masan Consumer's products. These included premium Chin Su and mass market Nam Ngu fish sauce, Chin Su and Tam Thai Tu soy sauce, and premium Omachi and mass market Tien Vua instant noodles.

Masan Consumer's focus on building premium brands facilitates the company to increase pricing in a tough environment without sacrificing market share and growth. Figure 5 shows product pricing across the Masan Consumer's product portfolio in 1Q11. Masan Consumer has on average increased prices by 25% across its product portfolio since 1Q10 without sacrificing growth, which remained an attractive 54% YoY relative to 1Q10.

Figure 5: Prices increased without hurting demand (1Q11 cf. 1Q10)



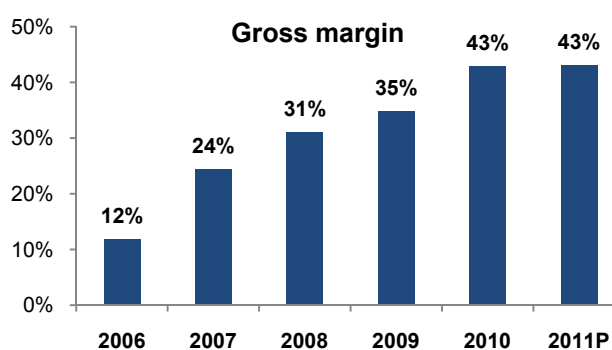
Source: MSN

Gross margins increased to 43% in 1Q11, a 5.4% increase over the same period last year suggesting a significant portion of the commodity-related inflation has been passed to its end customers. For fish sauce, the biggest revenue contributor at 55% of revenue, gross margins increased to 47% in 1Q11, a 2.9% increase over same period last year. Noodles segment, which is the second biggest revenue contributor at 30% of revenue, gross margins

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expanded to 24% in 1Q11, a 5.2% increase over last year. The same trend can be seen across its entire product portfolio.

Figure 6: Continuous improvement in gross margins



Source: MSN, VCSC estimates

Gross margin breakdown

Masan Group's gross margin reflects the performance of the Masan Consumer as Masan Resource is yet to be operational while Techcombank stake is accounted in "Share of associate's results" line. Gross margin for Masan Consumer has increased from 30% in 2008 to 43% in 2010. The gross margin improvement can be seen across all product categories. The most impressive improvement was within noodles categories where margins increased from 19% in 1Q10 to 24% in 1Q11. Fish sauce generated gross margins of 47%, up from 44% in 1Q10. Soy sauce gross margins of 39%, were slightly down from 1Q10 margins of 44%. Finally, chili sauce saw gross margin increase to 38%, a jump from 21% in 1Q10. We are encouraged to see the overall improvement in margins across products as it suggests the company, while being focused on generating revenue growth, is upgrading its procurement and manufacturing processes to generate higher returns.

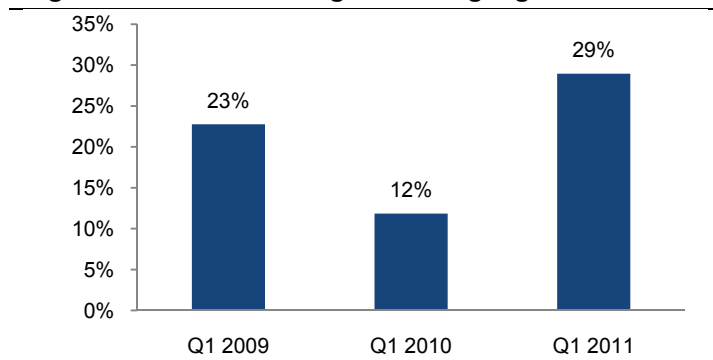
Operating income trend

Masan Group's operating margin trend has continued to expand primarily driven by prudent cash management at the Group level and significantly better operating efficiencies that Masan Consumer has been able to achieve with scale and a concentrated brand building strategy.

Operating income for Masan Consumer increased to VND1,323bn in 2010, a 205% growth over 2009. For 1Q11, Masan Group operating income of VND395bn implies a 211% YoY growth over 1Q10 primarily driven by increasing profitability at Masan Consumer which delivered VND413bn in operating income, an increase of 250% YoY. From the Masan Consumer's perspective, the company's ability to pass on supply-side inflation gives it significant room to further expand margins if supply-side inflation were to ease.

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Figure 7: MSN's net margin trending higher



Source: MSN

We remain bullish over Masan Consumer's ability to expand margins given its focus on building brands that helps to pass supply-side inflation to end customers. Further, we note that 1) defensive product portfolio, 2) sticky prices for non-discretionary products, and 3) a strong distribution channel offer favourable tail winds to the business.

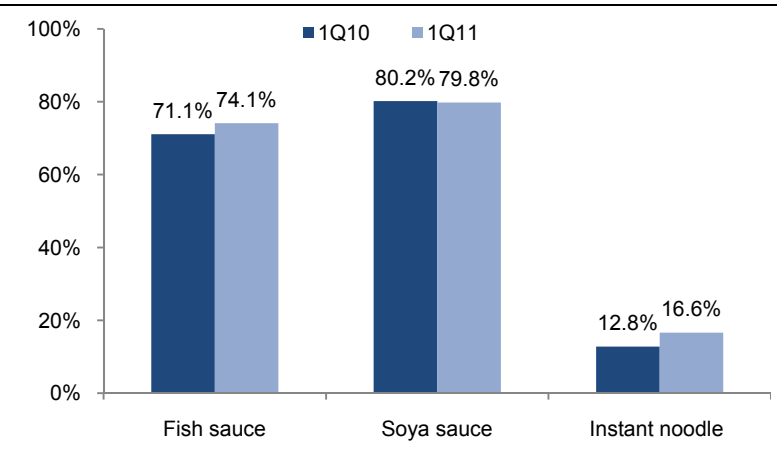
Market leadership within a defensive product category

Masan Consumer has made a concerted effort to keep its product portfolio limited and instead opted to increase depth of its offerings by introducing mass market products on the back of highly successful premium product offerings. In spite of the company's USD267mn in revenue in 2010, the company only had 26 product brands underscoring the importance it places in building category leaders.

Masan Consumer currently has market leadership in three of the five categories that it targets including a leading position in the branded fish sauce category with market share of 74%, a gain of 3% over last year. The wide lead of more than 60% over its next competitor Hung Thinh and the non-discretionary aspect of the product gives the company significant pricing power as apparent from Figure 5. Within the soy sauce category, Masan Consumer continued to command over 80% market share over its closest rival Nestle Vietnam which holds 10% of the market. In addition to developing a market leadership position in these categories, the target markets are highly insulated from macro-economic shocks given their non-discretionary nature. The combination of leadership position and non-discretionary aspects of its target markets gives Masan Consumer significant pricing power.

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Figure 8: Masan Consumer gaining major market share in key revenue categories



Source: MSN

Sticky prices for non-discretionary products

We note that consumer prices for non-discretionary items are sticky and likely to further offer impetus to Masan Consumer's margin profile once supply-side transitory inflationary pressure were to abate. The key cost components of Masan Consumer include wheat flour, sugar & salt and plastic bottles which all need to be imported and therefore are all subject to world commodity price fluctuations. The three collectively comprise 52% of the COGS. Wheat has jumped 63% YoY, plastic prices have increased 25% YoY and sugar gained 20% YoY. However, price momentum has slowed and reversed since the beginning of the second half of the year, which might help improve margins.

Fish and raw fish sauce which are the other two significant cost items comprising of over c.23% of the COGS are non-hedgeable and prices fluctuate based on availability of fish and weather. However, given the long lead time of approximately 12 months for fish fermentation before the fish sauce can be prepared for end market consumption the company has high visibility into supply and pricing trends enabling it to adjust pricing well in advance of any increase in cost of this key COGS item. Also, Masan consumer leadership position with 74% market share gives it significantly higher bargaining power over raw fish sauce producers, which has historically enabled the company to mitigate most of the cost pressure within this COGS item.

Figure 9a: Wheat price

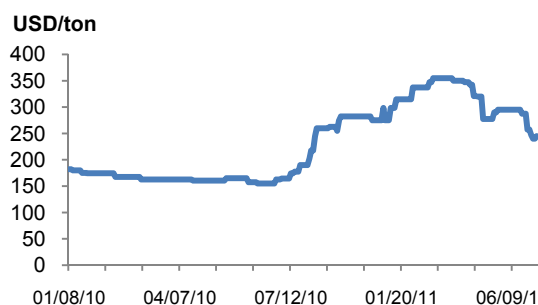
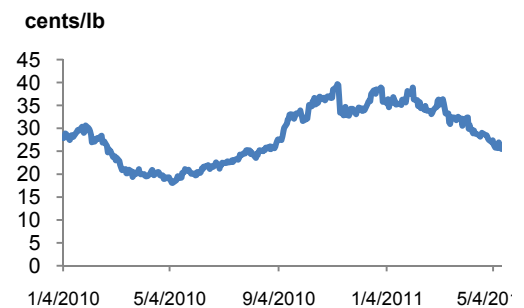
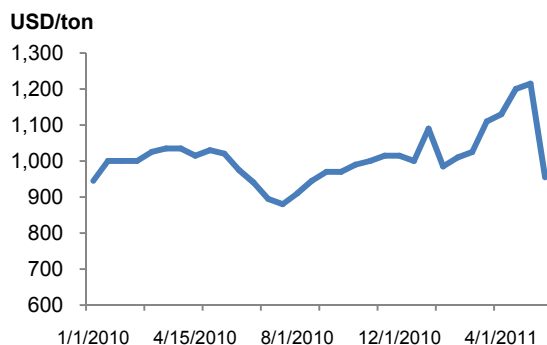


Figure 9b: Sugar price



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Figure 9c: Plastics price



Source: Bloomberg

Strong distribution channel offer competitive advantage in F&B

In addition to focusing on brand building, Masan Consumer has increased its distribution reach significantly over the past few years, enabling it to generate higher returns on its distribution channels. Given the country's heavy dependence on wet markets, approximately 95% of sales, and slow modern trade adoption, a wide distribution and PoS network gives Masan Consumer a sustainable competitive advantage over its peers and other MNCs. Masan consumer has a distribution channel comprising of 168 distributors and a reach to 147,326 PoS in 1Q11 versus 126,000 in 1Q10. We note two of its largest competitors, Vinamilk and Unilever; have a reach spanning only 120,000 PoS. Further, we believe the company's 1,400 strong sales force gives it direct outreach to rural areas, a key competitive advantage relative to its competitors.

Figure 10: Strong distribution channel offer competitive advantage in F&B

Region	No. of distributors	Point of sales
Northeast, Northwest and Red River Delta	62	61,774
North & South Central Coast and Central Highlands	30	20,945
Ho Chi Minh City	18	17,160
Mekong River Delta	25	20,907
Southeast	32	20,567
Modern Trade	1	117
Total	168	147,326

Source: Company press release

Strong balance sheet

Masan Consumer is able to benefit from significant leverage over its suppliers and distributors given its scale, branding and market share. This allows the company to get favourable terms from its suppliers and distributors. In the absence of modern trade in Vietnam, which comprises only 5% of the revenue, wet markets and family shops generate most of the retail sales. Inherently, they have low negotiating power against companies like Masan Consumer.

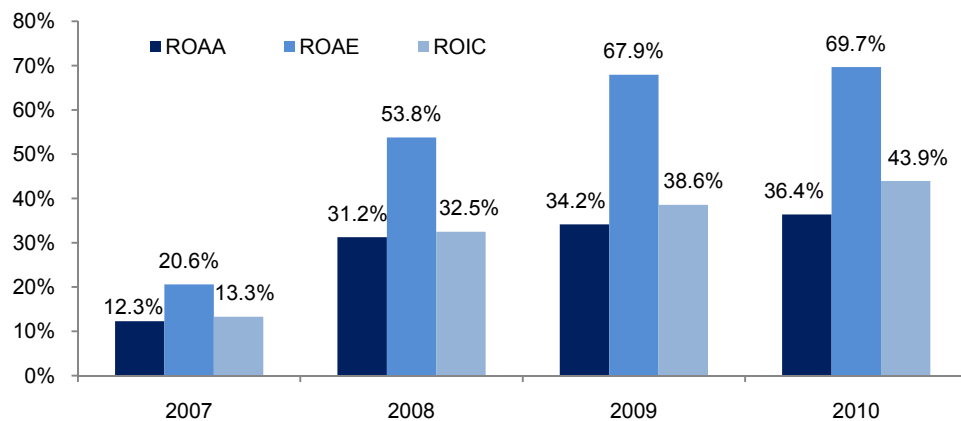
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This is apparent in negative working capital requirement for Masan Consumer as it can effectively exploit favourable terms from suppliers and retailers to finance its operations. Most retailers are given a weekly/fortnightly stock with cash payment in advance. Modern trade get products on credit, but this channel doesn't contribute significantly to revenue. As sign of managerial efficiency in a business with low inventory and accounts receivable, the cash conversion cycle of Masan Consumer went from 55 days in 2008 to negative 18 days in 2009 and negative 56 days in 2010 suggesting that as the company has continued to grow its suppliers and distributor/retailers have continued to finance its business.

Returns on incremental capital trending higher

Using an umbrella branding strategy to build a premium brand image, which required spending upfront in marketing and advertising costs; the subsequent offerings targeting the mass market segment have historically been easy to introduce at marginal cost. Figure 10 shows the improving profitability implying the company has been an efficient allocator of capital with an ability to deliver solid shareholder returns.

Figure 11: Profitability continued to improve implying efficient deployment of capital



Source: MSN, VCSC

Recent results show that the strategy is paying dividends. Masan Consumer entered into the competitive noodles space through the launch of Omachi, a brand targeting the premium noodles segment. Marketing and advertising required to build the brand were a drag on margins with Noodles category generating only 19% margins in 1Q10, significantly below the average product portfolio margins of 43%. However, once the brand had gained customer recognition the company introduced Tien Vua, a mass market product. Noodles now represent 30% of the revenue and 15% of the operating income as operating cost as percentage of revenue has been on the decline. Further, once the company had cemented its brand awareness and customer loyalty, the company has been aggressively increasing prices with an aggregate price increase of over 43% since 1Q10. Margins within this business unit increased to 24% in 1Q11 from 19% in 1Q10.

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Masan Consumer Earnings Outlook

FY2011 expectations. We expect Masan Consumer to deliver VND8,400bn in revenue (USD400mn at a VND21,000/USD exchange rate) implying a growth of 60% YoY. Our net income expectations look towards c.VND2,100bn (USD100m) implying a growth rate of 69% YoY. We remain optimistic over the company's ability to meet and exceed these estimates based on solid 1H11 results that are tracking well ahead of expectations.

1H11 results. Revenue for 1H11 was VND2,878bn, up 36% YoY. The results compare better on a seasonal basis as revenues see a significant uplift in the 2H of the year. On a net income basis the company generated VND824bn, which implies a 85% jump relative to last year. Gross margins improved from 39% in 1H10 to 42% in 1H11. Operating margins increased from 22% to 32%, suggesting that the company has been able to improve its efficiency while focusing on growth.

FY2012 expectations. We are expecting Masan Consumer to deliver USD530mn in revenue (32% YoY growth) and USD118m in net income (18% YoY) in 2012. We believe that easing macroeconomic pressure and the launch of new products could form catalysts to deliver upside to these estimates.

Masan Resources

Masan Resources is expected to generate USD400mn in revenue annually once the Nui Phao mine, the second largest tungsten ore in the world, goes into production in 2013. The M&A evidences management's ability to generate additional returns to investors apart from the value contributed from the current two portfolio companies.

Following the acquisition, additional capital expenditures of c.USD350mn were required to put the project into operation. Half of the investment will be spent on resettlement for local residents and infrastructure in the area. The rest of the amount is used for machinery and equipment for processing.

The mining technology for Nui Phao is open-pit, which is relatively simple and will not require MSN to call in an international mining operator to partner up with them. Most of the capital expenditure is to be financed by bank loans.

In October 2010, MSN appointed Dominic Heaton to be Masan Resources' Chief Executive Officer. Mr Heaton is a seasoned mining executive with over twenty years of industry experience, particularly in developing and managing significant resource assets in South East Asia where he has worked in Papua New Guinea, Indonesia and, more recently, Laos PDR. Mr. Heaton will be joining Masan from his current role as the General Manager of the Sepon Gold and Copper mine in Laos. At Sepon, Mr. Heaton was part of the management team that successfully developed both the 200,000oz per annum Sepon Gold and the 60,000 tons per annum Sepon Copper projects. These were both done under budget and ahead of schedule. We think this appointment has laid a very good foundation for Masan Resources.

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Nuiphaovica – Mineral reserves

Located in the Province of Thai Nguyen, the Nui Phao mine is the largest tungsten ore outside China. Apart from tungsten (WO_3), Nui Phao also contains fluorspar (CaF_2), bismuth (Bi), copper (Cu), and gold (Au). These are all strategic and valuable metals which have wide applications in different industries.

The ore has 55mn tons of reserve, in which 23mn tons have been proven. The estimated annual production is 3.5mn tons per year and the life of the mine is projected for 16 years.

Figure 12: Mineral reserves

	Ore	WO_3	CaF_2	Bi	Cu	Au
	'000 tons	%	%	%	%	%
Proven	23,515	0.262	8.57	0.112	0.232	0.269
Probable	31,910	0.173	8.38	0.083	0.154	0.163
Total	55,425	0.211	8.46	0.095	0.187	0.208

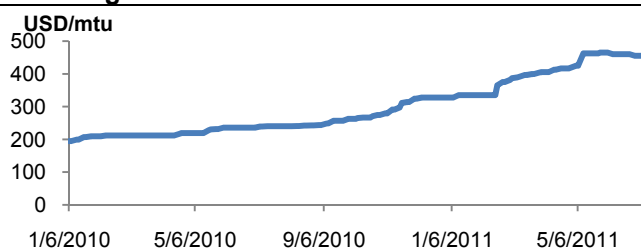
Source: Nui Phao Mining Joint Venture Ltd

Tungsten WO_3 is the next generation metal

Tungsten, a steel-gray metal found in 1871 contains two important ores include wolframite and scheelite. It is used in multi industries such as hard materials (wear-resistant abrasives, cutters and knives), alloy (high speed steel), electronics and weapons. Tungsten has highest melting point and one of the highest densities of all metals, which makes it the preferred material in many industries. With lower exploitation costs, it can be a substitute for gold or platinum in jewellery industry as well as depleted uranium to produce weapons.

Global supply is estimated around 60-80mn tons per year, in which China produce 85% of total production. Even though China is the largest tungsten producer and controlling 60% of global reserves, there still presents supply deficit. In 2011, China increased production quota by 7,000 tons while decreased export quota by 300 tons. Studies have shown that China might run out of tungsten reserves in 20 years. On the demand side, China as the largest user accounts for 62% of global consumption and guides for a demand CAGR of 7%. The International Tungsten Industry Association estimates demand growth for tungsten at 6-7% per annum in 2010-2015. The tight export controlling from China and increasing demand worldwide are key drivers for earnings potentials of Masan's Nui Phao mining project. At current price, we project tungsten will account for 55% of total revenue generated from the mine.

Figure 13: Tungsten APT keeps rising on supply-demand growth imbalance



Source: Bloomberg

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Fluorspar CaF_2 is a naturally occurring mineral, used in a multitude of industries ranging from metallurgy, ceramics, glass, and aluminium. China is the largest producer, accounting for over 54% total world production while Mexico is the second largest with 17% total production. Studies have shown that unless China finds new reserves of fluorspar, at their current rate of extraction, they would run out of domestic supply within seven years. The fluorspar average price last quoted in the Industrial Minerals Magazine has risen from US\$357/tonne to US\$600/tonne within a year (July 2010 – July 2011). This reflects the structurally tight global supply environment as China, once a dominant supplier of fluorspar, moves from a net exporter of fluorspar to a future net importer. At its current price, we project fluorspar will generate about 22% of total revenue of the Nui Phao mine.

Bismuth Bi and **Copper Cu** is expected to generate about 11% each of total revenue at current prices while **Gold Au** will only count for about 1% of total revenue.

Figure 14a: Fluorspar price

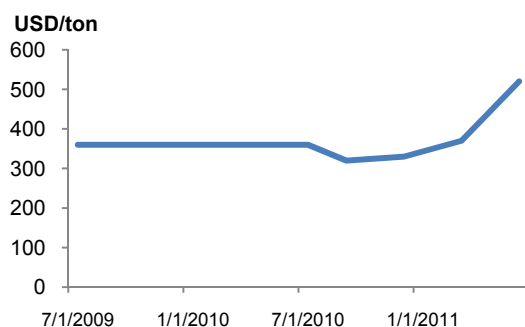
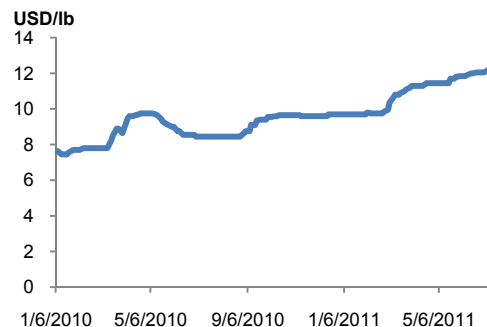


Figure 14b: Bismuth price



Source: Bloomberg

Figure 14c: Gold price

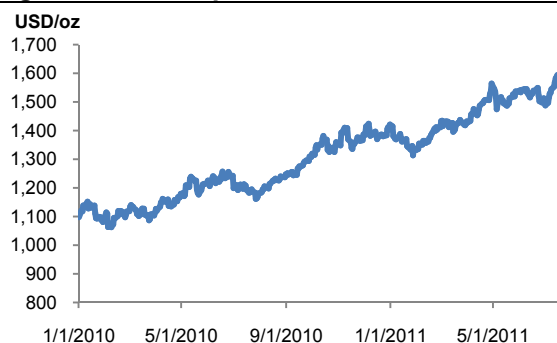
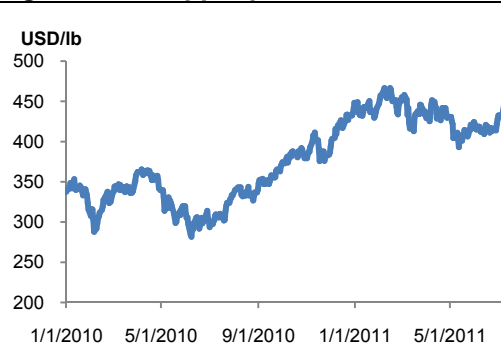


Figure 14d: Copper price



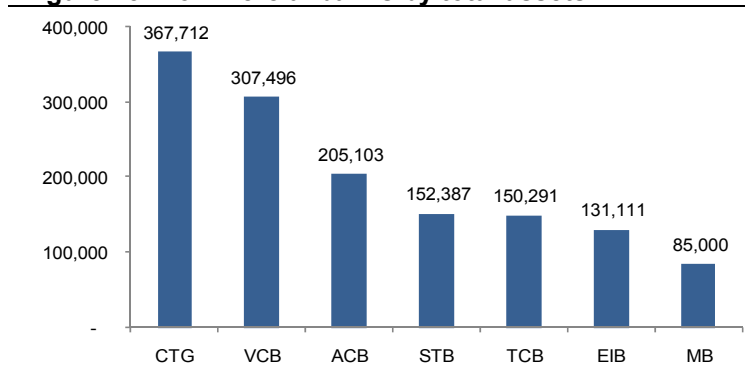
Source: Bloomberg

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Techcombank

Techcombank is one of the fastest growing commercial bank with impressive CAGR of assets and earnings of 12% and 36% respectively in the past three years. Techcombank is the 5th largest in terms of asset-base among joint-stock commercial banks after CTG, VCB, ACB and STB.

Figure 15: Commercial banks by total assets



Source: Banks' 2010 audited financial statements; TCB: Techcombank

Techcombank's robust performance has been a function of: (1) consistent focus on SMEs and MMEs, as well as retail and transaction-based banking; (2) strong network expansion paving the way for fast growing consumer deposits and retail banking; (3) technology to be the key driver to the bank's operation; (4) enhanced equity and long term funds fostering operational stability; (5) better asset management; and (6) strong support from strategic partner HSBC.

Figure 16: Techcombank generated ample return on assets

	2010	% YoY
Assets (VND bn)	150,291	+62%
Deposits	108,334	+50%
Loans	52,928	+26%
Number of branches and transaction offices	282	+50%
NPL ratio	2.29%	
ROA	1.71	

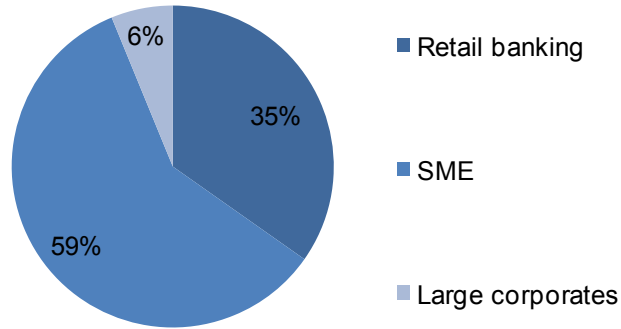
Source: Techcombank

Consistent focus on SMEs and MMEs, as well as retail and transaction-based banking

In 2010, retail lending registered highest growth of 63.3% and accounted for 34.8% of total lending. Of which, mortgage loans recorded robust growth of 155% YoY to reach VND12,196bn, accounting for 35% of total lending. Additionally, lending to SMEs which accounted for 59% of total lending grew 26.7% YoY to reach VND31,256bn in 2010.

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Figure 17: Techcombank's lending structure in 2010



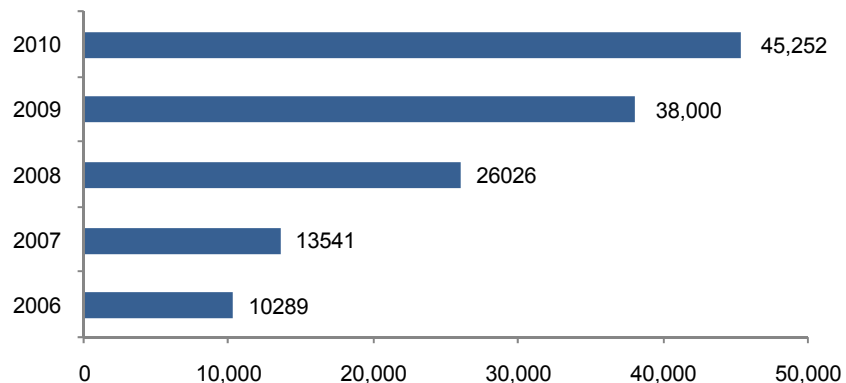
Source: Techcombank's 2010 annual report

Techcombank also enhanced card services. In 2010, the bank issued above 100,000 Techcombank Visa debit cards and Vietnam Airlines Techcombank Visa cards. It also issued other types of cards for local payments such as F@stAccess and Vincom Center Loyalty.

Strong network expansion paving the way for fast growing consumer deposits and retail banking

Vietnam had around 11,000 ATMs of which Techcombank owned c.1,000 ATMs in 2010. Techcombank is the fastest growing bank in Vietnam having established 94 offices and increased total number of branches and transaction offices to 282 offices in 2010. With its rapid network expansion, improved service quality, various product developments and a strong customer relationship team, Techcombank was able to grow its customer base more than fourfold since 2006.

Figure 18: Number of customer extension



Source: Techcombank's 2010 annual report

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Figure 19: Techcombank's customer deposits grew much faster than its competitors the past 5 years

	Customer deposits CAGR in 2006-2010	Lending CAGR in 2006-2010
Techcombank	53.1%	43.2%
STB	34.9%	41.7%
EIB	34.6%	43.4%
ACB	29.5%	38.5%
CTG	17.6%	23.6%
VCB	12.8%	20.9%

Source: Banks' 2010 audited financial statements

Technology to drive the bank's operations

Techcombank has confirmed its leading position in online banking services. In 2010, the bank invested heavily into its information system and successfully deployed the internet banking and mobile banking services of F@st I-bank and F@st MobiPay to provide more value-added services to clients.

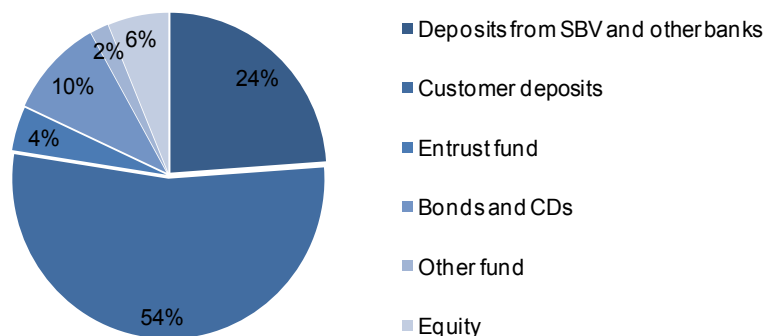
The bank has completely upgraded the core banking and automatic credit assessment Loan Origination System (LOS) in order to improve the operating efficiency and to provide more banking products for clients in the future.

Enhanced equity and long-term funding fostering operational stability

Techcombank has increased capital strength to maintain its sustainable growth in the future. In 2010, the bank increased its equity by 28.2% YoY to VND9,387bn. In addition, the bank successfully issued VND3,000bn 10-year convertible bonds with zero-coupon in the first five years and start to pay 15% coupon starting year six, alternatively bondholders can convert to Techcombank shares at VND17,188 per share. This has enabled the bank to improve its CAR ratio from 9.6% in 2009 to 13.1% in 2010. Techcombank also increased other mobilization funds by issuing certificates of deposits (CDs). The funds of bonds and CDs rose sharply to VND15,024bn by the end of 2010 from VND5,037bn in 2009 of which, long term CDs accounted for 37% of total CDs and bond funds.

Moreover, the bank could access to debt financing from leading international financial institutions including IFC, ADB, JICA, FMW, Proparco and others. In total, Techcombank was given USD85mn in loans from international financial institutions in 2010.

Figure 20: Techcombank's resource breakdown



Source: Techcombank

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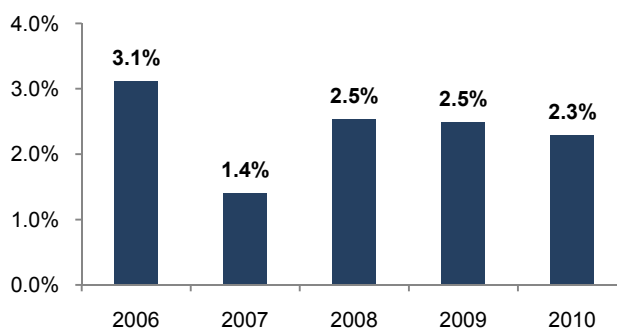
Improved asset management

The bank's assets grew rapidly by 54% on average in the past five years. Consequently lending proportion has reduced gradually from 50% to 35% of the bank's total assets between 2006 and 2010 while investments increased from 17% to 21% of the total assets during that period.

The bank kept focusing on the manufacturing sector, which accounts for 57% of its total lending. Techcombank remains minimum amount of lending for property development which only accounts for 2% of its total lending.

Techcombank reduced its NPL ratio from 2.49% in 2009 to 2.29% in 2010. We believe we could expect further improvements as the bank applies a credit risk management system from McKinsey which will be completely implemented for its whole banking network this year.

Figure 21: Techcombank's NPL ratio



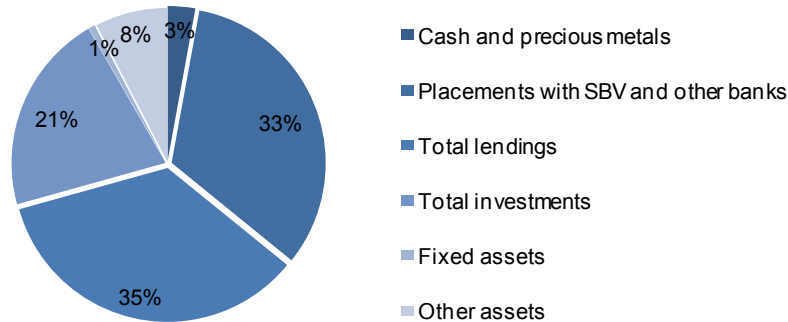
Source: Techcombank

With a focus on manufacturing and agricultural businesses, 46% of the banks' collateral was machinery and valuable paper. The proportion of real estate collateral accounted for 43% of the total collateral at the end of 2010. In addition, we see that the ratio of loan loss provision to total non-performing loans improved gradually over the past three years from 42.1% in 2007 to 50.5% in 2010 enhancing the bank's capability of covering loan loss.

The bank's total securities investment increased from VND13,608bn in 2009 to VND31,044bn in 2010, most of which were debt securities including investments in G-bonds, Treasury and bonds issued by other financial institutions. Debt securities investments increased from 15% of total assets in 2009, to 21% in 2010. We believe Techcombank will maintain that proportion of debt securities investments in this challenging year in order to secure stable interest income and as an instrument to actively anticipate the OMO market.

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Figure 22: Asset breakdown 2010



Source: Techcombank

Strong support from strategic partner

HSBC has supported Techcombank in building up the bank's infrastructure and sustaining growth in the future. Currently, HSBC holds 20% equity of Techcombank. HSBC's key personnel have been involved in management in many departments including retail banking, planning and finance department and other departments at Techcombank.

Techcombank Earnings Outlook

1H11 earnings highlights

In the first quarter of the year, Techcombank registered a reasonable credit growth and deposit growth of 10.1% YTD and 13.3% YTD respectively. The net earnings rose strongly by 44.3% YoY to reach VND1,075bn in 1H11 against VND745bn in the same period last year. Rising fees, services income, and higher net interest income contributed to robust earnings in 1H11. Net interest income which contributed about 70% of total operating income grew c.56.3% YoY 1H11, while fees and services income grew twofold compared to the same period last year.

FY2011 earnings forecast

So far this year, most of the leading banks reported slower credit and deposit growth on tightening monetary policy and soaring interest rates. We see that in second half of this year, banks may have to reduce their net interest margin (NIM) in order to achieve their credit growth target and maintain customer deposits. We expect lending could bottom in 3Q11 to recoup slightly in 4Q on lower lending interest rate expectations and rising working capital demand in 4Q.

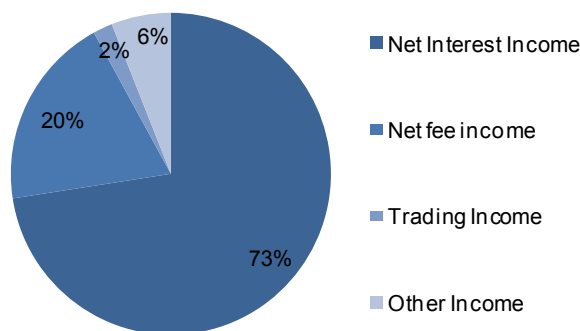
The key challenge is that local banks including Techcombank face strong competition in retail banking from leading foreign banks that have well-established retail products. Techcombank has benefited from its relationship with HSBC to extend its ATMs and credit card network.

Techcombank will continue focusing on its segment of retail banking, SME and MME clients while improving technology, maintaining high degree of risk management and growing consumer deposit market in 2011. We believe the bank can achieve its target 25% asset growth in 2011.

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However, its pre-tax profit target of VND4,000bn may be more challenging to attain given the SBV's credit growth limit of 20% in 2011 and the bank's operations dependence on interest income.

Figure 23: Operating breakdown in 2010



Source: Techcombank

We expect manageable pressure on the net interest margin as the bank increased its long term mobilization funds in 2011. The estimated FY11 NIM is 2.59% vs. 2.66% in 2010. We forecast the bank's NIM continues to contract 3bps in 2012 on inflation expectations and then expand 5bps in 2013. Given its strong customer base, banking network and advanced technology supporting to develop new banking products, we expect Techcombank can achieve solid deposit and credit growth over the next three years.

Figure 24: Key growth ratios

Key assumption	2010	2011F	2012F	2013F
Total asset growth	62.3%	18.4%	19.3%	14.7%
Loan growth	25.7%	20.0%	20.0%	20.5%
Deposit growth	29.2%	20.0%	18.5%	17.5%

Source: Techcombank, VCSC estimates

We forecast a 12% CAGR for credit and 14% CAGR for deposit growth from now through 2013. The NPL ratio may rise marginally to 2.42% in 2011 vs. 2.29% in 2010 on challenging economic environment but should settle around 2.0% in 2015 as McKinsey's risk management system is completely implemented. We forecast Techcombank to achieve a net profit CAGR of 15% through 2013, with an average NIM at 2.9%, ROA at 1.8% and ROE at 22.5%.

According to the bank's 5-year strategic plan, it will retain all its net income. In our forecast, we assume that there will be no other equity issuance until 2015, and that shareholders equity will improve exclusively from retained earnings.

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Figure 25: Techcombank earnings forecast

Income (VND bn)	2009	2010	2011F	2012F	2013F
Net interest income	4,387	5,320	6,388	7,560	8,820
Net fee & commission income	1,302	1,757	2,285	2,856	3,570
Total operating income	5,797	7,266	8,887	10,638	12,649
Operating expenses	(2,143)	(2,894)	(3,904)	(5,254)	(7,067)
Pre-provision profits	3,654	4,372	4,983	5,384	5,582
Provision loss	(476)	(208)	(198)	(187)	(236)
Profit before tax	3,178	4,165	4,785	5,196	5,346
Income tax	(763)	(1,000)	(1,148)	(1,247)	(1,283)
Net profit	2,415	3,165	3,636	3,949	4,063

Source: Techcombank, VCSC estimates

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Valuation of Masan Group

We are increasingly bullish on the Group with a target price of VND97,500, suggesting a 5% upside from the current price. We used an SOTP method to derive our target price where we valued each business unit separately. Masan Group currently trades at 17.4x of anticipated 2011 net income of USD130mn, a discount to regional players that trade at 28x despite what we deem to be a superior growth profile relative to its peers. Considering the company's current war chest and proven track record, we believe M&A announcements could unleash major upside catalysts for the Group. Only assuming organic growth from its current business portfolio, we believe our current valuation is attractive as the company could provide further upside with accretive acquisitions, new product launches, and successful exploitation of both proven and probable reserves.

Risks to our valuation include macro-economic risks, higher supply-side inflation and an inability to pass commodity price increases to end customers.

Figure 26: SOTP valuation

	Valuation Methods	Valuation (VND bn)	MSN's Ownerships	MSN's interest (VND bn)
1. Masan Consumer	DCF	40,948	76.6%	31,366
2. Masan Resources	NPV	19,972	80.0%	15,978
3. Techcombank	P/B	17,700	30.8%	5,452
Total				52,795
Plus cash				3,703
Minus debt				6,241
Equity Value				50,257
Shares Outstanding				515,272,269
Share Value (VND)				97,536
<i>Upside</i>				6%

Source: VCSC

1. Valuation of Masan Consumer

We value Masan Consumer using a DCF valuation model through 2015. We use a market risk premium of 11% and risk free rate of 11.5%, leading to a WACC of 14.5%. We calculate Masan Consumer's equity value at VND40,948bn or USD1.9bn, in which VND31,366bn or USD1.5bn is attributed to the Group.

Figure 27: Discounted cash flows (VNM mn)

VND mn	2011	2012	2013	2014	2015
EBIT	2,437,959	2,809,667	3,395,879	4,568,943	6,127,620
Less: Tax	234,922	269,605	325,348	438,937	589,998
Add: Dpr	102,775	102,775	102,775	102,775	102,775
Less: Δ in NWC	825,903	399,956	205,796	288,849	373,530
Less: CAPEX	592,418	400,000	200,000	200,000	200,000
FCFF	887,492	1,842,881	2,767,510	3,743,932	5,066,866
PV	775,376	1,406,672	1,845,579	2,181,318	2,579,160

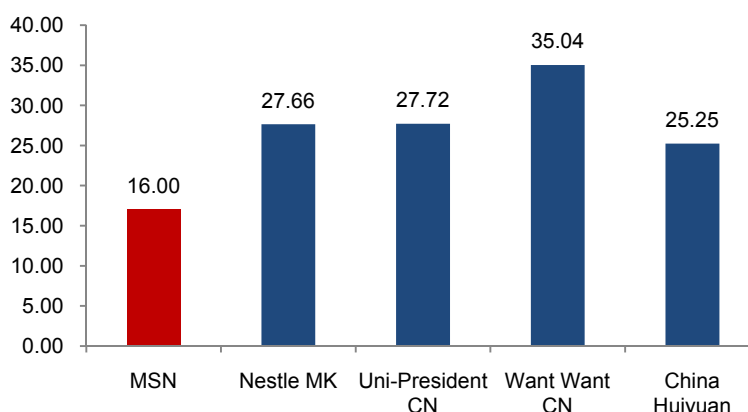
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Figure 28: Masan Consumer valuation assumptions

Beta	1.5	Terminal Value (VND mn)	60,777,563
Risk premium	11%	PV of terminal value	30,937,285
Risk free	12%	PV of FCFF	8,788,105
Cost of equity	28%	Enterprise value	39,725,391
Cost of Debt	15%	Add: Cash in hand	2,299,221
Tax	25%	Less: Debt	1,076,851
WACC	14.5%	Equity Value	40,947,761

We are aware that Masan Consumer is trading at VND120,000/share on the OTC, which is just about half of the price KKR paid of c.VND230,000/share. We think the OTC price which is also based on very low liquidity does not correctly reflect Masan Consumer's strong performance. We note that the true comps of Masan Consumer are companies outside Vietnam given its market leadership, marquee investor base that clearly differentiates it from its local peers, access to long term capital and ability to attract global talent.

Figure 29 : Regional comparables trailing P/E



Source: Bloomberg

2. Valuation of Masan Resources

We base our estimation of the mineral reserves only on proven feasibility study of 23mn tons (more than 90% confidence of recovery). In essence, this can be much larger as the remaining 32mn tons (more than 50% confidence of recovery) are very likely according to the project feasibility analysis. Therefore the risk of over-valuation is quite low. Regarding mining process, we expect MSN to be able to start to exploitation from 2013. Management also believes such timeline is highly feasible. We apply the selling prices based on prices updated on July 14th 2011 as a base case since given supply-demand growth imbalance of those minerals, price appreciation is reasonably expected. We assume MSN can maintain a debt to equity ratio at around 77% or a financial leverage of 43%. We calculate NPV of the mine at USD951mn at current mineral prices.

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Figure 30: Sales projections

Mineral components	Annual production (tons est.)	Extracted reserves (tons)	Price per tons (USD)	Annual Sales (USD)
Tungsten Trioxide - WO ₃	6,000	96,000	45,200	71,200,000
Bismuth - Bi	2,038	32,608	26,667	54,346,667
Fluorspa - CaF ₂	222,680	3,562,880	500	111,340,000
Copper	5,600	89,600	9,778	54,755,556
Gold* (oz, USD/oz)	2,950	47,200	1,591	4,693,450
Total		3,781,088		496,335,672

Source: Nui Phao Mining Joint Venture Ltd, VCSC estimate

(USD mn)	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17
Sales				496	506	516	527	537
Opex				113	113	113	113	113
EBITDA				383	393	403	413	424
(-) D&A				(31)	(31)	(31)	(31)	(31)
(-) Interest				(18)	(15)	(12)	(9)	(6)
EBT				334	347	360	373	387
(-) Tax				-	-	-	(93)	(97)
Net Income				334	347	360	280	290
(+) D&A				31	31	31	31	31
(-) Capex	(180)	(200)	(120)					
(+) Debt Borrowing		100	120					
(+) Cash from MK		100						
(-) Principal repay				(37)	(37)	(37)	(37)	(37)
FCF	(180)	0	0	329	341	355	275	285
NPV (USD mn)		951						

Based on three different scenarios of Masan Resource's ability to exploit the mine: 1) 75% of proven reserves; 2) 100% of proven reserves; and 3) both proven and probable reserves, we see the offers a much greater upside potential should probable reserves be converted to proven.

Figure 31: Valuation sensitivity analysis

	Pessimistic 75% proven	Base Proven	Optimistic Both proven and probable
Reserves (tons)			
WO ₃	46,207	61,609	116,814
CaF ₂	1,511,427	2,015,236	4,689,294
Bi	19,753	26,337	52,822
Cu	40,916	54,555	59,469
Annual production (tons)			
WO ₃	4,500	6,000	11,376
CaF ₂	167,010	222,680	518,159
Bi	1,529	2,038	4,087
Cu	4,200	5,600	6,104
Revenue (USD mn)	373	496	947
NPV (USD mn)	462	951	1,869

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We note that MSN has a call option over DC's 20% stake in the mine for cash settlement in years one, two, and three after the transfer transaction date, exercisable in each quarter. Initial price in September 2011 (one year after the transfer date) is USD61.28mn; price will increase by quarter reaching USD90mn at the end of year 3 – September 2012. Since mineral prices have almost doubled since the acquisition date, we think it is likely that MSN will exercise the option in September 2011 and increase its ownership in the mine to 80%.

3. Valuation of Techcombank

Though the bank is expected to be listed on the HSX sometime in 2011, it currently only traded on the OTC market. Despite the dismal trading transparency on the OTC, from what we gathered the bank is traded at VND18,000 per share, equivalent to an equity value of VND15,818billion. However, the reference price may not reflect the bank's market value due to low liquidity on OTC market.

We believe that PB ratio approach would fairly value Techcombank's share price as it is a good baseline for valuing a stock, especially financial sector. We apply the average FY11E PB of leading listed banks to value Techcombank. We expect that Techcombank can record strong growth of its core operating income in the coming years thanks to its rapid development in banking network, advanced technology and superior business structure and strategy.

Applying the benchmark industry average FY11E PB of 1.5x to Techcombank's estimated book value of VND11,800bn provides a price per share of VND20,100, and an equity value of VND17,700bn for the bank.

Figure 32: Techcombank's local banking peers

Banks	Market price @ 07/21/11 VND	FY11E EPS VND	FY11E BVPS VND	FY11E PE (x)	FY11E PB (x)
HSX: VCB	28,500	1,952	18,505	14.6	1.5
HSX: CTG	26,900	2,393	13,844	11.2	1.9
HNX: ACB	21,000	2,548	12,113	8.2	1.7
HSX: EIB	15,200	1,875	11,223	8.1	1.4
HSX: STB	13,900	2,039	13,330	6.8	1.0
Average				9.8	1.5

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Risks

Masan Group's operating companies primarily operate in the domestic market and hence are exposed to Vietnam related macro-risks. Higher supply side inflation and an inability to pass commodity price increases to end customer may impact margin growth. Increasing interest rate is likely to slowdown GDP growth in 2011, which could have a negative impact on product demand. Increasing re-finance and default rate could negatively impact NIM spreads for its banking subsidiary. Commodity prices have been on the rise and expected to remain elevated. However, if inflationary pressures abate there could be price risk to some of the commodities at Masan Resources and could impact revenue. Finally, negative global macro environment and flight to safety by foreign investor might limit future funding possibilities. That said we believe the company is well positioned relative to its peers to navigate through these risks given its cash flow generating business and a cash balance of USD346mn as of end of 1H11. With the stock down 32% of its peak we believe the stock is attractive from a risk/reward basis.

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Technical Analysis

Raphael Wilhelm, CFT
 Technical Strategy

MSN is displaying medium-term neutral technicals and lingering just above the major support at 90. We see a chance for a minor rebound to 95 or 100. However, this mark is hard to break through as the stock recently consolidated in this trading range for about 2 weeks (June 14th to July 6th). The downside is also limited as the 85 to 90 range is a strong support zone.

Entry point: Medium-term investors should stay on the sidelines for now

Weekly chart



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Analyst Certification

I, Giang Hoang and Tu Pham, hereby certify that the views expressed in this report accurately reflect my personal views about the subject securities or issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this report. The equity research analysts responsible for the preparation of this report receive compensation based upon various factors, including the quality and accuracy of research, client feedback, competitive factors, and overall firm revenues, which include revenues from, among other business units, Institutional Equities and Investment Banking.

VCSC Rating System and Valuation Methodology

Absolute performance, long term (fundamental) rating key: The recommendation is based on implied absolute upside/downside for the stock from the target price, defined as $(\text{target price} - \text{current price}) / \text{current price}$, and is not related to market performance. This structure applies from 1 November 2010.

Equity rating key	Definition
BUY	If the target price is 20% higher than the market price
ADD	If the target price is 10-20% higher than the market price
HOLD	If the target price is 10% below or 10% above the market price
REDUCE	If the target price is 10-20% lower than the market price
SELL	If the target price is 20% lower than the market price
NOT RATED	The company is or may be covered by the Research Department but no rating or target price is assigned either voluntarily or to comply with applicable regulation and/or firm policies in certain circumstances, including when VCSC is acting in an advisory capacity in a merger or strategic transaction involving the company.
RATING SUSPENDED	The investment rating and target price for this stock have been suspended as there is not a sufficient fundamental basis for determining an investment rating or target. The previous investment rating and target price, if any, are no longer in effect for this stock.

Unless otherwise specified, these performance parameters only reflect capital appreciation and are set with a 12-month horizon. Future price volatility may cause temporary mismatch between upside/downside for a stock based on market price and the formal recommendation, thus these performance parameters should be interpreted flexibly.

Small Cap Research: VCSC Research covers companies with a market capitalisation of up to USD50mn, inclusively. Clients should note that coverage may not be consistent and that VCSC may drop coverage of small caps at any time without notice.

Target price: In most cases, the target price will equal the analyst's assessment of the current fair value of the stock. The target price is the level the stock should currently trade at if the market were to accept the analyst's view of the stock, provided the necessary catalysts were in place to effect this change in perception within the performance horizon. However, if the analyst doesn't think the market will reassess the stock over the specified time horizon due to a lack of events or catalysts, then the target price may differ from fair value. In most cases, therefore, our recommendation is an assessment of the mismatch between current market price and our assessment of current fair value.

Valuation Methodology: To derive the target price, the analyst may use different valuation methods, including, but not limited to, discounted free cash-flow and comparative analysis. The selection of methods depends on the industry, the company, the nature of the stock and other circumstances. Company valuations are based on a single or a combination of one of the following valuation methods: 1) **Multiple-based models** (P/E, P/cash flow, EV/sales, EV/EBIT, EV/EBITA, EV/EBITDA), peer-group comparisons, and historical valuation approaches; 2) **Discount models** (DCF, DVMA, DDM); 3) **Break-up value approaches** or asset-based evaluation methods; and 4) **Economic profit approaches** (Residual Income, EVA). Valuation models are dependent on macroeconomic factors, such as GDP growth, interest rates, exchange rates, raw materials, on other assumptions about the economy, as well as risks inherent to the company under review. Furthermore, market sentiment may affect the valuation of companies. Valuations are also based on expectations that might change rapidly and without notice, depending on developments specific to individual industries.

Risks: Past performance is not necessarily indicative of future results. Foreign currency rates of exchange may adversely affect the value, price or income of any security or related instrument mentioned in this report. For investment advice, trade execution or other enquiries, clients should contact their local sales representative.

28 July 2011

History of recommendation

Date	Recommendation	Closing price	Target price
11/18/2009	HOLD	41,000	44,000

Contacts

Head office

67 Ham Nghi, District 1, HCMC
+84 8 3914 3588

Hanoi branch

109 Tran Hung Dao St, Hoan Kiem District, Hanoi
+84 4 6262 6999

Transaction office

136 Ham Nghi, District 1, HCMC
+84 8 3914 3588

Transaction office

236 - 238 Nguyen Cong Tru, District 1, HCMC
+84 8 3914 3588

Research

Head of Research

Marc Djandji, M.Sc., CFA, ext 116
marc.djandji@vcsc.com.vn

Research Team

+84 8 3914 3588
research@vcsc.com.vn

Manager, Vu Thanh Tu, ext 105

Senior Economist, Doan Thi Thu Hoai, ext 139

Senior Analyst, Dinh Thi Nhu Hoa, ext 140

Senior Analyst, Pham Cam Tu, ext 120

Senior Analyst, Ton Minh Phuong, ext 146

Analyst, Hoang Huong Giang, ext 142

Analyst, Tran Tuan Anh, ext 145

Analyst, Vu Thi Tra Ly, ext 147

Analyst, Le Tran Anh Vinh, ext 130

Analyst, Doan Chi Thien

Analyst, Vu Hoang Viet

Institutional Sales & Brokerage

& Foreign Individuals

Head of Institutional Sales

Michel Tosto, M.Sc.
+84 8 3914 3588, ext 102
michel.tosto@vcsc.com.vn

Vietnamese Sales

Nguyen Quoc Dung
+84 8 3914 3588, ext 136
dung.nguyen@vcsc.com.vn

European Sales & Technical Analysis

Raphael Wilhelm, CFT
+84 8 3914 3588, ext 134
raphael.wilhelm@vcsc.com.vn

Japanese Sales

Tran Minh Hue
+84 8 3914 3588, ext 122
hue.tran@vcsc.com.vn

Retail & Corporate Sales & Brokerage

Ho Chi Minh City

Chau Thien Truc Quynh
+84 8 3914 3588, ext 222
quynh.chau@vcsc.com.vn

Hanoi

Le Duc Cuong
+84 4 6262 6999, ext 333
cuong.le@vcsc.com.vn

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