

PricewaterhouseCoopers Vietnam M&A activity review – 2009

Slow start but a strong finish to the year. Overall M&A values and volumes appear to have returned to a growth path in Q4 2009 giving grounds for optimism for 2010.

Ho Chi Minh City, 19 January 2010. Every six months, PricewaterhouseCoopers issues a detailed review of Mergers and Acquisitions (M&A) activity in Vietnam. The review considers the wider environment affecting the making of deals in the country, considers the larger and more notable deals individually and provides an outlook for the forthcoming months. Our analysis of deal activity during the first half of 2009 is available at the following page:

http://www.pwc.com/vn/en/releases2009/vietnam_ma_activity_2009_en.ihtml

Current Environment

Based on the preliminary information released by the Vietnam General Statistics Office (“GSO”), the overall annual rate of GDP growth in 2009 reached 5.3%, compared to 6.2% in 2008. During the second half of 2009, the Vietnamese economy achieved an accelerated rate of growth compared to that of the first half of the year with growth reaching 3.1% in the first quarter, 4.5% in the second followed by 6% and 6.9% in the third and fourth quarters, respectively. The main drivers of growth were the trade (7.7%), financial services (8.7%), construction (11.4%), mining (7.6%) and the transport, postal services and tourism (8.5%) sectors. As in many other countries, monetary and fiscal stimulus programs introduced by the government during the year provided a major boost to the economy as a whole and contributed to the accelerating rate of growth seen in the last two quarters of the year.

Inflation decreased significantly during 2009 to a low of 1.97% year-on-year in August 2009 compared to a peak of 28.3% measured in August 2008. The overall inflation rate for the year was 6.88%, the lowest seen in the last 6 years. Inflation began to accelerate again towards the end of the year albeit at a modest rate and consensus amongst analysts is that the annual inflation rate in 2010 will fall in the range of 8 - 10%.

The prime interest rate set by the State Bank of Vietnam (“SBV”) peaked at 14% in the summer of 2008 before being cut back to 8.5% by the end of 2008 and to 7% in January 2009 as part of the government’s easing of fiscal policies to help meet economic growth targets for 2009. The prime rate was then raised again to 8% in December 2009.

Vietnam continues to experience a trade deficit despite some months of surplus during the first quarter of the year which mainly came about as a result of high levels of gold exports. Overall, exports and imports declined by 9.7% and 14.7% respectively compared to 2008. The ongoing trade deficit, combined with lower remittances received from overseas Vietnamese, lower rates of disbursement for FDI commitments and lower levels of dollar revenues from tourism, put the Vietnamese dong under some pressure during the year. In response, the government acted by raising the base rate to 8%, whilst at the end of November the Vietnamese Dong trading band was narrowed to 3% from 5% and the dong midpoint rate weakened by 5.44%. The US\$ selling reference rate of the SBV was 18,479 VND on 31st December 2009 compared to 17,489 at the end of the prior year.

The intensity of gold trading has been particularly high during the year, partly due to temporary disparities between international and local prices but also due to speculation and a traditional respect for gold as an asset class. According to the Financial Times, Vietnam is today one of the world's largest gold consumers and it is estimated that gold trading values are around US\$ 1 billion a day. In January 2010 the government announced that significant restrictions were to be implemented on gold trading, prompting immediate speculation regarding the flow of money into alternative asset classes in the first quarter of the new year.

The State Bank of Vietnam ("SBV") has estimated that credit growth in the banking system in 2009 was around 38%, above the 30% target set at the time when the government introduced its economic stimulus package. With the based rate held at 8% per annum, the SBV expects credit growth of a more modest 25% in 2010. The central bank also recently announced credit tightening measures to take effect from January 2010, for example the halving of interest rate subsidies to 2% from the previous 4% and granting them only for medium/long term loans, subsidies for short-term loans having been curtailed, whilst a maximum of 30% of bank's short-term deposits can now be used for medium/long-term lending, down from the previous level of 40%.

There has been a sharp slow down in newly licensed FDI projects following last year's record commitments. The total value of investment commitments licensed in 2009 reached US\$16.3 billion for new projects and US\$ 21.5 billion after including additional capital approved for existing licensed companies, surpassing the 2009 target of US\$20 billion for total FDI commitments. Whilst this US\$ 21.5 billion total compares poorly to the record levels of 2008, it still equals the investment commitments received in 2007 and is almost double the level of FDI commitments in 2006, although questions remain over the likelihood of implementation of some of the larger projects licensed. Actual FDI disbursements totalled an estimated US\$10 billion in 2009, or 13% lower than in 2008.

The benchmark stock exchange indicator, the VN-Index has recovered from the 2008 close of 315.6 reaching 448.3 at the end of June and 494 points at the end of December. The 52 weeks high was 633 points. The year end market capitalisation of the Ho Chi Minh Stock Exchange ("HoSE") was US\$ 26.7 billion representing 196 listed companies and the market capitalisation of the 257 listed companies on the Hanoi Stock Exchanges reached US\$ 6.6 billion by the end of the year.

IPO activity, which had already picked up in the first half of the year, continued to show vitality in the second half of 2009. Notable listings included that of Eximbank, the first commercial joint stock bank in Vietnam, which listed 876.2 million shares on the Ho Chi Minh City Stock

Exchange (“HoSE”) in October for an initial market capitalisation of approximately US\$ 1.4 billion. Eximbank became the sixth listed bank in Vietnam. In November, Masan Group, which owns or has investments in Masan Food, one of Vietnam’s largest food and beverage companies, and Techcombank, a leading Joint Stock Commercial Bank with HSBC as a strategic partner, began trading on the Ho Chi Minh Stock Exchange. The share price rose 20% on the first day reaching the HoSE’s first day trading ceiling and closed at VND 43,200. At closing, Masan Group’s market capitalization was VND 20,580 billion (approximately US\$1.15 billion), making it one of the top 5 private sector listed companies in Vietnam by equity value with the 3rd largest weighting on the VN Index. Despite these high profile listings, there has been no change in the significance of the OTC market and with the June launch of “UPCoM”, a new market for OTC companies in Hanoi, regulators are clearly encouraging greater transparency outside the main bourses. However, by the end of 2010, there were only 17 companies listed on this market.

As mentioned in our earlier reports, despite the impact of the global economic crisis, Vietnam remains indisputably on a growth path driven by its favourable demographic profile, its social development, political stability and other fundamentals and there remains a clear recognition by the government of the positive contribution to the ongoing growth of the economy attributable to foreign investors. Ongoing challenges to economic growth and to doing business in Vietnam that currently exist are not dissimilar to those of other similar emerging markets around the world.

Deal Activity

As noted in our July report, the decline in deal volumes and values in the last quarter of 2008, especially with respect to inbound activities flowed over into the first half of 2009 with low inbound deal volumes and lower average valuations impacting overall M&A figures, despite the higher volume of domestic deals. The low level of M&A transactions in dollar terms during the first half of 2009 was followed by a more positive second half of the year, particularly the fourth quarter, contributing to a small, positive overall growth in deal values compared to 2008, whilst the rate of growth in deal volumes accelerated compared to prior periods. Contrary to various announcements stating that equitisation would resume in 2009, no significant deals were initiated by the government with respect to State Owned Enterprises which impacted average deal sizes during the year, as did investor caution which led to a greater focus on small/medium sized deals.

The strong pick up in deal volumes in the second half of 2009 was driven by domestic deals, although the average deal size for domestic M&A was very low (where information was made public). Significantly, fourth quarter deal activity saw higher numbers of inbound deals and much higher average deal sizes indicating growing confidence amongst international companies, especially those from Asia, in the global recovery in general and in the robustness of the Vietnamese economy in particular.

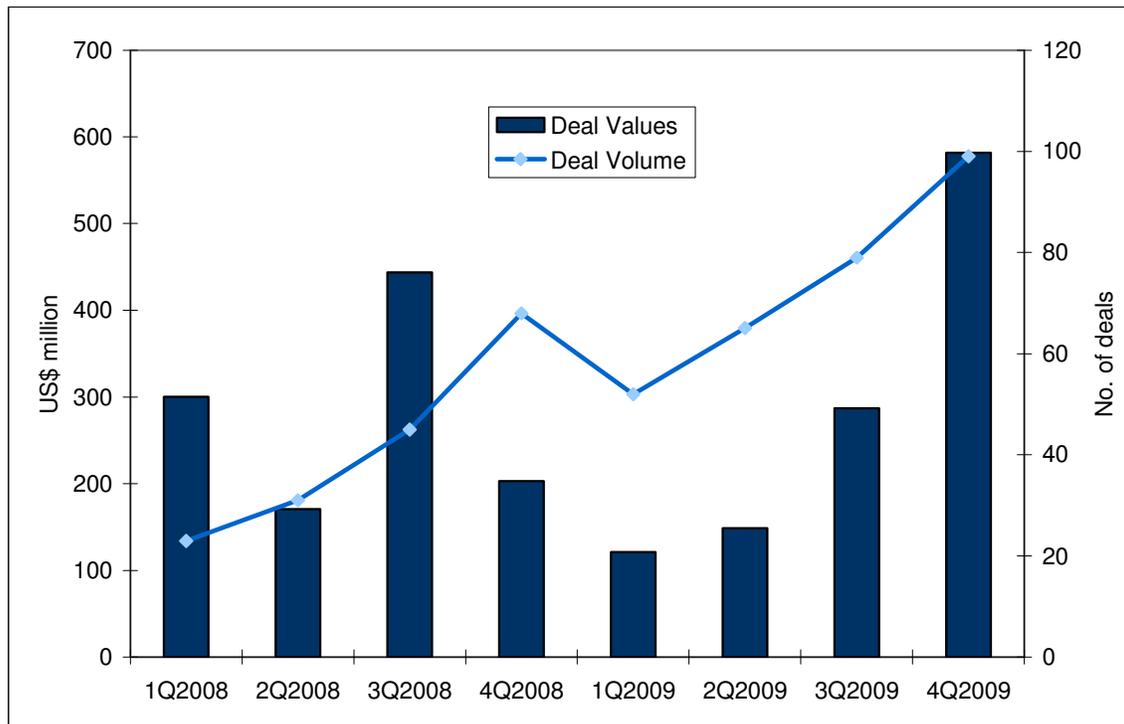
Another notable trend is the increase in deals conducted by private equity firms including a small number of larger deals which appears to reflect more favourable valuation multiples and also the ongoing need amongst some of the larger private Vietnamese companies for expansion capital. TPG’s recent investment to Masan may be viewed as a milestone with respect to returning interest and confidence from international private equity funds in Vietnam.

Deal Activity Summary

	2009	2008	Change
Deal Value (US\$ million)			
Domestic	475	532	-11%
Inbound	660	560	18%
Outbound	3	25	-88%
Total	1,138	1,117	2%
Number of deals			
Domestic	200	86	133%
Inbound	90	76	18%
Outbound	5	5	0%
Total	295	167	77%

Source: Thomson Reuters, PricewaterhouseCoopers research

Vietnam Deal Activity 2008- 2009 by quarter



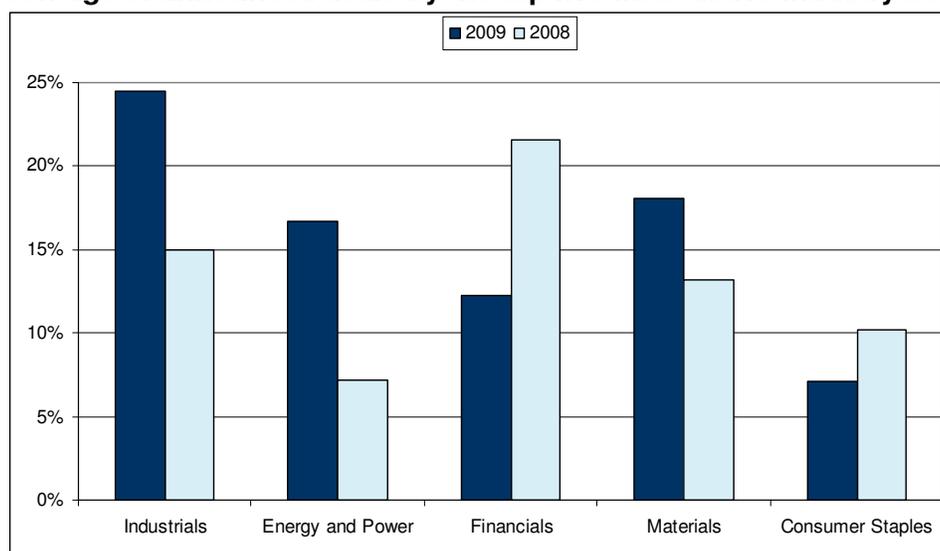
Source: Thomson Reuters, PricewaterhouseCoopers research

Announced M&A Deals – Target Region / Nation						
	2009	2008		2009	2008	
	(US\$ Millions)		% Change	Number of deals		% Change
Worldwide	2,072,565	2,886,972	-28%	38,325	41,045	-7%
USA	720,132	923,793	-22%	7,585	9,371	-24%
Europe	580,246	1,168,696	-50%	13,063	13,863	-6%
China	101,579	113,646	-11%	2,722	3,000	-10%
South East Asia	46,047	73,670	-38%	2,295	2,115	8%
Vietnam	1,138	1,117	2%	295	167	77%

Source: Thomson Reuters, PricewaterhouseCoopers research

Comparing the overall M&A statistics across various geographical regions, it is of note that the registered deal values figure for Vietnam is higher than that of 2008 by 2% whereas the USA saw a 22% decline in deal values and South East Asia saw a 38% decline in 2009. Vietnam also continued to experience dramatic growth in announced deal volumes and again stands out in comparison with other regions of the world. As noted in our July report, the increase in deal volumes is significant, even if we continue to suspect that one reason behind it may be a greater willingness amongst Vietnamese companies to make public announcements regarding deals in 2009, whilst more effective data capturing of smaller deals by specialist M&A statistics providers may be another factor. Overall we believe that access to M&A related information is improving in Vietnam and we expect further improvements going forwards as the number of public companies increases and interest in M&A continues to rise.

M&A targets in Vietnam
Percentage of announced deals by the top five most active industry sectors



Source: Thomson Reuters, PricewaterhouseCoopers research

During 2009, the industrial sector accounted to almost a quarter of all announced M&A deals targeting Vietnamese companies, up from 15% in 2008. The share of deal volumes attributable to the energy and power sector increased from 7% in 2008 to 17% in 2009 whilst that related to the financial sector fell from 22% to 12%. Despite the growth in the number of deals in the consumer staples sector, its share of the total fell from 10% in 2008 to 7% in 2009.

The split in deal volumes, particularly the number of deals involving Petrovietnam during 2009 which contributed to the high percentage of deals in the energy and power sector, appears to reflect a growing trend amongst major Vietnamese conglomerates to restructure their organisations, remove smaller competitors through acquisition/merger and expand their operations into new sectors of the economy. This led to the particularly high volumes in industrials, energy and power and materials. The decline in financial services deals largely reflects the global turmoil in this sector which meant that deals in economies such as Vietnam were off the agenda for most major financial institutions.

Notable deals announced during the year included:

In October, HSBC Insurance (Asia Pacific) Holdings Limited ("HSBC") signed an agreement to increase its shareholding in Bao Viet Holdings, Vietnam's leading insurance and financial services group, to 18% from the current level of 10% for a consideration of VND1.88 trillion (approximately US\$105.3 million). A total of 53,682,474 new shares will be issued to HSBC through a private placement to increase HSBC's stake. As part of the original agreement, HSBC continues to hold certain pre-emptive rights allowing it to acquire shares currently owned by the Ministry of Finance with a maximum permitted HSBC shareholding of 25% in the five years from signing of the agreement and at prevailing foreign ownership limits thereafter. Michael Geoghegan, HSBC's Group Chief Executive, said: "Our additional investment in Bao Viet reflects the successful partnership we have enjoyed over the last two years and the confidence we have in the long-term growth prospects of Bao Viet and of Vietnam. This is also entirely consistent with our stated strategic focus on the world's faster growing markets and our intention to meet the insurance and wealth protection needs of our customers in these rapidly developing markets." Mr Le Quang Binh, Chairman of Bao Viet Holdings, said: "After two years of successful co-operation, we are pleased HSBC is able to increase its shareholding to 18%. The Ministry of Finance has supported the private placement as an alternative approach to acquiring shares from the Ministry. The increased shareholding by HSBC adds to the financial position of Bao Viet and its capacity to finance its growth and development. It also reflects HSBC's commitment as the most important strategic shareholder in Bao Viet."

In October, Taipei Fubon Commercial Bank Co Ltd, a Taiwan based provider of commercial banking services and a subsidiary of Fubon Financial Holding Company Ltd, a listed Taiwan based financial services company, acquired the Vietnamese branches of Chinfon Commercial Bank Co Ltd, a Taiwan based commercial bank and a subsidiary of Central Deposit Insurance Corporation, a Taiwan based deposit insurance company, for a consideration of TWD 2.53 billion (US\$ 78.1 million).

In November, a leading Japanese food and beverage company, House Foods Corporation ("House Foods"), signed an agreement to make an investment of approximately US\$20 million in Masan Group Corporation by acquiring 9 million new ordinary shares at a price of

approximately VND40,000 per share, representing a stake of around 1.85% of the Group's enlarged share capital. The transaction valued Masan Group Corporation at over US\$1 billion. Companies that Masan Group owns and in which it invests include Masan Food Corporation, one of Vietnam's largest food and beverage companies, and Techcombank, a leading Joint Stock Commercial Bank in which HSBC is a strategic partner. Masan Food Corporation, established in 2003, holds a market share of approximately 50% in some of Vietnam's most popular food product subsectors, including fish sauce and soy sauce. House Foods, founded in 1913 and listed on both the Tokyo and Osaka Stock Exchanges since 1971, is one of the largest food and beverage players in Japan with a dominant position in the curry category.

In December, Ha Tien 2 ("HT2") Cement Joint Stock Company agreed to merge with Ha Tien 1 ("HT1") Cement Joint Stock Company. HT1, a Vietnam based listed company headquartered in Ho Chi Minh City is a construction materials manufacturer. HT2, another Vietnam based listed company headquartered in Kien Luong is a cement producer. Both companies are majority owned by Vietnam National Cement Corporation, a Vietnam based, state owned cement producing company. The deal value is estimated at US\$ 133 million and will involve HT2 transferring all of its assets, rights, obligations and legal benefits to the merged entity. It is envisaged that the merger will enable the combined company to have a better competitive position in the cement manufacturing industry. Upon completion, HT2 will be delisted from the Ho Chi Minh Stock Exchange. The new company will be traded under the name of Vicem Ha Tien Cement Joint Stock Company.

In July, Asean Pulp and Paper Corporation Limited, a UK based holding company with interests in paper and pulp manufacturing, agreed to acquire a 51% stake in Phuong Nam Pulp Company, a Vietnam based manufacturer and supplier of paper and pulp, from The Transportation and Communication Investment and Development Corporation ("Tracodi"), a Vietnam based state owned enterprise, for a consideration of US\$15m. Phuong Nam Pulp Mill's total investment capital is approximately US\$ 180 million, of which over US\$ 132 million has come from Société Générale of France, Petrovietnam Finance Corporation, the Bank for Investment and Development of Vietnam ("BIDV") and VietcomBank.

In July, Vincom JSC, a listed Vietnam based real estate company, agreed to acquire a 44.25% stake in Hoang Gia Real Estate Investment and Development JSC ("Hoang Gia"), another Vietnam based real estate company, for VND 885 billion (US\$50.5 million) via a subscription for newly issued shares. Under the terms of the agreement, Vincom JSC received 88.5 million new shares in Hoang Gia to hold 102 million Hoang Gia shares in total, representing a 51% stake. Pursuant to the acquisition, the capital of Hoang Gia increased from VND 300 billion (US\$17 million) to VND 2 trillion (US\$110 million). In a related transaction, Vinpearl Land Tourism JSC, a listed Vietnam based company involved in real estate development and tourism, acquired a 28.75% stake in Hoang Gia for VND 575 billion (US\$37.6 million)

In July, Premier Oil PLC of UK raised its interest in Block 12W, an oil and gas exploration and production project located in Nam Con Son Basin, to 53.13% from 28.13%, by acquiring a further 25% stake from Delek Energy Systems Ltd. for a total of VND 1.464 trillion (US\$82 million). Concurrently, Petrovietnam Exploration & Production Co ("PVEP"), a wholly-owned unit of Vietnamese state-owned Vietnam Oil & Gas Corp ("Petrovietnam"), exercised its

option to acquire a 15% stake in the same block from Delek Energy Systems Ltd. for VND 205.4 billion (US\$11.5 million).

In July, POSCO, a listed South Korea based steel manufacturer agreed to acquire a 90% stake in Asia Stainless Corporation (“ASC”), a Vietnam based manufacturer of stainless steel, for an estimated consideration of US\$50 million. With a current annual capacity of 30,000 tons, ASC (located near Ho Chi Minh City) has plans to expand its production capacity to 85,000 tons per annum by 2010.

In December, Jardine Cycle & Carriage Ltd of Singapore raised its stake in Truong Hai Automobile Co Ltd (“THACO”), a Ho Chi Minh City based manufacturer, wholesaler and retailer of motor vehicles, to 29.2% from 23.4%, by acquiring a further 5.8% stake for an estimated VND 537 billion (US\$29 million). THACO was established in Vietnam in 1997 and incorporated as a joint stock company in 2007. THACO's principal activities include the manufacture, assembly, distribution, retail, repair and maintenance of commercial and passenger vehicles in Vietnam under the Kia, Foton, King Long, Hyundai and THACO brands. The company operates through a network of showrooms and dealers throughout the country.

In December, Sapporo Holdings Limited, a listed Japanese company with interests in alcoholic beverages, soft drinks, restaurants and real estate, agreed to acquire Kronenbourg Vietnam Limited, a Vietnam based producer of beer, from Vietnam National Tobacco Corporation (“Vinataba”), a Vietnam based company engaged in manufacturing and production of tobacco and cigarettes, and Carlsberg Breweries A/S for a consideration of US\$25.4million. Under the terms of the agreement, Sapporo acquired a 50% stake from Carlsberg Breweries A/S and a further 15% stake from Vinataba. The remaining 35% stake will continue to be held by Vinataba. Upon completion of the transaction, Kronenbourg Vietnam Limited will be renamed Sapporo Vietnam Limited.

In December, Thai Containers Group Company Limited (“TCG”), a Thailand based producer of packaging products and a 70:30 joint venture between SCG Paper Public Company Limited, a Thailand based manufacturer of packaging products, and Rengo Co Ltd, a listed Japan based company engaged in manufacturing and sale of paper products and flexible packaging, agreed to acquire New Asia Industries Company Limited, a Vietnam based producer and distributor of corrugated containers, from Toprife Hong Kong Limited for a consideration of THB 770million (US\$23.2 million). New Asia has a capacity of 49,000 tons per year and an approximate market share in Vietnam of 5%. The acquisition will enable TCG to expand its packaging capacity in the domestic market and overseas in order to capture the strong growth in demand for paper packaging.

In November, Avnet Inc., a listed US based distributor of semiconductors, electronic components, computer products and electrochemical components, acquired Sunshine Joint Stock Company (“Sunshine”), a Vietnam based distributor of IT products, for an undisclosed consideration. Sunshine has a workforce of over 120 employees and generated US\$33 million in revenues in 2008. The acquisition is a strategic move by Avnet Inc. to expand its ASEAN distribution coverage. The Sunshine operations will be integrated into Avnet Inc.'s Asian Technology Solutions business.

In July, Etika International Holdings Limited, a listed Singapore based manufacturer and distributor of condensed milk products, agreed to acquire Tan Viet Xuan Joint Stock Company (“TVX”), a Vietnam based producer of fresh milk and sweetened condensed milk products, for a cash consideration of US\$8.5 million. This acquisition, the first by Etika in the Vietnam food and beverage sector allowed it to expand its presence in Vietnam and in the Indo-China region. Post acquisition, Etika expects the export sales of UHT milk from TVX to be channelled through its current marketing set-up in Malaysia, Singapore, Indonesia and the Philippines.

In July ANZ announced the purchase of several Asian businesses belonging to the Royal Bank of Scotland, including its institutional business in Vietnam.

In August, CIMB Investment Bank Bhd (“CIMB”) of Malaysia, a wholly-owned subsidiary of Bumiputra-Commerce Holdings Bhd's agreed to acquire a 10% stake in Vinashin Shipbuilding Finance Co., Securities LLC (“Vinashin Shipbuilding”), a securities company, from Vietnam Shipbuilding Finance Co., Ltd., a wholly-owned unit of state-owned Vietnam Shipbuilding Industry Corp., for VND 34 billion (US\$1.9 million). Concurrently, CIMB was granted an option to raise its stake to 40% from 10% by acquiring a further 30% stake from Vietnam Shipbuilding Finance Co., Ltd. The CIMB Group is Malaysia's second largest financial services provider and one of Southeast Asia's leading banking groups.

In November, Mirae JSC (“Mirae”) announced that it planned to merge with Mirae Fiber JSC (“Mirae Fiber”), a manufacturer and wholesaler of cotton and fiber, in a stock swap transaction valued at VND 189.158 billion (US\$10.4 million).

In November, Petrovietnam Low Pressure Gas Distribution JSC (“PV GAS D”) announced that it planned to acquire Low Pressure Gas Distribution System Phase II of Petrovietnam Gas Corp Co Ltd (“PV Gas”), a Ho Chi Minh-based manufacturer and wholesaler of gas products and a wholly owned unit of state-owned Vietnam National Oil & Gas Group (“Petrovietnam”), for VND 141.2 billion (US\$7.9 million).

In August, Woori Investment & Securities Co. Ltd (“Woori I&S”) of South Korea raised its stake in Bien Viet Securities JSC (“BVS”), a Hanoi-based securities brokerage firm, to 49% from 12.7%, by acquiring a further 36.3% stake for VND 107.8 billion (US\$6 million). In December, BVS was renamed Woori CBV Securities Corporation. Woori I&S is the leading securities firm in Korea operating in areas such as brokerage, securities trading, underwriting and financial services to Korean and foreign investors.

In December, Securitas AB of Sweden agreed to acquire 49% of Long Hai Security JSC (“Long Hai”), a Vietnamese security services company. The purchase price was approximately VND 88 billion (US\$4.9 million). Securitas has operations in 40 countries in North America, Europe, Latin America, Asia, Middle East and Africa. Its global market share of the outsourced security services market is approximately 12%. Long Hai is the market leader in the Vietnamese security services market and operates throughout Vietnam, its largest branches being in Ho Chi Minh City and Hanoi and mainly provides security guard services.

In November, an investor group, including Petrovietnam Insurance JSC (“PVI”), a 59.51% owned unit of state-owned Vietnam National Oil & Gas Group (“Petrovietnam”), announced that it planned to acquire a 9% stake, or 13.5 million ordinary shares, in Petrovietnam Construction JSC (“PVC”), a Hanoi-based provider of oil and gas infrastructure construction services and a majority-owned unit of Petrovietnam, in a privately negotiated transaction. Concurrently, another investor group comprising Asian Pacific Ocean Securities JSC, Vietnam International Commercial Joint Stock Bank, Ocean Commercial Joint Stock Bank, Viet Wealth Fund Management JSC, Song Da Global Investment JSC and PVI acquired a 24.5% stake, or 36.75 million ordinary shares, in PVC in another privately negotiated transaction. Later in December, an investor group comprising Property Development & Investment Co Ltd, Petrovietnam Finance Investment & Consultancy JSC, and Ocean Commercial Joint Stock Bank, announced that it planned to acquire a 10.67% stake, or 16 million ordinary shares, in PVC from Petrovietnam for a total value of VND 400 billion (US\$22 million), via open market transactions.

In September, Carlsberg A/S (“Carlsberg”) of Denmark signed a Memorandum of Understanding (MoU) regarding the raising of its stake in state-owned Hanoi Beer Alcohol & Beverage Corporation (“Habeco”), a producer and wholesaler of beer, to 30% from 16.07%.. Habeco is the market leader in the beer sector in northern Vietnam where Carlsberg is present through its brewery joint ventures in Hanoi and Ha Long. Later in November, Carlsberg signed an MoU to acquire the Hue People’s Committee’s 50% shareholding in Hue Brewery Ltd, a producer of beverages Carlsberg being the existing holder of the remaining shares in the entity. Terms of the transaction were not disclosed.

In October, Total SA (“Total”) of France acquired the Vietnam lubricants and specialties business of ExxonMobil Corporation. The Vietnam business includes a lubricant blending facility in Dong Nai province and a lubricants distribution network across Vietnam.

On 26 August 2009, and with the approval of State Bank of Vietnam, Orient Commercial Joint Stock Bank (“OCB”) agreed to sell a 5% equity stake to BNP which increased the latter’s ownership from 10% to 15% of OCB’s chartered capital. In November 2009, OCB signed a MoU in relation to increasing BNP Paribas’ (“BNP”) shareholding in OCB to 20% during 2010.

In August, SBI Holdings Inc (“SBI”) of Japan, through its wholly-owned unit SBI Ven Holdings Pte., Ltd., acquired a 20% stake in Hanoi-based Tien Phong Commercial Joint Stock Bank (“TienPhongBank”). TienPhongBank’s founding members are, amongst others, FPT Corporation, Vietnam Mobile Services (“VMS”) - MobiFone, Vietnam National Reinsurance Corporation (“Vinare”). Financial terms of the transaction were not disclosed.

In July, Ogilvy & Mather, a WPP group company, announced that it had acquired a majority stake in T&A Communications, a leading public relations agency in Vietnam. The company was renamed T&A Ogilvy JVC Ltd. The transaction formalized a working relationship that T&A Communications has had with the Ogilvy Public Relations Group since 2002. T&A Ogilvy will be part of the growing Ogilvy & Mather Group in Vietnam which now includes Ogilvy & Mather Advertising, Ogilvy Public Relations, Ogilvy One, OgilvyAction and Redworks.

In August, Petroleum Technical Services Corp (“PTSC”), a 58.29% owned unit of state-owned Vietnam Oil & Gas Group (“Petrovietnam”), agreed to acquire Hon La Port, an owner and operator of seaports, from the Quang Binh Provincial Government of Vietnam. In September,

PTSC announced that it planned to merge with Drilling Rig Building Co. Ltd., a provider of drilling services and a unit of Petrovietnam and with Sao Mai-Ben Dinh Petroleum Investment JSC (“PVSB”) in a three way merger. In October, PTSC acquired Nghi Son Port, an owner and operator of marinas from the People’s Committee of Thanh Hoa Province.

In October, Petrovietnam General Services JSC (“Petrosetco”), a 50.2% owned unit of Petrovietnam, announced that it planned to acquire Hanoi Oil & Gas Services & Trading Ltd Co, a provider of oil and gas support services, from Petrovietnam Oil Corporation (“PV Oil”), itself a subsidiary of Petrovietnam. Concurrently, Petrosetco acquired Petrovietnam Ocean Services & Trading Ltd Co, an oil and gas exploration and production company. Terms of the transaction were not disclosed. Petrosetco also acquired Petrovietnam Asset Management & Development Ltd Co, PTSC Petrovietnam Hotel Co Ltd and a 50% interest in Bestfoods Catering Co. Ltd.

In September, Great Trust Joint Stock Commercial Bank (“TrustBank”) acquired an 11% stake in DaiViet Securities Corp (“DVSC”), a Ho Chi Minh-based securities brokerage firm.

In October, KT ZMICO Securities Co Ltd of Thailand announced that it planned to acquire an 18.88% stake in Thanh Cong Securities JSC, a Ho Chi Minh City based securities brokerage firm and a majority owned unit of Thanh Cong Textile Garment Investment Trading JSC, for VND 86.1 billion (US\$4.8 million)

In July, Chyih Investment Co Ltd (“Chyih”) of Taiwan raised its interest in Chang Yih Ceramic JSC, a manufacturer of floor and wall tiles to 87.11% from 45.68% by acquiring a further 41.43% stake, or 6.4 million new ordinary shares, for VND 71.4 billion (US\$4 million), in a privately negotiated transaction.

In November, an investor group comprising Cavico Vietnam Co Ltd and Cavico Trading Co., Ltd. announced that it planned to acquire a 33.16% stake, or 4 million new ordinary shares, in Cavico Vietnam Mining & Construction JSC, a Hanoi-based provider of construction and mining services, for VND 16,894 (US\$0.929) per share, or a total value of VND 67.6 billion (US\$3.8 million), in a privately negotiated transaction.

In December, CNA Group Ltd (“CNA”) of Singapore agreed to acquire the remaining 49% stake which it did not already own in HTE Vietnam Co Ltd, a provider of integrated engineering services, in exchange for 12.3 million ordinary shares in CNA valued at VND 58.4 billion (US\$3.2 million).

In August, SSE Steel Ltd (“THEP UC”), a wholly-owned unit of Vietnam Industrial Investments Ltd (“VII”), acquired a 20.51% stake in Dinh Vu Steel Stock Co, a Hai Phong based manufacturer of steel, for VND 50.4 billion (US\$2.8 million) in cash.

Other deals or intended deal announced in the second half of the year included transactions involving well known international companies such as Google, CapGemini and Gazprom.

Private Equity

Notable private equity activity announced during the second half of 2009 included:

In October, TPG Capital LP (“TPG”) of the US and BankInvest Group (“BankInvest”) of Denmark, announced investments in Masan Group Corporation (“MSN”), a Ho Chi Minh City based investment holding company, for an estimated US\$35 million and US\$22 million, respectively. On completion, TPG acquired bonds convertible into equity of MSN and BankInvest acquired a 10.15% equity stake. Companies that Masan Group owns and in which it invests include Masan Food, one of Vietnam’s largest food and beverage companies, and Techcombank, a leading Joint Stock Commercial Bank which has HSBC as a strategic partner. On November 5th, 2009, Masan Group began trading on the Ho Chi Minh Stock Exchange (“HoSE”). At closing, Masan Group’s market capitalization was VND 20,580 billion (approximately US\$1.15 billion), making Masan Group one of the top 5 private sector listed companies in Vietnam by equity value with the 3rd largest weighting in the VN Index.

Later in December 2009, BankInvest purchased an additional 6,350,474 shares of MSN at the market price of VND 36,300 per share (US\$ 12 million), increasing its ownership of Masan Group from approximately 10.15% to 11.48%.

In December, Private Equity New Markets A/S (“PENM”), a US\$90 million private equity fund established by BankInvest in 2006, raised its stake in Vien Dong Pharmaceutical JSC, a Phu Nhuan-based manufacturer of pharmaceuticals to 40.4% from 6.73%, by acquiring a further 33.37% stake, or 3 million ordinary shares, for VND 80,500 (US\$4.347) per share, a total value of VND 241.5billion (US\$13 million), in a privately negotiated transaction.

In September, the DWS Vietnam Fund Limited (“DWS”) made a US\$10 million investment in Hoan My Corporation JSC (“Hoan My”) via a wholly-owned subsidiary. DWS is managed by Deutsche Asset Management (Asia) Limited, a member of the Deutsche Bank Group. Hoan My, established in 1999, is one of the largest private healthcare providers in Vietnam in terms of scale, with a combined 620 beds and 300 physicians at four operating hospitals. An additional hospital in HCM City is under construction. Later in October, Vietnam Opportunity Fund Limited (“VOF”), an AIM traded fund managed by VinaCapital and established to target key growth segments within Vietnam, also announced that it has acquired a minority equity stake of US\$10 million in Hoan My Medical Corporation.

In September, VinaCapital’s Vietnam Opportunity Fund Limited (“VOF”) announced the sale of its entire equity stake in the Hilton Hanoi Opera Hotel. According to VOF reports the exit value was approximately 10% above the March 2009 book value of the property used to calculate the funds’ net asset values and represented an IRR of 23% over the three years since the stake was acquired. Together with a 52.5% stake in the hotel owned by VinaLand Limited, which was also sold, the two VinaCapital-managed funds held a controlling 70% stake in the hotel owner.

In August, Mekong Capital announced the sale of Mekong Enterprise Fund’s investment in Duc Thanh Wood Processing Joint Stock Company (“Duc Thanh”), a Ho Chi Minh-based manufacturer and wholesaler of wood products, to Vietnam Rubber Corporation. Concurrently, Mekong Capital announced the completion of Mekong Enterprise Fund’s sale of its holding in Tan Dai Hung Plastic Joint Stock Company (“Tan Dai Hung”), a leading

manufacturer of polypropylene and polyethylene woven bags for packaging rice, fertilizer, animal food, and other agricultural products. The Mekong Enterprise Fund originally invested in Tan Dai Hung in March 2003, the purchase representing the fund manager's first investment in Vietnam. Tan Dai Hung's shares were listed on the Ho Chi Minh City Securities Transaction Centre in November 2007 and the Fund sold its shares in the company from May to August 2009 via a series of open market transactions. Following sales of holdings in Saigon Gas and Duc Thanh, this was the third full divestment by the Mekong Enterprise Fund.

In October, VinaCapital Vietnam Opportunity Fund Limited ("VOF") announced the sale of its entire equity stake in the A&B Tower office project in District 1, Ho Chi Minh City. VOF purchased a 50.1% equity stake in the A&B Tower project, now under construction, in 2004. According to VOF the (undisclosed) sale price results in 17.5% IRR over the four year holding period. The office tower, with a gross floor area of 25,500 square metres, is expected to open in 2010.

Outbound activity

During the year there were more indications that the larger private companies, as well as certain State Owned Enterprises, are looking into regional expansion projects, including acquisitions, in order to invest surplus cash and grow their businesses. Information about these deals is limited at the moment but it is worthwhile paying attention to developments in this field since this is likely to be a developing trend over the coming years.

Perhaps the most significant outbound transaction during 2009 was announced in December when Petrovietnam Oil Corporation ("PV Oil") signed a business transfer agreement with Shell Corporation. Under the agreement, Shell committed to transfer 100% of its shares in its Lao downstream operation to PV Oil. The acquisition of Shell's Lao operations is one of PV Oil's first moves to develop a regional market expansion strategy.

Outlook

There is a strong feeling within Vietnamese business circles, as well as within the government and amongst international economic analysts, that the worst of the challenges brought about by the global economic crisis and local economic overheating is behind the country, although some concerns persist in relation to the stability of the Dong due to balance of payments deficit issues and in relation to inflation. Independent analysts expect that GDP growth in 2010 will reach approximately 6%. Fundamental factors facilitating macroeconomic growth have not been unduly affected by the current crisis and in fact a recent study by PricewaterhouseCoopers concluded that Ho Chi Minh City and Hanoi top a worldwide list of cities having the highest economic growth potential in the period up to 2025, with a potential average growth rate of 7% per annum. Another study conducted jointly by PricewaterhouseCoopers and the Urban Land Institute in the USA, the "Emerging Trends in Real Estate® Asia Pacific 2010" concluded that real estate investment prospects in Ho Chi Minh City maintained the position accorded it in 2009 and that the development prospects in the city remain very high. Overall, the city was ranked 3rd in the region in terms of real estate development potential, preceded only by Shanghai and Mumbai. The results of the APEC CEO survey conducted by PricewaterhouseCoopers in connection with the APEC CEO

Summit in November 2009 in Singapore also indicate positive expectations from regional and local executives alike.

We expect continued growth in deal activity in all categories with deals between domestic companies continuing to accelerate as growing Vietnamese corporations look for M&A targets in which to invest their cash surpluses and to facilitate further growth. Inbound strategic acquisitions as well as private equity deals are also viewed as following a positive trend in 2010, fuelled by global economic recovery and the positive sentiment brought about by Vietnam's ability to continue to grow at strong rates despite the recent crisis. In addition it is particularly important to highlight that the government specifically indicated in the first week of January its intention to resume the equitisation process during 2010 which may lead to some larger deals occurring during the current year.

Another important government initiative that may have considerable impact on the deal environment in 2010 is the expected consolidation of various State Owned Enterprises due to the need to rationalise operations and improve exporting competitiveness to decrease the trade deficit. For example, according to the Ministry of Agriculture and Rural Development, during the month of January three major state owned seafood producers will merge to form Vietnam Seafood Corporation (after textile products and crude oil, seafood is the third biggest export product category for Vietnam).

Private Equity

Several important developments occurred during 2009 which were of significance to the private equity sector in Vietnam. Firstly, we saw acceleration in the number of divestments by the more mature funds, which was a very positive sign for the industry in Vietnam indicating that profitable exits can be successfully concluded and can be achieved through a variety of routes. We also observed an increase in the rate of new investments by private equity funds, especially in the second half of 2009, indicating that funds were still available to invest and that market pricing had become more attractive, although in general it appears as if the funding for such deals represented either recycled cash following divestments of older investments or cash raised in earlier periods as opposed to funds which were newly raised in 2009. Lastly, 2009 saw the demise of Indochina's private equity fund which is now in the process of being liquidated, an event which may affect efforts at further fund raising and encourage a more cautious future approach to investing in private equity amongst fund managers.

2010 is likely to see much of the same with the more mature funds looking to exit quite a number of mature investments and to recycle funds into more dynamic sectors or companies; this will also create opportunities for strategic investors to acquire significant stakes in a number of private or newly listed Vietnamese companies from the private equity funds. Certain fund managers are looking to raise new funds in 2010 but admit that the environment is still very challenging in this regard; however, most still have cash available to invest whilst regional and global fund managers will be focussing greater attentions on Vietnam due to its economic performance and prospect hence the prospects for deals appears positive. Pricing for private equity investments, whilst still expensive relative to other countries in the region, remain below the levels seen in 2007 and to some extent reflect the rapid rates of growth being achieved by many private companies.

The combination of factors above leads us to expect to see an increase in divestments from the established funds and an increase in new investments by Vietnam focussed and regionally focussed funds during 2010. Increasing interest rates may also encourage cash hungry Vietnamese private companies to turn to private equity for expansion capital creating more opportunities for fund managers.

FMCG

Domestic demand oriented companies in the FMCG sector will continue to attract the most attention from those private equity funds which are not infrastructure/real estate focussed and from strategic investors interested in accessing sectors likely to see ongoing rapid rates of growth. Recent investments in Masan Group Corporation during 2009 were indicative of this trend. We would therefore expect significant numbers of M&A deals in this sector in 2010 with some of the larger Vietnamese corporations looking to bring in funding and/or strategic expertise to fuel further growth. Within the overall sector, the food and beverage industry is the one where we observe both rapid growth and a relatively large number of significant potential target companies and this is therefore a sub-sector where we expect to see further major deals taking place.

Entertainment and Media

The growth in the FMCG sector in Vietnam has had a flow on effect on media spend and is encouraging greater investment in this sector with a number of inbound M&A transactions having been seen over the past 2 – 3 years. This is still an attractive and potentially high growth sector and we are certain to see further acquisitions by global players in this sector during 2010 as well as consolidation amongst the smaller local companies. As mentioned in our July report, according to the 10th annual PricewaterhouseCoopers Global Entertainment & Media (E&M) Outlook covering the years 2009-2013, in Vietnam, the value of the entertainment and media market approximately tripled in 5 years from 2004 to 2009. During the forecast period, the overall E&M compound annual growth rate (CAGR) of Vietnam is projected to be the highest one in the world at 16.7%. The Internet access market is expected to grow by 20.9% (CAGR 2009-2013), Advertising by 10.9%, and Consumer/end-user spending (excluding Internet access) by 16.1%.

Financial Services

After a quiet two years in this sector, 2010 may well see a rise in M&A activity as financial institutions everywhere regain confidence and look once again at expansion strategies in the more dynamic markets of Asia. Financial institutions from the Asia Pacific region, which have weathered the global crisis without too much turbulence, will continue to look to Vietnam as a key market for overseas expansion. In terms of targets, certain of the larger private joint stock banks remain without a strategic investor and will be looking to bring in the expertise of a major international bank whilst smaller joint stock banks are looking for fresh capital injections in order to meet government capitalisation requirements. Consolidation in the banking sector has been much anticipated but has yet to materialise but one feels that this has to happen soon if smaller banks are to be able to compete.

The insurance sector continues to attract overseas interest and a number of the smaller life and non-life companies are likely to be targets for strategic buyers during 2010, whilst the other financial services sector likely to see activity is securities trading/brokerage since the argument for consolidation amongst the smaller firms seems to be compelling.

Real Estate

Whilst the office, serviced apartment and hotel sector returns appear for the time being to have become less attractive, the condominium/villa sector and the second home market is still attracting strong interest and many private Vietnamese companies are likely to look to raise new funds in 2010 to take advantage of such opportunities, stimulating M&A in the process.

Other Sectors

Industries that supply the FMCG and other sectors linked to domestic demand are also likely to see significant levels of M&A particularly logistics. In addition, the ongoing need to massive capital injections into infrastructure in Vietnam is likely stimulate M&A in this area, in particular for the power industry where the government is calling for increased levels of foreign investment.

Consolidation in the textiles manufacturing sector triggered by the global economic crisis may also impact on Vietnam with distressed sales of businesses occurring brought about by smaller manufacturers being forced out of the industry. This represents an opportunity for larger textiles groups to add capacity quickly and potentially at low cost as orders from the major western buyers become more consolidated at a smaller number of major producers requiring a rapid step up in output.

The retail sector continues to attract a great deal of attention despite the ongoing concerns over legal restrictions. Vietnam's growing middle class and their brand conscious attitude make the country an obvious target for the world's retailers. However, in terms of M&A there appear to be few opportunities for global retailers to acquire existing businesses in Vietnam since there are only a small number of large, local retailers in existence and deals in this space are more likely to be private equity plays rather than strategic ones.

Lastly, the education sector continues to attract significant attention from international companies and private equity alike and is a field in which there are already a number of significant private Vietnamese companies and privately owned foreign businesses with critical mass which would be attractive as M&A targets.

Historical data on M&A Activity – Vietnamese Targets

Data available to us indicate the following deal activity targeting enterprises in Vietnam over the past seven years:

Year	Number of deals	Total Value of deals (US\$ million)
2009	295	1,138
2008	167	1,117
2007	108	1,719
2006	38	299
2005	22	61
2004	23	34
2003	41	118

Source: Thomson Reuters, PricewaterhouseCoopers research

Important notes regarding M&A statistics

There are a number of global, regional and local companies providing M&A statistics. These include Thomson Reuters, Bloomberg, Mergermarket (global) and M&A Asia (regional). PwC believes that these M&A statistics providers each cover deal activities differently and therefore their statistics often vary from each other. The providers also differ in their ability to provide complete information. We believe that the reporting of deal activity in emerging markets such as Vietnam is rapidly improving, but has yet to reach the level seen in mature markets.

In addition, it is very important to note that many M&A deals that are announced are privately negotiated and therefore the value of the deal will not be publicly disclosed or disclosed with significant delay.

PwC in Asia Pacific normally refers to M&A statistics provided by Thomson Reuters. However, for the above reasons, we believe that there is no single accurate source for M&A statistics. M&A professionals and other parties interested in deal activities should therefore observe market activity from multiple sources.

Notes to editors:

- *Regarding the economic growth potential of Ho Chi Minh City, Hanoi and other city economies, the referred study is on page 20-34 of the UK Economic Outlook downloadable via the following link at: http://www.pwc.co.uk/eng/publications/uk_economic_outlook.html*
- *The full APEC CEO survey report can be downloaded from: <http://www.pwc.com/sg/en/apec-ceo-summit/apecreport.ihtml>*

- *Regarding the Emerging Trends in Real Estate® Asia Pacific 2010 report published by the Urban Land Institute (ULI) and PricewaterhouseCoopers LLP (PwC) refer to this link for further information and a link to the full report <http://www.pwc.com/vn/en/releases2009/press-release-en-16-12-2009.jhtml>*
- *For More information about the PricewaterhouseCoopers Global Entertainment & Media (E&M) Outlook refer to this link: <http://www.pwc.com/vn/en/releases2009/vn-entertainment-media-final.jhtml>*

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About PricewaterhouseCoopers

PricewaterhouseCoopers (www.pwc.com) provides industry-focused assurance, tax and advisory services to build public trust and enhance value for our clients and their stakeholders. More than 163,000 people in 151 countries across our network share their thinking, experience and solutions to develop fresh perspectives and practical advice.

PricewaterhouseCoopers established offices in Hanoi and HCMC in 1994. Our team of almost 500 local and expatriate staff has a thorough understanding of the transitional local economy in which they work and a wide knowledge of policies and procedures covering investment, tax, legal and accounting and consulting throughout Vietnam. PwC partners include British and other expatriates as well as two Vietnamese nationals. We also have a foreign law company in Vietnam, licensed by the Ministry of Justice with a head office in Ho Chi Minh City and a branch office in Hanoi. We are uniquely placed in the Vietnamese market, being able to provide our clients with comprehensive legal advisory services alongside the Assurance, Advisory and Tax services. PwC have built strong relationships with key ministries, financial institutions, SOEs, SMEs, the ODA community and commercial organizations.

According to 2009 League Tables published by Thomson Reuters, PwC has advised on more completed M&A deals in 2009 than any other advisory firms of Investment Banks in Asia (excluding Japan). Mergermarket named PwC the M&A accounting firm of the year in 2009 in Asia Pacific and PwC has also won the Asia Tax Firm of the year award 2009 from the International Tax Review. In January 2009 and 2010 PricewaterhouseCoopers Vietnam received the Golden Dragon Award. The Awards are co-organised annually by Vietnam Economic Times and the Foreign Investment Department under the Ministry of Planning and Investment to acknowledge and honour the success of foreign invested enterprises (FIEs) in Vietnam and their contribution to the economy.

"PricewaterhouseCoopers" refers to the network of member firms of PricewaterhouseCoopers International Limited, each of which is a separate and independent legal entity.

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