


**VINACONEX-PVC CONSTRUCTION INVESTMENT JOINT
STOCK COMPANY (PVV)**

Company's share is valued at 22.000 VND/stock

Highlight	RECOMMENDATION										
<ul style="list-style-type: none"> ▪ Revenue, profit from construction sector sharply increase: Revenue and profit from 2008 to 2010 of PVV increase 395% and 390% annually. In 2010, expected percentage increase of revenue and profit is going to be 419.8% and 412.2% respectively. As our assessment, PVV's revenue can surpass the expectation of 18 billion dong, and profit after tax can achieve about 21.8 billion dong. ▪ PVV has advantage of support from 2 big construction corporations which are in the highest revenue group of Vietnam: we highly evaluate the support from 2 big corporations: PetroVietnam Construction Joint Stock Company (PVX) and Vietnam Construction and Import-Export Joint Stock Corporation. All current projects of PVV are from these two corporations ▪ High potential real estate project: Besides traditional construction activity, PVV is also an investor and joint venture company of other real estate projects in Hanoi, Ho Chi Minh such as: Communist Review – HCM office building, Condominium- Office complex at District 9- HCM, Cuu Long-Hoa Binh Eco-urban, Office –Apartment Complex Hanoi (53.244 m2), CT2-A Condominium, Building Complex of shopping plaza, condominium, office at 60B Nguyen Huy Tuong- Hanoi ▪ Valuation: PVV share is valued base on 4 methods FCFE, FCFF, P/E and P/B. The average price is about 22.000 VND/share with charter capital of 150 billion dong. However, in 2011, PVV will raise capital to 300 billion dong which can strongly affect on PVV share price. This price is approximate with P/E of 6.05 in 2010 – a quite attractive ratio compared with other companies in the same industry. 	<table border="1"> <tr> <td>Target price:</td> <td style="text-align: right;">22.000</td> </tr> <tr> <td>Market price:</td> <td style="text-align: right;">16.500</td> </tr> <tr> <td>Highest in 52 weeks:</td> <td style="text-align: right;">23.260</td> </tr> <tr> <td>Lowest in 52 weeks:</td> <td style="text-align: right;">11.950</td> </tr> </table>	Target price:	22.000	Market price:	16.500	Highest in 52 weeks:	23.260	Lowest in 52 weeks:	11.950		
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KEY FINANCIAL FIGURES						
	2007	2008	YoY	2009	YoY	9T/2010
Revenue (mil dong)	-	9.282	100%	100.699	984,9%	260.992
Gross profit (mil dong)	-	524	100%	7.022	1240%	36.933
Profit after tax (mil dong)	-635	-1.057	-66,4%	4.258	5018%	9.067
Owner's equity (mil dong)	10.000	10.500	5%	30.056	186,2%	50.000
ROA	-4,97%	-4,14%	-16,7%	2,03%	149,0%	1,19%
ROE	-6,78%	-12,01%	-77,1%	13,05%	208,6%	14,40%
EPS (VND)□	-635	-1.007	-58,6%	1.417	24017%	2.018

Source: PVV

INVESTMENT REASONS

In our opinion, PVV will become a strong company in Vietnam's construction sector. The signed contract with total value of more than 1,200 VND showed the building ability of company although it has just established in 2007.

PVV is a young company with high growth speed. With remarkable growth speed especially in 2009 of 984%, and estimate in 2010 of 595%, PVV is the typical model of small company but having a strong and fast growth speed that investors can pay attention

Besides traditional construction activity: PVV also runs various real estate projects. Series of big projects mark the turning-point in development process of PVV in new business lines such as: CT2-A Condominium, Building Complex of shopping plaza, condominium, office at 60B Nguyen Huy Tuong- Hanoi, and resort at An cu Tan Lang Co –Hue. These projects are expected to create big changes in company's revenue and profit structure. Also, we highly appreciate the company's ability of seeking opportunities in real estate field compared with other companies in same sector.

INVESTMENT RISKS

Risk in real estate project implementation: currently, many PVV projects are in first step of implementation process. They are all in process of forming 1/500, 1/2000 planning, or waiting for investment license, so the project implementation can be slowed down. The site clearance compensation, land acquisition for projects in Vietnam and particularly the northern region- Hanoi took place very slowly

Risk in capital reclaim: In addition to projects for petroleum sectors, PVV takes part in building and transportation road construction outside, so the capital reclaim at these projects will be very difficult because some investors do not have enough capability to continue projects.

PVV BUSINESS ACTIVITIES EVALUATION

VINACONEX-PVC Construction Investment Joint Stock Company is established in 15/1/2007 with initial name of Northern Development Investment and Transportation Construction Company, charter capital is 10 billion dong. In 5/2007, it becomes a member of Vietnam Construction and Import-Export Joint Stock Corporation (Vinaconex-VCG). In 2009, PetroVietnam Construction Joint Stock Company (PVX) joint capital in company and the name was changed to Vinaconex-PVC Construction Investment Joint Stock Company with charter capital of 45 billion dong.

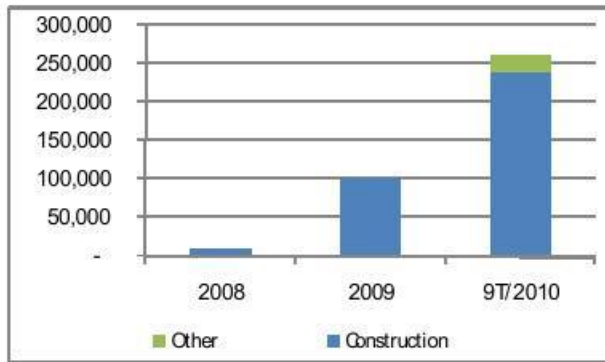
Current business activities of PVV includes: construction, equipment sales, construction material production, real estate infrastructure operation, and financial investment

Company's business activities

PVV's construction activity contribution 100% in total revenue structure in 2009 and

before. From 2010, revenue structure of PVV has changed when there are contribution from other business line such as: design consultancy, trade (take over 8.05% in 9M/2010) and from 2010, it is expected to have revenue from real estate investment when under-construction project will be completed

Graph 1: Revenue structure in year



Graph 2: Revenue, gross profit, gross profit margin



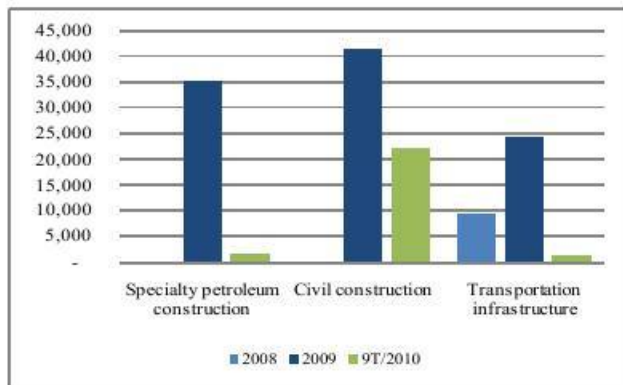
Source: PVV, PSI Research

PVV’s construction activity strongly grows in coming period

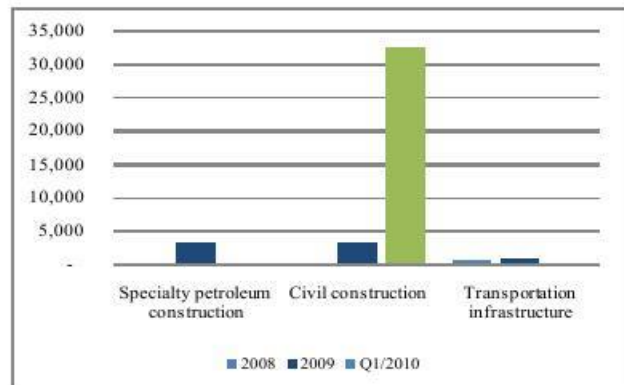
In 2008, PVV officially ran business and achieved 9.2 billion dong; gross profit was 524 million with profit margin of 5.65%. In 2009, company revenue dramatically increases to more than 100 billion dong from contracts brought back by 2 big shareholders which are Vinaconex and PVX. Gross profit in this year was 7 billion dong, margin was 6.97%. In 9M/2010, PVV revenue achieved 239.99 billion dong, grew 778% and gross profit margin also increase sharply to 13.85% compared with 7.61% same period last year,

Revenue structure in construction activity includes revenue from special petroleum construction, civil construction and transportation, infrastructure in which special petroleum construction reached 35 billion dong - equal 34.8% total revenue, civil construction was 41.2 billion dong, contribute 41.1% total revenue. The rest is transportation infrastructure with 24.19 billion dong revenue, percentage in total revenue was 24.1%. Main contribution in gross profit of PVV in 2009 was from special petroleum construction with 44.5%, and civil construction with 43.6%. . Gross profit from transportation, infrastructure often takes over small margin of below 10% in profit structure.

Graph 3: Construction revenue structure



Graph 4: Gross profit margin structure



Source: PVV, PSI summary

Gross profit margin also fluctuated a lot recently. The average gross profit margin in special petroleum construction in 2009 was about 8.9%; civil construction was 7.4% and strongly increases to 13.86% in first 9 months of 2010. Transportation infrastructure construction’s lowest gross profit margin was about 4%.

Currently, PVV also signed big contracts in each sector for period of 2010-2011; with total value nearly reach 1.400 billion dong.

Graph 1: Some big construction projects have been implemented in 2010.

No	Project	Value (mil VND)
1	Lam Kinh Hotel- Thanh Hoa	270.647
2	Thanh Cong underground parking and commercial services	138.997
3	Dinh Vu-Hai Phong Polyester Factory (construction categories)	132.576
4	Noi Bai-Lao Cai Highway	130.793
5	Phu Dat Apartment - HCM	106.433
6	Vung Ang Thermar Power (pump house)	100.791
7	Way in at Thai Binh Thermal Power	57.000
8	Road No 3 - Thai Nguyen	55.523
9	Upgrade Road 21-1 Nam Dinh-Lac	47.966
10	Drain of Nghi Son Refinery surface area	42.852
11	Dinh Vu-Hai Phong Polyester Factory	33.654
12	Residential housing and services at Nghi Son Refinery	32.671
13	North An Khanh new urban area- scrape	25.760
14	North An Khanh new urban area – sand fill for cell 7+13	22.050
15	Installation Ethanol factory’s tanks	20.537
16	Petroleum Commercial Center-Nghe An	20.000
17	Customs Center at TCS	19.793
18	Widening and finishing Lang-Hoa Lac road (Phu Do)	19.157
19	Condominium CT8	16.415

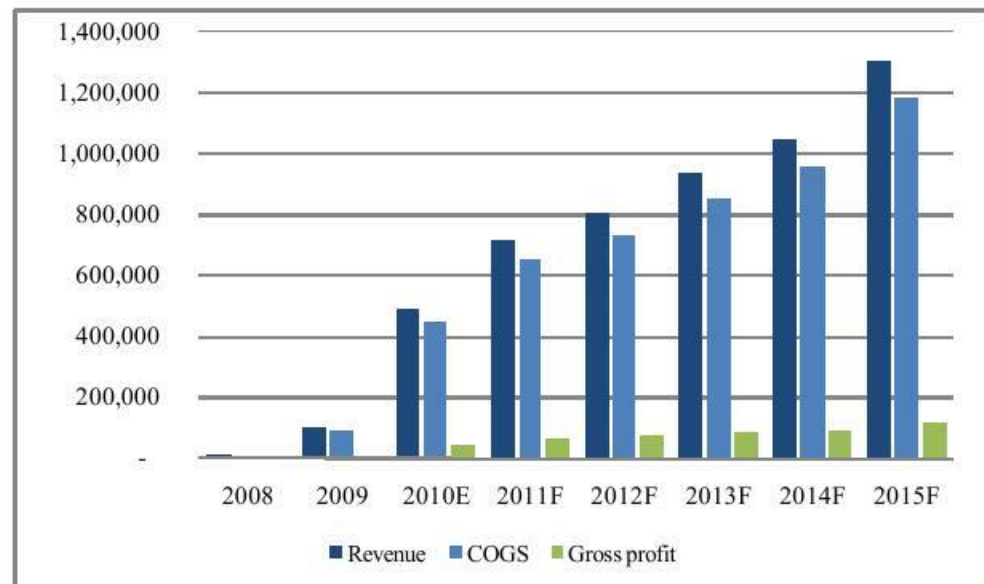
20	Residential housing services at Nghi Son Refinery (internal road)	13.973
21	Complex of office and apartment at 9A-B Phan Chu Trinh, Hanoi	11.800
22	Pilot housing for workers of North Thang Long industrial park	11.590
23	Office Building No. 20 Pham Ngoc Thach – HCM (substructure)	10.390
24	Phu Thuong Resettlement and business area – West Lake	7.915
TOTAL AMOUNT		1.359.037

Source: PVV, PSI research

With orientation based on the support of two major shareholders PVX and VCG as a core, the development of the PVV is associated with the orientation and the development of PVX and VCG in the future, focusing on two main activities which are construction and real estate investment. In special petroleum construction, company will get strong support from PVX and in civil construction, is from VCG.

From evaluating projects of PVV, the development potentials of construction, and position of company, we build up a revenue plan in the future as the chart below. The revenue will boost dramatically in 2009-2010 period due to the business expansion through increasing number of construction teams, and acquiring big contracts in special petroleum construction from PVX.

Graph 5: Revenue forecasted for next year



Source: PVV, PSI forecast

Table 2: Revenue, COGS and gross profit in construction activity

	9T/2010	2010E	2011F	2012F	2013F	2014F	2015F
Revenue (mil. Dong)	239,142	489,142	717,500	800,000	937,500	1,050,000	1,300,000
COGS (mil. Dong)	206,736	446,472	652,925	728,000	853,125	955,500	1,183,000
COGS/Revenue (%)	86.45%	91.3%	91.0%	91.0%	91.0%	91.0%	91.0%

Gross (mil. VND)	32,406	42,670	64,575	72,000	84,375	94,500	117,000
Gross profit margin (%)	13.55%	8.7%	9.0%	9.0%	9.0%	9.0%	9.0%

Source: PVV, PSI forecast

New investment in petroleum sector assessment

Nowadays, PVN is implementing a series of big projects in many fields such as: petrochemical, fertilizer production, textiles, electrical, mechanical, transportation, real estate ... with investment portfolio's value nearly reaches 70 billion. PVX itself and PVX's members also implement investment projects with investment scale up to more than 70,000 billion VND. This is the main market for special petroleum construction, civil construction of PVV in the future. Special petroleum projects that PVV aims to are mainly related to pure construction activities, usually are ancillary works such as site clearance, building envelope systems, water treatment systems, operators, warehouses ...

Besides construction projects in petroleum sector, PVV also take part in civil construction and transportation infrastructure. These factors take over about 65.2% in total revenue. Proportion of construction activities in the future will be relatively stable because PVV will develop construction in all 3 sections with the proportion of non-petroleum sector of about 60%. Civil construction activities will mainly come from transport infrastructure development project. In the future, high building construction will be the core in construction structure outside the oil industry of PVV.

Vietnam construction market assessment.

In recent years, Vietnam construction industry contributes significantly to economic growth. Value of the construction industry is estimated at nearly \$ 6 billion in 2009, accounting for about 5.2% of the total GDP of Vietnam. Although industry's scale in GDP is not much but it has created momentum for the growth of some industries such as real estate, building materials, manufacturing, basic production materials, as well as other industries when there is requirement for production and business expansion.

The growth rate of this industry is very high with over 10% per year. This is favorable condition for firms in this industry to develop in the future. Growth speed of the construction industry also depends on the growth rate of total social investment, fluctuations in in-put material prices, volatility of the real estate market. In past years, capital investment both in and outside the country had strong growth with an average growth rate of 6% per year, investment accounts for 34% of GDP annually.

In 2010, the projected growth rate of total investment is about 3%, increase to \$ 624,392 billion. Total value of construction industry is about 125,500 billion; growth rate this year is estimated at 23.93% due to the recovery of the economy in which the construction industry is the leading field with strong recovery.

Graph 6: Value and growth speed of construction industry in Vietnam

Graph 7: Value and growth speed of investment in Vietnam


Source: BMI, PSI summary

In 2010, price of raw materials are also strongly fluctuated, especially in steel prices. The price moved up and down a lot which caused significant effect on building implementation process. Up to 12/2010, cement PC40 prices have risen 32.7%; construction steel prices rose 27.3% over 2009. These unstable price volatilities make strong impact on the company

Table 3: Price volatility of raw material affecting construction industry

Raw material	T6-2006	T12-2007	T6-2008	T12-2008	T6-2009	T12-2009	T12-2010
Cement PC40 (VND/kg)	1,055	1,120	1,400	1,000	1,065	1,100	1,460
% up and down		6.2%	25.0%	-28.6%	6.5%	3.3%	32.7%
Construction steel (VND/kg)	10,300	15,900	18,900	13,000	11,500	12,000	15,270
% up and down		54.4%	18.9%	-31.2%	-15.0%	8.6%	27.3%

Source: PSI summary

Commercial activities, design consultancy

Along with the construction activity, from 2010 PVV has more revenue from commercial activities and design consultancy. Especially, revenue from these two business activities boosted in Q3/2010, accounting for 58.25% of total first three quarter in 2010. Revenue of commercial activities reached 20.44 billion in nine months, revenue from the services provision reached 1.41 billion. The profit margin of commercial activities reached 15.68%, of service provision is 93.86%. Commercial activities focus mainly on input supply for construction industry. Services provision here is to provide activity of design consultancy which have extremely high profit margin due to low main cost of human resource

In the next years, commercial activity and design consultancy are foreseen to be continue

developing with revenue and profit as follows

Table 4: Revenue, COGS, gross profit of commercial activity, service provision

	9T/2010	2010E	2011F	2012F	2013F	2014F	2015F
Revenue (mil dong)	21,850	34,350	42,500	50,000	62,500	75,000	100,000
COGS (mil dong)	17,323	27,480	36,125	42,500	53,125	63,750	85,000
COGS/ Revenue (%)	79.3%	80.0%	85.0%	85.0%	85.0%	85.0%	85.0%
Gross profit (mil dong)	4,527	6,870	6,375	7,500	9,375	11,250	15,000
Gross profit margin (%)	20.7%	20.0%	15.0%	15.0%	15.0%	15.0%	15.0%

Source: PVV, PSI forecast

PVV's industry park – real estate business activities

Currently, real estate infrastructure business activity is still in the preparatory process and has not yet brought back revenue at least till 2010. We estimate that revenue from real estate business of PVV will start in 2011 with the proportion of 5% in total revenue structure. But with the expansion industry park running, PVV will acquire more revenue and profits from these potential business in the future

Table 5: Some under-going industrial park, real estate of PVV and its member

No	Project names	Capital (bil VND)	Size (m2)	Implementation schedules
1	Communist Review office tower 19 Pham Ngoc Thach, Dist 3, Ho Chi Minh	66	324,36	- Roughing part implementation - From Q2/2010 – Q1/2011 - Expected revenue of 66 bil VND, whole project life is 21 bil VND - Communist Review contribute land, PVV contribute construction capital, office for rent (from Fl 2-20) in 20 years
2	Condominium Dis.9- Ho Chi Minh City	235	17,541	- PVV contribute 51%, Green City Joint Stock Company contribute 49% - Waiting for plan 1/500 approval, commence in Q3/2010, includes 3 blocks with areas of 68,000 m2, 550 apartments - From Q3/2010 – Q2/2012 - Estimated revenue 700 bil dong, profit is 140 bil dong.
3	Cuu Long Resort Luong Son – Hoa Binh	172	600,000	- PVV contribute 60%, Global Song Da Company 40% - Plan 1/500 approved, in process of ground clearance - From Q3/2010 – Q2/2012 - Estimated revenue 382 bil VND, profit is 96 bil dong.
4	Complex of office, apartment Dich Vong Hau - Cau Giay - Hanoi	592	4,932	- Total constructed floor area of 53,244 m2, 2 basements, 40 floors - In process of forming investment project - Estimated profit 140 bil dong.
5	CT2-A Condominium Co Nhue - Tu Liem – Hanoi	260	4,096	- Forming ore-feasibility report, plan 1/2000 - Apartment project with 1 basement, 16 floors, floor area 22,710 m2 - Estimated revenue 58 bil dong.
6	An Tan Luxury Resort – Lang Co – Hue	17,5	6,000	- Forming ore-feasibility report, plan 1/2000 - From 2010-2012, with 40 villas. - Estimated revenue 11.7 bil VND.
7	Building Complex of shopping plaza, condominium, office at 60B Nguyen Huy Tuong- Hanoi – Thanh Xuan – Hanoi	387,4	2,670	- Forming ore-feasibility report, plan 1/2000 - PVV contribute by cash, Pharmacy Corporation contribute land utilization right. 2 basements, 22 floors, with total area of 27,800 m2. - Estimated revenue 17.3 bil VND.
8	Phat Dat Apartment, 48/5B Ung Van Khiem – P25, Binh Thanh Dist – Ho Chi Minh City	70	3,030	- Implementing from 2010-2011.

Source: PVV, PSI forecast

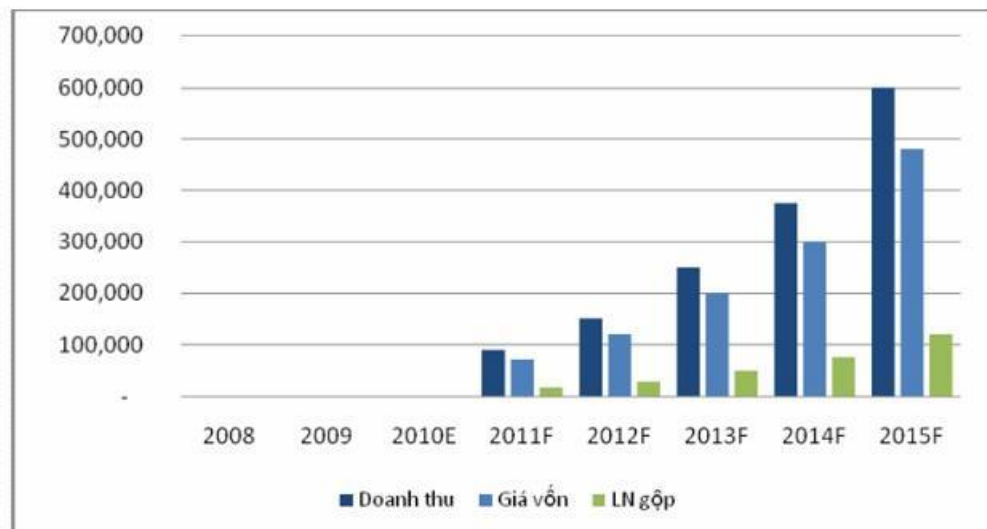
Besides **Communist Review office tower at 19 Pham Ngoc Thanh – Dist 3, Ho Chi Minh City** is completing the rough; most of the PVV's projects are in the process of pre-feasibility study and plan for the investment. So we do not have specific information about a project in more detail to assess the accuracy of information on

revenue, expenses, and profits of the project.

We forecast revenue growth of infrastructure - industrial property business activity of PVV as bellows:

(The property project of PVV are mainly in the first phase of investment, so we do not have enough accurate information to determine the NAV of each project in order to accurately assess NAV/Share to determine the best price for PVV)

Graph 8: Forecasting revenue of infrastructure-real estate business activity



Source: PVV, PSI forecast

Table 6: Forecast revenue, COGS and gross profit margin of infrastructure-real estate business activity

	2010E	2011F	2012F	2013F	2014F	2015F
Revenue (mil dong)	-	90,000	150,000	250,000	375,000	600,000
COGS (mil dong)	-	72,000	120,000	200,000	300,000	480,000
COGS/Revenue (%)		80.0%	80.0%	80.0%	80.0%	80.0%
Gross profit (ml dong)	-	18,000	30,000	50,000	75,000	120,000
Gross profit margin (%)		20.0%	20.0%	20.0%	20.0%	20.0%

Source: PVV, PSI forecast

Assessment of real estate business in Vietnam

Vietnam is a young population country and one of countries that have highest economic growth in the area. With a population of 85.7 million people (on 1/4/2009), in which 43% of the population lives in the Red River Delta (19.5 million) and Cuu Long (17.1 million). These are the areas with the highest population density in Vietnam, especially in big cities which are the center of these areas. According to statistics, the population in urban area in 2009 increased to 25.3 million people, accounting for 29.6% of total population. Speed of urbanization is increasing rapidly and dramatically in recent time and has a strong impact on real estate business

activities in the area. Hanoi population was 6.4 million; in which the population living in urban areas reached 40.8%. Ho Chi Minh population reached 7.1 million; the population in urban areas of Ho Chi Minh reached 83.2%. In other provinces such as Ba Ria - Vung Tau, the population is 994,837 in which the urban population reached 49.7%; Quang Ninh is 1.1 million people with urban population reached 19.6%.

In recent years, GDP per person in Vietnam has increased sharply to more than \$ 1,040 per person, especially in big cities like Hanoi (GDP per person reached \$ 2,000), in Ho Chi Minh (GDP per person reach \$ 2,800) in Ba Ria - Vung Tau (GDP per person at \$ 4,000) ... These are the main target areas which PVV is heading to.

In real estate business activity, PVV plans to take part in 5 sections including urban development, houses for sales, commercial centers, office rental, and resort and business infrastructure industry.

Business activity of resident houses, condominium for sales

Business activity of condominium for sale in recent years is the most attractive activity for advanced companies and investors in real estate. The total numbers of apartments were sold on the market for period from 2004-2009 reached 42,778 units, in which supply mainly centralizes in two largest cities Ho Chi Minh City and Hanoi. Apartment prices have fluctuated dramatically in recent years, with the decline of nearly 50% in the luxury apartments in Ho Chi Minh City in 2008-2009 and the slight recovery in 2010. While in Hanoi, the price of apartments sold virtually no lessen. Demand for low and mid-end product with price of less than 1,500/ m2 in Hanoi is quite good, especially for apartments priced below 1,000 m2...

Table 7: Number of condominium for sale in Hanoi and Ho Chi Minh in recent years

Class	2008	2009	2010F
Luxury and high-end	6,008	7,292	15,911
Mid-end	7,141	10,290	15,787
Low	2,068	6,186	5,130
Total	15,217	23,768	36,828

Source: CBRE

In Q1/ 2010, the secondary market apartments in Hanoi have 73% apartments sold which is in mid-end and low level with prices starting from 700-900 m2 in which supply source mainly from projects in the area of Ha Dong, Hoai Duc, and accounting for 71% of market. Currently, the new urban projects are mainly concentrated in two areas both in quantity and total supply due to advantages of urban transport, capital master plan, investment trends, and urban migrant in Hanoi. The housing market in Hanoi was quite exciting in the last period.

Similarly, Ho Chi Minh real estate market, the cheap apartment from 700-900 m2 also attracts customers, while apartment prices from 1,500 m2 or more is quite difficult to sell. Apartment market in Ho Chi Minh is still pretty quiet.

In the future, housing market continues to be the most attractive market with real estate development firms, especially firms in Hanoi and Ho Chi Minh.

Business activity of office for rent

Office leasing market is currently in situation of supply over demand condition due to a variety of office projects and upcoming rental operation leads to high increase in supply, while unfavorable economic situation led to just a slight increase in demand. According to statistics, the supply of office rental in Hanoi now has 14 class A office building with an area of 137,000 m², 37-class B office buildings with an area of 330,000 m², and 57 –class C office building with an area of 200,000 m²

Expected from 2010-2011, a series of projects in the west area of Hanoi will come into operation and provide more office for rent to the market such as the Sentinel project and the Grand Place Plaza (60,000 m²), Keangnam Landmark Tower (90,000 m²), Song Da Twin (50,000 m²), EVN Tower (16,000 m²), Mipecc Tower (23,000 m²), Southern Pearl (65,000 m²) ...leading to supply excess of about 150,000 m². The rate of empty space of grade A office can be increased to 18%, while class B to 11%.

Ho Chi Minh's situation is similar with Hanoi. The supply exceeds demand due to series of new projects going into operation. The empty space has increased 15.6% in Grade A, 11.4% in Grade B and 14% in grade C in Q1/ 2010, and rent price have fallen 31% over the same period last year. The expected supply increase in class A and class B is 110,000 m² and 75,000 m².

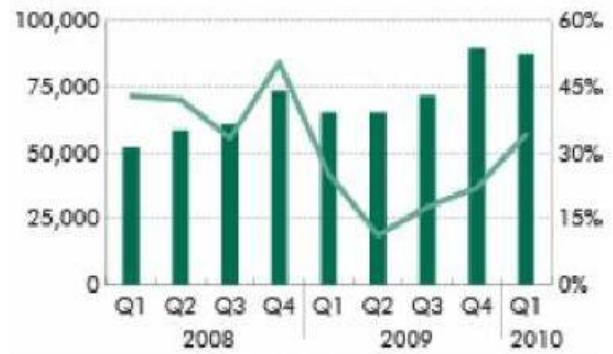
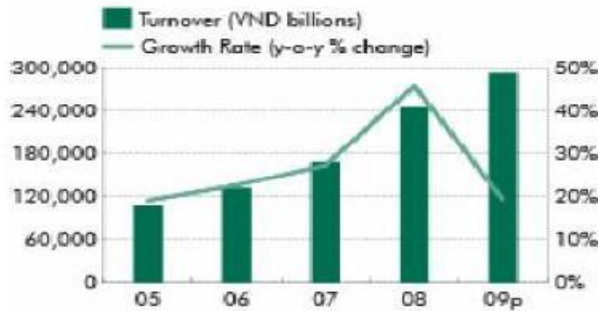
Business activity of shopping plaza

Shopping plaza, especially large floor plan and luxury type are becoming scarce and rent price increased dramatically in recent times. In Hanoi, total space of shopping in the center is 49,197 m² and in the peripheral area is 54,379 m². In upcoming period, when building complex in the West of Hanoi is going to be in operation, supply will increase and prices may decrease slightly compared to current time, especially from the Grand Plaza project and Keangnam Landmark Tower

In Ho Chi Minh City, rent price has increased sharply to 108.8/m² in the central commercial area of the city and even more than 200 m² as at Vincom Center. Supply in the future will continue to increase, but in this time demand for commercial premises is extremely high in Ho Chi Minh.

Graph 9: Revenue and revenue growth rate in office leasing market in HCM city

Graph 10: Supply source, supply growth rate of commercial premises in HCM city



Source: CBRE

Business activities of ecological zones – resort

Business hotel market recently has prospered thanks to the tourism recovery due to better economic condition. However, the most impressive recovery recently is the villas segment with a series of projects built and offered for investors. In 2008 there were 8 new projects offered: Tuan Chau Residences, The Mongomerie Links, Mui Ne Domaine, Sanctuary Ho Tram, Long Thanh Golf, Lagura Long Hai, Evason Hideaway Con Dao, and Sea Links Phan Thiet with a total of 1,882 villas. In 2009 there were three projects of Hyatt Regency Residences, Ocean View Villa, Phan Thiet Casalle's Hill offering 174 apartments, 196 villas and 124 substantial grounds. In 2010, a number of new projects being implemented such as Cat Ba, The First Resort & Villas, Ecopark, Hill Grand Arena, Six Senses Saigon River

Business activity of industrial infrastructure

By the end of 2009, there were 249 industrial zones being provided operation license with area of 63,173 hectares, in the industrial land that can be rent is 38,858 hectares, accounting for 61.5% of total area. 174 industrial parks were in operation with area of 38,804 ha and 74 industrial parks in the compensation period and site clearance with area of 14,792 ha. Average fill rate of industrial zones in Vietnam at present is 48%.

The industrial parks has attracted 3600 foreign investment projects with total registered capital reach 46.9 billion and 3,200 domestic projects with registered capital of 254,000 billion. Industrial parks concentrated Ho Chi Minh City, Binh Duong, Dong Nai, Vung Tau, Long An, Hanoi, Vinh Phuc, Hung Yen, Hai Duong, Bac Ninh...The rent rate differ from each area. Rental price of industrial parks in Ho Chi Minh City and Hanoi is highest with average price reached 2.5 USD/m2/year. While in other provinces, average price of about 1.0 to 2 USD/m2/year

With economic growth at present, the industrial sector will continue to grow especially in the manufacturing center of the country such as Binh Duong, Dong Nai, Vung Tau, Long An, Tien Giang, Hung Yen, Bac Ninh, Hai Duong, Vinh Phuc, ... as in big cities like Ho Chi Minh, Hanoi industrial zones gradually replaced by the urban area, as well as the movement of factories to suburban area, convenient water transportation for export

Financial investment activities

With a huge advantage from constructing building in PVN, capital reclaim from projects will be fairly easy, helping the amount of cash for investment of PVV to be adequate. This is one of the great advantages of PVV compared with other companies in the industry in the management and use of free cash.

Table 8: Portfolio of units PVV is holding capitals

	Sub-companies	PVV's joint capital (bil)	Percentage
1	Vina-Petro Construction Material Manufacturing Joint Stock Company	4.9	87.5%
2	Vina –Petro Industry and Civil Joint Stock Company	4.9	75.2%
3	Vina-Petro Furniture Joint Stock Company	1.5	62.5%
4	Vina-Petro Design Consultancy Company	3.2	100%

Source: PVV, PSI summary

Financial investment activities do not contribute significantly to the business activities of PVV in the current time and next years. We do not have basic for evaluating potential of financial investments of PVV. So, revenue from financial investments is mainly calculated based on revenues from PVV deposits in financial institutions and Profit from the member companies, affiliated companies, long-term investment...

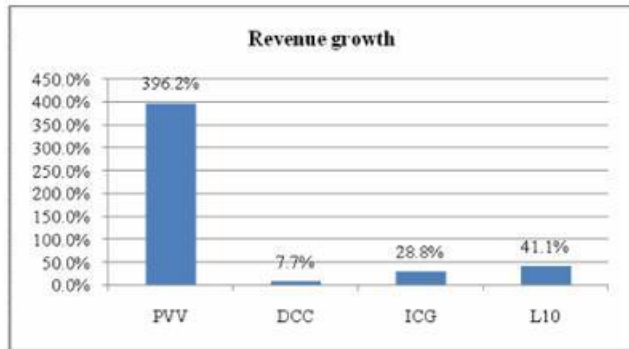
Evaluation of PVV business with some companies operating in the construction industry listed on stock exchanges.

In the period 2008-2009, PVV was newly formed but had had big strides on the path of development. From a very small scale company in the construction industry with revenues of nearly 10 billion VND in 2008, increased to over 100 billion in 2009 and expected revenue of nearly \$ 700 billion in 2010. Overall, this is an extremely fast growth rate in the construction industry in Vietnam, the main reason is that company continuously won the construction bids, and become the principal contractor for big projects in the petroleum industry from PVX and from VCG.

At present, PVV profit margin is low because it is in first phase of development process, lack of equipment and has to outsource the construction, less charter capital and use much loan capital. From 2010, we evaluate the profit margin of the PVV will be improved and achieve the sector average of nearly 10%.

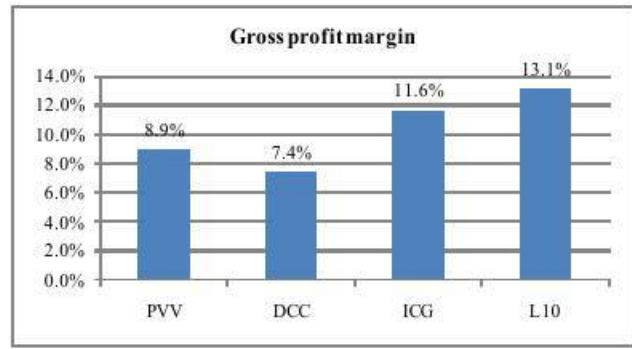
Graph 11: Revenue growth

Graph 12:Gross Profit margin



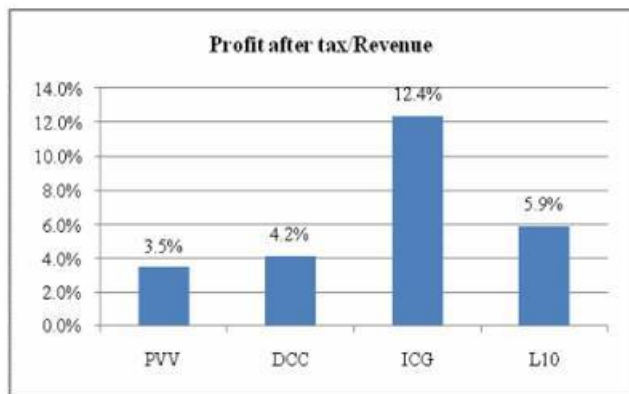
Source: PSI summary

Graph 13: Profit after tax/revenue

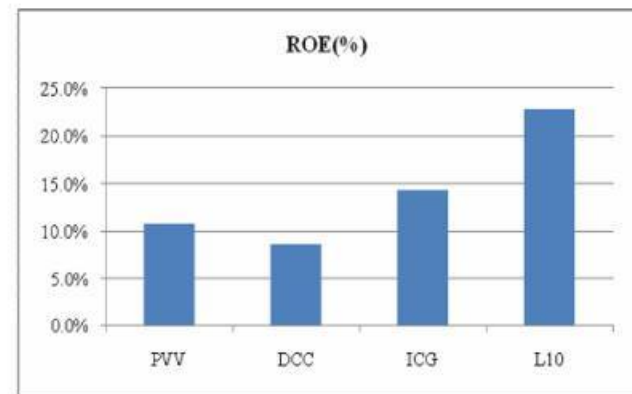


Source: PSI summary

Graph 13: ROE



Source: PSI summary



Source: PSI summary

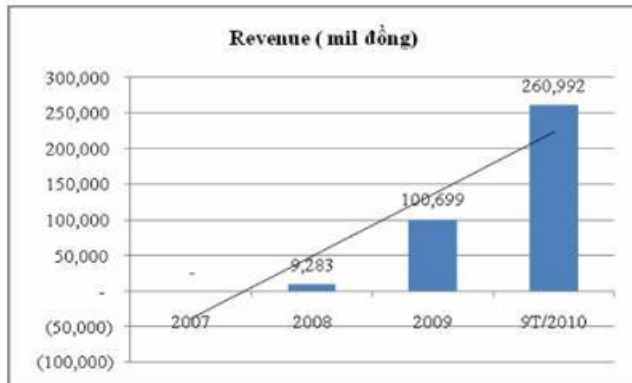
Financial Evaluation

PVV currently has charter capital of 50 billion and has conducted over 150 billion capital raise by issuing shares to existing shareholders with rate 1:2 ratio 12/2010. In 2007-2008, business activity was lost, till the end of 2009, company mainly solve accumulated loss and made profit. The financial indicators on average basic and not so prominent compared to other firms in the industry.

Short and long term debt of the company is 228.32 billion. Debt/Charter capital ratio was 456.6%, Total liabilities/Owner's equity is 1,104%, showing that the current capital structure of the PVV is using too much debt financing for business activities. This led to financial risks when PVV is not active in finance. After the capital increase to 150 billion, debt ratio of PVV is remarkably reduced, however compared with the current growth scale, it is still at a high risk

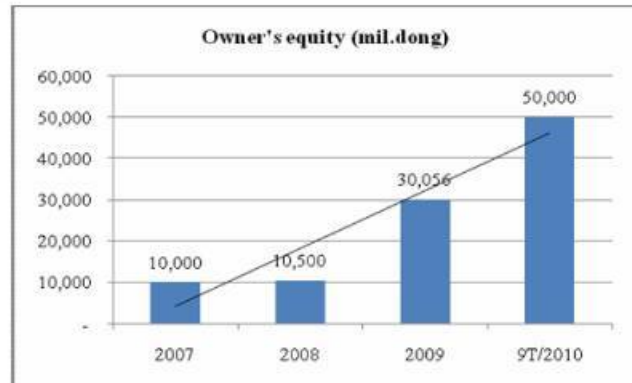
Graph 15: PVV's revenue

Graph 16: PVV charter capital



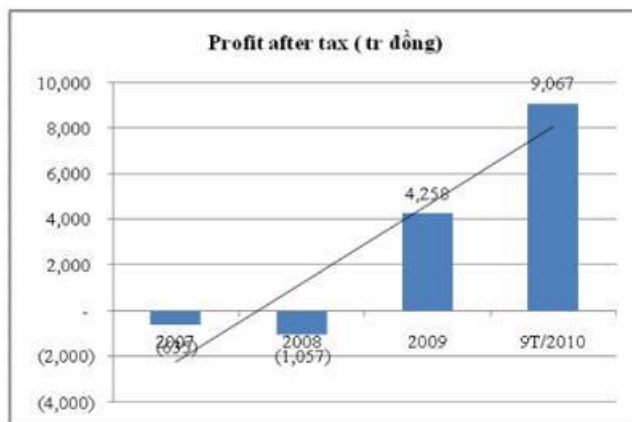
Source: PVV, PSI summary

Graph 17: PVV's profit after tax

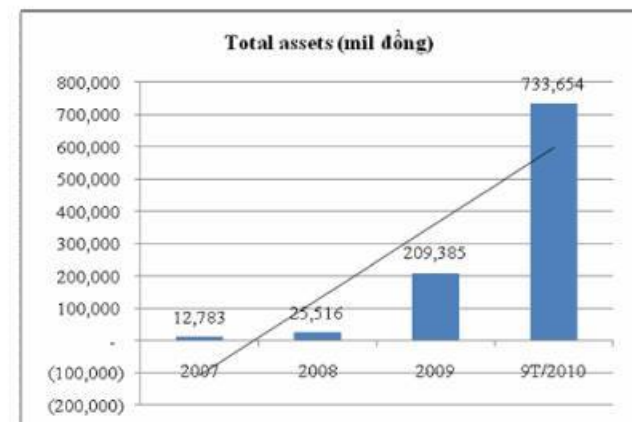


Source: PVV, PSI summary

Graph 18: PVV's total asset



Source: PVV, PSI summary



Source: PVV, PSI summary

FINANCIAL FORECAST

Revenue cost and profit assumptions

Based on information collected about business operations of the PVV, the forecasts on the development of construction industry and business activity of industrial parks infrastructure, real estate, petroleum sector development plan, as well as the development of real estate market in Hanoi, Ho Chi Minh City, Vung Tau, ... we cautiously forecast result of business activities of PVV as follows:

Revenue in 2010, we rely on the results of the signed contracts and new-signed contracts, as well as progress of construction contract to forecast revenue. COGS of firm slightly decreased due to new equipment installation instead of renting outside, some of raw material inputs are ready-made: building stone, commercial cement ...

Revenue from real estate infrastructure business of PVV is boosted by focusing on developing real estate projects in the portfolio mentioned above

Turnover from financial activities were calculated based on the progress of capital withdrawal, shares investment in others companies, bank deposits every year on the balance sheet

Revenue from associated companies, joint ventures is dividends received from the

member companies, we do not appreciate this revenue because PVV has no associated companies, or long-term investments.

Financial cost based on forecasted short-term and long-term loan on annual balance sheet accounting.

Detail assumptions

- Revenue growth in 2010 is approximately 419.8%; in 2011 is about 24.43% and 17.65% in 2012, from 2013 to 2015 average of about 20% per year. An estimate for long-term period from 2016 afterward is about 5% per year...
- COGS/Revenue is from 88-90%
- Management expenses take over average of 3.5% total revenue.
- Fixed assets increased as planned, the depreciation period is expected to average 7 years, straight line depreciation.
- Registered capital will increase to 150 billion in 2010 and increased 100 billion per year from 2013 afterward
- Dividend at 15% per year.
- Cost of Equity of the company at about 21.93%, WACC at about 19.74
- P/E for Vietnam's construction industry is about 12-16 times, we cautiously take P/E of 12 times, and P/B is 2 times.

Table 9: Business operation results of PVV

	2010E	2011E	2012E	2013E	2014E	2015E
Construction productivity	812,000	977,500	1,140,000	1,412,500	1,680,000	2,220,000
Revenue (mil VND)	523,492	850,000	1,000,000	1,250,000	1,500,000	2,000,000
COGS (mil VND)	473,952	761,050	890,500	1,106,250	1,319,250	1,748,000
<i>COGS/Revenue</i>	<i>90.5%</i>	<i>89.5%</i>	<i>89.1%</i>	<i>88.5%</i>	<i>88.0%</i>	<i>87.4%</i>
Gross profit (mil VND)	49,540	88,950	109,500	143,750	180,750	252,000
<i>Gross profit/Revenue</i>	<i>9.5%</i>	<i>10.5%</i>	<i>10.9%</i>	<i>11.5%</i>	<i>12.1%</i>	<i>12.6%</i>
Profit after tax (mil VND)	21,811	51,450	67,263	99,227	128,277	177,638
<i>Profit after tax /Revenue</i>	<i>4.2%</i>	<i>6.1%</i>	<i>7.6%</i>	<i>7.9%</i>	<i>8.6%</i>	<i>8.9%</i>
ROA	3.75%	5.54%	5.70%	6.58%	6.87%	7.49%
ROE	12.69%	19.77%	17.03%	18.75%	19.90%	22.73%
Owner equity (mil VND)	150,000	225,000	337,500	500,000	600,000	700,000
EPS (VND)	3,635	3,049	2,657	2,624	2,443	2,842

Source: PVV plan, PSI forecast

VALUATION

Valuation method

We combine 4 methods: FCFE, FCFE, P/E, P/B to determine target price for PVV.

The indicators are compared with the average in construction industry, business real estate and similar scale construction company in Vietnam. The average price we estimate cautiously of about 26,000 VND/share.

Valuation method	Price (dong)
FCFE	26,874
FCFF	35,319
P/E	29,081
P/B	15,176

Source: PSI forecast

REFERENCE: FINANCIAL REPORT

	2008	2009	2010E	2011F	2012F
Total revenues	-	100,699	523,492	850,000	1,000,000
COGS	-	93,676	473,952	761,050	890,500
Gross profit	-	7,023	49,540	88,950	109,500
Financial income	36	2,414	7,902	14,005	23,688
Financial expenses	-	198	5,857	10,033	11,481
Selling expenses	-	-	1,700	1,870	2,057
General and Administration expenses	670	4,130	20,820	24,984	35,000
Net operating profit	(633)	5,108	29,065	66,069	84,650
Profit/(loss) from other activities	<i>(2)</i>	<i>6</i>	<i>16</i>	<i>31</i>	<i>34</i>
Profit before tax	(635)	5,114	29,081	66,100	84,684
Net profit	(635)	4,258	21,811	51,450	67,263
TOTAL ASSETS	12,783	209,385	586,489	929,469	1,180,492
Current assets	6,533	176,533	464,163	721,459	794,694
Cash and cash equivalents	<i>4,633</i>	<i>49,964</i>	<i>79,400</i>	<i>115,408</i>	<i>83,754</i>
Account receivable short-term	287	80,346	295,302	479,485	564,100
Inventories	1,163	28,321	52,402	85,085	100,100
Other current assets	451	17,903	37,061	41,481	46,741
Long-term assets	6,250	32,852	122,326	208,010	385,798
Fixed assets	<i>30</i>	<i>20,278</i>	<i>90,675</i>	<i>109,675</i>	<i>204,698</i>
Tangible fixed assets	14	20,254	86,914	87,145	80,591
-Cost	15	20,880	95,880	110,880	120,880
-Accumulated depreciation	(1)	(626)	(8,966)	(23,734)	(40,289)
Long-term investment	-	-	4,900	54,900	130,000
Other long-term assets	6,220	12,573	26,750	43,435	51,100
TOTAL LIABILITIES	12,783	209,385	586,489	935,793	1,184,824
Current liabilities	3,418	171,085	393,425	652,885	765,715
Short-term borrowing and liabilities	-	13,448	26,175	59,500	70,000
Long-term liabilities	-	5,678	21,254	22,636	24,107
Long-term liabilities and borrowing	-	5,678	21,254	22,636	24,107
Equity	9,365	32,622	169,630	257,700	391,638
Owners' equity	10,000	30,056	150,000	225,000	337,500
Retained profit	(635)	2,566	17,449	12,555	9,912
Other funds	-	-	2,181	2,572	3,363
Liquidity ratio					
Quick ratio	1.57	0.84	0.99	0.94	0.88
Current ratio	1.91	1.03	1.18	1.11	1.04
Capital structure					
Total liability/Owner's equity	36.5%	541.9%	244.5%	262.1%	201.7%
Total liability/Total assets	26.7%	84.4%	70.7%	72.7%	66.9%
Operation ratio					
Inventory turnover	-	6.35	11.74	11.07	9.62
Payable turnover	-	4.01	6.29	5.53	4.81
Receivable turnover	-	8.12	9.58	7.67	6.70
Profitability ratio					
Gross profit/ Revenue (GM)	-	7%	9%	10%	11%
Operating profit/Revenue	-	3%	5%	7%	7%
(Operating margin)					
ROA	-5.0%	2.0%	3.7%	5.5%	5.7%
ROE	-6.8%	13.1%	12.7%	19.8%	17.0%

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