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Opportunities in Distressed Companies and Increased Deal Flows from Japan

Our Research Team:

Thuan Nguyen, FCCA
Founder and CEO
StoxPlus Corporation
thuan.nguyen@stoxplus.com
+84(4) 35626962 (ext. 111)

Harry Hoan Tran, CFA
Founder and Chairman
StoxPlus Corporation
harry.tran@stoxplus.com
+44 (0) 791201 3738

Hong Ngoc Bui, LLM
Partner
Indochine Counsel
hong.bui@indochinecounsel.com
+84 (8) 3823 9640

Trang Truong
Senior Analyst
StoxPlus Corporation
trang.truong@stoxplus.com
+84(4) 35626962 (ext. 110)

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Preface

We are pleased to bring to you the Vietnam 2011-2012 M&A Research Report. While our previous report **Vietnam Deals Review** (Issue 1) in September 2011 focused on the sell-side who are business owners and company executives in Vietnam, this Issue 2 addresses issues from the buyside perspective.

You will find in this report an useful summary of the most relevant market and economic conditions and a comprehensive review of M&A activities in Vietnam during the last 15 months from January 2011 to March 2012. The report also provides deal insights covering overall market valuation, sector valuation and specific transactions.

This report has been prepared based on our comprehensive M&A database with 13 years of historical data in Vietnam. In addition to data analysis, the report also relies on the authors extensive knowledge and experience in advising deals in Vietnam. We have also conducted a number of in-depth interviews in with experienced legal counsels, M&A advisers and Government officials in preparing this report.

We would like express our special thanks to Indochine Counsel (Dang The Duc, Managing Partner and Bui Ngoc Hong, Partner) for their valuable contributions, especially in Part 7 a concise review of M&A regulations, practical guidance and advice to assist a foreign acquirer in executing a M&A deal in Vietnam.

We strongly believe that this report will be valuable to institutional investors, investment companies and foreign firms who are considering M&A as a strategy to expand their business in Vietnam.

About StoxPlus

This report is prepared by a team of experienced analysts at StoxPlus. StoxPlus is a leading data and intelligent financial information provider in Vietnam. Our services include provision of high quality data feeds and intelligent research. StoxPlus is now serving a client portfolio of over 100 corporate data clients including securities companies, research houses, asset managers, investment companies, and thousands of sophisticated individual investors. Our Research Division has delivered a variety of high quality and value added research assignments in macro economic, sector research, market screening, and deal intelligence services for local and foreign financial institutions.

If you have any questions about this report or our services, please don not hesitate to contact Thuan Nguyen, CEO of StoxPlus at thuan.nguyen@stoxplus.com or +84- 4-3562 6962, ext 111.

Executive Summary

How has the distressed situation developed? From the late of 1990s till 2007, except a short period during the Asian financial crisis, Vietnam economy posted a good performance. In the same time, asset bubbles started building up especially in real estate and stock markets from the early 2000s. The bubble burst in 2007 when the Vietnam Government tried to cool off the overheating economy and then Vietnam suffered adverse spill-over impacts. Since then Vietnamese policy makers faced constantly a difficult dilemma of trade-off between growth and macro economic stability.

In an effort to protect the economic growth, a major stimulus program totalling about VND160 trillion (approximately US$8bn) or about of 10% of the nominal GDP, was introduced under the form of interest-subsidised short term loans to qualified companies in various sectors in late 2009. The stimulus package helped economic growth rebound to 6.5% in 2010. Nevertheless, the price of growth appeared to be much higher than what Vietnam's government had expected. As soon as the stimulus package was implemented, Vietnam faced serious macroeconomic instability issues. Inflation returned to double-digit area and reached 11.8% in 2010 and then 18.1% in 2011. Vietnam currency (VND) came under devaluation pressure. After intervention efforts to preserve the parity between VND and USD, Vietnam's foreign currency reserve was reportedly fall to below the safety threshold of 12 import weeks.

Economic policy was completely reversed in 2010 to stabilise the economy. The Government cut its spending, limited credit expansion, and hiked interest rate. At some points of times, deposit rate was raised to above 20% to ensure positive real interest rate.

Subsequently, private and state-owned enterprises across sectors fell into serious trouble. Why? because Vietnamese corporate sector was too fragile. Most companies are highly leveraged and heavily rely on banking credits. They had limited choices as the corporate bond market was almost non existent and the stock market was sluggish and lacked depth.

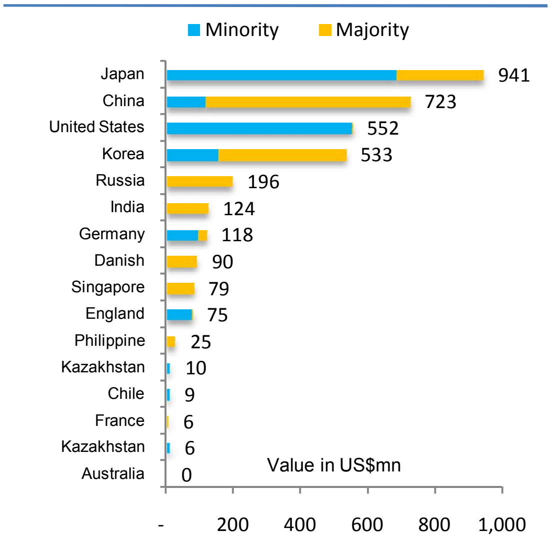
We have assessed that an interest rate of 20% p.a. is a killer for most of Vietnamese companies. Average return on investment in non-financial sectors in Vietnam over the last 5 years from 2007 to 2012 is only 14%. In other words, if average capital cost is more than 14%, local businesses will not create any value to their shareholders and will become insolvent or bankrupt sooner or later.

The first quarter of 2012 is still a difficult time for Vietnamese economy. Economy continues to slow down. On annualised basis, GDP grew only 4%. Due to decline in consumption and production, inventory in manufacturing sector rose to 34.9% compared to the level at the end of 2011.

We therefore believe that the current distressed situation will continue to be the main driver for an active M&A market in Vietnam in the near and mid term because of cheap valuations and many business owners are trying to sell.

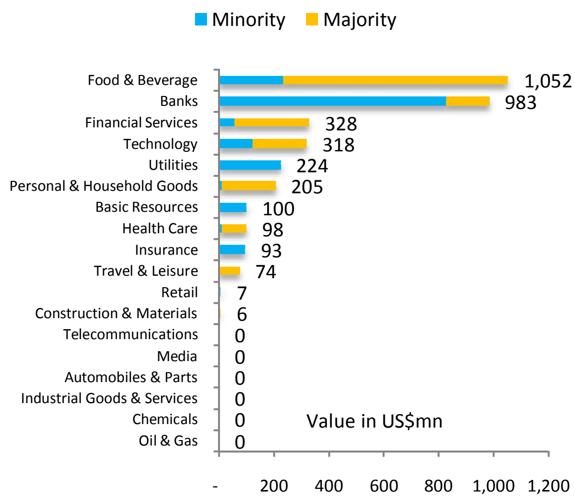
M&A activity has been active than ever: There were 331 transactions recorded in our database with total deal value of US$8.2bn for 15-month period from 01/2011 to 03/2012. 265 deals were completed in 2011 with total value of US$6.3bn, the largest annual amount since 2000. Japanese investors are most active in inbound M&A deals into Vietnam.

Inbound M&A by Country (US$mn), 2011



Executive Summary (cont'd)

Inbound M&A by Sector (US$m), 2011



Consumer products is the most active sector in terms of deal value and volume. Foreign investors/firms have acquired a number of companies operating in food & beverage, household goods and pharmaceutical sectors. They also invested significantly in financial firms including banks, securities firms, asset managers and real estates.

Low deal valuation multiples: Vietnamese equities are trading at 11x of its latest earnings compared to the lowest level of 9x PE recorded in February 2009 when VN-Index hit its bottom at 234pts. Currently, 75% of stocks are trading at below its book value and more severely, 60% of stocks trading at just below the par value i.e. VND10.000 (US$0.5). Due to high leverage, many Vietnamese companies are having good operating cash flows i.e. EBITDA but struggle to service their debts at a very high interest rate.

In terms of deal valuations, we have selected 17 inbound transactions to review and noted that on average foreign investors only paid 14.1x PE and 2.1x P/B for. In particular, the average deal PE for 7 selected deals in Food & Beverage sector is just 15.2x which is just slightly higher than the sector average (13.1x PE) and much lower than P/E for Food & Beverage sector in China (48.8x) and Thailand (23.0x).

We also noted many other deals in a number of sectors where buyers have accumulated shares of target companies either by public tender or private arrangements at significantly low multiples e.g. The Nawaplastic Industries Co Ltd from Thailand spent US$32.9mn to acquire a 23% stake in Tien Phong Plastics (9.9x PE valuation) and a 17% stake in Binh Minh Plastics (4.7x PE valuation). These are the Top 2 plastic pipe manufacturers in Vietnam with a combined market share of 55% countrywide.

Why M&A now?: The Vietnamese economy has become more open and integrated to world economy, foreign firms should consider M&A as a strategy for their business expansion into Vietnam as opposed to greenfield investment. We believe high level of interest rate, difficulties to raise capital from the stock market, and Government's efforts to discipline and restructure of State owned enterprises are driving down valuations and will create attractive opportunities for cross-border M&A.

Major regulatory issues by foreign investors: Regulation system governing M&A in Vietnam is rather complicated. It has evolved and kept on changing along the way of the country's foreign direct investment and portfolio investment practices. This status leaves the M&A regulations two prominent characteristics. One is that Vietnam's M&A regulations still have many shortcomings, general and vague provisions, and remain unregulated for certain matters.
Second, born from the first characteristic, the implementation of the M&A regulations in Vietnam can sometime be quite flexible and may require specific guidelines – which are updated from time to time - from relevant competent authorities. Practical guidance including deal approval process and key issues in executing M&A deals in Vietnam can be found in Part 7.

Part One: Vietnam Economic Environment

The story of Vietnam economic growth

Vietnam economy posted strong performance until 2007. Adverse spill-over impacts from export markets occurred from late 2007.

From the late 1990s till 2007, except a short period during the Asian financial crisis, Vietnam economy posted a good performance. The open policy yielded into high economic growth and foreign trade expanded rapidly.

During the 1990-2007 period, average annual GDP growth was 7.5%, poverty rate in Vietnam fell significantly from 58.1% to 14.8%, average inflation was 15.2% and foreign trade raised to 150% of GDP. In 2005, Goldman Sachs coined the term the Next 11[1] that refers to 11 developing countries having potential to follow the path of the BRICs and become major economies in the 21st century. Vietnam was considered as one of the Next 11 on the basis of its political and macroeconomic stability and openness to foreign trade.

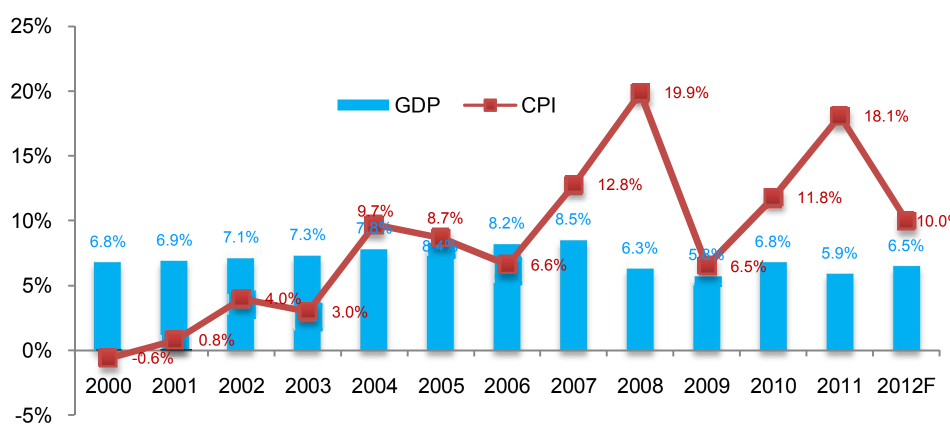
By 2006, Vietnam was admitted as an official member of the WTO after years of negotiation. This event marked the end of Vietnam's economic isolation and opened a new chapter for the country. But, also from 2006, Vietnam economy started showing syndromes of an overheating economy. Asset prices bubbles started building up in real estate and the financial markets.

Inflation returned to double digit areas in 2007, the first time from 1995 and shoot up to alarming level of 19.9% in 2008. See Figure 1 below.

The economic path of Vietnam changed in 2007 when global economy entered a bumpy period. Like in the time of Asian financial crisis, Vietnam was not directly experiencing problems such as subprime mortgages, financial crisis, commodity price shock or sovereign debt crisis. But in 2007, as the Vietnam was integrated into the world economy much more than a decade ago, it suffered much more adverse spill-over impacts. Decline of demand in major overseas markets hurt the Vietnam's export oriented economy.

Increasing volatility of commodity and energy prices have fuelled the inflation. Withdrawal of capital from emerging markets held investors from putting more money into Vietnam. Vietnam's inflation retreated to safety level of 5.3% in 2009. At the same time, Vietnam's economy grew at much slower pace. In 2008, GPD growth was only 6.3% compared to 8.5% in 2007. In 2009, the growth declined further to 5.3%, the lowest level since 1990s.

Figure 1: Vietnam's GDP and CPI over last 12 years



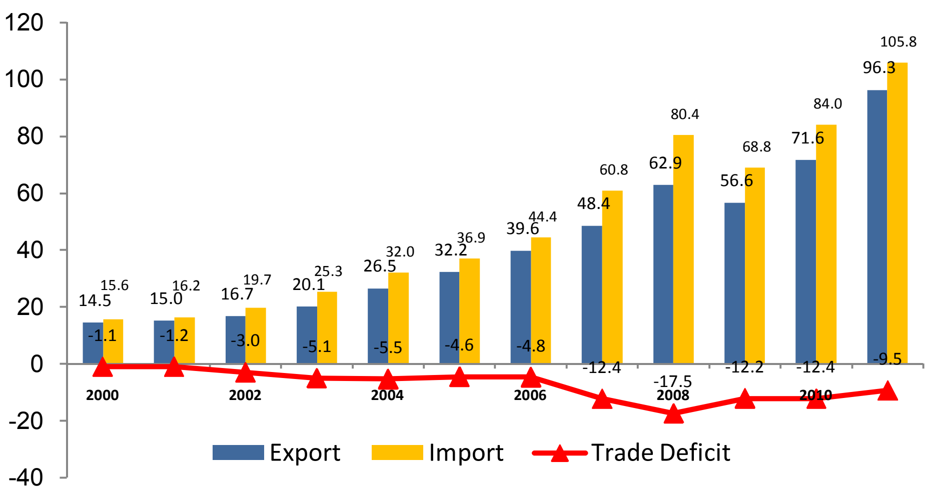
Source: StoxPlus, GSO, WB. The 2012 figures are The World Bank's estimates

[1] Other countries in the Next Eleven are Korea, Bangladesh, Egypt, Indonesia, Iran, Nigeria, Pakistan, Philippines, Turkey, Mexico

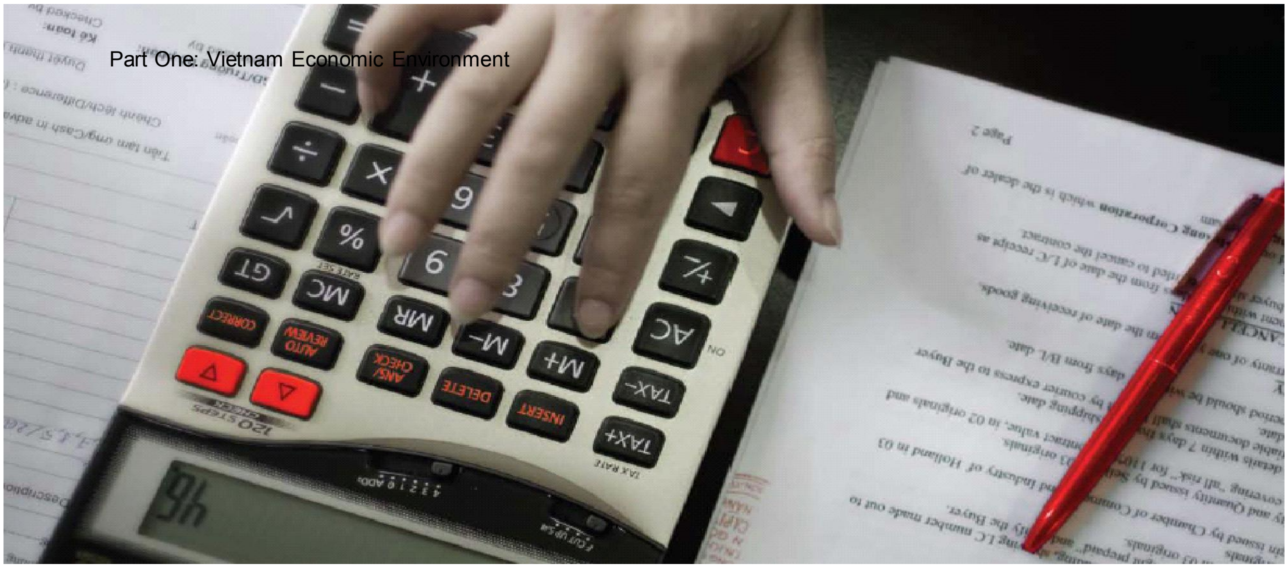
In such a context, as economic growth had been at the forefront of Vietnamese government's policy agenda for a decade, actions that Vietnamese Government opted for were centred on protection of the country's growth; even it could only be achieved with a trade-off with macroeconomic instability. A major stimulus program totalling VND160 trillion (approximately US$8bn), or about equivalent of 10% of the nominal GDP, was introduced in 2009 under the form of interest-subsidised loans to a number of companies in various sectors. The stimulus package helped economic growth rebound to 6.5% in 2010.

Nevertheless, the price of growth appeared to be higher than what the Vietnamese Government had expected. As soon as the stimulus package was implemented, Vietnam immediately faced serious macroeconomic issues. Inflation returned to double-digit area and topped up 11.8% in 2010 and then 18.1% in 2011. Vietnamese currency (VND) came under large devaluation pressure. After intervention efforts to preserve the parity between VND and USD, Vietnam's foreign currency reserve was reportedly reduced to below the safety threshold of 12 import weeks which is the level that the IMF recommended. As a result, the State Bank of Vietnam was forced to devalue the VND twice. The official exchange rate increased from 16.000 VND/USD at the end of 2007 to 21.000 by the end of 2011. VND has lost 30% its value during the 2009-2011 period.

Figure 2: Vietnam Import, Export and Trade Deficit, 2000-2011



Source: General Statistics Office



Distressed valuation started from early 2010.

Macro policy was completely reversed in 2010 to stabilise the economy. Government cut its spending, restricted credit expansion, and hiked interest rate. At some points of times, deposit rate was raised to above 20% to ensure a positive real interest rate.

The fight against macro economic instability, especially high inflation, went on through the whole year of 2011. It appears that the Government will focus all its efforts on restoration of macroeconomic stability and is willing to maintain tightening policy for an extended period. For most of year 2011, official lending interest rate to corporate sector stayed above 20% p.a. but companies usually had to pay as high as 25% per annum to banks.

Consequently, the year 2011 was a very tough year for Vietnamese economy. Because of high interest rate, consumers and companies were discouraged from borrowings; while the government set credit growth limit at 20% for each bank, total lending from the banking system grew only 10.9% in 2011 compared to 30% in the previous years. Demands in almost all sectors declined, low sales, rising inventory, coupled with financial cost burden drove many companies out of business.

It was estimated that 48,000 businesses went bankrupt in 2011. Undeclared insolvency was believed to be several times of the number of official bankruptcy cases. Real estate and stock market, the two sectors where speculators played important roles, were frozen for a long period. As a consequence, bad debts in bank system increased to an alarming level.

The State Bank of Vietnam announced that non-performing loan (NPL) were about 3.6% the total loans in the banking system by 31 December 2011. However, Fitch, an international credit rating agency, estimated that, if the debts were classified properly according to the International Financial Reporting Standards ("IFRS"), bad debts would have been as high as four times the official figure (3.6% by SBV). The State Bank of Vietnam has had to intervene to support liquidity in a number of banks (although this was not made public) and forced banks to merger in several cases.

Most recently, Habubank, a local private bank released its NPL at an significantly high level of 16.1% by December 2011. Agribank, the largest commercial bank in Vietnam also reported official NPL of 6% by December 2011.

A new growth model is being sought by the Vietnamese Government

Overall, the first quarter of 2012 is still a difficult time for Vietnamese economy. Economic growth continues to slow down. On an annualised basis, GDP grew only 4% in the first quarter. Due to decline in consumption and production, inventory in manufacturing sector rose by 35% compared to the end of 2011 level. There are more and more signals to deepen stagnation. On a positive perspective, inflation appears to be restrained and this provides a window for the Government to reconsider its economic policy. Despite some concerns that early interest cut would invite inflation back, the Government has taken some prudent steps such as imposing ceiling interest rate on loans to selected sectors, reducing tax collection, postponing corporate income tax and land use right tax collection to stimulate the economy. Because of policy lag, the impacts of recent policy adjustment could only be assessed in a couple of months.

According to a number of Vietnamese economists, 2011 was the most difficult year since 1991 when the Eastern European socialist block collapsed and Vietnam fell into deep economic crisis. The year of 2011 marked an important milestone in Vietnam's economic policy. Vietnamese leaders recognised that the growth model that the country had been pursuing over the last decade is not sustainable any longer and should not continue. Vietnam growth had been relied too much investment and much of it was not efficient. The Incremental Capital Output Ratio ("ICOR"), which measure the efficiency of investment on GDP, is far higher than other Asian counties during their high growth period. During 1997-2007, in order to generate one dollar in GDP, Vietnam has to invest US$5.1 compared to 2.7 of Taiwan during 1981 to 1990, 3.2 of South Korea during 1981 to 1990.

In the medium and long term, Vietnam will have to take strong reform measures if the country is to avoid what economists call "the medium income trap". The Government has identified three central policy themes for the next 5-10 years: (1) rationalisation of public spending and improvement of public investment efficiency, (2) reform of state-owned enterprise sector and (3) overhaul of the banking and financial sector.

Most recently, National Assembly discussed the Economic Restructuring Plan proposed by the Government. The Government is considering an economic incentive program amounting to VND29 trillion (US$1.4bn) to help certain qualified sectors by allowing tax cut and tax collection rescheduling.

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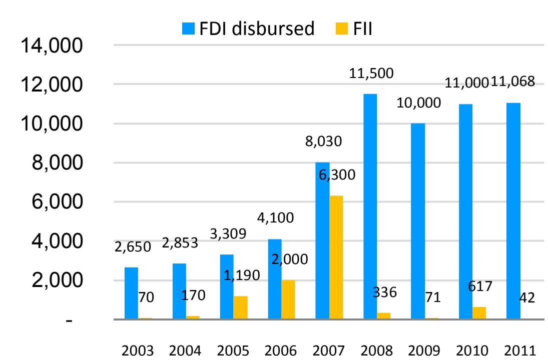
Foreign direct investment slightly decreased from 2008

Foreign Direct Investment ("FDI") plays an important role in Vietnam's economy. FDI is defined as foreign firms which set up their own subsidiaries, factories or branches in Vietnam. In 2011, it is estimated that FDI companies contribute about 18%-20% GDP of Vietnam. Foreign companies are attracted to Vietnam mainly because of political stability, abundance of low cost but relatively well educated labour, growing purchasing power of a near hundred million consumer market, and Government's promise for further market orientation reform. Vietnam is particularly attractive to companies from East and South East Asian countries such as Taiwan, Singapore, and Japan because these companies find in Vietnam many cultural similarities. Aggregate FDI disbursement to Vietnam during 1997-2007 was approximately US$100bn.

Most of FDI projects/companies in Vietnam are small and medium, which focus on manufacturing sector like garment, footwear and other basic export processing and concentrate in HCMC, Hanoi and provinces around these two cities like Binh Duong, Dong Nai (near HCMC), Vinh Phuc, Bac Ninh (near Hanoi). Recently, Vietnam firms is progressing up the value chain by accommodating some large investment projects by multinational corporations ("MNCs") and Transnational corporations ("TNCs") in electronic and high-tech industries. Canon has set up its biggest printer assembling plant in Vietnam, Intel invested over 1 billion USD to build a chip testing and assembling plant, Samsung put in US$600mn to build a cell phone assembling plant, and Nokia is considering seriously a plan to set up assembling facility in Vietnam. GE, Kyocera, Bridgestone, Hyundai, Kia and Suzuki are also coming into Vietnam.

Recently, when the risks of economy overheating become more imminent in China, many investors want to reduce their exposure to China and diversify into other Asian developing economies. Vietnam is well positioned to take advantage of this China + 1 policy. Nevertheless, Vietnam has started facing new issues in attracting FDI such as rising labour costs, worker strikes are, and old issues such as infrastructure shortage, policy unpredictability, red tapes that hurt Vietnam in competition for capital.

Figure 3: FDI Disbursement into Vietnam (US$mn), 1991-2011



Source: StoxPlus, General Statistics Office, State Securities Commission

Figure 4: Registered FDI into Vietnam by country, 2011

No	Country	No of projects	US$m
1	Hong Kong	49	3,093.2
2	Japan	208	2,438.5
3	Singapore	105	2,208.2
4	Korea	270	1,466.7
5	China	78	747.8
6	Taiwan	64	565.7
7	BritishVirginIslands	19	481.0
8	Malaysia	21	453.5
9	Luxembourg	3	398.1
10	Holland	13	396.2
11	Others	261	2,447.2
Total		1,091	14,696.0

Source: Ministry of Planning and Investment

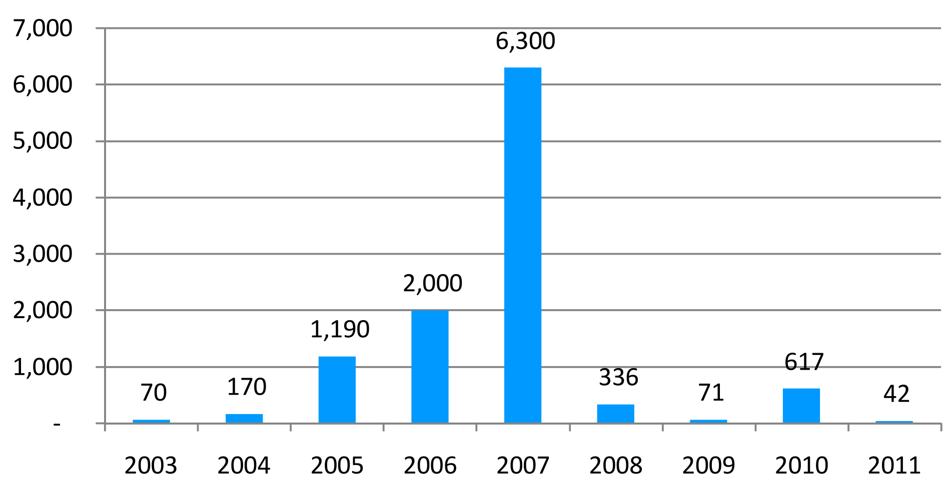
Foreign Indirect Investment ("FII") is unstable and becomes opportunistic money

The first stock market trading session of the Ho Chi Minh City Stock Exchange ("HOSE") in 2001 marked an important milestone of Vietnam's integration into the world. Although there are still a lot of restrictions, Foreign Indirect Investment ("FII") provided foreign investors with another choice to have exposure to Vietnam. Dozens of investment funds were set up to raise money from various markets and invest in Vietnam. Investors had high expectation for participating in the privatisation of State Owned Enterprises ("SOE") and high growth of a young but dynamic private sector. As foreign investors bet on long term potential of Vietnam, most of the funds set up during this period are close ended with buy and hold strategy and have life from 5-7 years. In 2007 alone, encouraged by Vietnam's entry into the WTO, foreign investors poured over US$6.3bn to buy shares in Vietnamese companies helping the stock market fly high and become one of the world's best performing ones.

After reaching its all-time high 1,171pts on 12 March 2007, Vietnam stock market collapsed and lost 80% of its peak value on 24 February 2009. The market experienced a short Recovery after the Government launched the stimulus package in late 2009 and but then became sluggish all through 2010 and 2011 with low liquidity and equity index fluctuating in a narrow band.

Today, the VN Index, the country main stock market index is only one third of its 2007 level. Almost all closed end funds that are dedicated to Vietnam have been severely hit. Vietnam's stock market is highly speculative with few large market cap and high quality companies. The delay in privatisation of large strategic companies also upsets foreign investors. While no new close ended funds were set up, most of existing funds are seeking to convert into open ended funds to invest and divest quickly. At the same time, more and more investors are trying to grasp good M&A opportunities as many companies in Vietnam are facing distressed valuation because of the economic crisis and tightening policy.

Figure 5: Foreign Indirect Investments ("FII") into Vietnam (US$m), 2003-2011



Source: StoxPlus, State Securities Commission

State Owned Enterprise (SOE) Privatisation progress is very slow

Privatisation which is normally referred by local media as equitisation of State Owned Enterprises ("SOE") via Initial Public Offering ("IPO") was once considered as an attractive opportunity by foreign institutional investors. A number of foreign owned funds were set up to bet on SOE IPOs during 2006-2007 when foreign indirect investments reached its peak with total US$6.3bn pouring into Vietnam.

Capital raised from IPOs of State Owned Enterprises ("SOE") during 1992-2004 is very insignificant. Major IPOs were undertaken in 2007-2011 but low foreign participation because of large State holdings

For 12 years from 1992 – 2004, 2,025 SOEs were privatised. However, total proceeds raised from these IPOs were only US$0.8bn. It was noted that in this period foreign investors only invested VND24bn (US$1.5mn) in these IPOs. Main reasons for the low foreign participation was the 20% foreign ownership restriction (currently is 30%) in IPO and the and poor performance and the small size of SOEs being privatised.

In response to this slow IPO progress, the Government implemented a plan in December 2006 to privatise 71 large State owned corporations including Vietnam Airlines, Vinatex, Vinashin, Vietnam Paper Corp, BaoViet, Vietcombank, VietinBank, Argibank, BIDV, etc. However, only few on this list have been privatised since 2006 as we indicated in the Figure 6 below. Total amount from 10 selected large IPOs from 2005-2011 is just US$1.4bn. However, foreign interests in these IPOs are insignificant except for Vietcombank, Sabeco and Bao Viet where the IPOs were done in late 2007 when the market still had high momentum.

Figure 6: Selected Large SOE IPOs Undertaken, 2007-2011

SOE IPO: Large IPOs Proceeds, 2007-2011

No	SOE	Sector	IPO Year	IPO Proceeds (US$m)
1	Vietcombank	Banking	2007	565.0
2	Sabeco	Food & Beverage	2008	341.0
3	Bao Viet Corporation	Insurance	2007	272.0
4	BIDV	Banking	2011	75.0
5	Vietinbank	Banking	2009	65.0
6	VNSteel	Steel	2011	19.8
7	Habeco	Food & Beverage	2008	12.1
8	Cosevco	Construction	2011	12.0
9	Mekong Housing Bank	Banking	2011	9.6
10	Song Hong Corp	Construction	2009	8.4
				1,380

Source: StoxPlus, the Company's Annual Report and website

Limited investment opportunities from upcoming IPOs for foreign investors

According to the SOE Reform Committee, Vietnam has 1,309 wholly owned SOEs and the Government will boost the privatisation process for 573 enterprises during 2011-2015. We provide below in Figure 7 for the Top 10 upcoming IPO opportunities that were planned for 2012-2015.

We don't see good opportunities for foreign investors in upcoming IPOs of large Vietnamese State Owned Companies except MobiFone and Satra.

We see a number of difficulties in achieving this target. For example, most of these SOEs are in loss making position (Vietnam Airlines, Vicem, Song Da Group etc). Agribank is experiencing a difficult time with a significantly high non-performing loan ratio of 6%.

Included in the list is MobiFone which appears the most attractive IPO by foreign investors since this is a cash rich business. However, we noted that several foreign institutional investors and foreign telecom companies have been waiting for nearly 10 years and they may not be patient anymore. In 2011, MobiFone reported total revenue of US$2.1bn and earnings before tax of US$286mn. Saigon Trading Group (Satra), the largest food retailer in Vietnam, also shows strong financial performance since it operates in defensive sector such as food retailing.

Figure 7: Selected Coming SOE IPOs, 2002-2015

Main SOE IPOs: 2012-2015			
No	SOE	Sector	2011 Revenue (US$bn)
1	Vinatex	Garment	1.7
2	Vietnam Airlines	Airlines	2.2
3	Vietnam Paper Corp	Paper	0.3
4	Vinafood 1	Food	1.0
5	Vinachem (Chemical Corp)	Chemicals	1.9
6	Vicem (Cement Corp)	Cement	1.3
7	Song Da Group	Construction	1.3
8	Agribank	Banking	n/a
9	MobiFone	Telecom	2.1
10	Satra (Saigon Trading Corp)	Retail	1.5

Source: StoxPlus

Part Two: Vietnam M&A Key Themes

2.1 Inbound M&A Key Themes

1. M&A Deals done at low valuation multiples

The credit crunch has resulted in low valuations across asset classes and sectors . Average valuation of stocks listed on Vietnamese stock markets tumbled to 11x of their latest earnings, 75% of stocks are being traded below book value and 60% of stocks below par value (VND10,000 or US$0.5). Real estates, particularly housing and lands in two major cities Hanoi and HCMC dropped by 40-50% over the last year.

Many foreign firms have seized this opportunity to acquire cheap assets in Vietnam. We noted from our detailed review of 17 selected share acquisition transactions by foreign investors that average deal valuation was at 14.1x of earnings (PE) and 2.1x of book value (PB). This average valuation is not much higher than the overall stock market valuation (11x PE), Vietnamese Food & Beverage sector (13.1x PE) and Asian Food & Beverage sectors (China: 48.8x PE; Thailand: 23x PE).

Some of exampled deal valuations in Food & Beverage sector include:

- The Nawaplastic Industries (Saraburi), a member of Siam Group from Thailand accumulated a 22.7% stake in Tien Phong Plastics at 9x PE and a 16.7% in Minh Minh Plastics at just 5x P/E. These are the Vietnam's two top plastic players with combined total national market share of 55%.

- In a recently annouced public offer to buy, Diageo pays a 97.8% premium to curent market price of Hanoi Liqour (Halico) in order to increase their ownership from 30% to 45.7% of a leading alcoholic and food company in Vietnam. The offered price of VND213,600 (US$10.4) per share is translated into 31.9x the target's 2011 earnings and 6x P/B.

- Glico, a Japanese bakery company, purchased 10% stake of Kinh Do (KDC), a leading bakery in Vietnam, at VND50,000 (US$2.4) per share which is translated into 22x of its 2011 earnings. This valuation is a 92% premium to market valuation that time but sigificantly lower than regional average valuation where Food and Beverage sector in China is trading at PE of 48.8x and 23x PE in Thailand.

- Most recently CFR, a Chile based pharmaceutical firm, paid just US$9.4m to acquire a 45% of Domesco, a leading herb distributor, valuing Domesco at just 5.3x its 2011 earnings. Nichirei Foods paid acquired a 19% stake in Cholimex at 19.8x PE, Cholimex is a spicy food supplier which has reported a 30% compounding annual growth rate in revenue over the last five years.

In real estates sector, we also noted many land areas and construction in progress where owners decided to cut loss by selling at significantly below costs. In some large land areas at prime locations in Hanoi and HCMC, a number of transactions have been concluded at price range US$1500-US$2000 per m2 to foreign buyers while previously the asking price was almost double.

Capita Value Homes - member of CapitaLand acquired 70% stake in a 29,000 m2 land area in District 2, HCMC for US$49mn. This valuation translated into purchase price of US$2,414 per m2. Another member of CapitaLand, The Ascott Limited also purchased 9,000sqm land area Somerset Central in Hai Phong City for US$1,026 per m2.

2.1 Inbound M&A Key Themes (con'd)

1. M&A Deals done at low valuation multiples (con'd)

Lotto Asset Development Co Ltd has been aggressively screening opportunities and bought a number of large land areas for their department store plan in major cities of Vietnam. Many other well established office and apartment buildings including Saigon Tower, Centre Point in HCMC and Pacific Places in Hanoi have been transferred to new foreign owners. These stable cash generating assets have been or are about to be included in their portfolio for their real estate unit trusts (REITs) under management.

Most recently, a group of Chinese investors spent less than US$1mn to obtain 49% stake in a Hanoi-based securities company. The amount is just equivalent to start-up costs for a new securities license.

2. Investors are interested in consumer product businesses to tap into a market with over 90 million youngful population

Outside buyers are interested in acquiring high-growth Vietnamese companies that serve the basic needs of the 90 million consumer market with a low level of penatration in various sectors and allow them to strengthen their regional presence. Investments into Food & Beverage, Household Goods, Retail and Health care (including hospitality and pharmaceutical) are currently of top interests for firms from Japan, China and India. Only in 2011, nearly US$1.4bn was invested into these sectors with 17 completed deals completed. Some of them include:

- Fortis HealthCare spent US$64mn to acquire a 65% in Hoan My Hospitality, which owns two well established clinics and an eight-hospital chain. According to the press release, in addition to the growing health care expenditure per capita, Fortis also expects growth opportunity due to low level of penetration in health care market in Vietnam. Patient beds per 1,000 population by 2011 was just 2.05 (Korea: 8.6x and Japan: 14x), according to WHO.

- Carlsberg also continues its solid expansion to beverage market in the central of Vietnam by taking over 50% stake from the Vietnamese party in their joint venture, Hue Brewery Ltd. Previously Carlsberg acquired a 17.2% in Hanoi Beverage Corp (Habeco) who holds 23% total beer market share in Vietnam. The beverage sector in Vietnam is enjoying a 15% compounding annual average growth. Beverage annual consumption per person in Vietnam in 2010 was about 24 litres which is significantly lower than Asian peers such as Indonesia (40 litres per person), Korea (43 litres).

- In dairy segment, dairy consumption per person in Vietnam by 2010 was about 15 milk litres per year with a 9% growth over the 2000-2010 period (China: 25 litres; Thailand: 23 litres).

3. Multi National Corporations (MNC) and Transnational Corporations (TNC) are targeting companies that could become their outsourcing hubs in order to take advantage of low cost base in Vietnam.

These companies serve not only domestic demand but also have strong export franchise. The most noticeable transactions are Unicharm's acquisition of 95% stake in Diana Papers which has a strong growth in local market and export potential to Japan. Caslberg invested US$90mn into Hue Brewry Ltd (Central of Vietnam) and plan to make it into a production llocation for export to the whole Indochina region.

2.1 Inbound M&A Key Themes (con'd)

4. M&A has become as a prefered strategy to enter into Vietnam as opposed to setting up a wholly owned subsidiary.

M&A is faster than foreign direct investment ("FDI") where foreign firms seek to open their own subsidiaries in Vietnam. M&A allows foreign investors buy quickly to local brands, distribution capabilities and existing management team in stead of building all these from scratch. More importantly, M&A requires less paper works with the Government than FDI. For example, as setting up a foreign own hospital in Vietnam under FDI route is a lengthy and complicated process. Fortis Health Care, said in its deal press release, acquiring of 65% of stake in Hoan My Hostipal and becoming owner and operator of two well-run clinics and the eight-hospital chain with 900 beds in HCMC area which is a better way comparing to setting up a foreign invested enterprise from the scratch in Vietnam.

5. Foreign firms acquired local companies for geographic expansion and taking advantage of distribution network

Our review has indicated that a number of acquisitions were done with a clear deal rationale to tap into the Vietnam market and utilise existing distribution capacity of the acquirees. Most notable transactions include:

- The 45% stake purchase by CFR, a Chile-based pharmaceutical firm into Domesco ("DMC"), a Vietnam's leading pharmaceutical and medical distributor for US$9.4mn. The key deal rationale is to utilise both local and export distribution capacity of Domesco. By 2010, Domesco has 11,345 distribution points to clinics, hospitals and health care centers throughout Vietnam and 36 export markets worldwide. "It will help CFR grow its presence in fast growing markets like Vietnam through leveraging on DMC's extensive distribution and supply network…" said CFR' chief executive officer Alejandro Weinstein in the press release.

- By acquiring 95% stake in Diana, the largest locally owned diaper and tissue papers company, Unicharm can access 30% diapers market share and 40% toilet tissue papers in Vietnam. Unicharm has 25% market share in this segment in Asia. Previously, Unicharm "often built their own factories and sales network to establish its foothold in the Asian market and this is the first time their regional expansion was made via M&A activity", said in its press release. The acquisition is also to take the advantage of recent appreciations of Japanese yen against the Vietnam dong.

- The 10% acquisition of Glico (from Japan) into Kinh Do Bakery with a 92% valuation premium to market price is form a strategic alliance in utilising 120,000 sales outlets, 1,800 sales force of Kinh Do Bakery countrywide.

Many sectors of Vietnam are in excess of capacity. According to Vietnam Association of Seafood Producers (VASEP), their top 39 member companies who hold 60% country's capacity in exporting pangasius only utilise less than 50% designed capacity. Similarly, steel manufacturers in Vietnam are operating at only 50% invested capacity and cement producers also in large excess capacity.

2.1 Inbound M&A Key Themes (con'd)

6. Foreign firms acquired local companies for geographic expansion and taking advantage of distribution network (cont'd)

In this context, a number of foreign buyers and domestic acquirors have taken the oppotunity to expand thier business and move up their value chain. Some of examples include:

- Siam Cement Group from Thailand expands to Vietnam by acquiring 99% equity stake of Buu Long Industrial & Investment Corp for US$5.5mn. Buu Long specialises in providing high quality white and grey cement with an annual capacity of 200,000 tons a year.
- Kirin (Japan) acquired Interfoods: In addition to the 110,000 sales point distribution network of Interfoods, Kirin also wanted to utilise the canned drink factory that previously used for outsourcing manufacturing for Kinh Do Bakery.
- Cargill has wholly acquired a shrimp feed mill of Higashimaru Vietnam in Vietnam to utilise the low capacity operating factory. This is the first investment in Vietnam's shrimp feed industry by Cargill.

7. Presures to exit non-core businesses by State Owned Enterprises ("SOEs") create good oppotunities to acquire undervalued businesses.

During the period 2001-2009, Vietnamese SOEs become very diversified and invested sinfificantly in non-core businesses, including risky businesses like real estate and stock markets. They are now under pressures from Government to exit from its non-core investments. Major state owned corporations and banks are forced to sells assets to comply with the new regulations on limit of non core investments. This is part of a bigger restructuring program that the Government are currently trying to impose on SOE sector. Vietcombank (70% State owned) has successfully exited four investments to raise a total US$107mn cash. Vinacomin, a State owned mining companies was also sucessful in selling off some real estate assets. We believe there will be many other exits in near term from Petrol Vietnam and Vinashin etc.

8. Private equity firms and fund managers are also under pressure to liquidate thier portfolio companies as their investment periods are about to come to the end.

Total porfolio cash inflows into Vietnam from 2005-2010 was close to US$10bn. The peak year was 2007 when the amount poured into Vietnam via Foreign Direct Investments (FII) accounted to US$6.3bn. It is estimated that 30 foreign funds are currently holding about US$3bn worth of Vietnamese equity. Most of these funds will have their investment term ending during 2012 and 2013 and will have to ask their shareholders for renewal of the investment terms or to liquidate their portfolio to return money to investors. We note that several funds are now aggressively seeking to exit their investments. Major funds under management of VinaCapital, MeKong Capital and Bank Invest have successfully exited a number of its private equity investments to foreign industry players.

VinaCapital's funds exited successfully four big deals including Halico to Diegeo, Hoan My Hospital to Fortis, International School to Cognita, Vinacafe to Masan Group. MeKong capital also exited International Consumer Foods to Marico and a number of other small assets.

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2.1 Inbound M&A Key Themes (con'd)

9. Interests from Japananese and Chinese firms remain strong and will continue

Japan and Greater China previously known as top investors via Foreign Direct Investment ("FDI") scheme. From 2011, Japan and Greater China ranked top in acquiring Vietnamese businesses. Japanese firms executed 22 deals totalling US$941mn mostly in Foods & Beverage, Household Goods and Financial sectors while Chinese firms completed 5 deals with total value of US$723mn.

Key difference is that Chinese buyers focus on majority-interest acquisitions of the target companies while 72% of total deal value from Japanese players made at minority interests.

It is also our view that interests in the financial sector by Japanese financial firms will stay stable while Chinese corporations are more aggressive. The most recent deal is the 49% acquisition of a Hanoi-based securities firm to facilitate portfolio and investment services from China to Vietnam. Japanese firms/ buyers will maintain their interests in acquisition of medium sized consumer and manufacturing based businesses.

2.2 Domestic Key M&A themes

We recorded 205 domestic deals with total value of US$3.5bn. Domestic M&A activities mostly happened in Real Estates, well branded hotels in Travel & Leisure and Financial sectors. Similar to Inbound M&A, the catalyst for this active domestic M&A market is distressed valuation.

1. A number of cash rich groups and individials emerged to take advantage of cheap assets.

A number of emerging domestic corporations such as Masan Group, Xuan Thanh Group and BTA Investment Ltd has emerged as cash rich investors in the M&A market. They have been actively acquiring equity stakes and assets in a number of sectors including consumer, building materials,real estate, banks, securities firms.

For example, Vinakansai, a local construction-based corporation also built up cement market share by acquiring 50% equity stake in Hoa Phat Cement company for just VND300bn (US$15mn) which is at cost by the seller. Xuan Thanh Group who previously evolved from construction business and are now expanding into financials. BTA Investments continue its ambious plan to consolidate home builders, cement and infrastructure businesses while Masan Group is aggressively targeting consumer businesses.

Total deal value under domestic M&A totalled US$3.5bn in 2011 with 206 transactions. In Q1/2012, 47 transactions were completed totalling US$358m.

2. Source of finance for M&A are still available despite credit crunch and limited financing.

We have seen a number of large domestic acquisitions where capital is provided by local financial institutions. This is a new feature of domestic M&A activities. For example, Hanel Corporation, a Hanoi based SOE, increased its ownership from 30% to 100% in Deawoo Hotel for US$83mn. VP Bank and PetroVietnam Finnace Co ("PVFC") are the deal sponsor. In Nov 2011, the International Finance Corporation ("IFC") and a local bank also financed the Thien Minh Travel's acquisition of a World's brand name Victoria Hotels and Resorts for US$45mn in order to move up value chains for their travel & leisure services.

3. Forced merges and hostile takeovers in banks.

Vietnam economy is experiencing an aggressive restructuring program by the Government. At corporate level, restructuring is focusing mainly on financial sector namely banks and securities firms. The number of commercial banks in Vietnam has been reduced from 43 to 41 currently following a consolidation of three troubled banks: Saigon Commercial Bank, Tin Nghia Bank and First Commercial bank. There are a number of other forced mergers underway which will be officially announced in coming months, for example, Saigon Hanoi Bank and Habubank and some other banks. Its is SBV's strategy to reduce the number of commercial banks from 41 currently to just 13-15 by 2015. The Government even provides open opportunities for foreign investors to acquire controlling interest at the 10 weak banks classified in Group 4 "Weak Bank" in a recent Decision by Prime Minister.

A noticeable hostile takeover is the acquisition of 65% stake in Sacombank (STB) by a group of local investors led by Eximbank. Sacombank is a top Tier 2 bank with net asset of US$700mn. Local analysts view this is a good deal for the buyers since they accumulated STB's shares at cheap price from its lowest level of VND10.000 (US$0.5) inJune 2011 to VND25.000 (US$1.2) recently. The exit of Sacombank by Dragon Capital, ANZ and REE at an average price of VND16.000 per share also helped the buyers build up stake in STB. In total, the buyers spent as high as US$500mn to obtain 65% stake in this US$700m net asset bank.

Part Three: Vietnam M&A Activity 2011-2012 Review

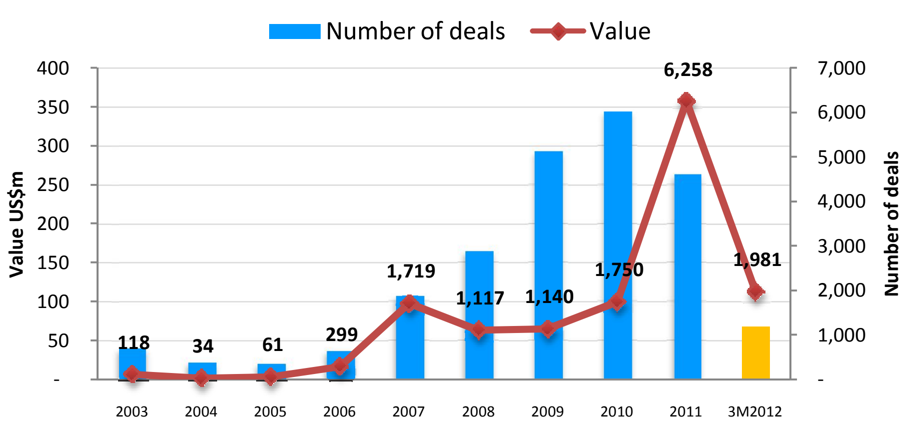
Vietnam M&A Market is booming with a record value US$6.3bn in 2011 and US$2bn in Q1/2012

Excluding pending transactions, our database recorded 266 deals concluded in 2011 with total value of US$6.3bn including acquisitions of Vietnam domiciled enterprises made by foreign investors (Inbound M&A), acquisitions of foreign domiciled enterprises (Outbound M&A) and M&A deals among domestic corporations (Domestic M&A).

The number of M&A transactions in 2011 was significantly lower than recorded in 2010 (345 deals); however, total deal value in 2011 (US$6.3bn) was 3.7 times higher than that in 2010 (US$1.8bn).

- There are a number of large mergers among Vietnamese banks and emerging private corporations in 2011. The mergers among Vietnamese banks have been conducted under an ongoing restructuring plan by the Government to consolidate the sector. We deemed the aggregate charter capital of US$1.6bn as the deal value of these mergers and included the figure in calculating the total value of the M&A market of US$6.3bn in 2011.
- Domestic M&A is busier than ever this year. Included in the US$6.3bn total market size is US$2.8bn total deal amount by domestic companies.
- Inbound M&A this year saw many big ticket transactions. Nine out of 76 inbound transactions over the 15 months period to 30 March 2012 have deal value over US$100m. Foreign buyers in these deals are from China (C.P Pokphand/C.P Vietnam: US$609m), Japan (Mizuho/Vietcombank: US$577m), Russia (Vimpecom/Gtel: US$196m) and Korea (Posco/Mong Duong 2 Power Plant: US$153m).

Figure 8: M&A Total Deal Size and Number of Deals in Vietnam, 2003-2011 and Q1/2012



Source: StoxPlus

Vietnam M&A Market: Further Data and Figures

Financial services including Real Estates, Banks and Food & Beverage are the most active sectors in term of total deal value. These Top 3 Sectors accounted for 66% of the total Vietnam M&A market size.

Figure 9: M&A Vietnam Market: by Sector, 2011

US$m	Total	No of deals	Minority	Of which: Majority	Acquisition	Of which: Merger	Cash	Of which: Non-cash
Financial Services	1,588	72	197	1,391	779	808	779	808
Banks	1,562	10	889	673	953	609	953	609
Food & Beverage	1,242	26	283	959	1,242	-	1,242	-
Technology	475	22	152	323	425	50	425	50
Utilities	304	16	289	15	304	-	304	-
Construction & Materials	236	28	71	165	236	-	236	-
Personal & Household Goods	226	14	12	214	226	0	226	0
Travel & Leisure	217	14	4	213	131	86	131	86
Health Care	118	10	15	103	118	-	118	-
Basic Resources	116	12	113	3	116	-	116	-
Insurance	93	1	93	-	93	-	93	-
Chemicals	31	2	31	-	31	-	31	-
Industrial Goods & Services	29	28	25	3	29	-	29	-
Oil & Gas	12	2	12	-	12	-	12	-
Retail	8	6	8	-	8	-	8	-
Media	2	3	1	2	2	-	2	-
	6,257	**266**	**2,196**	**4,062**	**4,704**	**1,553**	**4,704**	**1,553**

Source: StoxPlus

55% of the deals had an average deal size of less than US$5m, 19% (51/266 deals) were more than US$30m and only 3% (9/266 deals) were more than US$100m.

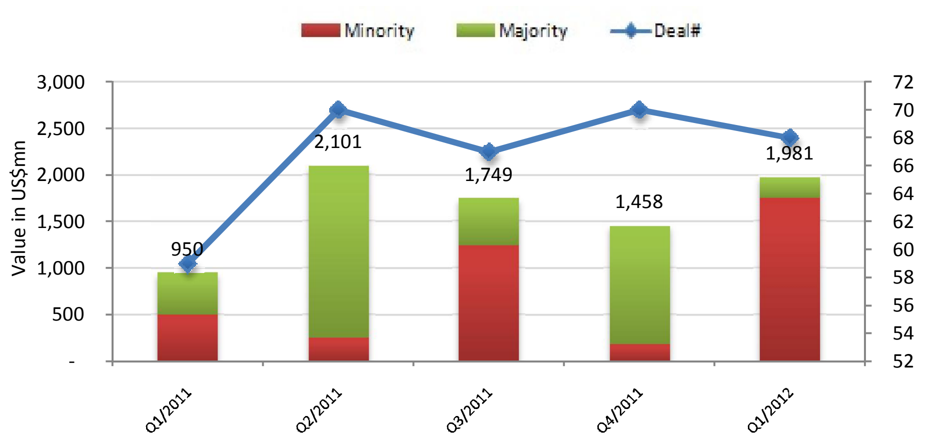
Figure 10: M&A Vietnam Market: Average Deal Size, 2011

US$m	Total	No of deals	Minority	Majority	Acquisition	Merger	Cash	Non-cash
< 5US$m	178.7	148	130.4	48.2	176.8	1.8	176.4	1.8
5 - 10US$m	217.9	28	147.7	70.2	217.9	-	217.9	-
10 - 30US$m	721.1	39	416.3	304.8	721.1	-	721.1	-
> 30US$m	5,139.9	51	1,501.2	3,638.7	3,588.6	1,551.4	3,588.6	1,551.4
	6,257.6	**266.0**	**2,195.6**	**4,062.0**	**4,704.4**	**1,553.2**	**4,703.9**	**1,553.2**

Source: StoxPlus

M&A deal value in Q12012 is 2.1 times higher than the same period in 2011.

Figure 11: M&A Vietnam Market: Deal Volume and Deal Value by Quarter



Source: StoxPlus

Vietnam M&A Market: Further Data and Figures

We noted 66 deals concluded in Q1/2012 with total value of US$2bn. Most of them were minority investments.

Figure 12: Total Vietnam M&A Activity: Inbound/Outbound/Domestic, Q12012

US$m	Total	Deals	Minority	Majority	Acquisition	Merger	Cash	Non-cash
Domestic	538.3	47	330.6	207.8	537.8	0.5	536.2	2.1
Inbound	1,442.5	19	1,422.4	20.1	1,442.5	-	1,442.5	-
Outbound	-	-	-	-	-	-	-	-
	1,980.8	**66**	**1,753.0**	**227.9**	**1,980.3**	**0.5**	**1,978.7**	**2.1**

Source: StoxPlus

The exit of Conoco Phillips from two Vietnamese Oil Blocks and a Gas Pipeline project to Parenco (France) amounted to US$1.3bn which contributed to more than 50% of the value.

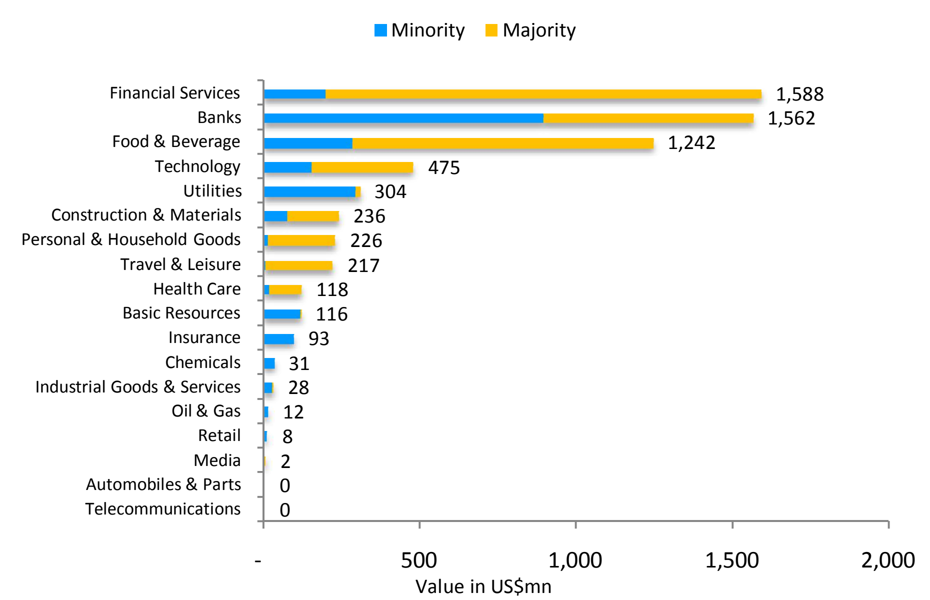
Figure 13: Total Vietnam M&A Activity : Breakdown by Sector, Q12012

US$m	Total	Deals	Minority	Majority	Acquisition	Merger	Cash	Non-cash
Oil & Gas	1,290.0	3	1,290.0	-	1,290.0	-	1,290.0	-
Chemicals	32.9	2	32.9	-	32.9	-	32.9	-
Construction & Materials	54.2	11	41.0	13.2	53.7	0.5	54.2	-
Industrial Goods & Services	4.9	7	4.9	0.1	4.9	-	4.9	-
Food & Beverage	53.7	8	51.6	2.1	53.7	-	51.6	2.1
Personal & Household Goods	0.4	1	0.4	-	0.4	-	0.4	-
Health Care	12.7	3	12.7	-	12.7	-	12.7	-
Retail	9.5	2	9.5	-	9.5	-	9.5	-
Media	0.2	1	0.2	-	0.2	-	0.2	-
Travel & Leisure	90.5	3	5.0	85.5	90.5	-	90.5	-
Utilities	2.2	1	2.2	-	2.2	-	2.2	-
Banks	144.2	3	144.2	-	144.2	-	144.2	-
Financial Services	261.0	16	154.1	106.9	261.0	-	261.0	-
Technology	24.2	5	4.2	20.0	24.2	-	24.2	-
	1,980.8	**66**	**1,753.0**	**227.9**	**1,980.3**	**0.5**	**1,978.7**	**2.1**

Source: StoxPlus

Figure 14: Total Vietnam M&A Activity : Breakdown by Sector, Q12012 (US$m)

Q12012 also marked by some controlling stake purchase of foreign owned five star hotels (e.g. Daewoo) by Vietnamese investors.



Source: StoxPlus

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Inbound by Country: Japan ranked first in both value and volume

Inbound M&A deal value totaled US$3.5bn in 59 deals.

Japanese investors have highest interest with 18 deals with total US$940mn.

Inbound M&A into Vietnam totaled US$3.5bn in value in 2011 with total 59 transactions concluded. Strong interests from Japanese firms into the largest deal value (US$940mn) and volume (18 deals) compared to other countries and territories. The number of deals from Japan accounted for 31% (18 over total 59 inbound deals) with deal value accounted for 27% of total inbound value. This reflects Japanese buyer's preference for mid to small companies while doing M&A in Vietnam. Greater China (including Mainland China, Hong Kong, Taiwan) ranks second with 4 deals and total deal value of US$723m. See Figure 15 below for other countries.

In Q1/2012, Perenco, a privately held Anglo-French oil and gas explorer, acquired minority stakes in two Oil Field blocks and a gas pipeline project from Conoco Phillips. Perenco will continue the business cooperation with Petrol Vietnam in this joint venture. Total deal amount, including loan commitments, is estimated at US$1.3n in a single transaction.

Thai firms are tapping into Plastic sector in Vietnam via M&A

In Q1/2012, there are 19 inbound transactions with a total value of US$1.4bn. Excluding the asset acquisition in oil blocks from France, Japan continues their strong interest in acquiring Vietnamese businesses in Q1/2012, with 9 deals completed with a total value of US$86mn. Thai firms also played an active role in Q1/2012. Nawaplastic Industries (Saraburi), a member of Siam Group from Thailand accumulated equity ownership of 23% and 18% in Tien Phong Plastic Corp and Binh Minh Plastics Corp, the top two plastic producers in Vietnam.

Kusto Group of Kazakhstan increased ownership in Vietnamese housing builders.

Kusto Group from Kazakhstan acquired additional 25% ownership in the Vietnam's leading home builder Cotec Construction via private placements in a US$25m deal. The deal was concluded in March 2012 at a price of US$2.5 per share, representing approximately 30% premium to its share price on stock exchange.

Figure 15: Inbound M&A, 2011

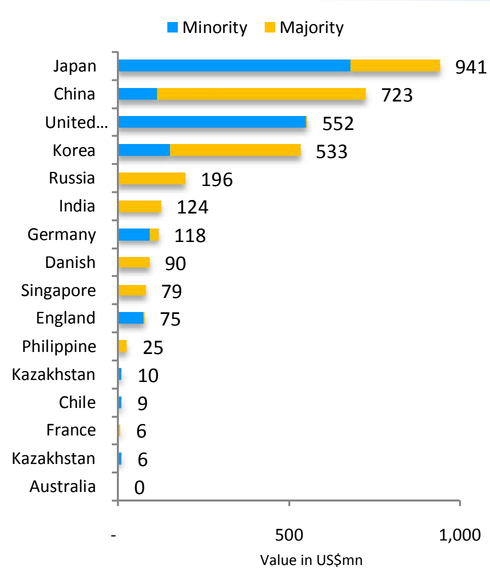
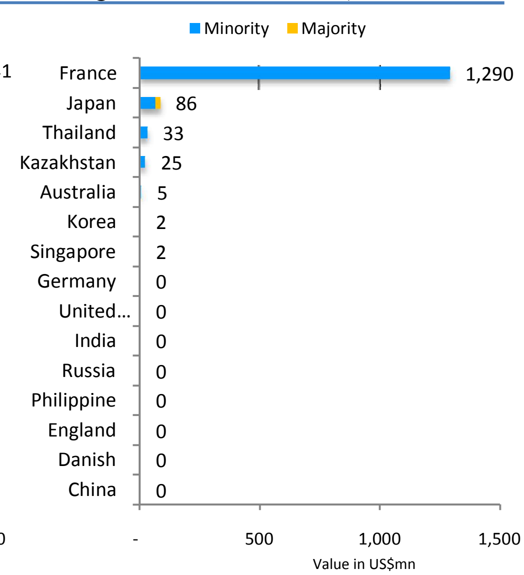


Figure 16: Inbound M&A, Q12012



Source: StoxPlus

Inbound M&A by Country: Japan Spotlights

In the past 15 months from January 2011 to March 2012, Japanese firms have done 30 deals with total value of US$1bn, making them the top country entering into Vietnam via M&A channel.

Japanese firms invested mainly in Banks/ Financial Services, Household Goods and Foods & Beverage. However, there are also a number of small transactions in Technology sector (Internet business), Retail and Health Care. See Figure 17 below.

Figure 17: Japan Inbound M&A into Vietnam, Jan 2011-Mar 2012

Japan	Deal Value	No of Deals	Minority	Majority
	US$mn	Deals	US$mn	US$mn
Banks	577	1	577	-
Personal & Household Goods	139	2	11	128
Food & Beverage	136	4	44	92
Financial Services	73	5	33	40
Technology	71	11	51	20
Retail	17	2	17	-
Health Care	8	1	8	-
Construction & Materials	6	1	6	-
	1,027	**27**	**747**	**280**

Source: StoxPlus

There is one minority-interest transaction in Vietnamese banks where Mizuho Corporate Bank Ltd acquired 15% in Vietcombank for US$577mn. The deal was sealed on 30 September 2011 after various approvals from State Bank of Vietnam at VND34,000 (US$1.7) per share which is 56% premium to VCB's share price on market at the date of the transaction. This valuation translated into 2.5x VCB's book value as at 31 December 2011 and 16.8x its 2011 earnings. The deal proceed of US$577m helps improve the bank's CAR ratio to 14%. Vietcombank is currently cited as the most financially healthy and transparent bank in Vietnam. Its NPL under local accounting standards reported at 2.8% in Q1/2012, which is lower than the sector's NPL average of 3.7%.

Unlike the banking sector where foreign investment is restricted by a 15% cap ownership per foreign qualified investor , Household Goods and Food & Beverage sectors saw a dominance of majority interest transactions (>49% acquisitions), enabling Japanese firms obtained a controlling stake over the target companies.

See Annex 1 for full list of inbound transaction factsheet.

Inbound by Country: China Spotlights

We recorded four M&A transactions where the buyers were from China.

We recorded four inbound M&A transactions from Greater China (including Taiwan and Hong Kong) into Vietnam in 2011 with total US$723m deal value. The largest deal saw C.P Vietnam acquired for US$609m. C.P Vietnam currently holds 20% of animal feed market share, 77% of industrial pig farming market and 30% of chicken raising in Vietnam. The acquisition allows C.P Pokphand China to expand geographically, to broaden its business base and to enhance economies of scale in raw material purchases from Vietnam.

Figure 18: Selected Inbound M&As from Chinese investors

No	Date	Acquiror Name	Target Company	Seller	Listing	Target's Sector	% of Shares	Deal Value
1	30/3/2011	SW Kingsway Capital Holding Limited (Hong Kong)	VinaCapital Group	Ideal Trade Investment Limited, (British Virgin Islands)	Listed	Financial Services	10.0%	19.00
2	7/22/2011	China Investment Corp (Mainland)	Mong Duong 2 Power Co Ltd	Vinacomin & AES	Unlisted	Utilities	19.0%	70.68
3	6/30/2011	C.P Pokphand China (Mainland)	C.P Viet Nam	Charoen Pokphand Group (Thailand)	Unlisted	Food & Beverage	70.8%	609.00
4	6/16/2011	Mr. Chang Hen Jui (Taiwan)	Sacombank	Dragon Capital	Listed	Banks	2.9%	23.94

Source: StoxPlus. C = Completed

China investments into Vietnam via M&A scheme are still small but are increasing.

Chinese investments into Vietnam via M&A are still in early stage when compared with total registered Foreign Direct Investment ("FDI") of US$4.4bn into Vietnam from Greater China and China's total outbound M&A of US$30bn in 2011, according to PwC.

However, it is admittedly recognised that Chinese corporations have heavily invested in a number of sectors in Vietnam including Mining, Animal Feeds, Agricultural Products and Financial Services. In many cases, we noted that ownership certificates were nominated to Vietnamese nationals or Chinese Vietnamese so transactions could avoid foreign restrictions. For example, we record a deal where a Hanoi-based securities company is 49% owned by a group of Chinese investors but the transaction structured under nominated Vietnamese.

Figure 19: Inbound M&A into Vietnam: By Country, FY2011

US$m	Total	No of deals	Minority	Majority	Acquisition	Merger	Cash	Non-cash
China	722.6	4	113.6	609.0	722.6	-	722.6	-
Danish	90.0	2	-	90.0	90.0	-	90.0	-
England	74.8	5	74.2	0.6	74.8	-	74.8	-
France	6.4	1	-	6.4	6.4	-	6.4	-
Germany	118.0	2	93.0	25.0	118.0	-	118.0	-
India	124.0	2	-	124.0	124.0	-	124.0	-
Japan	939.5	18	679.5	260.0	939.5	-	939.5	-
Kazakhstan	10.0	1	10.0	-	10.0	-	10.0	-
Korea	533.2	5	153.0	380.2	441.0	92.1	441.0	92.1
Philippine	25.0	1	-	25.0	25.0	-	25.0	-
Russia	196.0	1	-	196.0	196.0	-	196.0	-
Singapore	79.5	4	-	79.5	79.5	-	79.5	-
Thailand	5.5	1	-	5.5	5.5	-	5.5	-
United States	551.7	8	547.8	3.9	551.7	-	551.7	-
Chile	9.4	1	9.4	-	9.4	-	9.4	-
	3,485	**56**	**1,681**	**1,805**	**3,393**	**92**	**3,393**	**92**

Source: StoxPlus

Inbound by Sector: Food & Beverage and Financial sectors are most attractive

Food & Beverage and Banks are top two sectors acquired by foreign players.

Sector analysis of total US$3.5bn Inbound M&A deal value into Vietnam in 2011 and Q1/2012 are presented in Figure 20 and 21 below. There are a total of 57 inbound deals in 2012 and 19 inbound deals in Q12012.

The most favored sectors in Vietnam for Inbound M&A by foreign investors are: (i) Food & Beverage with 10 deals (US$1.091m); (ii) Banks with 6 inbound deals totaling US$983mn; (iii) Financial Services including securities companies, asset management firms and real estate developers with 14 deals totaling US$329m; and Technology including e-commerce/Internet with 14 deals valuing US$308m.

Oil & Gas sector saw an extraordinary deal in Q1/2012 as there was only one large transaction whereby Perenco, a privately held Anglo-French oil and gas explorer, acquired minority stakes in two oil field blocks from Conoco Phillips. Perenco will continue the business cooperation with Petrol Vietnam in this joint venture. Total deal amount estimated at US$1.29bn in a single transaction.

Figure 20: Inbound M&A by Sector, 2011

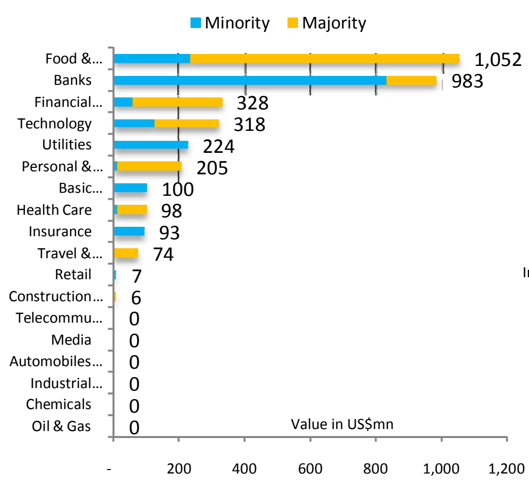
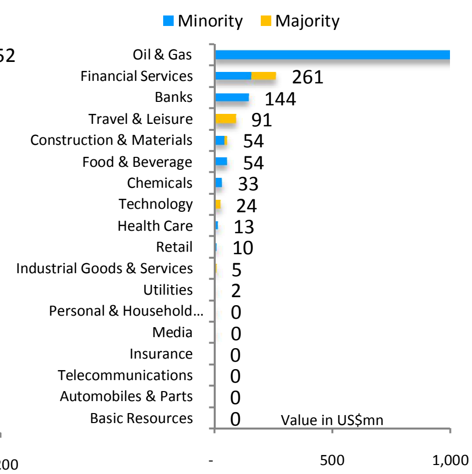


Figure 21: Inbound M&A by Sector, Q12012



Source: StoxPlus

Foreign investors acquired majority interests in F&B but only minority interests in Vietnamese Banks due to regulatory restrictions.

We define in this report majority stake acquisitions as a buyer obtains an ownership equal or higher than 49%. Less than 49% M&A investments are classified as a minority stake M&A deal. Foreign players maintain a high level of control in F&B sector by executing majority ownership interest acquisitions. 7 over 14 inbound investments in F&B sector in 2011 are made at more than 49% ownership. Majority acquisitions also accounted for 79% of total deal value in F&B sector in 2011.

In contrast to F&B, inbound deals in Vietnamese Banks are mostly at minority interests due to high regulatory restriction in this sector (of 30% for total foreign investors and 15% for qualified strategic investors with some exceptions). There was only one majority acquisition in Banks where Shinhan Financial Group from Korea purchased 50% stake in a joint venture bank from Vietcombank for US$64mn in November 2011 and converted it into a 100% foreign owned bank.

Foreign Investors (Inbound) vs. Domestic Investors

Foreign players are increasing exposures in Vietnam via acquiring mostly at majority interests in F&B and Vietnamese Banks. In contrast, domestic investors are very active in acquiring wholly or controlling stakes in real estate projects (which included in Financial Services). In the Real Estate sector only, there were 56 deals with total value US$603m concluded in 2011.

In 2011, top active sector by domestic deals among domestic investors are real estate projects (included in Financial Services) while foreign investors like F&B.

Figure 22: Inbound M&A by Sector, 2011

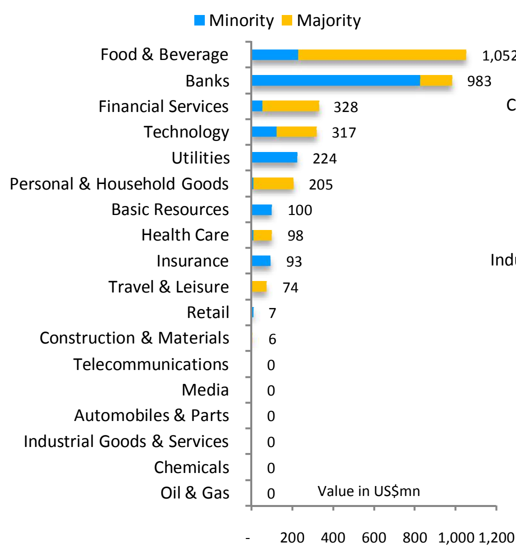
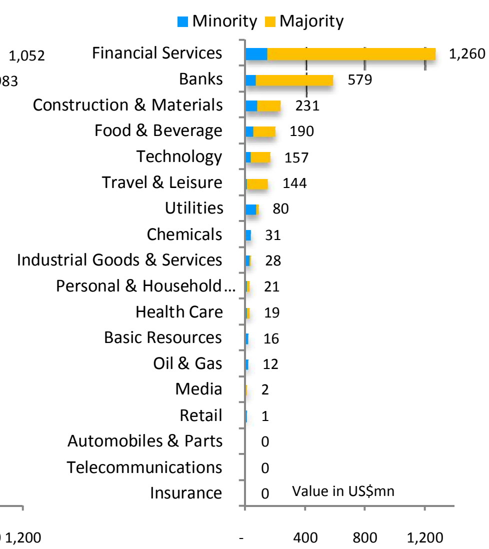


Figure 23: Domestic M&A by Sector, 2011



Source: StoxPlus

In Q1/2012, F&B is still favored by foreign investors. Local investors are very active in acquiring well established hotels (included in Travel & Leisure sector).

Figure 24: Inbound M&A by Sector: Q12012

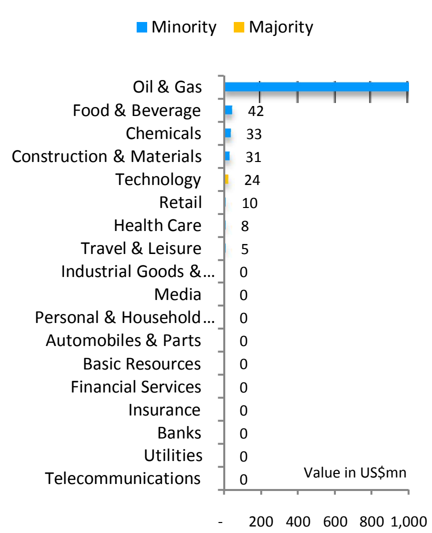
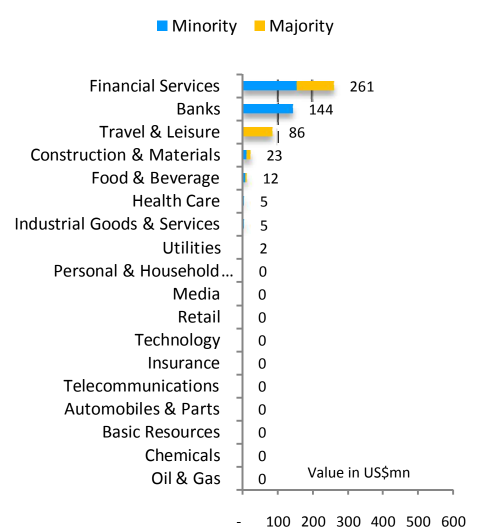


Figure 25: Domestic M&A by Sector: Q12012



Source: StoxPlus

Inbound M&A: foreign buy on local exits

We recall from our first M&A issue in September 2011 that many SOEs, including Petrol Vietnam, Vietnam Coal and Mining Group (Vinacomin), Vinashin, Vietcombank, and private corporations such as Hoa Sen Group, REE announced their aggressive restructuring and divestment of so called exit of "non-core investments".

Vietcombank is a role model in divestment. Vietcombank received US$107 cash proceeds from exit of four investments.

Vietcombank is a role model in divestment execution. Vietcombank received US$107m cash proceeds from exiting of four investments:

- Sale of 50% equity stake in Shinhan Vina, a joint venture bank to its foreign partner Shinhan Financial Group from Korea for US63.4mn in cash in November 2011. This amount translated into 2.2 times of the US$28.7m investment value, recorded at cost on the bank's financial statements as at 31 December 2011.
- Sale of 3.83% equity stake in Gia Dinh Bank to Viet Capital Bank at an undisclosed amount. We noted that this investment was recorded at cost of VND116.8bn (US$5.7mn) in the bank's financial statements as at 31 December 2011.
- Sales of 3.79% equity stake in Saigon Postel to a local buyer at an undisclosed about. The cost carrying value of the investment in the bank's financial statements as at 31 December 2011 was VND138bn (US$6.7mn).
- Sales of 10% equity stake in PV Trans Pacific to a local buyer. The value was also undisclosed. The cost carrying value of this investment in the bank's financial statements as at 31 December 2011 was VND120bn (US$6mn).

It is however noted that a number of corporations have not yet been successful in selling non-core assets. Although Petrol Vietnam has been very active in seeking foreign investors for their long-listed portfolio available for sales, no major transactions have been announced. The same situation is noted for Vinashin and many other private sector corporations as well.

STOXPLUS

Inbound M&A: foreign buy on foreign exits

Private equity funds in Vietnam including funds managed by major firms such as VinaCapital, Dragon Capital, Mekong Capital and Bank Invest are all experiencing a difficult time with disappointing NAV performance and failure in raising new funds dedicated to Vietnam. In the meantime, most of these asset managers are set to liquidate their portfolio or to convert into open-end funds as a bridging step in closure of the funds.

In this context, foreign private equity funds are trying to exit their investments. One of the preferred execution options is to transfer to a industry player who may have synergies with their investee companies. The exit of investment on stock market is virtually impossible due to the thin liquidity.

We also consider these exits as opportunities for foreign industry players who wish to expand their business into Vietnam. During 2011, we have noted a number of deals where foreign players buy on exits of asset managers in Vietnam:

- Diageo acquired a 23.6% equity stake in Halico from Vietnam Opportunities Fund (VOF) managed by VinaCapital for US$51.6m in April 2011. The book value of investment by VOF in Halico was at US$19m (US$4 per share) and VOF achieved an Internal Rate of Return of 67.4% per annum, according to VOF's monthly report.

- Fortis HealthCare from India purchased a 24% equity stake in Hoan My Hospital from Vietnam Opportunities Fund (VOF) managed by VinaCapital for US$24m in August 2011.

- Cognita, a global private school operator, invested a 20% equity stake in HCMC International School from Vietnam Opportunities Fund (VOF) managed by VinaCapital. Deal size is not disclosed but it is small since the carrying value of the 20% investments was only US$5.7m on the fund's monthly report.

- Marico acquired a 26% equity stake in International Consumer Products Corp from Mekong Capital in February 2011 for an undisclosed amount. The cost of investment in ICP recorded on book is at US$6.3m.

We believe that the liquidation pressure from private equity funds will continue during 2012 and 2013. Since the peak time of portfolio investments into Vietnam was 2007 where US$6.3bn of Foreign Indirect Investments flowed into Vietnam. Most of private funds have an investment mandate of 5 years. Our database shows that foreign private equity funds have a total portfolio of approximately US$3bn to be liquidated during 2012 and 2013.

Outbound M&A by Vietnamese companies is almost silent due to credit crunch and cash shortage

Acquisition of overseas business by Vietnamese firms is almost quiet in 2011 and Q1/2012. Our sources (both public and intelligent data) have not recorded any significant acquisitions oversea by domestic corporations except for a pending deal to watch: Vietinbank is to acquire a 30% equity stake in Lao Development Bank, a deal which was announced in late 2010.

The quiet is driven by Vietnam' slowing down economy and credit crunch, which has seen domestic companies are struggling to raise capital. We have reviewed strategy notes of the Top 10 domestic businesses. Our review included scrutinising financial statements, strategy notes, annual reports where available and interviews with executives. Some of these companies, commonly known as cash rich in Vietnam such as Viettel, Petrol Vietnam, Vinamilk, Hoa Phat Group, Hoa Sen Group and Vietinbank, are silent in their M&A activity and strategy in making acquisitions of oversea businesses as way of expansion. The theme of their strategy notes this year is "to focus on home market and untapped segments", "exits of non-core investments", "time for restructuring" and "cost reduction".

Figure 26: M&A Market 2011 in Vietnam: Breakdown by Type of Transactions

US$m	Total	Deals	Minority	Majority	Acquisition	Merger	Cash	Non-cash
Domestic	2,770.7	206	513.7	2,257.0	1,309.7	1,461.1	1,309.2	1,461.1
Inbound	3,486.9	59	1,681.9	1,805.0	3,394.7	92.1	3,394.7	92.1
Outbound	-	-	-	-	-	-	-	-
	6,257.6	**265**	**2,195.6**	**4,062.0**	**4,704.4**	**1,553.2**	**4,703.9**	**1,553.2**

Source: StoxPlus.

Outbound M&A by Vietnamese companies is almost silent due to credit crunch and cash shortage (con'd)

Looking back to outbound deal flows in recent years, large Vietnamese corporations such as Vinamilk, BIDV, Hoang Anh Gia Lai have moved up their value chain through acquiring foreign companies including from New Zealand, Laos and Cambodia:

- Vinamilk invested NZD12.5mn (about US$10m) in September 2010 to hold a19.3% ownership in Miraka Limited in New Zealand in order to secure part of its imported milk power material.
- BIDV in July 2009 announced its wholly acquisition of Private Investment Bank (PIB), a private bank in Cambodia after setting up its investment company with US$100m charter capital.

In 2011, indirect investments overseas by local enterprises were quiet. Nevertheless, Vietnamese corporations are still active in pursuing investments oversea via foreign direct investment channel. According to Department of Foreign Investments within MPI, there are 108 licenses (2010: 107) with total investment capital of US$2.1bn (2010: US$2.9bn) granted to Vietnamese investors. Capital disbursements amount to US$950m which is 1.06 times higher than that in 2010 (US$900bn). Largest investors oversea are still Petrol Vietnam (US$347m), Viettel (US$185mn), Vietnam Rubber Group (135m), Song Da Group (US$161m).

Main destinations for Vietnamese overseas investments are Laos, Cambodia, Venezuela, and Russia. Top sectors of oversea investments include Mining, Hydro power, Plantation and Agricultural.

Part Four: Why M&A now? An Inside-out View

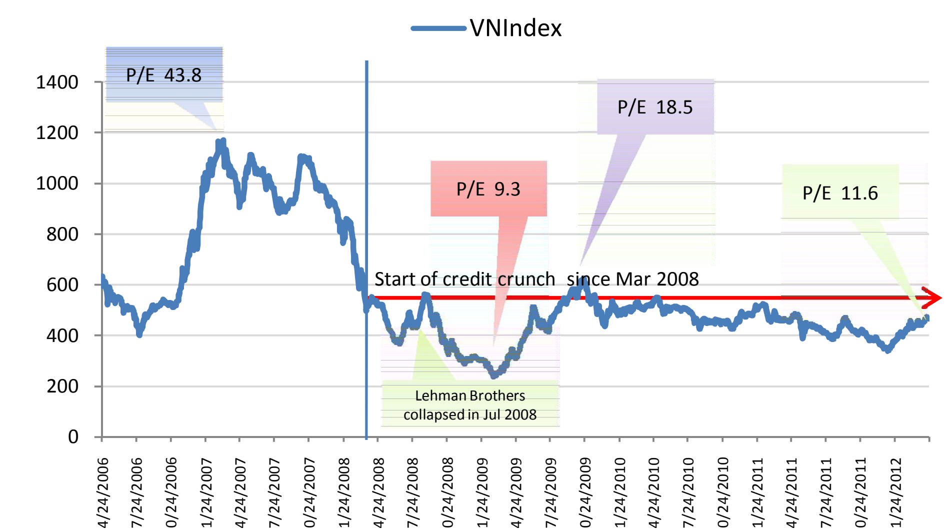
Distressed Situation

Attractive Valuation on Stock markets: On average, VN-Index and HNX-Index, the stock indices of Ho Chi Minh City and Hanoi Stock Exchanges, are trading at 11.6x and 9.6x trailing earnings respectively. This valuation level of VN-Index is not much higher than the all time low (9.3x PE) recorded since the start of stock markets in Vietnam 12 years ago. VN-Index crashed and lost about 81.5% in Feb 2009 from its peak in 2007.

In term of book value, valuation of Vietnamese equity is also at low level. On average, VN-Index and HNX-Index are being traded at 2.8x and 1.7x respectively. On 26 April 2012, 75% stocks in HOSE and 87% stocks in HNX were traded at a price below its book value (P/B less than 1).

Finally, 60% stocks in HNX and 41% stocks in HOSE are trading at a price below par value i.e. VND10,000 (US$0.5).

Figure 27: VN-Index: Historical PE, 2006-2001



Source: StoxPlus.

Distressed Situation

Distressed Property Markets: Real estate market in Vietnam is very cyclical and is characterized by alternation of fever and freezing period. Real estate prices are usually set at a much higher level after each fever, and are corrected a little bit during the freezing period. Fevers in real estate markets have made residential land and apartment the most profitable investment in Vietnam. Over the last 5 years from 2006-2011, the gold price soared about 4x, VN-Index increased by 4x but land prices increased by about 28x and housing (apartments) increased by about 10x. From 2010 till now, the property market in Vietnam has been frozen because the Government's tighten lending policy. Banking credits for real estates are currently not encouraged by the central bank. According to Instruction No 01/CT-NHNN dated 1 Mar 2011, real estates are included in "non-production activities" which was forced to keep below 16% of total loan book by 31 December 2012.

While there is neither official indices tracing the real estate price in Vietnam nor housing sales, we can easily notice that it is the most extended freezing period of real estate market in Vietnam over 20 years. It is clear that real estate sector was over invested during previous fever periods, and now real estate developers are struggling with huge unsold products whist demand is declining. We summarise below accumulative housing supply on two major markets HCMC and Hanoi by Q3/2011.

Figure 28: Housing Accumulative Supply in HCMC and Hanoi, by Q32011

	LUXURY	HIGH-END	MID-END	LOW-END	TOTAL
HCMC					
Total supply (units)	417	14,378	12,694	11,983	39,472
Primary market - Average selling price (US$/sqm)	$4,600	$1,654	$950	$672	
Secondary market - Average selling price (US$/sqm)	$4,230	$1,831	$949	$725	
HANOI					
Total launch supply (units)	2,216	19,819	62,061	14,960	99,056
Primary market - Average selling price (US$/sqm)	N/A	$1,860	$1,080	N/A	
Secondary market - Average selling price (US$/sqm)	$3,330	$1,940	$1,390	$1,030	

Source: CBRE

In a such context, many real estate developers are forced to slash price, and offer attractive promotion to sell products. Depending on the type of products, segments, and especially location, prices could be reduced by half or more compared to the last fever in 2009. For example, Hoang Anh Gia Lai, one of major housing developers in HCMC planned to slash price by 50% in order to boost sales from their 4 projects in Ho Chi Minh City suburb.

On land markets, we noted a number of large land acquisitions by foreign developers in prime locations of Hanoi such as My Dinh New Urban area at about US$2,000-US$3,000 per sqm while two years ago, the asking price for the same land was US$5,000 per sqm. Some other companies are even trying to sell land bank or unfinished development projects in order to survive. Our database recorded many deals where real estate projects transferred at price that covers only land ownership costs, land clearance, pre-construction works and any work-in-progress incurred to date.

Limited supply of capital due to over reliance on banks

Sources of finance for Vietnamese enterprises are mainly from banks.

Financing structure of Vietnamese companies is still very basic and relies heavily on bank financing. Corporate bonds in Vietnam are in its infancy. Stock markets are no longer playing an important role in providing new capital for the corporate sector.

Credit growth at 4 times higher than GDP growth over 2008-2010.

The banking sector assets grew at a much faster rate than the normal economic activities. Commercial bank loans increased by 30% per annum during the 2008-2010 period while GDP rose by only 6-7% per year. As at 31 December 2010, Vietnamese banks reported total assets of VND3,500 trillion (USD 175 billion) and total loan book of USD 125 billion, equivalent to 120% of GDP (Thailand: 100%; South Korea: 80%). Firms had been able to access easy funding in these years and invest aggressively with a diversification strategy. Bank financing is no longer available as in the past.

Total fund raising from stock market is just US$0.9bn in 2011.

Stock markets played an important role as financing channels for public companies in Vietnam in recent years from 2007. Over the last 5 years, total fund raising from stock markets (including public auctions and new share issues) is VND210 trillion (US$11.5bn). See Figure 29 below for annual figures. However, total fund raising in 2011 is only VND17.7 trillion (US$0.9bn) and this amount is too small for the growing capital requirement.

Corporate bonds market is almost inexistent

While demand for long term borrowings for capital expenditure by Vietnamese enterprises are huge, the bond market in Vietnam is inactive. The local corporate bond is almost inexistent. When the financing from banks is shut, Vietnamese enterprises immediately face difficulties to finance their investments and operations.

Figure 29: Fund Raising via Stock Markets (US$bn)

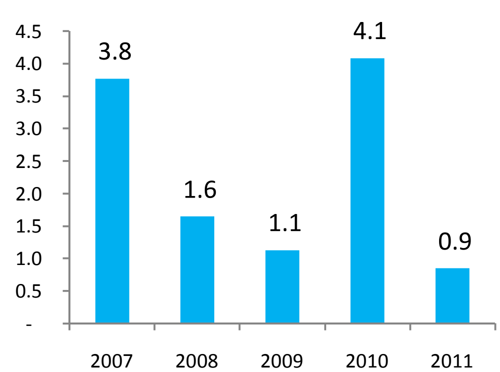
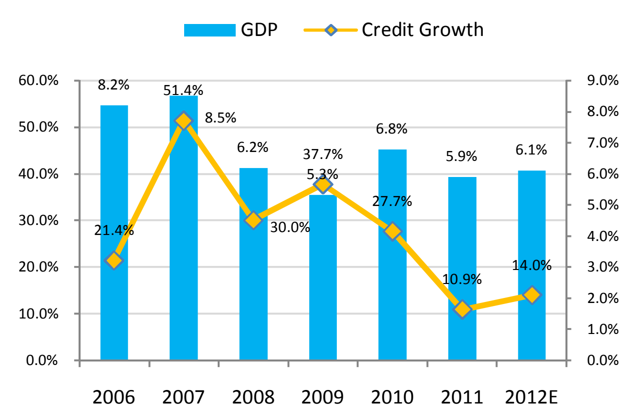


Figure 30: Annual Credit Growth %



Source: StoxPlus, SSC, SBV

Unaffordable lending rates

There are many debates on this topic by various stakeholders including experts, economists, policy makers, bankers and even company's executives. However, from our observation, they all failed to indicate an important clause: to what level the lending rate should be reduced in order to ensure local enterprises are alive and survive before generating any value to their shareholders.

We have a data series to show that, on average, Return on Invested Capital ("ROIC"[1]) of all nearly one thousand public non-financial companies in Vietnam is just about 14% per annum over the last 5 years from 2007-2011. The Invested Capital consists of Owner's capital and Debts (short term and long term debts).

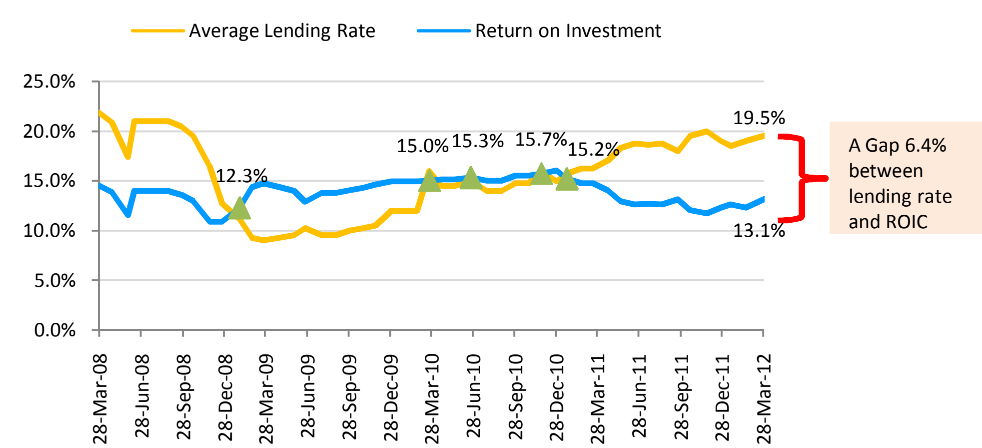
Average lending rates in Vietnam historically soared up to 22% in March 2008 following the start of credit crunch in banking system. Thanks to the interest subsidised program introduced in early 2009, the rate was reduced to as low as 9% from February 2009 but only for a limited number of qualified borrowers.

In March 2012, average lending rates to enterprises in Vietnam were at 19.5% per annum, our data showed. We witnessed in reality a number of companies still borrowing at 25-30% p.a. for about-to-complete housing projects. Following various measures undertook by the Government, including lowering deposit interest cap to 12% recently and the elimination of troubled banks from market, there are currently some initial positive signals in pressing down the lending rate.

A gap of 6.4% between lending rate and return on invested capital.

In the meantime, this cost of funding is significantly higher compared to corporate earning capability. See Figure 31 below, a gap of 6.4%, by our own calculation, between the average lending rate in March 2012 and average Return on Invested Capital ("ROIC"). While main sources of fund to Vietnamese companies are from banks, this is considered as a main cause in current distressed situation in enterprise community across sectors in Vietnam economy.

Figure 31: Gap between Average Lending rate and ROIC, 2007-2011



Source: StoxPlus. Lending rates obtained from SBV Monthly Reports

[1]ROIC = Earnings Before Interest and Tax /(Debts + Total Owner's Capital)

Distressed Situation

Corporate insolvency and bankruptcy: While bankruptcy law exists in Vietnam, it has rarely been used. Therefore, there have been no filing for bankruptcy protection or bankruptcy declaration. Nevertheless, according to the Ministry of Planning and Investment, in 2012 there are more than 53 thousand enterprises that have already fallen into insolvency. Corporate insolvency is observed in various sectors including construction, real estate, steel, and seafood.

High cost of capital: Cost of capital remained at a very high level through 2010 and 2011. Official lending rate was around at 20% but companies had to borrow at much higher cost. For some sectors, such as real estate development, the lending rates were as high as 30% and credits supply was effectively shut down. For a number of sectors such as export focused enterprises and agricultural, interest rate could be a little bit lower. But it was not easy for companies in these sectors to have access to bank loans. Some sophisticated companies like Hoang Anh Gia Lai, VinGroup managed however to issue bonds in the international market. They had to pay high price, ranging from 9-11% for their USD denominated bond.

Three main causes of distressed valuation

By definition, distressed asset is an asset put on sale, usually at a cheap price, because its owner is forced to sell. There could be various reasons for distressed assets. In current situation of Vietnam, the key reasons include excessive debt, insolvency / bankruptcy, and regulatory constraints.

Why distressed?	Pre-conditions for distressed assets
Excessive reliance on bank debts	Vietnamese enterprises rely heavily on banks for financing their investment and operations. Other sources of finance for Vietnamese companies are so small. Total capital raising via stock markets in 2001 is just US$0.9bn (VND17.5 trillion). Corporate bonds market is almost inexistent. When banks tighten credit supply, corporate sectors suffer severe capital shortage.
Insolvency / bankruptcy	Interest rate of over 20% is currently a killer for most of Vietnamese companies. According to our data, average return on investment of non financial sector in Vietnam over the last 5 year is only 14%. In other words, if average capital cost is more 14%, local businesses will not create any value and will go insolvent or bankrupt sooner or later.
Regulatory constraints	As part of a bigger plan to restructure the economy and State owned sector, the Government is asking state owned enterprises to exit their non-core business. Until 2009, state owned enterprises invested significantly to diversify and cross hold each other. They are now forced to sell their non core assets to comply with new regulation on investment of state owned enterprises.

The distressed situation has come with a due attention from the Government. Most recently in April 2012, Minster of Finance, Mr. Vuong Dinh Hue said the Ministry is to consider the a proposal to the Government to cut 50% of total VAT liabilities and to reschedule payments of business income tax liabilities for enterprises. SBV also recently issued an Official Officer 2506 dated 24 April 2012 allowing loan rescheduling with certain conditions to help enterprises avoid overdue interest rate burden at 150% of normal rate. SBV also instructed banks to adjust lending rates of old loan to current lending rate.

Lending rates in Vietnam must be reduced to less than 14% p.a. to avoid distressed situation.

Average ROIC calculated from nearly 1,000 public companies in our database declined from 16% in 2010 to 13.1% in 2011. Except for the Chemicals and Health Care sectors that are performing well (with ROIC of 32.6% and 20.8% respectively) and Retail, which showed a slight earning improvement, the remaining sectors showed a deteriorating trend. Particularly, Financial Services including banks, securities companies and real estate developers, on average, made a ROIC 3.2% loss in 2011 (2010: -10.3%).

Figure 32: ROIC by Sector, 2007-2011

No	Sector	Total MarCap 4 Apr 2012	ROIC 2011	ROIC 2010	ROIC 2009	ROIC 2008	ROIC 2007
		US$mn	%	%	%	%	%
1	Automobiles & Parts	160	12.2%	17.0%	27.6%	11.9%	12.0%
2	Basic Resources	1,497	13.6%	14.1%	15.1%	17.2%	15.1%
3	Chemicals	1,078	32.6%	27.3%	20.4%	21.6%	24.1%
4	Construction & Materials	1,755	11.0%	11.5%	11.1%	9.7%	10.3%
5	Financial Services	1,204	-3.2%	7.0%	13.0%	-10.3%	13.7%
6	Food & Beverage	6,821	17.4%	20.5%	16.6%	12.1%	14.6%
7	Health Care	456	20.8%	21.7%	23.1%	18.2%	17.9%
8	Industrial Goods & Services	987	9.9%	10.6%	10.1%	9.4%	13.3%
9	Insurance	2,807	11.6%	10.3%	12.8%	7.0%	11.0%
10	Media	30	13.6%	13.1%	12.4%	15.7%	14.2%
11	Oil & Gas	688	13.9%	12.6%	10.3%	15.9%	19.5%
12	Personal & Household Goods	354	14.8%	15.0%	15.2%	13.8%	15.5%
13	Real Estate	4,944	7.3%	16.7%	14.8%	10.9%	15.8%
14	Retail	107	17.7%	13.3%	13.2%	12.0%	9.5%
15	Technology	781	15.7%	17.9%	18.4%	16.5%	17.2%
16	Travel & Leisure	164	10.7%	10.7%	6.7%	9.9%	10.9%
17	Utilities	656	14.9%	8.5%	11.8%	9.5%	8.8%
	Total/Average	**24,489**	**13.1%**	**16.0%**	**14.9%**	**10.9%**	**14.5%**

Source: StoxPlus. ROIC = Return on Invested Capital. ROIC = EBIT/(Debts + Total Owner's Capital). EBIT = Earnings Before Interest and Tax.

The data tells us that as long as commercial banks in Vietnam still offer lending rates of more than the hurdle rate 14%, local enterprises will not create any value to shareholders at all. On the way around, if companies accept cost of debts of more than 14%, they themselves are destroying their shareholder's value. That's why in many seminars with corporate leaders in HCMC and Hanoi, we usually state that "you rather put money into banks rather than venturing in new projects with 20% cost of debts".

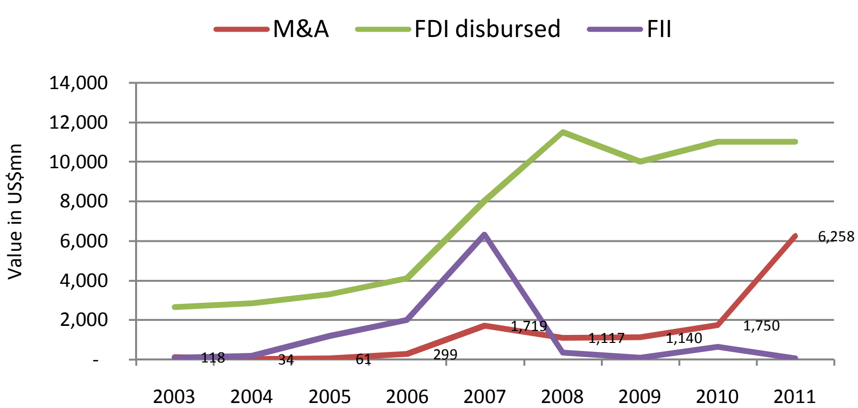
M&A as an alternative entry to direct investments

According to Mr. Nguyen Dang Doanh, a leading Vietnamese economist, the country is now in the most difficult situation since the Asian crisis. Vietnam is struggling to find a new growth model suitable for a medium income country. The new growth model should replace the investment led growth that Vietnam has been following in the past 20 years and help Vietnam avoid what economists call the middle income trap.

During the last two years, we have seen Foreign Direct Investment ("FDI") disbursement in Vietnam reduce significantly. At the same time, cross-border M&A is emerging as an alternative entry strategy to greenfield FDI. This is in line with the generally observed trend in other markets where preferential trade arrangement increases the multinational firms' incentives to shift its entry mode from greenfield investment to cross-border M&A. After becoming a member of the WTO, Vietnam has been a signatory party or has negotiated preferential trade agreements including BTA with the US, Japan, EU, China, India.

In comparison to FDI, a cross border M&A allows investor to avoid a lot paper work with government authorities, acquire quickly a operational platform in Vietnam. The current situation provides foreign companies with a good window to grasp potential cross border M&A opportunities in Vietnam.

Figure 33: Foreign Investments into Vietnam over 2002-2011



Source: StoxPlus, Ministry of Planning & Investment, State Securities Commission

Part Five: M&A Opportunities in the Financial Sector

The urgent need for recapitalisation of Vietnamese banks

The Vietnamese banking sector grew rapidly in recent years in terms of the size of balance sheets and the number of banks thanks to the Government open policy. As at 31 December 2010, Vietnamese banks reported total assets of VND3,500 trillion (US$175bn) and total loan book of USD 125 billion, equivalent to 125% of GDP (Thailand: 100%; South Korea: 80%). This is an alarming debt level relative to the current state of the economy and its ability to sustain the debt.

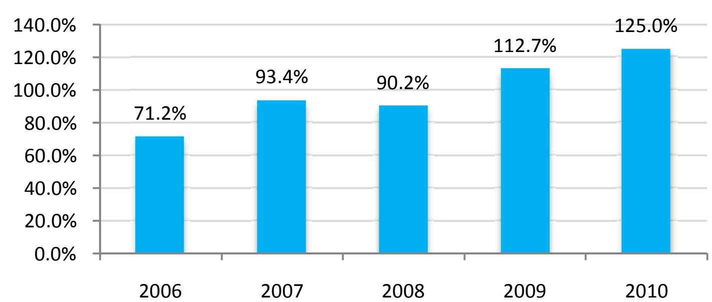
Banking sector assets grew at a much faster rate than normal economic activities. In particular, commercial bank loans increased by 30% per annum during the 2008-2010 period while GDP rose by only 6-7% per year. Banks created a heavy money supply into the economy, resulting in double digit inflation, and as firms had been able to access cheap funding easily in these years, they had either invested heavily but not prudently or invested in risky projects. The consequence is that firms are now unable to service their debts and rising level of non-performing loans ("NPL") is a serious problem for banks.

Liberal policy has created a level playing field for state owned banks, local banks and foreign banks. There have been many new banks set up in recent years as the sector is believed to be attractive and full of business potential. However, average Return on Equity ("ROE") was only 13% in 2010.

Competition in the sector has increased significantly and has resulted in better quality of product and services for customers. However, policy has not encouraged banks to grow prudentially. Banks were aggressive in expanding the networks and the size of their balance sheets amid lack of expertise, technology, skills and capability to perform effective assets/liability management and risk controls.

In addition, the current financial and economic crisis in Vietnam is heavily impacted by the Global Financial and the Sovereign Debt Crisis as Vietnam is one of the most open economies in the world and is highly integrated with the global economy. Import-export revenues equal to 150% GDP.

Figure 34: Loan/GDP Ratio in Vietnam over years



Source: StoxPlus, SBV

The urgent need for recapitalisation of Vietnamese banks (con'd)

Reported non-performing loans (NPL) in the banking system were only 3.5% as at 30 June 2011 (US$4bn). It is questionable whether banks have properly recognised and reported the true quality of their loan books. The recent bankruptcy cases and a weak corporate sector suggested that that NPLs will rise sharply in the future. According to data published by SBV, bank exposures to the problematic real estate and securities sectors amounted to US$12bn representing 12% of the total loan book of the banking system. If a third of these loans have problems, the NPLs level will double.

It is believed that if the International Financial Reporting Standards ("IFRS") is properly applied; the real NPL ratio of the banking system amid current economic crisis will be higher but still remain as a big unknown.

Let's look at China which is presently viewed as one of the most solid economies in the world. Credit Suisse has recently raised China's NPL forecast to 12% from 5% in the "next few years" and expected NPLs to account 65-100% equity of the whole Chinese banking system. This means that if Chinese banks do not restructure their capital or raise additional capital, they will lose almost all of their equity in the coming years.

Secondly, although many Vietnamese banks have reported Capital Adequacy Ratio "CAR" of over the minimum level of 8%. This varies significantly from bank to bank and it is important to note that CAR ratio will fall quickly if NPL are properly recognised and provided for. CAR is the ratio of capital over risk weighted assets and measures the financial strength of a bank to protect depositors. Deteriorating asset quality leads to higher impairment charge which will eat into accumulated profit and reduce equity and consequently reduce the financial strength of a bank.

The equity capital of 43 commercial banks (excluding BIDV and five 100% foreign owned banks) totalled at VND276 trillion (US$14bn) as at 31 December 2010. Lets conduct a simple stress test on capital; assuming that NPL ratio rose by 10% from 3.5% as reported at 31 June 2011 to 13.5% and 100% provision was made for loans of group 2, 3, 4, 5, an additional provision of about US$10bn would be required and equity capital of commercial banks would fall to only US$4bn, which was way below the minimum safety requirement. The financial health and the real equity of banks can be only known when the exact extent of NPLs is determined.

Acquisition opportunities for foreign investors in the banking sector

The Government has recently placed banking sector restructuring as a top priority as a measure to restore public confidence in the system and to help boost economic recovery. Below are important points for foreign investors who wish to invest/ acquire a Vietnamese bank:

- SBV's strategy is to reduce the number of commercial banks from 41 currently to 13-15 by 2015 by mergering small troubled banks. Another possibility is to consolidate those small troubled banks into large banks such as Vietcombank, BIDV or Vietinbank.

- The Proposal on Restructuring of Credit Institutions by SBV which has been approved by the Government on 3 March 2012 also opens a possibility that the Group 4 banks which were defined by the Central Bank as "Weak Banks" namely TrustBank, North Asia Bank, GP Bank, TienPhong Bank, SaigonBank, SCB (the newly consolidated bank), HDBank, OceanBank, Viet A Bank and Viet Bank may be made available for foreign participation without being subject to the 30% foreign ownership restriction.

- Yet, the number of banks are not commensurate with the size of the economy with a GDP of US$120bn in 2011, and approximately 80% of total bank income still coming from lending interest income. Additionally, corporate banking is limited to traditional credits while other services such as treasury, investment banking are in infancy. There is also room for home credits or consumer lending where only few local banks are doing well.

The financial sector is experiencing an active consolidation and increased M&A activities

M&A in the financial sector (excluding real estate projects) amounted to US$1.9bn in value in 2011 and mostly relate to banks with 13 deals and US$1.7bn in value. Due to foreign ownership restriction, inbound deals involving foreign investors in the financial sector are made at minority interest acquisitions. See Figure 35 below.

Banks: The Vietnamese banking sector is undergoing an aggressive consolidation programme by the Government as a measure in dealing with deteriorating asset quality and liquidity crunch within the system. There were two mergers in banks over the last year; Saigon Commercial Bank, Tin Nghia Bank and First Commercial Bank were merged into one bank: Saigon Commercial Bank and Shinhan Vina JV was merged with Shinhan Vietnam Ltd, a 100% Korea-owned bank in Vietnam. There are also a number of mergers and acquisitions among domestic players in progress.

Asset Managers: Since the boom of the fund management industry in Vietnam in 2006, there are currently 47 local asset management firms licensed to operate in Vietnam and dozen of foreign owned asset managers in Vietnam including big players such as VinaCapital, Dragon Capital and Mekong Capital.

Except for the two inbound deals where SW Kingsway Capital Holding Limited (Hong Kong) acquired a 10% equity stake in VinaCapital for US$19mn and VinaCapital increased equity stake from 20% to 49% into Thep Viet Capital Fund Management, remaining transactions in the asset management sector are made by domestic players to acquire fund licenses. Most of the acquirees have a limited balance sheet position. They have either not succeeded in fund raising nor invested heavily on the market. Noticeable transactions include: (i) VP Bank acquired Sai Gon Capital Asset Management, (ii) Ocean Group acquiring Hapaco Fund Management, (iii) Hoa Binh Securities acquiring An Phu Fund Management and (iv) REE Corporation exiting its 67.8% stake in RNG Fund Management for US$3.2mn.

Our view is that themes for M&A in the asset management sectors will still be limited to the purchase of the license between local financial institutions as it is supplementary businesses for commercial banks. This is particularly necessary for the owners of troubled banks where they may be willing to spend US$0.5mn to US$1mn to obtain a fund management license facilitating management of their own assets.

For foreign owned asset managers, their managed funds are approaching termination dates. Fund liquidations or converting funds into open-ended scheme will prevail in the near future.

Figure 35: M&A Activity in Vietnam Financial Sector, 2011

	Total Market 2011		Of which: Inbound		Of which: Minority	
	Deal #	US$m	Deal #	US$m	Deal #	US$m
Banks	13	1,706	6	983	10	1,034
Asset Managers	7	29	2	20	2	20
Investment Services	14	87	4	37	12	63
Insurance	1	93	1	93	1	93
	35	**1,914**	**13**	**1,132**	**25**	**1,209**

Source: StoxPlus.

Foreign investors are now permitted to set up a wholly owned subsidiary

Local securities firms have undergone very active acquisitions by both foreign institutions entering into Vietnam and domestic players in previous years. During 2011, only minority investments by foreign investors were noted (SBI into FPTS and Nikko Cordial into Petrol Securities Inc). There have been some controlling stake transfers between domestic players relating to Standard Securities Inc (acquired by Maritime Bank), Vincom Securities (acquired by Xuan Thanh – an emerging private construction corporation).

Main M&A themes in the securities sector are:

- Foreign acquisitions of local securities companies will be remote since foreign investors are now permitted to set up a 100% foreign owned securities company in Vietnam following WTO commitments from 2012. In addition, synergies anticipated from partnering with local securities companies are hardly seen. Except for Petrol Vietnam Securities Inc where Nikko Cordial bets on investment banking potentials with the Petrol Vietnam group of companies and SBI Holdings Inc, a strong internet based securities trading firm from Japan expects its experience can help FPTS in controlling the online brokerage markets. We do not see other names which could create significant synergies with a foreign partner. We are therefore bearish in further foreign participation in this sector via M&A activities in the future.
- But domestic acquisitions of securities companies will continue following the Restructuring Actions from SSC to reduce the number of securities companies from 104 to 30 by 2015. We also think that the drivers for domestic M&A of securities will come from the fact that a number of local multi millionaires will step away from securities while others step in. There were three deals concluded during 2011 relating to Vincom Securities, Gia Phat Securities and Standard Securities.
- We noted interest from Chinese investors in a Hanoi-based securities company. The acquirer is betting on the flow of indirect investments from China into Vietnam which is starting in a more formal way.

Consumer Finance is a growing sector

We are seeing some active and emerging foreign and local players in this segment of the financial service sector. Taking this opportunity, HSBC and Standard Chartered Bank have developed aggressively their personal banking and consumer finance network. HSBC and Standard Chartered Bank currently have direct sales forces of over 200 headcounts each.

There are also a number of finance companies and investment firms that have moved successfully in this sector. Limited access to traditional banking credit for consumer finance, microfinance and other retail banking services have paved the way for PPF Home Credit – a Russian-based financial company, Prudential Finance Company and a number of small home credit firms.

PPF Home Credit is a good example. Over the last 3 years, it has built up a portfolio of VND4.2 trillion (US$200mn) for a half of million retail borrowers financing their motorbikes (65%), home appliances (22%) and the remaining 13% is cash advances. PPF Home Credits is currently licensed to operate in HCMC area only.

Part Six: What Deal Valuation Expected

Overall Stock Market: : Lower valuation multiples

Vietnamese equity is currently trading at 11x its latest trailing earnings (based on price level as of 29 April 2012). This valuation level of VN-Index is not significantly higher than its lowest valuation (9.3x PE) in February 2009 when VN-Index was at 234 level compared to its peak of 1,170 in early 2007, representing a loss of about 81.5%.

In addition, Vietnamese stocks are trading relatively low to their book value (HOSE: 2.8x; HNX: 1.7x). As of 26 April 2012, 75% stocks in HOSE and 87% stocks in HNX are trading at a price below their book value and more severely 60% stocks in HNX and 41% stocks in HOSE are trading at a price below par value i.e. VND10,000 (US$0.5).

Looking into sector valuation, securities companies who posted an aggregate loss in a twelve-month trailing basis, thus they are trading at a negative P/E (-47x). Real estate is trading at 34x its earnings and insurance stocks are trading at 23.3x. Other sectors are trading at reasonably low P/E valuation including Food & Beverage (13.1x), and Household Goods (6.4x)

Figure 36: Vietnamese Stock Market Valuation as of 29 April 2012

	No. of tickers	Marcap (US$mn)	PE Trailing	P/B	ROA	ROE	Net margin	Gross margin	Foreign ownership
Oil and Gas	4	724	6.1	1.2	6.8%	23.2%	9.3%	16.8%	22.9%
Chemicals	26	1,275	3.9	1.5	30.8%	41.0%	29.5%	37.8%	17.6%
Basic Resources	68	1,812	9.3	2.7	8.2%	15.9%	13.4%	23.0%	12.5%
Construction and Materials	216	2,074	9.9	1.1	5.1%	11.2%	9.0%	22.7%	7.0%
Industrial Goods	131	1,195	10.9	0.9	7.0%	11.5%	10.3%	19.5%	12.3%
Automobiles & Parts	11	230	12.8	1.8	9.4%	16.7%	5.1%	13.3%	11.4%
Food & Beverage	73	6,825	13.1	3.1	15.6%	23.2%	23.4%	33.1%	23.8%
Household Goods	31	409	6.4	1.4	10.1%	20.4%	6.5%	16.9%	20.3%
Health Care	25	469	7.6	2.0	16.3%	25.6%	13.8%	40.2%	34.0%
Retail	10	114	6.5	0.9	6.3%	18.2%	2.6%	9.3%	4.8%
Media Services	28	33	5.0	0.6	7.4%	12.3%	6.2%	21.2%	2.8%
Travel & Leisure	21	206	13.9	1.5	8.9%	12.1%	22.5%	43.1%	5.3%
Telecom	1	1	3.9	0.1	1.7%	3.6%	1.5%	21.6%	0.0%
Utilities	45	884	9.6	1.0	7.9%	14.7%	30.6%	29.1%	11.6%
Banks	9	11,277	6.2	1.8	1.4%	20.7%	32.4%	59.1%	16.6%
Insurance	8	2,685	23.3	3.6	3.0%	10.5%	14.9%	22.5%	25.3%
Securities Services	35	1,957	-47.1	1.3	0.4%	1.0%	5.6%	21.7%	17.7%
Information Technology	28	849	11.4	1.9	9.2%	26.6%	0.4%	19.7%	21.4%
Real Estate	67	6,131	34.3	3.7	2.5%	8.5%	37.7%	45.0%	14.1%
Total	**837**	**39,150**	11.0	2.3	**6.6%**	**17.2%**	**24.2%**	**39.0%**	**17.5%**

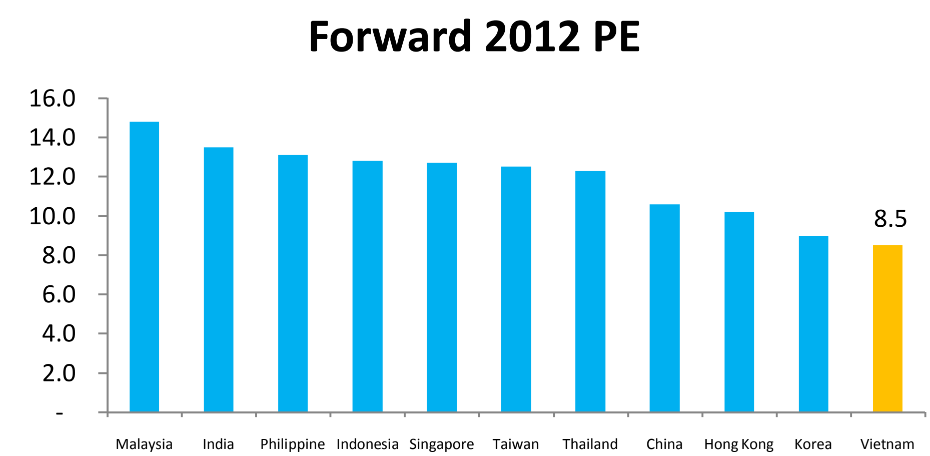
Source: StoxPlus. Data covers HOSE, HNX and UPCOM

In a forward-looking basis, our earning consensus data which calculated from earning target 2012 set by the company management and analyst's forecasts has indicated that forward PE for VN-Index is 8.5x thanks to expected earning improvements in Financials, Real Estate and Construction.

For more details, please refer to Annex 3: 2012 Forward PE Valuation of Vietnamese Stock Markets.

Attractive valuation compared to other Asian markets

Figure 37: Vietnam Stock Market: 2012 Forward PE Valuation vs. Asian Peers



Source: StoxPlus, VietCapital Securities

We have reviewed deal valuation multiples for 17 selected sellers which are publicly traded companies and noted that on average, foreign firms/ investors have paid deal amount equivalent to 14.1x earnings and 2.1x book value. This valuation level is around the overall stock market valuation. See Figure 38 below. It is noted that The Nawaplastic Industries (Saraburi) Co., Ltd achieved a significantly lower deal valuation in buying stake in Vietnam's top two plastic manufacturers, namely Tien Phong Plastics and Binh Minh Plastics at just 9.9x and 4.7x PE valuations respectively.

Figure 38: Selected Inbound M&A in Public Companies: Deal Valuation Multiples

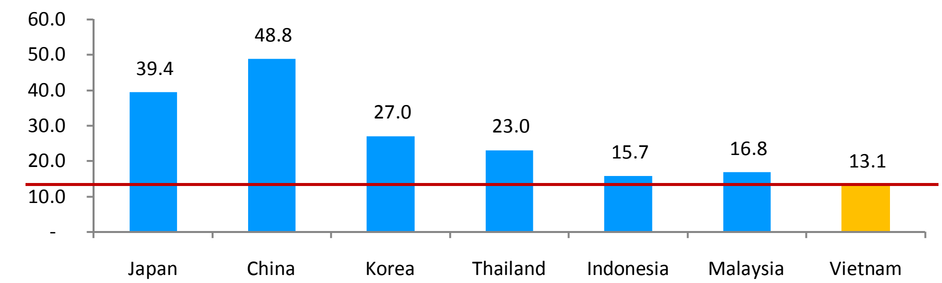
No	Buyer	Target Company	Nation	Sector	Stake Bought		Deal Value	Market Price per Share	Deal Price per Share	Premium/ (Discount)	Deal P/E	Deal P/B
					From	To	US$mn	US$	US$	%		
1	Mizuho	Vietcombank	Japan	Banks	0%	15%	576.5	$1.1	$1.7	**56.0%**	16.8	2.5
2	IFC	Vietinbank	US	Banks	0%	10%	186.0	$0.9	$1.0	**18.6%**	7.5	1.6
3	IFC	An Binh Bank	SUS	Banks	0%	10%	40.5	$0.3	$1.1	**209.7%**	16.7	2.0
4	The Nawaplastic	Tien Phong Plastics	Thailand	Chemicals	0%	23%	21.5	$1.5	$3.0	**105.0%**	9.9	2.9
5	The Nawaplastic	Binh Minh Plastics	Thailand	Chemicals	0%	17%	11.4	$1.7	$2.0	**14.2%**	4.7	1.3
6	Kusto Group	Coteccons	Kazakhstan	Construction	0%	25%	25.0	$1.5	$2.4	**66.7%**	7.5	1.1
7	SBI Holdings Inc	FPT Securities	Japan	Financial	0%	20%	25.0	$0.8	$2.3	**174.1%**	17.0	2.3
8	Nikko Cordial	PSI Securities	Japan	Financial	0%	15%	6.9	$0.2	$0.7	**382.7%**	(9.6)	1.5
9	Diageo	Halico	England	F&B	0%	30%	62.5	$5.3	$10.4	**97.8%**	31.9	6.1
10	Indochina Bev.	IFS	Singapore	F&B	0%	23%	1.7	$0.2	$0.2	**-16.9%**	(2.6)	1.8
11	Nichirei Foods	Cholimex Foods	Japan	F&B	0%	19%	6.3	$2.3	$4.1	**73.4%**	19.8	3.9
12	Ezaki Glico	Kinh Do Bakery	Japan	F&B	0%	10%	34.1	$1.3	$2.4	**92.4%**	21.9	1.6
13	Holding B.V	Pymepharco	Germany	Health Care	24%	49%	25.0	$2.8	$6.0	**114.0%**	12.9	3.3
14	CFR	Domesco Medical	Chile	Health Care	0%	45%	9.4	$0.6	$1.2	**95.5%**	5.3	0.7
15	DI Asian	Japan VN Medical	Japan	Health Care	6%	31%	7.8	$0.8	$1.0	**22.5%**	3.6	1.3
16	Gerling Industrie	PVI	Germany	Insurance	0%	25%	93.0	$0.9	$1.8	**96.1%**	22.1	1.4
17	Daio Paper	Saigon Paper	Japan	Ho'd Goods	0%	38%	10.7	$0.4	$1.4	**236.2%**	469.3	0.9
	Average Valuation									**108.1%**	**14.1**	**2.1**

Source: StoxPlus. The negative P/Es and the excessive PE 469.3x in Daio/Saigon Paper are not included in the average P/E calculation

Food & Beverage Companies are at a lower valuation to Asian Peers

Looking into valuation of Food & Beverage where the inbound M&A is the most active recently, we analysed and noted from Bloomberg data that the Vietnamese Food & Beverage sector is trading at 13.1x its earnings which is much lower compared to its Asian peers. See Figure 39 below.

Figure 39: Food & Beverage Sector PE Valuation: Vietnam vs. Peers



Source: StoxPlus, Bloomberg. Data updated 29 April 2012

Our review has indicated a large number of deals where the buyer and the seller agreed on a valuation which is close to the relatively cheap market and sector valuation. Below are two examples:

- Carlsberg spent US$93mn to increase its ownership from 50% to 100% in Hue Brewery Ltd. The transaction implied an enterprise value of US$186mn. This is just 11.9x its 2010 earnings. Many local analysts consider this a good deal for Carlsberg because the deal valuation is lower than the sector average valuation while the buyer obtained 100% control. Hue Brewery has a total 230 million litre capacity and dominates the beer market in central Vietnam under Huda Hue brands. Huda Hue holds 8% share of the national beverage market. Hue Brewery achieved approximately US$100m revenue and US$15m net earnings in 2010.

- Ezaki Glico spent US$34m to acquire 10% ownership in Kinh Do Bakery ("KDC"), Vietnam's leading bakery which has 120,000 sale outlets nationwide. The purchase price is VND50,000 (US$2.4) per share which is 92% premium to KDC's share price on HOSE Exchange. The deal price also translated into 21.8x earnings in 2011 which is significantly higher than comparable transactions. However, we believe that the valuation is rather attractive in a regional valuation perspective. Also, synergy values from bakery cross-selling between KDC and Glico are unknown to us but could be very significant.

Figure 40: Stock Market Valuation as of 30 April 2012

No	Date	Buyer	Target Company	Country	% stake	Total Deal Value	Implied Equity Value	Deal P/E	Deal P/B	Target's Annual Revenue	Target's Annual Earnings
						US$mn	US$mn			US$mn	US$mn
1	30/6/11	C.P Pokphand China	C.P Viet Nam	China	71%	609.0	860.2	17.1	*n/a*	1,040	50
2	28/10/11	Carlsberg	Hue Brewery Ltd	Danish	50%	90.0	180.0	11.9	*n/a*	100	15
3	9/5/11	Diageo	Halico	England	30%	62.5	208.3	31.9	6.1	37	7
4	18/1/12	Ezaki Glico	Kinh Do Bakery	Japan	10%	34.1	341.5	21.8	1.6	207	13
5	15/3/12	Nichirei Foods	Cholimex Foods	Japan	19%	6.3	32.9	19.8	3.9	29	2
6	18/5/11	DI Asian Industrial Fund	Nutifood	Japan	25%	3.7	14.8	6.2	1.8	43	2
7	14/3/12	Indochina Bev.	InterFoods	Singapore	23%	1.7	7.3	(2.6)	1.8	43	(3)
	Average Valuation							**15.2**	**3.1**		

Source: StoxPlus

Banking sector: Deal valuation is getting cheaper

Deal valuation in the Vietnamese Banking sector is getting cheaper if we base on earnings multiples and book value released from the bank's financial statements under local accounting standards.

On average, deal valuation from January 2009 till recently were made at 1.5x book value and 18.6x earnings comparing to 2.8x P/B and 39.6x PE for the period prior to December 2008 when the market had good momentum.

Most recently, Mizuho Corporate Banking Ltd purchased a 15% stake in Vietcombank at VND34,000 (US$1.7) which is 56% premium to the bank's market price. However, this valuation is equivalent to 16.8x its 2011 earnings and 2.5x book value which is close to average valuation multiple of comparable transactions in this downturn period.

While Vietinbank has not been able to conclude any deal and strategic alliance with shortlisted investors for a year because of unrecorded bad debts, BIDV has not released any updates on progress for seeking strategic investor following its recent IPO and we may wait for a long time to see any new significant transactions in this sector.

It is noted that all inbound M&A transactions into the Vietnamese banking sector are made at minority interest because of the current 30% foreign ownership restriction and various paper work involved in deal approval process. In a latest movement, the Government is considering a possibility of giving control ownership to foreign investors into one of the 10 weak banks classified in Group 4, a sort of credit rating performed by SBV as part of a restructuring program and setting of lending caps for the individual banks in 2012.

Figure 41: Deal Valuation Multiples into Vietnamese Banks

No	Seller	Buyer	Deal Date	Deal Size	Stake Bought	Purchase Price	Deal P/E	Deal P/B
			Date	USDm	%	USD	Times	Times
1	Vietcombank	Mizuho Corporate Bank Ltd	Sep-11	576.5	15.0%	$1.66	12.9	3.3
2	An Binh Bank	IFC	Jan-11	40.5	10.0%	$1.06	22.1	1.4
3	VietinBank	IFC	Aug-11	186.0	10.0%	$1.05	9.3	1.8
4	Mekong Development	Fullerton Financial Holdings	Dec-10	45.0	15.0%	$1.00	36.9	1.6
5	Vietnam Int'nl Bank	Commonwealth Bank	Sep-10	120.0	15.0%	$2.00	20.2	2.4
6	An Binh Bank	May Bank Malaysia	Dec-09	21.0	5.0%	$1.10	24.6	1.7
7	Orient Com'cial Bank	BNP Paribas	Dec-09	5.3	5.0%	$0.50	9.7	0.9
8	TienPhong Bank	SBI Ven Holding Pte.Ltd	Aug-09	4.8	4.9%	$0.75	14.6	1.1
9	TienPhong Bank	Vietnam Japan Fund	Aug-09	14.0	15.1%	$0.70	13.7	1.1
Post-crisis Average							**18.4**	**1.5**
10	An Binh Bank	May Bank Malaysia	Dec-08	94.0	15.0%	$2.05	225.9	2.8
11	Techcombank	HSBC	Oct-08	61.6	5.0%	$3.04	18.9	3.9
12	Eximbank	Sumitomo M. Bank	May-08	225.0	15.0%	$1.08	38.0	2.1
13	VPBank	OCBC	Nov-07	25.5	5.0%	$2.17	38.2	4.0
14	Techcombank	HSBC	Jan-07	33.7	5.0%	$2.27	22.4	3.2
15	Southern Bank	United Oversea Bank	Jan-07	28.2	15.0%	$1.12	16.8	1.5
16	Orient Com'cial Bank	BNP Paribas	Nov-06	7.5	10.0%	$1.06	11.5	1.4
17	VPBank	OCBC	Mar-06	15.7	10.0%	$1.67	22.2	3.0
18	Techcombank	HSBC	Dec-05	17.0	10.0%	$2.07	12.4	2.5
19	Asia Com'cial Bank	Standard Charter	Jun-05	22.1	8.6%	$1.85	13.6	4.2
20	Sacombank	ANZ	Mar-05	23.2	9.8%	$1.70	16.0	2.0
Pre-crisis Average							**39.6**	**2.8**

Recent deals made at much cheaper valuation

Source: StoxPlus

Public Tender vs. Private Placement

While Japanese investors and industry players prefer private placements in acquiring a share deal, some others have opted for public tenders to accumulate shares of target companies to a significant desired level of ownership.

The advantage of private placements in acquiring equity stakes is that the value of the target company will increase because of cash proceeds from new issues. In addition, this is a solicited transaction where the buyer comes to negotiate privately with the seller. This facilitates a mutual understanding between two parties which is crucial for the post-deal integration period. However, the disadvantage is that deal valuation is normally at a premium to the target share price on the market.

In contrast, public offer of shares of the target company can be made at valuation as cheap as share prices on market. However, in these circumstances, the buyers need to go through various disclosures regulated by State Securities Commission of Vietnam.

As a M&A theme for this year, we noted a number of acquisitions executed by accumulating shares on the stock market at a relatively cheap valuation, for example:

- The Nawaplastic Industries (Saraburi) Co., Ltd has quitely accumulated 22.7% in Tien Phong Plastics Corporation (HOSE: NTP) for US$21.5mn and 16.7% equity stake in Binh Minh Plastics Corporation (HOSE: BMP) for US$11.4mn. These are top two plastic product manufacturers in the North and the South of Vietnam respectively.

  These two acquisitions were executed at significantly cheaper valuations compared to other minority investments via private placements. For Tien Phong Plastics, Nawaplastic purchased at an average price of VND60,000 (US$2.9) per share which is translated into 2.3x book value and 9.9x earnings. For Binh Minh Plastics, Nawaplastic purchased at an average price of VND40,000 (US$1.9) per share which is translated into 1.3x book value and 4.7x earnings.

- Most recently, Corporation Farmaceutical Recalcine ("CFR"), a Chile based pharmaceutical company announced it had acquired a 45% stake in Domesco Medical Import-Export JSC, one of the largest medical and pharmaceutical distributors in Vietnam for just US$9.4mn. Average purchase price is VND25,000 (US$1.2) which is 3.2x higher than the share price on market but this valuation is translated into just 5.3x earnings and 0.7x book value.

Following the success of Nawaplastic and at current low market valuations, accumulating shares on market from target's current institutional and individual shareholders would be worth considering.

Part Seven: M&A Regulatory Roundups and Procedural Guidance

This Section was prepared with contributions from Indochine Counsel, a Ho Chi Minh City-based law firm. We acknowledge and express our sincere appreciation to Indochine Counsel, especially to Managing Partner Dang The Duc and Partner Bui Ngoc Hong, for their valuable contributions.

For inquiries and more information on this Part, please contact Bui Ngoc Hong at hong.bui@indochinecounsel.com.

IC Indochine Counsel
Business Law Practitioners

M&A regulations and recommended approach to the M&A legislation

To date, Vietnam has no single, unified M&A law. Instead, M&A rules are found scattered in different pieces of legislation. These include the Enterprise Law[1], the Investment Law[2], the Securities Law[3], the Competition Law[4], the Civil Code[5], specialized laws regulating specific business sectors, and the provisions in the international treaties to which Vietnam is a party. The law of hierarchy is that provisions of the international treaties prevail over domestic laws; the general laws regulate issues which are not mentioned in the specialized laws; and the specialized laws take residual prevalence over the general laws with respect to specific industries.

As a rule of thumb, the Enterprise Law is the main law governing M&A activities relating to companies incorporated in Vietnam. If the acquisition involves shares of a public company, the Securities Law and its guiding rules and regulations will apply. Cross-border transactions will be further subject to the Investment Law, the Ordinance on Foreign Exchange Control[6], and the Vietnam's commitments to the WTO as well. Where an M&A transaction triggers a competition concern (i.e. when the parties to a business combination / economic concentration have a combined market share of 30% or more in the relevant market), the Competition Law must be observed. In all cases, specialized laws regulating specific industries or sectors (e.g. tourism, banking, finance, insurance, healthcare, land and housing, etc.) must be taken into account to proceed with an acquisition decision.

Although in practice the above mentioned rule of hierarchy may not be always crystal clear or consistent, an appropriate approach for a foreign purchaser in an M&A deal should be as follows.

- First, check the relevant international treaties (currently and most usually referred to, the commitments on market openings that Vietnam made upon Vietnam's accession to the WTO, or the "WTO Commitments") to confirm whether or not a foreign purchaser is permitted to acquire the target company or the target assets;

- Second, check the relevant specialised laws, the Securities Law, the Competition Law, and the target company's by-laws, to confirm whether or not a foreign purchaser needs to be subject to, and thus needs clearing, any other restrictions, to enable an acquisition onto the target company or the target assets; and

- Third, check the general laws (usually the Enterprise Law, the Investment Law, the Civil Code, and forex control regulations) to ensure the application dossiers for statutory registrations/approvals are in compliance with the requirements, and the transaction documents are valid and enforceable under the laws of Vietnam.

[1] Law No. 60/2005/QH11 on Enterprises dated 29 November 2005, as amended by the law on amending a number of articles of laws relating to capital construction dated 19 June 2009 ("Enterprise Law")
[2] Law No. 59/2005/QH11 on Investment dated 29 November 2005 ("Investment Law")
[3] Law No. 70/2006/QH11 on Securities dated 29 June 2006, as amended on 24 November 2010("Securities Law")
[4] Law No. 27/2004/QH11 on Competition dated 3 December 2004 ("Competition Law")
[5] Civil Code No. 33/2005/QH11dated 14 June 2005 ("Civil Code")
[6] Ordinance No. 28/2005/PL-UBTVQH11 on foreign exchange control dated 13 December 2005

M&A regulations and recommended approach to the M&A legislation (cont'd)

Vietnam's M&A regulations have evolved and kept on changing along the way of the country's foreign direct investment and portfolio investment practices. This status leaves the M&A regulations two prominent characteristics. One is that Vietnam's M&A regulations still have many shortcomings, general and vague provisions, and remain unregulated for certain matters. Second, born from the first characteristic, the implementation of the M&A regulations in Vietnam can sometime be quite flexible and may require specific guidelines – which are updated from time to time - from relevant competent authorities.

Box 1: Mekophar - A case study for approach to acquisition laws and regulations

Mekophar Chemical Pharmaceutical Joint Stock Company (coded 'MKP'), was a listed pharmaceutical company. When listed, MKP's shares were exposed to, and could not be prevented from being purchased by, any purchasers on the stock exchange. Among those purchasing MKP's shares, there were foreign investors. The result was that after some time, MKP was found to have 4.7% foreign ownership.

The problem is that the authority invoked the WTO Commitments, in which Vietnam does not commit to open pharmaceutical retail service to foreign investment. MKP was registered to conduct, among others, retailing pharmaceuticals. So, by virtue of foreign investor's acquisition via the stock exchange, the restrictions in the WTO Commitments on pharmaceutical retailing restrictions will most likely become nullified when a target pharmaceutical retailing company is listed on the stock exchange.

To deal with such nullification, the authority decided to bar MKP from retailing pharmaceuticals.

To save its pharmaceutical retailing activity, which is deemed quite lucrative, MKP had to apply for de-listing so as to prevent foreign investors from acquiring further shares, and proceeded to buy back the 4.7% foreign shareholding from the existing foreign shareholders. That way, MKP made its way to restore as a purely domestic invested company, and thus be allowed to re-engage in the pharmaceutical retail service.

In the Investment Law, Article 29.4 states that a foreign investor is entitled to enjoy the same investment conditions if the Vietnamese investors own 51% or more of the company's equity. After some time of implementation, however, the term 'investment conditions' of Article 29.4 of the Investment Law was interpreted to mean merely 'investment procedures', i.e. the documents required for submission, steps to follow and time to be spent, but not anything like maximum foreign ownership or business sectors opened to foreign investment. Consequently, even 1% foreign shareholding in a local company can turn the local company to be a foreign invested enterprise (FIE), and consequently subject to all business restrictions applied to foreign investment.

MKP case is typical for not only the hierarchical approach of different sources of regulations on M&A transactions in Vietnam, but also the 'flexibility' of law implementation in the country. The observation from MKP case is that an acquisition achieved in deviation from the WTO Commitments may trigger the authority's review, and force the relevant acquisition to be unrecognized.

Service sectors enjoying more market openings for WTO members from 2012

From 11 January 2012, Vietnam entered its sixth year as a WTO member. In light with the WTO Commitments and committed roadmap of market openings, restrictions on foreign shareholding in local companies are either removed or relaxed for the following service sectors:

1. Entertainment services (including theatre, live bands and circus services – coded under the Central Product Classification - CPC – as CPC 9619);
2. Customs Clearance Services;
3. Technical testing and analysis services (CPC 8676, excluding conformity testing of transport vehicles and certification of transport vehicles);
4. Services incidental to manufacturing (CPC 884 and 885);
5. Courier Services(CPC 7512);
6. Securities (CPC 8132);
7. Maritime Transport Services (CPC 7211 and 7212);
8. Maintenance and repair of aircraft (CPC 8868);
9. Services incidental to mining (CPC 883); and
10. Maintenance and repair of equipment (CPC 633).

Types of acquisition transaction commonly used by foreign investors in Vietnam

To conduct an acquisition transaction in Vietnam, a foreign purchaser may consider the following ways:

Type 1: Offshore share acquisition

This type is commonly used for acquiring interests in Foreign Invested Enterprises (FIEs) in Vietnam. This way is also named ‘indirect acquisition’. It applies to share acquisition only, not asset acquisition. The investor may (indirectly) control the target company via acquiring some or all of the shares from the offshore company that holds the interests in the target company which is an FIE in Vietnam.

Offshore acquisition is advantageous in that it is not subject to approval or registration from Vietnam’s licensing authority. However, if the Vietnam-based subsidiary is only a small part of the parent company, acquisition of the whole parent company’s share may prove inefficient, thus the deal should be structured for the second type, which is immediately mentioned below.

Type 2: Direct share acquisition

This direct share acquisition means the foreign investor purchases all or part of the equity interest in the Vietnamese target company by acquiring existing equity interest from the target’s existing shareholders, or subscribing for shares newly issued for the target company’s increased charter capital.

The advantage of direct share acquisition is that it fixes to the amount the investor wants to invest into the target company. As there is no change to the legal status of the target company, all licenses and approvals for the target company’s operations should usually and generally remain valid. Direct share acquisition is therefore helpful in saving time for foreign investor to set up their presence in areas where lots of licenses and approvals are required.

However, direct share acquisition must be conducted in Vietnam, subject to full review and approval or rejection of the Vietnamese authorities. The review is, in many cases, quite time consuming and, given the vagueness in the local laws, may sometimes be subject to the discretion of the Vietnamese authority. It should also be noted that transfer of existing shares by way of direct acquisition will only be approved if the shares have been fully paid up by existing shareholders; and subscription of newly issues shares by way of private placement is also subject to review and approval by the relevant governmental authorities. In addition, different to asset acquisition, discussed below, in direct share acquisition the acquirer absorbs all of the target company’s liabilities. Given the financially difficult status of many local companies recently, proper due diligence should be conducted to verify and confirm the amount of outstanding liabilities that the local target company may be obliged to fulfill.

Recently and typically, Daio Paper Corporation has chosen direct share acquisition and acquired 34% shares in Saigon Paper Corporation.

Types of acquisition transaction commonly used by foreign investors (cont'd)

Type 3: Asset Acquisition

The investor may choose to make an asset acquisition in which the investor, using a new Foreign Invested Enterprise (FIE) or an existing FIE as the acquiring vehicle, directly purchases some or all assets of the target company in Vietnam.

The year 2012 is witnessing difficult days in Vietnam for many local companies, where the loans are generally extended at annual interest of about 25%. In the context that the stock exchange has a long time been not a strong source for capital mobilization, this extremely expensive loan interest is expected to bring opportunities for acquirers of distressed assets. The advantage of this asset acquisition, as its name suggests, is that it enables the foreign investor to purchase only the target assets that the purchaser wishes to acquire, and keep the acquirer free from any liabilities that the target company may have.

Asset acquisition is, however, subject to relevant review and approval by Vietnamese authority. In addition, transaction documents for an asset acquisition may be more complicated when involving many different types of assets (and accordingly regulatory regime and approving and registration authorities). In these difficult days of year 2012, it is recommendable to asset acquirers that the target (distressed) assets should be checked and verified carefully to avoid any previously inflated value as well as any outstanding encumbrances.

Holcim's Cotec Cement acquisition can be cited as a typical asset acquisition. In this transaction, Holcim has chosen to implement its investment by acquiring solely and entirely the clinker grinder plant from Cotec Group. To meet the statutory requirements of business registration, the acquired asset was registered as a branch of Holcim Vietnam.

Box 2: A typical case of utilising the acquisition types

In late 2011, Sumitomo Electric Device Innovations, Inc., finished its acquisition of Sumiden Device Innovations Vietnam Co., Ltd. The acquisition was conducted in the form of direct share acquisition. This acquisition has, however, undergone specially structured transaction. Sumitomo Electric Device Innovations, Inc., wanted to acquire only one among several manufacturing divisions of an FIE in Vietnam. The targeted manufacturing division was not a major part of the vendor foreign investors. Sumitomo Electric Device Innovations, Inc., could have conducted their transaction as an asset acquisition. However, asset acquisition in this case would have been very time consuming to complete registration for title transfer of the ownership over the construction buildings between the seller and the purchaser. In the meantime, the existing employees remained part of the acquirer's target, and Sumitomo Electric Device Innovations, Inc., also wished to change the name of the target company, registering for new business lines and increased investment capital to expand operation in Vietnam.

Eventually, the deal was structured in two phases. The first phase is to conduct a company separation onto the existing FIE, so as to form Sumiden Device Innovations Vietnam Co., Ltd. as a target company and concurrently keeps this target entity free from any liabilities. The second phase is to conduct a share acquisition in which Sumitomo Electric Device Innovations, Inc., acquired entirely the equity interests in Sumiden Device Innovations Vietnam Co., Ltd. and concurrently conducting other changes to this target company. This transaction meets the requirement of acquiring liability-free assets, while enabling the continued employment of existing employees and production activities, and additionally conducting some corporate and investment changes to the target company while leaving the transfer of the title over the construction building to be legally and comfortably conducted long after the conclusion of the deal.

Tax issues for sellers

Taxes imposed on the seller are subject to the transaction type/ structure and the legal status of the seller.

Taxes on share transfer/ capital assignment

For transaction type of share acquisition, Circular No. 130/2008/TT-BTC confirms that where the seller is a resident corporate, share transfers are subject to 25% tax on the gain. In case where the seller is a non-resident organisation, share transfers are subject to 25% tax on the net gain or 0.1% tax on gross sale proceeds (under Circular No. 134/2008/TT-BTC), depending on whether or not the target is a public company.

A seller who is non-resident individual will pay 0.1% tax on gross sale proceeds (regardless of whether or not the target is a public company). Where the seller is a resident individual, the capital gains tax rate is either 20% on net income or 0.1% on sales proceeds, depending on whether or not the target company is a public company. The gain for tax purposes is calculated as the difference between the sales price and the historical investment cost.

Taxes relating to asset acquisition

For asset acquisition, gains from the disposal of assets are taxed at 25%, recognised on the book of the business entity. In addition, the sale of each individual asset may be subject to VAT.

Below we brief the current taxation of cross-border M&A in Vietnam.

For Corporate Sellers

Taxable Income	Tax Rate	
	Resident	Non-resident
Capital assignment income (where the target is a non-public company)	25% on gains	25% on gains
Capital assignment income (where the target is a public company)	25% on gains	0.1% on gross sale proceeds
Real estate transfer income	25% on gains	25% on gains

For Individual Sellers

Taxable Income	Tax Rate	
	Resident	Non-resident
Capital assignment income (where the target is a non-public company)	20% on gains	0.1% on gross sale proceeds
Capital assignment income (where the target is a public company and taxable gain can be determined)	20% on gains	0.1% on gross sale proceeds
Capital assignment income (where the target is a public company and taxable gain cannot be determined)	0.1% on gross sale proceeds	0.1% on gross sale proceeds
Real estate transfer income (where taxable gain can be determined)	25% on gains	2% on gross sale proceeds
Real estate transfer income (where taxable income cannot be determined)	2% on gross sale proceeds	2% on gross sale proceeds

Major issues faced by foreign acquirers investing in Vietnam

We summarise below a number of issues faced by a foreign acquirer, and thus a foreign acquirer should be aware of.

Onshore bank account requirement

Under the law, in a direct share acquisition or in an asset acquisition, a foreign purchaser is statutorily required to open an investment capital account before disbursement to the seller. Such payment in this transaction should be directed to an *indirect investment capital Vietnamese Dong account* opened by the purchaser at a licensed bank in Vietnam, from which the purchase price will be paid to the seller's designated account.

Such an onshore bank account is likely required even in M&A transactions where both the seller and the purchaser are foreign. The licensing authority may not ask for evidence of the purchaser's onshore bank account, but if the purchase price is paid via an account offshore to Vietnam, the payment and its record may not be recognized by the Vietnam authorities. Eventually, regarding the calculation of dividends, capital gained amount (in case of subsequent share transfer) and the taxable amount of the shares acquired, the shareholder could face difficulty in justifying in front of the State Bank of Vietnam (SBV) the previously effected payment for the purchase price.

Seller-friendly payment requirement

Foreign acquirers tend to see business registration, conducted by the licensing authority, as a sort of comforting governmental recognition of the acquirer's ownership with respect to the shares acquired. Under the law, in order to be registered as the owner of the shares acquired, an application dossier must be lodged with the licensing authority. The law requires, among other things, an application dossier which confirms that the transaction has been "completed".

The term "completed" is interpreted by the licensing authority as meaning that the payment has been fully made. Accordingly, the Vietnamese licensing authority requires evidence of the payment having been made in full, before business registration is granted. Such evidence can be in the form of a letter of acknowledgement or a confirmation from the bank that the payment has been directed by the purchaser and gone through the account of the seller, etc. However, given the risk of the application dossiers being delayed, or worse, rejected, it is too risky for a purchaser to "complete" its payment obligation before the business registration for the acquired shares is completed.

To counter the risks to the purchaser, several methods have been developed, including the use of escrow arrangements, a letter of credit or a payment guarantee, or the purchaser granting security over the equity in the target to the seller from the date of issuance of the approval until the payment of the purchase price. In addition, preliminary checks of the legal feasibility of the proposed acquisition (i.e. whether or not the acquisition will not be rejected by the licensing authority) is highly recommended.

Some issues most faced by foreign acquirers investing in Vietnam (cont'd)

Language for application dossiers: Vietnamese version takes prevalence

According to Article 4 of Decree No. 108/2006/ND-CP dated 22 September 2006 guiding the implementation of Investment Law ("Decree 108"), applying to M&A transactions, where an acquisition is a foreign investment, with respect to documentation to be submitted, Vietnamese version is a must, and the Vietnamese version prevails over foreign language version.

It may be very risky especially to the foreign party, when the Vietnamese version contains inaccurate translations and the inaccuracy is not in favor of the foreign party. As such, foreign acquirers should afford to ensure that the Vietnamese version submitted should reflect as accurately as possible the meaning conveyed in the foreign language version.

M&A Approval Process

Approval authorities

Provincial approval authorities and statutory central governmental consultation

Vietnam views M&A activities as investment form, governed by the Investment Law. This means foreign acquisitions are subject to review and approval by Vietnam's authorities, on the grounds of the openings and restrictions applicable to foreign investment only. In other words, when the acquirer is a foreign one, the acquisition is considered foreign investment.

Under the law, investment procedures undergo either registration or evaluation. While the registration procedure is quite simple and quick, evaluation is much more time-consuming and subject to the licensing authorities' discretion on whether or not the investor meets the required investment criteria. Foreign investments in a number of sectors – particularly those restrictive to foreign investment - are, however, subject to the evaluation procedure.

Under the twin laws on enterprises and investment, licensing authority is vested with the local government in provinces and the Industrial Zones Management Authorities. For investment projects under registration category, no need for the licensing authority to consult the line ministries for approval. However, for investment projects under evaluation category, consultation with the line ministries for approval is usually required. Article 49.2 of Decree 108 stipulates that "Within 3 working days after the date of receipt of an investment project dossier, the dossier-receiving agency shall check its validity and send it to the relevant provincial level departments for examination. When necessary, it shall send the dossier to the relevant ministries to seek their opinions". This consultation is actually a form of approval seeking, which is sometimes quite time-consuming and may affect the possibilities of a proposed acquisition.

Approval authorities in industry-specific areas and special cases

M&A transactions involving companies operating in such industries as banking and finance, aviation or insurance may require approval of their industry regulator. When state-owned asset or equity is involved, the approval of the relevant state bodies is required. In addition, the transaction may have to be conducted through a competitive method such as tender or bidding if it involves 30% or more state owned capital.

For acquisitions of shares in public companies, in cases of shares acquisition resulting in increase of the acquirer's ownership up to 25%, 51%, 65% or 75%, the Securities Law requires an acquirer to file a tender offer application with the State Securities Commission (SSC). The offer must report to SSC about the tender results within 10 days upon completion of the tender.

If the acquisition results in a shareholder owning more than 5% of a public company, then information about such shareholder shall be reported to the SSC, the stock exchange where the shares are listed, and the business registration authority within 7 days as well as being reported to the business registration authority.

M&A Approval Process (cont'd)

Approval authorities in industry-specific areas and special cases (cont'd)

For acquisitions of private share placement in a joint stock company, at least 20 days before the proposed date of placement, a private placement plan must be lodged with the relevant state body to get an approval (or a deemed approval, in case of receipt of no opinion from the State authority after 30 days from the submission date). After completion of the private share placement, the seller must deliver a relevant report to such the State body and conduct registration procedures at the relevant provincial Department of Planning and Investment for increase of its charter capital as result of the private placement.

Anti-competition review

A business combination involving a Vietnamese company may be subject to the reporting requirements of the Vietnam Competition Authority (VCA) attached to the Ministry of Trade and Industry. Under the Competition Law, if the parties to a business combination have a combined market share of between 30 per cent and 50 per cent of the relevant market they must notify VCA 30 days before the proposed combination. The proposed combination can only be carried out after written confirmation has been received from VCA that the combination is not prohibited. The combination shall be prohibited if the combined market share is above 50% in the relevant market. There are two exceptions with this rule, such as where one or more of the parties participating in the economic concentration is or are at risk of being dissolved or of becoming bankrupt; or where the concentration has the effect of extension of export or contribution to socio-economic development or to technical and technological progress.

Non-governmental approval or waiver

These are approvals or waivers to provide agreement to the proposed transfer of shares or assets being the target of the proposed acquisition, or to remove the pre-emptive rights of existing shareholders or company members with respect to the shares to be transferred or newly issued to the new investors. Accordingly, these corporate approvals and waivers should be obtained to ensure compliance and thus validity and enforceability for the agreements for the acquisition.

M&A Approval Process (cont'd)

When to apply for an investment certificate?

In an M&A transaction, it is not clear under the current legislation whether it is required to undergo the foreign investment licensing procedures when a foreign investor purchases equity in a local enterprise (i.e., domestic – invested enterprises issued with "business registration certificate" or recently, "enterprise registration certificate"). This lack of clarity is brought about by the legal distinction between an enterprise with foreign equity up to 49% and an enterprise with foreign equity over 49%. It is stated in the Investment Law that investment conditions applicable to a local enterprise will apply to an enterprise where domestic equity is 51% or more.

Accordingly, it may be generally understood that where an M&A transaction relates only to acquisition of 49% shares in a local enterprise, this will entail only amending of the "business registration certificate" in certain cases as required by the laws.

However, this interpretation may not be applicable to conditional investment sectors, such as trading and distribution and those falling under the WTO Commitments, which may further require the issuance of an "investment certificate" regardless of the foreign equity percentage. This may be based on general regulations of the Investment Law and its guiding legislation. Under Decree 108, where an investor contributes capital to, purchases shareholding in, merges with or acquires an enterprise in Vietnam, such investor must, among other things, satisfy the conditions for investment if the investment project is in a sector in which investment is conditional. The Investment Law has some general regulations, requiring that in certain cases as required by the laws, foreign investment projects shall undergo investment licensing procedures to obtain an investment certificate.

Accordingly, the current practice is that the licensing authority would issue an amended "business registration certificate", however with a condition that the investors are required to carry out the procedures for the issuance of an "investment certificate" to register an investment project.

M&A Deal Process

Overall deal process

From the legal perspective, an acquisition transaction starts with the investor approaching the target company or asset, resulting in some preliminary/ framework agreement; followed up by due diligence investigations onto the target; then transactional document negotiation and drafting; then submission of documents to authorities for statutory procedures; and closing.

Below we highlight on some milestones in the flow of an acquisition deal.

Preliminary/ framework agreements

With respect to preliminary/ framework agreement, the parties to an acquisition may record their preliminary intentions in the form of letter of intent (LOI), memorandum of understanding (MOU), terms sheet, etc. The form of these preliminary/ framework agreement is not required under the law. Vietnamese law does not provide for preliminary arrangements like LOI, MOU or terms sheet. Legally, the parties should make it clear on the bindingness of their arrangement. Practically, when the transaction proceeds, the local party usually expects to see the terms in such LOI/ MOI be replicated in the formal agreements.

Due diligence

In Vietnam, given the restrictions to foreign investment and the practice of business operations, due diligence investigations are very important tool for deciding to proceed a proposed acquisition, structuring the transaction, and reducing the risks inherent in the acquisition.

The base for due diligence review is information. However, many Vietnamese companies do not keep proper corporate and accounting documents and records. Sometimes the Vietnamese target companies are reluctant to disclose the information concerning their company, delaying the negotiation for transactional documents.

Regarding due diligence process, the acquirer or its advisors, based on the target of the proposed acquisition, limit the scope of the legal due diligence. With the scope set out, a checklist of documents requested will be served to the seller to collect the documents for review. The due diligence may involve visits and interviews being conducted onto the target company and its personnel, to verify and confirm assessments and findings about the target company. The advisors conducting the due diligence should be expected to provide confirmation on the legal feasibility of the proposed acquisition, the assessments, issues and other findings about the target company or target assets. In certain cases, advisors should help in structuring the deal to make it feasible legally, e.g. to conduct procedures to cut off the target company's business lines in which foreign investment is not allowed.

M&A Deal Process (cont'd)

The main areas normally covered in a due diligence include:

- Establishment documents, government approvals and operating licenses
- Company structure
- Assets
- Accounting
- Loans and security obligations
- Taxation
- Land and construction buildings
- Material contracts
- Labor/ employment and social insurance contributions
- Environmental compliance
- Intellectual property matters
- Disputes, litigations and arbitration

Depending on the results of the due diligence, when proceeding with the acquisition, transaction documents like share purchase agreement/ share subscription agreement, key shareholders agreement, disclosure letter, etc. should be drawn out to best mitigate the risks inherent. From the purchaser's perspective, among others, the conditions precedent clause should be drafted carefully, taking into account the examinations under the due diligence, so that the purchaser can be best protected.

Closing

As previously mentioned, Vietnam laws practically require that payment has to be made in full for a direct equity acquisition to be completed legally. Usually, the acquisition is completed when the required registration is completed and the name of the acquirer is recorded in the business registration certificate/ investment certificate (or a company shareholders' book, depending on the case) with respect to the equity purchased.

For asset acquisition, the completion or closing is subject to relevant statutorily required procedures for transfer of a given asset to the purchaser. An acquisition of asset being real estate may take months for completion of statutory registration.

Other than these statutory requirements, the parties to the transaction are generally free to decide the milestones for completion or closing of their transaction.

Seeking a local investment banking firm

Investment banking services in Vietnam are still evolving. A number of securities firms has invested heavily to develop this business. These are Viet Capital Securities ("VCSC"), Saigon Securities Inc ("SSI") and Ho Chi Minh Securities ("HSC") while other firms are taking an opportunistic approach in doing deals. It is crucial for a foreign investor to select and engage an appropriate advisor based on their strengths and experience in each sector and type of deal. Even if they are sellside advisors, the possibility of making a deal successful in a professional manner will increase significantly.

We presented below the Top 5 securities firms in Vietnam by investment banking revenue in 2011.

Figure 42: Top 5 Securities Firms 2011 by Investment Banking Revenue

No	Ticker	Name	Investment Banking Revenue				Total Assets	Owner's equity	Charter Capital
			2011	% total revenue	2010	% total revenue	31-Dec-11	31-Dec-11	31-Dec-11
			US$mn	%	US$mn	%	US$mn	US$mn	US$mn
1	TVSC	Thien Viet Securities	2.2	13%	0.4	5%	26.8	20.9	21.0
2	SSI	Saigon Securities Inc.	1.9	4%	5.3	54%	317.4	247.8	172.0
3	SBS	Sacombank - SBS	1.8	4%	0.9	17%	186.2	45.4	61.8
4	VCSC	Viet Capital Securities	1.7	7%	1.2	32%	117.9	22.5	18.4
5	HCM	Ho Chi Minh Securities	1.4	6%	0.2	2%	128.2	99.0	48.7

Source: StoxPlus, 2011 Audited Financial Statements of the Securities Firms

Thien Viet Securities ranked number 1 with a total investment banking revenue of $2.2m. We noted that Thien Viet was successful in completing of the Unicharm/Diana deal for US$185m.

From our local insights, VietCapital ("VCSC") has strong connection and networks which give them advantage in making deals in hostile takeover situation, SOE related deals, IPO transactions and a number of major companies in Consumer, Banking and Pharmaceutical sectors. During 2011, VCSC has successfully advised its clients in a number of large deals, such as acting as the sellside advisor for Vinamilk in selling 10.7 share millions at a 20% premium to its market price to foreign investors, sellside advisor for Masan Consumer private placement to Kohlberg Kravis Roberts in a deal worth US$159mn and most recently it helped Masan Consumer complete a public tender to acquire a 50.1% stake in VinaCafé. VCSC, on its 2011 annual report, stated that they were successful in executing over 10 M&A deals in a number of key sectors in Vietnam including Food & Beverage, Financial Services, and Real Estate.

Another trusted name in the investment banking business is Saigon Securities Inc ("SSI"). The firm advised 9 M&A deals in 2011 in addition to its strengths in corporate bond arrangement, private placements and IPOs. The most significant transaction was to help Hoang Anh Gia Lai in concluding a US$90mn international bond issue for in a rubber project. SSI is recognised as deal maker in a number of sectors including Seafood, Animal Feeds and Financials.

There are a number of other specialised investment advisory firms in Hanoi and HCMC such as Nexus and NTK Capital Partners with a handful of experienced consultants. These firms focus on small and medium businesses who wish to seek a foreign investor or a buyer.

Part Eight: Our Methodology

Methodology

Our core business at StoxPlus is data and intelligent information. In addition to our comprehensive corporate, sector and economic data ranges, we have developed a database on M&A to provide our deal insight services to our institutional clients. Our M&A data covers a historical period of 13 years dating back to 2000. Data mining work at StoxPlus is managed and supervised rigorously by a team of CFA Charterholders and ACCA qualified accountants.

What included in our M&A database?

There have been some debates in Vietnam about the definition of M&A. Some argues that investment by private equity firms should be classified as an acquisition and some others argue not. In this report, we define M&A in a broader:

- Mergers means a situation where one or more companies of the same type and similar size (‘merging companies') are merged into another company (‘merged company').
- Consolidation is a subset of Mergers. Consolidation means a situation where two or more companies of the same type (‘consolidating companies') are consolidated with each other to form a new company (‘consolidated company').
- Acquisition includes share deals and asset deals. Share deals include share purchases of industry players, financial institutions or individuals with more than 5% equity stake. Share deals can be made via a number of ways including private placements, public tenders or IPO. Asset deals may involve a project or an individual asset.
- Deals of consideration with value of less than US$0.5mn are not considered.
- Mergers and acquisitions between different entities within one corporation are not included in our database. As such the merger of Vincom and Vinpearl forming VinGroup and many other subsidiaries as part of their ownership restructuring, the transfer of 69% equity stake in Jetstar Airlines from State Capital Investment Corporation (SCIC) to Vietnam Airlines Corporation are not included in our M&A database.
- We do cover deals in progress but we did not include them in data analysis in this report.

Minority vs. Majority

By laws, one who holds more than 5% is defined as “substantial shareholdings”; more than 35% is “veto right” and more than 50% is “controlling right”. We define in this report, a deal involved a transfer of 49% equity stake or more is considered as a majority interest transaction of less than 49% is a minority interest transaction.

Methodology

Sources and Completeness of Data

Data works in Vietnam are actually a very tedious and time consuming job due to lack of a sound reporting system and regulations. This is particularly true for M&A activities. In many case where the seller finds it positive for their public relation or investor relation works, they would be proactive in spreading the news.

In many cases, including the public and listed companies, we found it hard to obtain an official explanations in a deal that has been actually concluded. This is particularly true in Real Estate sector where it is sensitive from tax perspectives if the deal value and details are announced.

Our sources of M&A data are therefore firstly based on public information and media releases from relevant parties involved. We also access to various announcements of ownership changes, management changes, extra-ordinary shareholder's meeting notes etc where we may identify a M&A transaction.

The other important source of M&A data is our intelligent networks including our expert channel, mobilisation from applicable authorities, interviews and discussion with corporate leaders etc. We also obtains M&A data from discussion at various M&A seminars for corporate leaders, investor relation officers and investment analysts where we host or co-host the events.

We believe that our database might not include all M&A transactions but we believe our M&A database is the most comprehensive in Vietnam and have covered all the market in all material aspects.

Deal Value

If deal value is not publicly and explicitly disclosed, we calculate the deal size from deal parameters such as purchase price per share. We also obtained deal size and value from our intelligent network where possible.

Deal Valuation Multiples

In calculating price earning ratio (P/E), we use the acquiree latest EPS. For deal P/B, we take the deal price divided by book value per share in a pre-deal basis, this means the cash proceed from the transaction is not included in the book value.

Sector Classification

We adopt the Industrial Classification Benchmark (ICB) for all sector classification.

Annex 1: Full List of Inbound M&A Transaction Factsheet

BANKS

Acquiror	JAPAN	Type	Date	Size (US$mn)	% Shares	Deal P/E	Deal P/B
MIZUHO CORPORATE BANK LTD		Acquisition	30/9/11	576.5	0% → 15%	16.8	2.5
Taget Name: VIETCOMBANK							
Seller:							

The deal finally concluded on 30 Sep 2011 after various approval process with State Bank of Vietnam at VND34.000 (US$1.7) per share which is 56% premium to VCB's share price on market at that time. This valuation translated into 16.8x VCB's 2011 earnings and x2.5x its book value. The deal proceed of US$576.5mn helps the bank's CAR improved to 14%. Vietcombank is currently known as the most financially transparent bank. Its NPL reported at 2.8% by Q12012 which is lower than the sector's NPL average of 3.7%.

Acquiror	UNITED STATES	Type	Date	Size (US$mn)	% Shares	Deal P/E	Deal P/B
IFC		Acquisition	28/7/11	186.0	0% → 10%	7.5	1.6
Taget Name: VIETINBANK							
Seller:							

IFC and its affiliated fund acquired 10% via private placements at VND21.000 (US$1.0) per share which is 18.6% premium to the bank's share price on market. The valuation translates into 1.6 times its book value as at 31 Dec 2011 and 7.5 times its 2011's earnings. IFC also provided $125mn loan at 6-month Libor plus 1.5% p.a., due in 10 years. Vietinbank is still in another 15% deal negotiation process with a strategic investor. The process delayed due to significantly informal lending breakout from this bank, according to our intelligent sources.

Acquiror	KOREA	Type	Date	Size (US$mn)	% Shares	Deal P/E	Deal P/B
SHINHAN VIETNAM LTD		Merger	29/11/11	92.1	0% → 50%	2.5	0.8
Taget Name: SHINHAN VINA JV							
Seller: VIETCOMBANK							

This merger happened following the 50% exit of Vietcombank in the joint venture on 17 Nov 2011. Upon merged, the 100% foreign bank has VND4.575bn charter capital and VND18 trillion total assets. Shinhan Vietnam Ltd also ranked first in term of charter capital in the only 5 foreign invested banks licensed by SBV.

Acquiror	KOREA	Type	Date	Size (US$mn)	% Shares	Deal P/E	Deal P/B
SHINHAN FINANCIAL GROUP		Acquisition	17/11/11	63.4	0% → 50%	1.7	0.6
Taget Name: SHINHAN VINA JV							
Seller: VIETCOMBANK							

Deal valuation is at 2.2 times of the original investment US$32.5 made by Vietcombank 19 years ago in 1993 setting up this joint venture bank. Local banker's view is that this is a successful deal for Vietcombank under current banking turbulence and the banking liquidity crunch. The US$63.4 cash proceed helps improve liquidity position of Vietcombank comparing to its peers including Vietinbank, Agribank and BIDV.

Acquiror	UNITED STATES	Type	Date	Size (US$mn)	% Shares	Deal P/E	Deal P/B
IFC		Acquisition	24/1/11	40.5	0% → 10%	16.7	2.0
Taget Name: AN BINH BANK							
Seller:							

The deal also includes VND480bn (US$24mn) convertible bond and VND312bn (US$16mn) straight bond into An Binh Bank. The 10% equity stake was made at VND22,000 (US$1.1) per share which translates into 2.0x book value as at 31 Dec 2010 and 16.7x the bank's 2010's earnings.

Acquiror	CHINA	Type	Date	Size (US$mn)	% Shares	Deal P/E	Deal P/B
MR. CHANG HEN JUI (TAIWAN)		Acquisition	16/6/11	23.9	0% → 3%	7.4	1.1
Taget Name: SACOMBANK							
Seller: DRAGON CAPITAL							

The deal estimated at US$23.9mn. This is a anti-acquisition effort by existing nominated shareholders to fight against the acquirors: Eximbank and a group of investors. Mr. Chang Hen Jui is known as husband of a member of Sacombank's Board. However, this anti-hostile takeover measure failed because Eximbank and a group of investors already own 65% stake in this bank following recent purchases of 60 million share blocks from old owners.

Annex 1: Full List of Inbound M&A Transactions Factsheet

BASIC RESOURCES

Acquiror

MOUNT KELLETT

Taget Name

MASAN RESOURCES

Seller

UNITED STATES

Type	Date	Size (US$mn)	% Shares	Deal P/E	Deal P/B
Acquisition	24/1/11	100.0	0% → 20%	-	-

Masan Resources is 100% owner of Nui Phao Tungsten (Wolfram) Mining, Thai Nguyen Province. Previously, Masan Group has acquired 70% of Nui Phao Project in 2010. Nui Phao Project will commission by 2013, and is expected to bring in $300mn in revenue per year from the mining of tungsten and fluorspar.

CHEMICALS

Acquiror

THE NAWAPLASTIC INDUSTRIES (SARABURI) CO., LTD

Taget Name

TIEN PHONG PLASTICS (HOSE:NTP)

Seller

THAILAND

Type	Date	Size (US$mn)	% Shares	Deal P/E	Deal P/B
Acquisition	23/3/12	21.5	0% → 23%	9.9	2.9

Nawaplastic Industries (Saraburi) Co Ltd, a unit of Thai Plastic and Chemicals Plc (TPC) has spent US$21.5mn to acquired 22.7% of Hai Phong - based manufacturer and wholesaler of plastic pipe, Tien Phong Plastic (NTP). The buyer accumulated shares from its existing institutional shareholders at average price of VND60,000 (US$3) per share. This valuation is 105% premium to market price on market that time and translated into 9.9x NTP's 2011 earnings and 2.9x book value. NTP currently holds 66% plastic pipes in the North of Vietnam and about 30% market share countrywide.

Acquiror

THE NAWAPLASTIC INDUSTRIES (SARABURI) CO., LTD

Taget Name

BINH MINH PLASTICS JSC (HOSE:BMP)

Seller

THAILAND

Type	Date	Size (US$mn)	% Shares	Deal P/E	Deal P/B
Acquisition	9/3/12	11.4	0% → 17%	4.7	1.3

Along with the acquisition of the Tien Phong Plastic , the Thailand's company also accumulates 16.7% of Binh Minh Plastics (BMP) by spending about US$11.4mn. Purchase price is around VND40,000 (US$2) per share which is just 14% premium to market price. Comparing with NTP, the investment in BMP is made at much cheaper price. In 2011, EBITDA of BMP reached US$21.8mn while earning per share is US$0.41.

CONSTRUCTION & MATERIALS

Acquiror

KUSTO GROUP

Taget Name

COTEC CONSTRUCTION JSC (HOSE: CTD)

Seller

KAZAKHSTAN

Type	Date	Size (US$mn)	% Shares	Deal P/E	Deal P/B
Acquisition	31/3/12	25.0	0% → 25%	7.5	1.1

Kazakhstan's company spent US$25mn to acquire 24.7% stake in the Vietnamese's leading construction corporation Coteccons. Coteccons is known as the best construction service company in Vietnam and very focused on core businesses instead of involving in real estate developers like its competitors. Deal made via private placements with purchase price of US$2.44 per share. This price is 66.7% premium to the target's share price on market and translated into 7.5x PE and 1.1x P/B. Previously, Binh Thien An Properties Ltd, an associated company with Kusto Group already be a large shareholder in Coteccons. So we believe Kusto and its affiliates already be the largest shareholder in this Vietnamese leading home builder.

Acquiror

JAPAN PILE CORP

Taget Name

PHAN VU PILE CORP

Seller

JAPAN

Type	Date	Size (US$mn)	% Shares	Deal P/E	Deal P/B
Acquisition	12/1/12	6.0	5% → 30%	8.4	1.4

The Japanese partner decided to increase ownership in Phan Vu Pile to 30% after a two years of being 5% ownership investor. According to our sources, the deal valuation multiples are low (P/E =8.4x and P/B=1.4x) because of the financially distressed situation of this target company given the suspension in public spending for infrastructure projects. The proceed of US$6mn is to finance a US$10mn project on a new foundation pile will begin in October 2012, using Japan Pile's advanced technology that is good for soft soil terrain. Phan Vu runs six plants in the provinces of Hai Duong, Quang Ngai, Dong Nai, Binh Duong, Can Tho and Long An and its consolidated revenue target set at a minimum of US$38mn for 2012, up 15 per cent over 2011.

Acquiror

Siam Cement Group

Taget Name

BUU LONG INDUSTRIAL & INVESTMENT JSC

Seller

THAILAND

Type	Date	Size (US$mn)	% Shares	Deal P/E	Deal P/B
Acquisition	31/12/11	5.5	0% → 99%	-	-

Siam Cement acquired 99% equity of the target as a foothold to officially produce cement in the Vietnam market. Siam Cement has been very active in importing cement and construction materials from its factories in Thailand to Vietnam. Buu Long Corp specializes in high quality white and grey cement for the market with an annual capacity of 200,000 tons a year. The deal size of US$5.5mn reflects the equity portion only and we believe total deal size, including the loan commitments, is significantly bigger.

FINANCIAL SERVICES

Acquiror	KOREA	Type	Date	Size (US$mn)	% Shares	Deal P/E	Deal P/B
LOTTE ASSET DEVELOPMENT CO LTD		Acquisition	24/5/11	151.0	0% → 100%	-	-

Taget Name: **THAO DIEN INVESTMENT JSC**

Seller:

Lotte Asset Development Co Ltd from South Korea is told in final negotiation process to acquire the entire share capital of Thao Dien Investment JSC (a member of Vinaconex Corp), a HCMC-based real estate development firm. Previously, The Vinaconex's member company acquired the land area from a local developer for approximately US$54mn three years ago.

Acquiror	SINGAPORE	Type	Date	Size (US$mn)	% Shares	Deal P/E	Deal P/B
CAPITA VALUE HOMES - MEMBER OF CAPITALAND		Acquisition	30/6/11	49.0	0% → 70%	-	-

Taget Name: **29.000 M2 - Q2, HCMC**

Seller:

A project to develop new housing on the land lot has an area of more than 29,000 square meters in District 2, HCMC. Under which CapitaValue Homes will manage this project and set up 974 apartment housing products. The calculated purchase price is US$2.400 per sqm.

Acquiror	JAPAN	Type	Date	Size (US$mn)	% Shares	Deal P/E	Deal P/B
JAPAN ASIA VIETNAM		Acquisition	24/2/11	40.0	0% → 100%	-	-

Taget Name: **CENTRE POINT, HCMC**

Seller: **REFICO**

CentrePoint located on the main road connecting the Ho Chi Minh City center and Tan Son Nhat airport. The building comprises 17 floors with a total area of 38,610 square meters.

Acquiror	JAPAN	Type	Date	Size (US$mn)	% Shares	Deal P/E	Deal P/B
SBI HOLDINGS INC		Acquisition	30/3/11	25.0	0% → 20%	17.0	2.3

Taget Name: **FPT SECURITIES (FPTS)**

Seller:

SBI Holdings, Inc. has acquired 20% stake of FPTS, one of the major securities companies in Vietnam. FPTS often ranked in Top 10 of both Ho Chi Minh Securities Exchange and Hanoi Securities Exchange in terms of trading value. FPT Securities is aggressively developing online trading systems utilizing FPT Group's technology, and over 90% of its customers utilize its online trading. The company has earned about US$7.4mn in 2011.

Acquiror	CHINA	Type	Date	Size (US$mn)	% Shares	Deal P/E	Deal P/B
SW KINGSWAY CAPITAL HOLDING LIMITED (HONG KONG)		Acquisition	30/3/11	19.0	0% → 10%	-	-

Taget Name: **VINACAPITAL GROUP**

Seller: **IDEAL TRADE INVESTMENT LIMITED, (BRITISH VIRGIN ISLANDS)**

This deal marked a foothold for Chinese investors into Vietnam via indirect investment schemes. Previously, the owner of SW Kingsway Capital Holding Mr. Jonathan Choi already well established in Vietnam. He is the owner of Sunwah, a luxury office building at the heart of HCMC's central district. The deal is made at 5% discount to the market share price of VinaCapital on the London Stock Exchange.

Acquiror	SINGAPORE	Type	Date	Size (US$mn)	% Shares	Deal P/E	Deal P/B
DACIN HOLDINGS		Acquisition	10/8/11	15.0	0% → 80%	-	-

Taget Name: **TAN TAO A RESIDENCE - TAN BINH, HCMC**

Seller:

Residential project of Tan Tao A Ward, Binh Tan District has a total area of 5.9 ha. Post-deal, Dacin holds 80% ownership, Khang An: 10% and Phuoc Thanh Company: 10%.

Annex 1: Full List of Inbound M&A Transactions Factsheet

Acquiror	SINGAPORE	Type	Date	Size (US$mn)	% Shares	Deal P/E	Deal P/B
THE ASCORTT LIMITED - MEMBER OF CAPITALAND		Acquisition	29/7/11	9.5	0% → 90%	-	-

Taget Name

SOMERSET CENTRAL TD HAI PHONG CITY

Seller

The acquisition of Somerset Central TD, Hai Phong City will enable Ascott to control the development of projects and increase the value of the building serviced apartments. Somerset Central TD slated to open in the second half of 2010, and offer 132 units ranging from studio to three-bedroom apartments.

Acquiror	SINGAPORE	Type	Date	Size (US$mn)	% Shares	Deal P/E	Deal P/B
CAPITA VALUE HOMES - MEMBER OF CAPITALAND		Acquisition	2/1/11	6.0	0% → 65%	-	-

Taget Name

9.000 M2 - BINH CHANH, HCMC

Seller

CapitaValue Homes (CapitaLand Group) has invested US$6mn to buy back 65% stake in Saigon Quoc Cuong Company. Under which CapitaLand will be using 9,000 square meters land in Binh Chanh District (City) which Quoc Cuong Saigon has owned to build about 800 apartments by CapitalValue Homes' capital.

Acquiror	JAPAN	Type	Date	Size (US$mn)	% Shares	Deal P/E	Deal P/B
NIKKO CORDIAL		Acquisition	15/4/11	6.9	0% → 15%	(9.6)	1.5

Taget Name

PETROL VIETNAM SECURITIES INC. (PSI)

Seller

Nikko Cordial Securities Inc. has acquired 14.9% PetroVietnam Securities Incorporated (PSI), founded by Vietnam Oil and Gas Group (PetroVietnam - PVN). Amount that Nikko Cordial has spent for the deal is about US$6.9mn, equivalent to US$0.73 per share, nearly 5 times higher compared with the price PSI is trading in the market.

Acquiror	ENGLAND	Type	Date	Size (US$mn)	% Shares	Deal P/E	Deal P/B
VIETNAM INVESTMENTS FUND I, L.P		Acquisition	17/2/11	4.6	0% → 5%	(7.4)	1.4

Taget Name

VNDIRECT SECURITIES (VND)

Seller

A minority acquisition of 5% VnDirect Securities has annouced on 8 Feb by VI (Vietnam Investments) Fund I, L.P. – a fund related to IFC. Parties made an agreement to purchase 5 million units of shares,equivalent of 5% VNDirect's capital, pricing US$0.73 per share. At that time, the company trades at US$0.34 per share. In 2011, VnDirect was in financially distressed position and EBITDA is negative US$9.2mn.

Acquiror	JAPAN	Type	Date	Size (US$mn)	% Shares	Deal P/E	Deal P/B
TAMA GLOBAL INVESTMENT		Acquisition	23/11/11	undisclosed	0% → 20%	6.4	0.8

Taget Name

COTEC LAND (HOSE: CLG)

Seller

Tama Global Investment Pte. The firm last December accessed Vietnam market by acquiring 20% of stocks in CotecLand, an affiliate of Cotec Group in Vietnam. In the coming time, Tama will transfer advanced technology in construction and property management to the local partner, which aims to shorten construction time, reduce costs, improve product quality and increase profit.

Acquiror	ENGLAND	Type	Date	Size (US$mn)	% Shares	Deal P/E	Deal P/B
VINACAPITAL		Acquisition	21/6/11	0.6	20% → 49%	32.0	1.1

Taget Name

THEP VIET CAPITAL FUND MANAGEMENT

Seller

The Vietnam Steel Fund Management Company issued 1.4 million shares individually for VinaCapital, then, the ownership of VinaCapital increased from 20% to 49%, or 1.9 million shares. After the issuance, Vietnam Steel trade and steel production ownership decreased from 12.56% to 8% and the co-founder Mr. Pham Phu Truong decreased from ownership 67.44% to 43%

Annex 1: Full List of Inbound M&A Transactions Factsheet

Acquiror	**UNITED STATES**	Type	Date	Size (US$mn)	% Shares	Deal P/E	Deal P/B
CITI GROUP		Acquisition	25/2/11	undisclosed	0% → 10%	-	-
Taget Name **HORIZON SECURITIES (HZS)**	As stated on the deal press release, the acquisition will allow Citigroup and Horizon Securities to boost market share of institutional investor equity flows when the Vietnamese market resumes strong growth and depth of liquidity.						
Seller							

Acquiror	**JAPAN**	Type	Date	Size (US$mn)	% Shares	Deal P/E	Deal P/B
DAIBIRU CORPORATION		Acquisition	15/12/11	Undisclosed	0% → 100%	-	-
Taget Name **SAI GON TOWER (29, LE DUAN BOULEVARD, 1ST DIST, HCMC)**	Daibiru acquired "SAIGON TOWER", one of the top-notch, A-class office buildings at 29 Le Duan Boulevard, District-1, Ho Chi Minh City, Vietnam, through an equity purchase of its holding company early January 2012.						
Seller							

FOOD & BEVERAGE

Acquiror	**CHINA**	Type	Date	Size (US$mn)	% Shares	Deal P/E	Deal P/B
C.P POKPHAND CHINA (MAINLAND)		Acquisition	30/6/11	609.0	0% → 71%	17.1	-
Taget Name **C.P VIET NAM**	Chinese provider of animal nutrition solutions has acquire a 70.82% interest in CP Vietnam Livestock Corporation (CPVL), a leading integrated livestock and aquaculture company in Vietnam. CP Pokhand acquired the interest from the Bangkok, Thailand-based Charoen Pokphand Group, its majority shareholder, for about US$609mn. For the year ended 2010, CPVL recorded an audited total revenue and net profit of US$1,046.5mn and US$50.3mn						
Seller **CHAROEN POKPHAND GROUP (THAILAND)**							

Acquiror	**UNITED STATES**	Type	Date	Size (US$mn)	% Shares	Deal P/E	Deal P/B
KOHLBERG KRAVIS ROBERTS		Acquisition	24/3/11	159.0	0% → 10%	-	-
Taget Name **MASAN CONSUMER**	KKR & Co. agreed to pay $159mn for a stake in Vietnamese fish sauce maker Masan Consumer Corp. in the largest private-equity investment in the Southeast Asian nations. The value of this minority acquisition is 1.5 times higher than the market price of Masan that time.						
Seller							

Acquiror	**JAPAN**	Type	Date	Size (US$mn)	% Shares	Deal P/E	Deal P/B
KIRIN HOLDINGS		Acquisition	11/3/11	92.0	0% → 57%	(57.4)	39.3
Taget Name **INTERFOODS (IFS)/ WONDERFARM BISCUITS & CONFECTIONARY**	Kirin Holdings has indirectly acquired 57.3% stake in IFS along with Biscuits & Confectionary Wonderfarm, with a total estimated value of around US$92mn. IFS had a disappointing year in 2010when reporting a loss of US$ 2.8mn, equivalent to 69% equity in 2011. IFS was trading at HOSE with prices around US$0.23. This is rather a complicated deal since IFS is formerly a foreign invested enterprises. Since floating on stock exchange, the company reported a very disappointing bottom lines despites good technology and process inherited. Recently IFS has been delisted as post-deal integration by the buyer.						
Seller							

Acquiror	**DANISH**	Type	Date	Size (US$mn)	% Shares	Deal P/E	Deal P/B
CARLSBERG		Acquisition	28/10/11	90.0	50% → 100%	11.9	-
Taget Name **HUE BREWERY LTD**	The Vietnamese partner has sold its 50% stake in the joint venture Hue Brewery Company to Danish brewer Carlsberg Group, the foreign partner in the joint venture, for US$90mn. There have been some debating in local analysts for the cheap valuation since the US$90mn is translated into 11.9x its 2010 earning only. Hue Brewery Ltd reported US$100mn revenue and US$15mn net earnings in 2010. In addition, the deal is criticised for not taking into account the control premium to Carlsberg. Hue Brewery Ltd has a medium bear brand: Huda Hue and holds 8% the country's beer market.						
Seller							

Annex 1: Full List of Inbound M&A Transactions Factsheet

Acquiror	ENGLAND	Type	Date	Size (US$mn)	% Shares	Deal P/E	Deal P/B
STREETCAR INVESTMENT HOLDING (DIAGEO)		Acquisition	9/5/11	62.5	0% → 30%	31.9	6.1

Taget Name: **HANOI LIQUOR (HALICO)**

Seller: **VIETNAM OPPORTUNITIES FUND (VOF) & OTHERS**

Streetcar Investment Holding (a unit of Diageo) has owned 30% (6 million common stocks) of Halico with a price of US$10.2 per share which is 97.8% premium to Halico's share price on OTC market that time. Halico has achieved double digit growth in the last four years and has US$9.61mn EBITDA in 2011. Halico also contributed about 24 million litres of liquor per annum out of total 70 million liquor consumption in Vietnam in 2011. Most recently in April 2012, Diageo announced its public tendering to accumulate additional shares in order to increase ownership to more than 35% in Halico.

Acquiror	PHILIPPINE	Type	Date	Size (US$mn)	% Shares	Deal P/E	Deal P/B
JOLLIBEE FOODS CORP		Acquisition	27/7/11	25.0	0% → 49%	-	-

Taget Name: **VIET THAI INTERNATIONAL**

Seller:

Jollibee reached an agreement with Viet Thai International (VTI) to acquire 49% of VTI business in Vietnam. The acquisition value is $ 25mn and VTI will also receive loans worth $ 35mn with interest rate of 5% / year and matures in 2016. Parties plans to offer consumers with high quality coffee and cafe experience through the Highlands Coffee Shops and the Highlands products, and high-quality Vietnamese food through the Pho 24 restaurants.

Acquiror	JAPAN	Type	Date	Size (US$mn)	% Shares	Deal P/E	Deal P/B
EZAKI GLICO		Acquisition	18/1/12	34.1	0% → 10%	21.9	1.6

Taget Name: **KINH DO JSC**

Seller:

The 10% acquisition of Glico into Kinh Do Bakery made at VND50,000 (US$2.44) per share which is 92% valuation premium to market price. Glico and KDC also entered into a strategic alliance including the deployment of 120,000 sales outlets, 1,800 sales staff force of Kinh Do Bakery countrywide for distribution of Glico's brands in Vietnam.

Acquiror	ENGLAND	Type	Date	Size (US$mn)	% Shares	Deal P/E	Deal P/B
VIETNAM OPPORTUNITY FUND LIMITED		Acquisition	16/6/11	7.1	0% → 32%	-	-

Taget Name: **YEN VIET JSC**

Seller:

Yen Viet Jsc. is a leading company in produces and sells bird's nest nutritional products of Vietnam. The company has achieved about US$13.2mn in total revenue in 2010.

Acquiror	JAPAN	Type	Date	Size (US$mn)	% Shares	Deal P/E	Deal P/B
NICHIREI FOODS		Acquisition	15/3/12	6.3	0% → 19%	19.8	3.9

Taget Name: **CHOLIMEX FOODS JSC**

Seller:

Nichirei spent US$6.3mn to accumulate 19% stake in Cholimex Foods. The deal has been made at 78% valuation premium to the target's share price on OTC market. The US$6.25mn deal size also translated into 19.8x 2011 earnings and 3.9x book value as of 31 Dec 2011. Cholimex Foods's main business is to produce frozen seafood and various types of sauces with total annual capacity of 10,000MT for frozen seafood and foodstuff and 46 million bottles of sauces . In 2011, Cholimex Foods achieved US$25mn net revenue including US$11.5mn export revenue mainly to England and Euro with a compounding annual growth of 30%.

Acquiror	UNITED STATES	Type	Date	Size (US$mn)	% Shares	Deal P/E	Deal P/B
CARGILL VIETNAM LTD		Acquisition	14/11/11	3.9	0% → 100%	-	-

Taget Name: **SHRIMP FEED MILL**

Seller: **HIGASHIMARU CO LTD**

Cargill has acquired Higashimaru Vietnam Co. shrimp feed mill in Viet Nam. The acquisition will give Cargill full ownership of the mill and will be the first investment in Vietnam's shrimp feed industry by Cargill.

Acquiror	JAPAN	Type	Date	Size (US$mn)	% Shares	Deal P/E	Deal P/B
DI ASIAN INDUSTRIAL FUND L.P. (DIAIF)		Acquisition	18/5/11	3.7	0% → 25%	6.2	1.8
Taget Name							
NUTIFOOD							
Seller							

DIAIF, a joint venture between Japanese firms namely Dream Incubator Inc and Orix Corporation, acquired 25% stake of Vietnamese dairy producer Nutifood for an estimated US$3.7mn deal size. Established in 2000, Nutifood is now one of Top 5 dairy manufacturers in Vietnam. It reported US$43mn revenue and US$2.4mn net earnings in 2010.

Acquiror	SINGAPORE	Type	Date	Size (US$mn)	% Shares	Deal P/E	Deal P/B
INDOCHINA BEVERAGE HOLDINGS LTD.		Acquisition	14/3/12	-	0% → 23%	-	-
Taget Name							
INTERNATIONAL FOODS (IFS)							
Seller							

Indochina Beverage Holdings Ltd. has bought more than 6 million shares (5,499,840 unlisted shares) of IFS and thereby owns 23.12% of the IFS.

HEALTH CARE

Acquiror	INDIA	Type	Date	Size (US$mn)	% Shares	Deal P/E	Deal P/B
FORTIS HEALTHCARE		Acquisition	18/5/11	64.0	0% → 65%	-	-
Taget Name							
HOAN MY MEDICAL GROUP							
Seller							
VIETNAM OPPORTUNITIES FUND (VOF) & OTHERS							

Fortis HealthCare spent US$64mn to acquire 65% in Hoan My Hospitality. Hoan My Medical Group has 2 clinics and 8 hospitals with total 800 beds in HCMC area. Hoan My Medial Group achieved US$23.8mn revenue in 2010. The deal executed partially by purchasing 24% for US$24mn from Vietnam Opportunities Fund managed by VinaCapital. According to the press release, the deal is financed by Deutsche Bank AG.

Acquiror	GERMANY	Type	Date	Size (US$mn)	% Shares	Deal P/E	Deal P/B
STADA SERVICE HOLDING B.V		Acquisition	23/5/11	25.0	24% → 49%	12.9	3.3
Taget Name							
PYMEPHARCO							
Seller							
WELLITE INTERNATIONAL LIMITED							

Stada has increased its Pymepharco ownership from 23.7% to 49% in a deal value of US$25mn. The average purchase price is US$6 per share which is 114% valuation premium to market price. Pymepharco is the producer of Cephalosporine antibiotic products under the franchising of prestigious pharmaceutical companies, such as Orchid-India, SamchunDang-Korea, and Stada Germany. Pymepharco achieved US$38.5mn revenue and US$3.95mn net earnings in 2010.

Acquiror	CHILE	Type	Date	Size (US$mn)	% Shares	Deal P/E	Deal P/B
CORPORATION FARMACEUTICAL RECALCINE - CFR		Acquisition	30/12/11	9.4	0% → 45%	5.3	0.7
Taget Name							
DOMESCO MEDICAL IMPORT-EXPORT JSC (HOSE:DMC)							
Seller							

CFR International SPA of Chile, a unit of CFR Pharmaceutical SA acquired 45% stake of Domesco in a private placement. The purchase price is US$1.2 per share which is 95.5% valuation premium to market price of DMC that time on HOSE. Domesco has a strong distribution capacity . By 2010, Domesco has 11,345 sales outlets to whole clinics, hospitals and health care centers throughout Vietnam and an export capability to 36 countries worldwide. Domesco achieved US$55mn revenue and US$3.91mn net earnings in 2011.

Acquiror	JAPAN	Type	Date	Size (US$mn)	% Shares	Deal P/E	Deal P/B
DI ASIAN INDUSTRIAL FUND		Acquisition	29/2/12	7.8	6% → 31%	3.6	1.3
Taget Name							
JAPAN VIETNAM MEDICAL INSTRUCMENT (HOSE: JVC)							
Seller							

The deal made with a price of US$0.98 per share, US$0.18 higher than market price of JVC in Vietnam. JVC is a leading company in the sale and rental of medical diagnostic imaging equipment. Through investment from DIAIF, JVC intends to actively increase collaboration and create new businesses with Japanese manufacturers, with the aim of becoming a comprehensive healthcare services provider in Vietnam. The deal also involves an increase its charter capital from VND242bn (US$11.5mn) to VND322bn ($15.3mn).

INDUSTRIAL GOODS & SERVICES

Acquiror	GERMANY	Type	Date	Size (US$mn)	% Shares	Deal P/E	Deal P/B
HAPAG - LLOYD AKTIENGESELLSCHAFT		Acquisition	3/1/12	0.1	0% → 49%	-	-

Taget Name: **HAPAG - LLOYD VIETNAM JV /VNL**

Seller: **VINALINK INTERNATIONAL FREIGHT FORWARDERS**

Hapag Lloyd AG announced that it has acquired the capital contribution of US$ 98,000 equivalent to 49% stake of its partner, Vinalink International Freight Forwarders, in their joint venture company, Hapag-Lloyd (Vietnam) Company Limited.

INSURANCE

Acquiror	GERMANY	Type	Date	Size (US$mn)	% Shares	Deal P/E	Deal P/B
GERLING INDUSTRIE VERSICHERUNG AG		Acquisition	25/8/11	93.0	0% → 25%	22.1	1.4

Taget Name: **PETROL VIETNAM INSURANCE HOLDINGS**

Seller:

Gerling Industrie Versicherung AG acquired 25% equity stake in Petro Vietnam Insurance Holdings at purchase price of VND36,000 (US$1.75) per share. This price is 96% valuation premium to PVI's market price that time. The rationale for high valuation, according to our sources, is the re-insurance arrangements which previously given to Swiss Re now will be forwarded to the strategic investor. PVI Holdings is the largest non-life insurer in Vietnam with non-life market share of 25% by June 2011 (Bao Viet Holdings: 22%, Bao Minh: 12%, PJICO: 9%, and PTI: 4%). PVI is also moving up in life insurance and in final licensing approval process. PVI posted US$232mn revenue and US$17mn net earnings in 2011. Its total assets amount to US$400mn by 31 Dec 2011.

OIL & GAS

Acquiror	FRANCE	Type	Date	Size (US$mn)	% Shares	Deal P/E	Deal P/B
PERENCO		Acquisition	16/2/12	397.0	0% → 23%	-	-

Taget Name: **OIL FIELD: BLOCK 15-1**

Seller: **CONOCO PHILLIPS**

Perenco acquired 23% stake from Conoco Phillips in Block 15-1. The block is located in the Cuu Long Basin and operated by Cuu Long Joint Venture. Production from its Su Tu Den Field began in late 2003. Production from the Su Tu Vang Field began in 2008. First production on the Su Tu Den Northeast Field occurred in May 2010, averaging net 4 MBD of oil. Post-deal, co-venturers are Petro Vietnam (50.0%), Perenco (previously Conoco Phillips) (23.3%), KNOC (14.2%), SK Corp. (9.0%), and Geopetrol (3.5%). In addition to equity investment, the deal size already includes loan commitments from the buyer.

Acquiror	FRANCE	Type	Date	Size (US$mn)	% Shares	Deal P/E	Deal P/B
PERENCO		Acquisition	16/2/12	614.7	0% → 36%	-	-

Taget Name: **OIL FIELD: BLOCK 15-2**

Seller: **CONOCO PHILLIPS**

The Rang Dong Field is located in Block 15-2 in the Cuu Long Basin. Rang Dong crude oil is stored in the MV-17 FSO, where it is offloaded to tankers for export. Japan Vietnam Petroleum Company serves as operator with 46.5% and co-venturers are Perenco (previously is ConocoPhillips) (36.0%) and Petro Vietnam (17.5%). In addition to equity investment, the deal size already includes loan commitments from the buyer.

Acquiror	FRANCE	Type	Date	Size (US$mn)	% Shares	Deal P/E	Deal P/B
PERENCO		Acquisition	16/2/12	278.3	0% → 16%	-	-

Taget Name: **NAM CON SON PIPELINE JV**

Seller: **CONOCO PHILLIPS**

The Nam Con Son Pipeline is a 700-MMCFD, 244-mile transportation system linking natural gas supplies from the Nam Con Son Basin to markets in southern Vietnam. The infrastructure consists of a 26-inch diameter, 227-mile offshore pipeline segment delivering wet gas to the gas plant located at Dinh Co, Ba Ria-Vung Tau province. In addition to equity investment, the deal size already includes loan commitments from the buyer.

PERSONAL & HOUSEHOLD GOODS

Acquiror
UNICHARM
Taget Name
DIANA VIET NAM
Seller

JAPAN

Type	Date	Size (US$mn)	% Shares	Deal P/E	Deal P/B
Acquisition	25/8/11	128.0	0% → 95%	-	-

By acquiring 95% Diana, a largest local-owned papers company, Unicharm already can tap on 30% diapers market share and 40% toilet tissue papers in Vietnam. Unicharm already occupies 25% this segments in whole Asia. Previously, Unicharm often built their own factories and sales network to fain its foothold in the Asian market and this is the first time expansion made via M&A investments. The acquisition made is also to take the advantage of recent appreciations of Japanese yen against the Vietnam dong.

Acquiror
MARICO
Taget Name
INTERNATIONAL CONSUMER PRODUCTS CORPORATION (ICP)
Seller
MEKONG ENTERPRISE FUND II (MEKONG CAPITAL), BANKINVEST VIETNAM AND FEW INDIVIDUAL SHAREHOLDERS

INDIA

Type	Date	Size (US$mn)	% Shares	Deal P/E	Deal P/B
Acquisition	10/8/11	60.0	0% → 85%	-	-

Marico bought an 85% stake in the maker of Vietnam's top male-grooming brand X-Men in a deal estimated at US$60m. International Consumer Products Corporation (ICP), set up in 2001, is one of the fastest-growing personal care and home care companies in Vietnam, growing at a rate of 23% per year. Its revenues increased by one-third in 2009 to $26.4mn in 2010.

Acquiror
DAIO PAPER CORPORATION & BRIDGEHEAD
Taget Name
SAIGON PAPER
Seller

JAPAN

Type	Date	Size (US$mn)	% Shares	Deal P/E	Deal P/B
Acquisition	31/5/11	10.7	0% → 38%	469.3	0.9

Daio Paper Corporation Group and Bridgehead Investment Fund (Japan Development Bank) has acquired a total of 38% shares of the company under the partnership agreement and strategic investment which was signed between the parties on 27 April. Acquirors will support Saigon Paper on financial management strategies to help companies operate more efficiently to improve the competitiveness of the company products in the domestic and foreign markets. Saigon Paper posted US$35.44mn revenue and a marginal net earnings of US$0.06mn in 2010.

Acquiror
SEB GROUP
Taget Name
VIETNAM FAN JSC
Seller

FRANCE

Type	Date	Size (US$mn)	% Shares	Deal P/E	Deal P/B
Acquisition	30/5/11	6.4	0% → 51%	-	-

Vietnam Fan Joint Stock Co accounted for 25% of the country's fan market and total sales of US$13.7mn in 2010. Post deal, SEB would invest human resources in departments from corporate administration, business, marketing and production of Vietnam Fan Jsc.

Acquiror
LDINVEST/ MAJ INVEST ASIA
Taget Name
AA CORPORATION
Seller
MEKONG CAPITAL

DANISH

Type	Date	Size (US$mn)	% Shares	Deal P/E	Deal P/B
Acquisition	10/10/11	Undisclosed	0% → 27%	-	-

This divestment results in a gross return multiple of 2x and a gross IRR of approximately 10% on the shares sold by Mekong Enterprise Fund. The Fund originally invested $1.67mn in AA, between March 2003 to July 2005. AA's revenue reached to $26.7mn in 2009 and $40 million in 2010. By 30th June 2011, AA already met full-year net profit target, which was set at a 2011 growth of 123% compared to 2010.

RETAIL

Acquiror
SOJITZ GROUP
Taget Name
HUONG THUY MANUFACTURE SERVICE TRADING CORP
Seller
NEW LAND CORPORATION

JAPAN

Type	Date	Size (US$mn)	% Shares	Deal P/E	Deal P/B
Acquisition	4/3/12	9.5	0% → 26%	-	-

Sojitz Corporation and KOKUBU & Co., Ltd. reached agreement on the acquisition of shares of Huong Thuy Manufacture Service Trading Corporation, one of Vietnam' s largest food wholesale companies, from New Land Corporation who previously held 74.99% of Huong Thuy's shares. In fiscal year 2011, Huong Thuy achieved US$50mn in revenue. Post-deal, the company is setting an ambitious growth target at 38% compounding annual growth i.e. to lift up annual sales from US$50mn in 2011 to US$250mn in 2016.

STOXPLUS

Acquiror	JAPAN	Type	Date	Size (US$mn)	% Shares	Deal P/E	Deal P/B
KOKUBU & CO., LTD.		Acquisition	3/4/11	7.0	0% → 19%	-	-

Taget Name
HUONG THUY MANUFACTURE SERVICE TRADING CORP
Seller
NEW LAND CORPORATION

Sojitz Corporation and KOKUBU & Co., Ltd. reached agreement on the acquisition of shares of Huong Thuy Manufacture Service Trading Corporation, one of Vietnam' s largest food wholesale companies, from New Land Corporation who previously held 74.99% of Huong Thuy's shares. In fiscal year 2011, Huong Thuy achieved US$50mn in revenue. Post-deal, the company is setting an ambitious growth target at 38% compounding annual growth i.e. to lift up annual sales from US$50mn in 2011 to US$250mn in 2016.

Acquiror	ENGLAND	Type	Date	Size (US$mn)	% Shares	Deal P/E	Deal P/B
COGTINA HOLDINGS		Acquisition	20/6/11	Undisclosed	0% → 20%	-	-

Taget Name
HOCHIMINH CITY INTERNATIONAL SCHOOL
Seller
VIETNAM OPPORTUNITIES FUND (VOF)

International School of Ho Chi Minh City is among the leading international school’s in Vietnam. VOF sold the majority of its stake in ISHCMC to Cognita, one of the world’s top private school operators.

TECHNOLOGY

Acquiror	RUSSIA	Type	Date	Size (US$mn)	% Shares	Deal P/E	Deal P/B
VIMPELCOM		Acquisition	26/4/11	196.0	40% → 49%	-	-

Taget Name
GTEL
Seller

The company already completed the first stage of the financing plan by paying US$196mn for newly issued shares and thereby increasing its stake in GTEL-Mobile from 40% to 49%. VimpelCom’s local partner in the joint venture, GTEL, has retained a 51% interest in GTEL-Mobile. VimpelCom could provide investments of up to $500mn through 2013. Most recently in late 2012, Vimpelcom already exited the whole 49% stake in the joint venture to the local partner for just US$45mn following various efforts to increase APRU in Vietnam.

Acquiror	UNITED STATES	Type	Date	Size (US$mn)	% Shares	Deal P/E	Deal P/B
IDG VENTURES VIETNAM, REBATE NETWORKS VÀ RU-NET GLOBAL		Acquisition	7/9/11	60.0	0% →	-	-

Taget Name
MJ GROUP (NHOMMUA.VN/DIADIEM.COM)
Seller

MJ Group consists of companies services for information technology in Vietnam as service provider and location map (www.diadiem.com), online trading company (www.nhommua.com), Two.vn (mobile application company) and Two Media (corporate digital services). The deal size consists of both equity investment and loan commitments from the buyer.

Acquiror	JAPAN	Type	Date	Size (US$mn)	% Shares	Deal P/E	Deal P/B
NTT DATA		Acquisition	10/11/11	28.5	0% → 40%	-	-

Taget Name
PAYOO/VIETUNION
Seller

VietUnion, a subsidiary of the SGI Group, is an independent company that provides various payment businesses for public utilities in Vietnam, and has the largest share of users in the market for e-wallet services. The minority acquisition of VietUnion Online Services Corporation gives NTT DATA a secure foothold in the Vietnamese card and payment business.

Acquiror	JAPAN	Type	Date	Size (US$mn)	% Shares	Deal P/E	Deal P/B
SUMITOMO ELECTRIC INDUSTRIES LTD		Acquisition	30/3/12	20.0	0% → 100%	1.3	-

Taget Name
SUMITOMO BAKELITE VIETNAM CO LTD
Seller

Sumitomo Electric had been exploring the possibilities of enhancing its Flexible Printed Circuit (FPC) manufacturing capabilities and Sumitomo Bakelite Vietnam Co. Ltd is an attractive target for them. The company has 2010 revenue of US$65m and earning about US$15mn from there.

Annex 1: Full List of Inbound M&A Transactions Factsheet

Acquiror	**JAPAN**	Type	Date	Size (US$mn)	% Shares	Deal P/E	Deal P/B
NTT DOCOMO		Acquisition	8/11/11	18.0	0% → 25%	-	-
Taget Name							
VMG MEDIA							
Seller							

VMG Media Joint Stock Company (VMG) is Vietnam's largest mobile content provide, which owns a market share of roughly 25% in the country. With its investment, DOCOMO will share its expertise and know-how with VMG, such as in content distribution, with the aim of boosting VMG's business and expanding DOCOMO's value-added services in Asia-Pacific.

Acquiror	**UNITED STATES**	Type	Date	Size (US$mn)	% Shares	Deal P/E	Deal P/B
EBAY		Acquisition	16/3/11	4.0	0% → 20%	-	-
Taget Name							
PEACE SOFT							
Seller							

EBay Group has reached an agreement to buy 20% stake in Hoa Binh software solutions JSC - Peace Soft, owner of chodientu.vn, adnet.vn, ebay.vn. and nganluong.vn. Backed by venture capitalists IDG Ventures, PeaceSoft has leveraged the rapid spread of the Internet in Vietnam and has about one million users. PeaceSoft CEO claimed on local media that his company worth "around US$20mn."

Acquiror	**JAPAN**	Type	Date	Size (US$mn)	% Shares	Deal P/E	Deal P/B
CYBERAGENT		Acquisition	31/12/11	0.7	0% →	-	-
Taget Name							
BAOKIM							
Seller							

A unit of Vietnam Price Jsc, Bao Kim provides their online payment services for more than 6,000 e-shops on Vatgia.com.

Acquiror	**JAPAN**	Type	Date	Size (US$mn)	% Shares	Deal P/E	Deal P/B
CYBERAGENT		Acquisition	31/12/11	0.7	0% →	-	-
Taget Name							
CLEVERADS							
Seller							

CleverAds is the leading search engine marketing company in Vietnam. It was the first agency in Vietnam to be awarded the Google AdWords Certified Partner certificate and is the only company in South East Asia that has passed ALL Google online marketing exams.

Acquiror	**JAPAN**	Type	Date	Size (US$mn)	% Shares	Deal P/E	Deal P/B
CYBERAGENT		Acquisition	31/12/11	0.7	0% →	-	-
Taget Name							
TEAMOBI (DI ĐỘNG XANH)							
Seller							

Green Mobile Corporation (TeaMobi) is running "AVARTA" - a mobile vertual community service that get millions user in just one year. Moreover, the company is running MMO RPG game using technology of its, and growing rapidly according to mobile internet market in Vietnam.

Acquiror	**JAPAN**	Type	Date	Size (US$mn)	% Shares	Deal P/E	Deal P/B
CYBER AGENT		Acquisition	2/1/12	0.7	0% →	-	-
Taget Name							
COLORBOX SOFTWARE							
Seller							

Colorbox was founded in 2009, and one of the Ho Chi Minh City-based developer considers the Rip Off as its most successful app, which actually ranked second in Apple's U.S. App Store for a few months.

Annex 1: Full List of Inbound M&A Transactions Factsheet

Acquiror: **CYBER AGENT**	**JAPAN**	Type	Date	Size (US$mn)	% Shares	Deal P/E	Deal P/B
		Acquisition	2/2/12	0.7	0% → 20%	-	-

Taget Name: **TIKI.VN**

Seller:

Tiki Corporation is running an online book store in Vietnam. With this new capital injection, Ti Ki Co. will expand delivery and warehouse systems, and launch personnel recruitment and training programs.

Acquiror: **CYBER AGENT**	**JAPAN**	Type	Date	Size (US$mn)	% Shares	Deal P/E	Deal P/B
		Acquisition	2/3/12	0.7	0% →	-	-

Taget Name: **NHACCUATUI.COM**

Seller:

NCT JSC was established in 2008, and nhaccuatui.com is a music website developed by the company then along with other online products such as electronic commerce portal B2C and Nava.vn.

Acquiror: **KUSTO GROUP**	**KAZAKHSTAN**	Type	Date	Size (US$mn)	% Shares	Deal P/E	Deal P/B
		Acquisition	31/12/11	10.0	0% → 20%	-	-

Taget Name: **MOBIVI.VN**

Seller:

Mobivi (Viet Phu Payment Services Jsc), who is providing electronic payment services. They connect banks, enterprises and millions consummer in Vietnam. Mobivi had more than 30 patents recognized by the US about security and confidentiality, owns the new technology in the field of information technology applications.

Acquiror: **CYBERAGENT**	**JAPAN**	Type	Date	Size (US$mn)	% Shares	Deal P/E	Deal P/B
		Acquisition	31/12/11	Undisclosed	0% →	-	-

Taget Name: **VINAGAME**

Seller:

VinaGame (VNG) is Vietnam's leading Internet company, who is dominant player in Vietnam gameonline market with ¾ of the top games, a 60 percent market share, 20 million registered accounts and 2009 revenues of more than US$ 4mn. VNG also owned a popular entertainment website, zing.vn.

Acquiror: **HITACHI ZOSEN CORP**	**JAPAN**	Type	Date	Size (US$mn)	% Shares	Deal P/E	Deal P/B
		Acquisition	21/11/11	Undisclosed	0% → 100%	-	-

Taget Name: **ASIA PACIFIC SOLUTION CO.LTD**

Seller: **NTT DATA ENGINEERING SYSTEMS (NDES) AND MAINTEC CO.,LTD. (MTC)**

Asia Pacific Solutions Co.Ltd is a software development and IT supporting provider company. With the acquisition, Hitachi Zosen seeks to fortify its engineering capacity outside Japan. The Company plans for APS to initially support its engineering operations in Japan and overseas projects in terms of cost and design, and in future to expand the subsidiary's operations beyond engineering to include procurement in Vietnam and construction work outside Japan.

TRAVEL & LEISURE

Acquiror	KOREA	Type	Date	Size (US$m)	% Shares	Deal P/E	Deal P/B
CJ CGV		Acquisition	15/3/11	73.6	0% → 74%	-	-
Taget Name							
MEGASTAR MEDIA							
Seller							

Leading Korean exhibitor CJ-CGV is buying the 92% stake of U.S. Virgin Islands-registered Envoy Media Partners Limited that owns 80% of MegaStar Media Ltd. Co. (MegaStar). Megastar has a 60% market share in the Vietnamese exhibition sector and took in $23mn worth of revenues in 2010. The company has total assets of $38m as of 31 December 2010.

Acquiror	AUSTRALIA	Type	Date	Size (US$mn)	% Shares	Deal P/E	Deal P/B
QUATAS AIRLINES		Acquisition	21/2/12	5.0	27% → 30%	-	-
Taget Name							
JETSTAR							
Seller							
VIETNAM AIRLINES							

After became 70% stakeholder of Jetstar Pacific Airlines, Vietnam Airlines already transferred the remaining three per cent to Qantas Airways.

UTILITIES

Acquiror	KOREA	Type	Date	Size (US$mn)	% Shares	Deal P/E	Deal P/B
POSCO POWER CORPORATION		Acquisition	22/7/11	153.0	0% → 30%	-	-
Taget Name							
MONG DUONG 2 POWER CO LTD							
Seller							
AES (AMERICA)							

Posco Power Corp., a part of Posco - the leading steel producer in Korea, has participated in projects to build power plant in Vietnam Mong Duong 2 South. Mong Duong 2 thermo power plant has designed capacity of 7.5 billion KWh per year. The total investment capital for this project was estimated at $1.5bn. Before, Vinacomin (10% owner) had decided to quit the project.

Acquiror	CHINA	Type	Date	Size (US$m)	% Shares	Deal P/E	Deal P/B
CHINA INVESTMENT CORP (MAINLAND)		Acquisition	22/7/11	70.7	0% → 19%	-	-
Taget Name							
MONG DUONG 2 POWER CO LTD							
Seller							
AMERICAN ELECTRIC SUPPLY INC (AES)							

Along with Posco Power Corp, CIC has also acquired 19% of Mong Duong 2 Power from American Electric Supply Inc (AES). The US$1.9bn plant, which was granted an investment certificate in 2010, is one of Vietnam 's most important power projects. The 1,200 megawatt project, once operational, is expected to ease severe electricity shortages in the country.

Note: Our database recorded 78 inbound transactions from January 2011 – March 2012. The above list describes only 74 transactions in details. There are 4 transactions relating to Cyber Agent/Vgame, Cyber Agent/Vietnam Mobile Group, SBI/Vatgia.vn and Hapad Lloyd/Vinalink Freight Forwarder which are not included in the list in this Annex 1 due to the non-disclosure request sent to StoxPlus from the target company's management.

Annex 2: Key macro economic indicators

Key macro economic indicators

	2007	2008	2009	2010	2011f	2012f	2013f
Production, demand and employment							
GDP growth (% y-o-y)	8.5	6.3	5.3	6.8	5.8	5.7	6.1
Nominal GDP (USDbn)	71.1	90.3	93.2	102.0	124.4	144.3	165.3
GDP per capita (USD)	843	1,052	1,064	1,156	1,382	1,586	1,796
Private consumption (% y-o-y)	10.8	9.3	3.1	10.0	4.9	4.8	5.2
Government consumption (% y-o-y)	8.9	7.5	7.6	12.3	4.3	4.2	5.1
Investment (% y-o-y)	24.2	3.8	8.7	10.9	3.9	3.8	5.2
Industrial production (% y-o-y)	17.1	14.6	7.6	14.0	n/a	n/a	n/a
Gross domestic saving (% GDP)	33.3	29.0	31.6	29.8	30.3	34.1	34.5
Unemployment rate, end-year (%)	4.6	4.7	4.6	4.3	4.5	4.6	4.4

Source: HSBC

Annex 3: 2012 Forward Valuation of Vietnamese Stock Markets

2012 Forward PE Valuation of Vietnamese Stock Markets

Sector	Total Net Earnings 2011	Total Net Earnings 2012F	+/- Change	Market Cap	PE Trailing	PE Forward 2012
	bil VND	*bil VND*	*%*	*bil VND*		
Automobiles & Parts	330.1	623.5	*88.9%*	5,393.8	16.3	7.4
Banks	22,033.8	24,533.1	*11.3%*	241,589.1	11.0	8.9
Basic Resources	3,632.0	2,986.6	*-17.8%*	34,452.9	9.5	6.3
Chemicals	6,337.1	5,435.0	*-14.2%*	26,207.6	4.1	4.8
Construction & Materials	3,838.5	5,270.9	*37.3%*	40,802.4	10.6	6.6
Financial Services	(1,163.9)	3,947.4	*439.2%*	36,267.0	(31.2)	7.8
Food & Beverage	10,151.6	11,709.8	*15.3%*	134,773.3	13.3	11.3
Health Care	1,108.5	1,151.2	*3.9%*	9,333.8	8.4	6.8
Industrial Goods & Services	2,189.0	2,972.1	*35.8%*	23,997.2	11.0	6.4
Insurance	2,236.8	1,996.0	*-10.8%*	50,900.0	22.8	24.3
Media	127.0	92.3	*-27.4%*	675.2	5.3	5.3
Oil & Gas	2,665.8	2,259.3	*-15.2%*	14,784.6	5.5	6.5
Personal & Household Goods	1,249.6	1,146.4	*-8.3%*	8,055.4	6.4	6.2
Real Estate	3,727.2	8,586.7	*130.4%*	111,673.4	30.0	12.7
Retail	422.6	326.3	*-22.8%*	2,132.7	5.0	6.5
Technology	1,551.7	2,953.0	*90.3%*	18,381.6	11.8	6.1
Travel & Leisure	277.7	526.8	*89.7%*	4,051.4	14.6	6.3
Utilities	7,856.9	6,570.6	*-16.4%*	15,708.9	2.0	1.9
Total	**68,572.1**	**83,087.0**	*21.2%*	**779,180.1**	**11.4**	**8.5**

Source: StoxPlus. Data covers Top 500 companies on HOSE and HNX. Net Earnings or Net Profit figures are average of earning target 2012 set by the company management and analyst's forecasts.

Important Disclosures

- This material is prepared by StoxPlus Corporation for information purpose only. This material is not intended to recommend or suggest any particular transaction.
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About the Authors

Thuan Nguyen FCCA

Thuan Nguyen is the Founder and CEO of StoxPlus. He also leads the Research Division. Thuan is a well-known author for many insightful articles and reports covering business and finance in Vietnam. Thuan has over 15 years of experience in Transaction Services, Investment and Audit. Previously he was a manager at Financial Services Division of PwC (Sydney and Hanoi offices) and Investment Analyst at Vietnam Holding Asset Management Ltd. Thuan is a fellow member of ACCA UK.

Harry Hoan Tran CFA

Harry Hoan Tran is currently executive chairman of StoxPlus. He is an expert with over 17 years of experiences in banking and finance. He was previously an Investment Director at Lehman Brothers, Lloyds Banking Group and senior manager in Capital Markets Advisory Division of PwC London. He worked for PwC Vietnam from 1996 to 2001 where he involved in a number of banking restructuring projects in Vietnam. He is a CFA chartered holder and a fellow member ACCA UK.

About StoxPlus Corporation

StoxPlus Corporation is a leading data and intelligent information provider in Vietnam. Our services include data feeds, a subscription based stock analysis software StoxPro and intelligent research service.

StoxPlus has a portfolio of over 100 corporate clients including securities companies, asset managers, investment companies, financial media firms and thousands of sophisticated individual investors.

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About Indochine Counsel

Indochine Counsel
Business Law Practitioners

" Having thrown open its doors last October on the back of heightened foreign interest in Vietnam, new local law firm Indochine Counsel has succeeded in growing a long and healthy client list as it sells its vision of becoming a leading business law firm. "

Asian Legal Business, July 2007

Established in October 2006, Indochine Counsel is one of the leading commercial law firms in Vietnam. The firm provides professional legal services for corporate clients investing and doing business in Vietnam. Indochine Counsel's lawyers are drawn from a strong academic background and have earned substantial experience at both international and domestic law firms. The firm boasts more than 30 legal professionals spread between its main office in Ho Chi Minh City and a branch office Hanoi.

Indochine Counsel offers quality legal services and commercial assistance to clients by providing effective and practical legal solutions tailored to each client. The firm represents local, regional and international clients in a broad range of matters including transactional work and cross-border transactions. The firm's clients range from multinational corporations, foreign investors, banks and other financial institutions, securities firms, funds, asset management companies and law firms to private companies, SMEs and start-up firms in Vietnam.

Hong Ngoc Bui, LLM, Partner
Indochine Counsel
hong.bui@indochinecounsel.com
+84 (8) 3823 9640