

**VSP–Viet Hai Shipping And Real Properties Corporation**

The company's shares are valued at VND39,900 per share.

OVERVIEW	PRICE INFORMATION
<ul style="list-style-type: none"> <li>▪ <b>Restoring strongly after the crisis:</b> VSP recovered strongly in 2009 after its heavy losses. VSP's net profit margin reached 23.45% in the first nine months of 2010 compared with -48.01% of 2009. The profit of 9 months in 2010 reached VND32.53 billion compared to -359.595 billion of losses in 2009.</li> <li>▪ <b>Potential real estate projects:</b> VSP has several potential real estate projects especially Me Linh Golf Course Urban Area and Ba Trieu office building projects. However, Me Linh Golf Course Urban Area project is temporarily suspended under the policy and decision of Hanoi. Me Linh Golf Course Urban Area project which has the area of 217.65 hectares and total investment of USD 1.2 billion could bring about trillion dong profit for VSP in the future.</li> <li>▪ <b>Capital difficulties:</b> although VSP has remarkable equity source of about VND 1172.69 billion; however, the Company purchased many new ships – fixed assets and used up its capital in 2008. Currently there are some difficulties in capital for VSP's investment activities because no new funds are added.</li> <li>▪ <b>The opportunities from market recovery:</b> the world economy gradually escaping from the crisis recently and in the future will help VSP as well as other shipping companies to improve their operations compared to the previous period.</li> <li>▪ <b>Valuation:</b> VSP's shares are priced at around VND 39,900 per share. The above results are based on three valuation methods (FCF/Share, P/E, and P/B). The above price is equivalent to the estimated P/B in 2010 of about 1.21 times. This is the average P/B compared to other companies in the maritime transport sector of Vietnam and the average is higher than that of Vietnam's stock market nowadays.</li> </ul>	<p>Expected price: <b>39,900</b></p> <p>Current price : 26,100</p> <p>52-week high : 64,000</p> <p>52-week low : 22,500</p>
	STOCK DATA
	Market : HNX
	Par Value : 10,000
	No of shares : 38,084,489
	Market cap (VND bil): 952
	EPS 4 nearest Quarter (VND) -2,395
	OWERSHIP INFORMATION
	Vinashin 39.56%
	Telecom and Shipping Trade Com Ltd., (TST) 4.10%
	International Labour Cooperation JSC 1.05%
	Others 55.29%

KEY FINANCIAL FIGURES						
	2007	2008	YoY	2009	YoY	9T/2010
Net Revenue (VND mil)	773,119	1,418,481	83.5%	516,612	-63.9%	680,336
Profit after tax (VND mil)	72,445	438,786	505.7%	-359,595	-182%	32,531
Total assets (VND mil)	2,493,80	3,881,983	55.7%	3,464,708	-10.7%	3,396,222
Chartered capital (VND mil)	40,000	158,700	296.8%	380,845	140%	380,845
ROA	2.91%	11.30%	288.3%	-10.38%	-8.1%	1.52%
ROE	59.39%	28.45%	-148.1%	-30.47%	-	4.87%

EPS (VND)	12,844	27,649	-41.2%	-9,442	15.8%	870
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Source: VSP, PSI Research

## INVESTMENT POSITIVES

**VSP has very good land for real estate projects:** Me Linh - Hanoi Golf Course Urban Area has the area of 217.65 hectares and it's very potential project as this area is quite developed in general planning of real estate development in Hanoi. Together with the growth of the housing market, coastal city urban areas, entertainment areas and resorts are increasingly invested and gain consumer's attention.

**Shipping business activities are strongly recovered:** After four consecutive quarters from Q1/2009 - Q4/2009 VSP made heavy loss on shipping activities because shipping charges continuously decreased from quarter 1/2010. VSP has recovered and made profit. The profit after tax is not high because of high financial expenses, basically VSP recovered from the crisis. Margin profits from shipping activities have increased over 30% in the first nine months of 2010.

**Highly qualified manpower and smart operation:** In 2010 VSP has drastically cut G&A expenses and selling expense and actively promote the search for tenants without through the overseas ship agent to reduce intermediary expenses in international maritime transport.

**Strong owner's equity:** Currently VSP has huge capital surplus from stock issuance to increase its capital in 2008 and now the book value of VSP's shares is more than 33,000 VND per share.

## INVESTMENT RISKS

**Risks of competition in the maritime transport market:** VSP as well as other shipping companies are still facing with difficulties when freight rates recovered in late 2009 but decreased in 2010. The bulk of freight reached to more than 2,000 points as at 01 Dec 2010, lower than the breakeven rate on the market of about 2,800 points, creating great pressure on maritime transport service companies in Vietnam as well as in the world.

**Risk on operation in real estate sector:** VSP's projects require huge capital investment while the current capital of VSP was still in difficulty because all capital was invested in purchasing cargo ships in 2008. In addition, the most important project - Me Linh Golf Course Urban Area is suspended pending for planning.

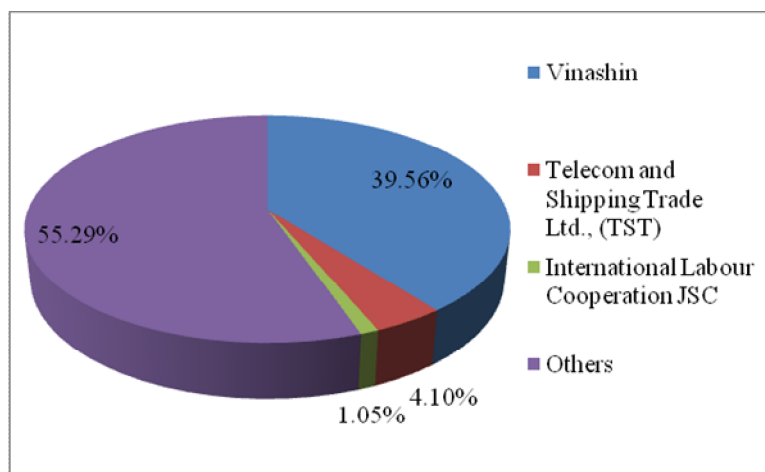
**Financial Risk:** At present, the total debt amount of VSP is VND 1,974.2 billion in which more than VND 250 billion is short-term loans and 1,711 billion is long-term debt of which 144.72 billion is from \$ 750 million government bond issuance and VSP are re-borrowed from Vinashin. But the current financial needs of the VSP are very high and there are no additional funds for current investment activities.

## COMPANY BACKGROUND

**Viet Hai Shipping And Real Properties Corporation (VSP)** was established in 1992 with three founding shareholders: Vietnam Shipbuilding Industry Group (Vinashin)

accounting for 39.56% of charter capital, Telecommunication & Shipping Trade Ltd., (TST) with 4.1% of company capital and International Labor Cooperation Company (INLACO) with 1.05% of charter capital. Charter capital of the establishment is VND 40 billion and now capital of the VSP was VND380.84 billion.

*Table 1: VSP Capital Structure*



*Source: VSP, PSI Research*

## ASSESSING BUSINESS PERFORMANCE

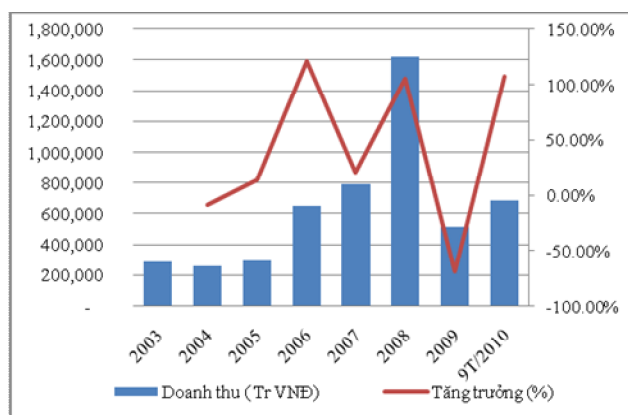
VSP currently operates in four main business areas including: Marine Transportation, Business liquefied petroleum gas (LPG), ship trading and real estate business. Revenues mainly come from liquefied petroleum gas (LPG) business, shipping and trading the old ship recently.

During the period from 2003 - 9/2010, revenue growth rate is very fast, the average of the period is up to 41.8% per year. In the first nine months of 2010, VSP's revenue grows 107.7% over the same period of 2009.

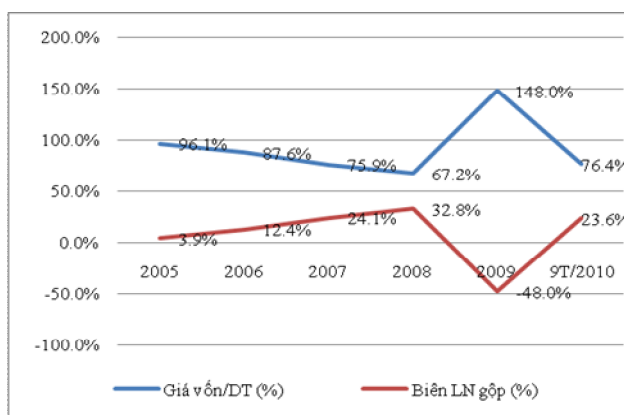
Year 2008 is a mutant development year with revenue growth rate of 105.5% at VND 1,622.98 billion which mainly comes from maritime transport services increasing sharply when world economy is at its peak development, international transport freight is very high. But in 2009 due to the heavy influence of the crisis, revenue reduced -68.4% compared to 2008.

*Table 2: Revenue and Growth rate*

*Table 3: COGS/Revenue, Gross profit margin*



Source: VSP, PSI Research



Source: VSP, PSI Research

Through our observation, we have seen the unstable development of the VSP in the period from 2007 - 2010. The difficulties in the transportation market and LPG distribution led to changes in business strategy. However, these changes may not be immediately effective for the VSP.

VSP's profit margin has grown rapidly during the period from 2005 - 2008 with gross profit margin increasing from 3.9% in 2005 to 32.8% in 2008. However, the heavy loss of transport business in 2009 made the profit margin in 2009 decrease to -48%, and recovery in 2010 with the highest profit margin at 23.6%

## Evaluating each business activity of VSP

### Maritime transport activities

Currently, VSP owns 7 ships team including an LPG tanker and six bulk carriers. VSP is also building two new bulk carriers with the capacity of 22,500 DWT and 54,000 DWT, but the progress has been slowed a lot compared to the original plan. Total capacity of the liquid cargo ship team achieves 1,170m<sup>3</sup> and bulk ships with total tonnage of 311,566 DWT. In August 2010, VSP has signed a contract to liquidize Vinashin Iron ship with its capacity of 22,828 DWT and it is expected to earn over \$1million profit from this.

The age range of VSP's ship is high compared with other transport companies, the age is ranging from 10-30 years, of which only one new-purchased ship ages 10 year and most between 25 - 30 years. The average age of VSP's ship team is around 23.9 years. The maintenance costs for fleets are very high because they are used for many years.

The liquefied petroleum gas (LPG) carrying fleet is actively exploited in the domestic routes and in Southeast Asia to import LPG for LPG business activities of VSP. Bulk fleet is leased by the term and through international transport agency and subsidiary companies incorporated in Singapore and with partners in Singapore. VSP's team of bulk cargo ships often operates in international routes.

Table 4: VSP's Fleets

Transportation	Building year	Capacity	Nationality	Fleet type	Operating region	Age
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Viet Gas 01	12/2000	1.170 m3	Viet Nam	LPG tankers	Vietnam	10
Asia Sea 01 Ship	4/1981	25.854 DWT	Panama	Bulk ship	International	29
Vinashin Moonstone	1984	63.463 DWT	Panama	Bulk ship	International	25
VSP Diamond	4/1984	63.739 DWT	Panama	Bulk ship	International	26
VSP Titan	7/1985	66.995 DWT	Panama	Bulk ship	International	25
VSP Ruby	1/1984	68.687 DWT	Panama	Bulk ship	International	26
Vinashin Iron	3/1984	22.828 DWT	Panama	Bulk ship	International	26
54,000 DWT Ship	In progress	54.000 DWT	Viet Nam	Bulk ship		-
22,500 DWT Ship	In progress	22.500 DWT	Viet Nam	Bulk ship		-

*Source: VSP, PSI Research*

Shipping operation becomes the main activity to generate revenue for VSP since 2007 after LPG activity is shrunked. The main reason is that from 2006-2007 the number of ships increased rapidly compared with previous time as well as the sharp increase in freight rates during the period 2005-2008.

However, in 2009 VSP faced with great difficulties due to the decrease in freight, revenue from transport operations decreased -69.2% compared with 2008. Gross profit of transport operations made a loss of VND -284.84 billion compared with profits of VND 408.3 billion in 2008. In which the loss mainly comes from Vietnam Marine Transportation One Member Limited Company - a subsidiary of VSP as in 2009 it made a loss of VND 332.287 billion.

In the first nine months of 2010, VSP has gained profits with the accumulated amount up to 9T/2010 of VND 32.52 billion of which mainly come from shipping activities. This is a good signal for VSP as a lot of other carriers in Vietnam are still facing with difficulties due to low freight. There is a recovery but it does not reach the breakeven point.

In September 2010 VSP dissolved Nam Viet Marine Transportation one member Company Limited and merged all assets and liabilities of Nam Viet to VSP.

Shipping operations of VSP are effective in the previous years, except 2009 – when the crisis reached its peak, the freight was sharply reduced leading to the increase in cost of goods sold/revenue structure to 192.6%. In the period from 2006 - 9T/2010 average gross profit margin from shipping operations of VSP reached 33.8%. This gross profit margin is very high if compared with other companies in maritime transport sector in Vietnam.

*Table 2: Shipping business operations*

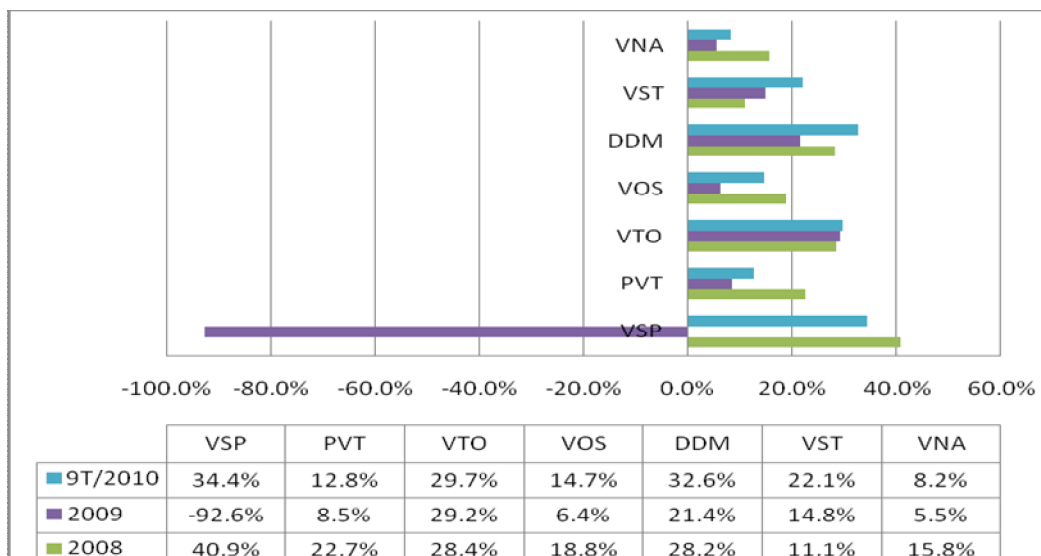
	2005	2006	2007	2008	2009	9T/2010
<b>Revenue (VND mil)</b>	<b>35,851.82</b>	<b>138,798.08</b>	<b>402,218.70</b>	<b>997,859.34</b>	<b>307,531.46</b>	<b>505,430.75</b>
<i>Growth rate (%)</i>		287.1%	189.8%	148.1%	-69.2%	64.4%
<b>CoGs (VND mil)</b>	<b>33,881.59</b>	<b>101,125.29</b>	<b>270,578.33</b>	<b>589,559.09</b>	<b>592,375.50</b>	<b>331,491.07</b>
<i>CoGs/Revenue (%)</i>	94.5%	72.9%	67.3%	59.1%	192.6%	65.6%
<b>Gross profit (VND mil)</b>	<b>1,970.23</b>	<b>37,672.79</b>	<b>131,640.37</b>	<b>408,300.24</b>	<b>-284,844.04</b>	<b>173,939.68</b>
<i>Gross profit/Revenue (%)</i>	5.5%	27.1%	32.7%	40.9%	-92.6%	34.4%

*Source: VSP, PSI Research*

Comparison with other listed shipping companies on the stock market: Despite of market

difficulties in 2009, no transport company made loss from shipping activities. These companies have positive average gross profit margins of about 14.3% while VSP made a heavy loss with a gross profit margin of -92.6%. In other years, the gross profit margin of VSP is the highest among shipping companies in Vietnam with the average profit margin of 33.8% to 40.9%. But one of the important parts of VSP's high profit margins is because the company used slow depreciation rate with an average annual depreciation of about 7-8% of assets.

*Table 4: Profit margin of some units in the marine transport sector*



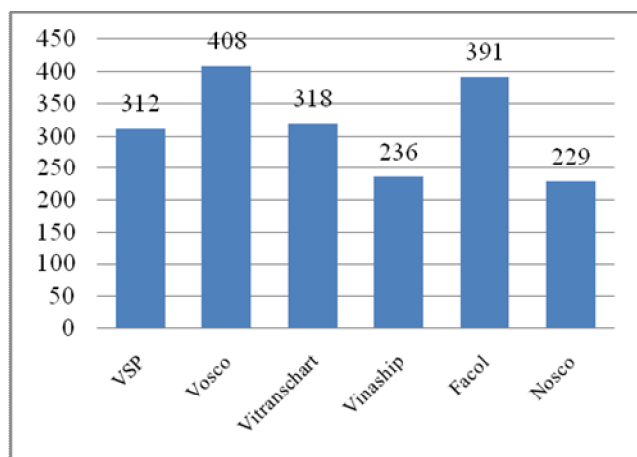
*Source: PSI Research*

Capacity of VSP's ship bulk team now is high compared to other bulk shipping companies in Vietnam. Currently bulk transport team of Vosco reached 408,000 DWT - the largest capacity team in the country. Next is the bulk transport team of Facol with total capacity of 391,000 DWT. Bulk transport team of VSP has the total capacity of 311,566 DWT - one of the largest bulk cargo ship teams nationwide.

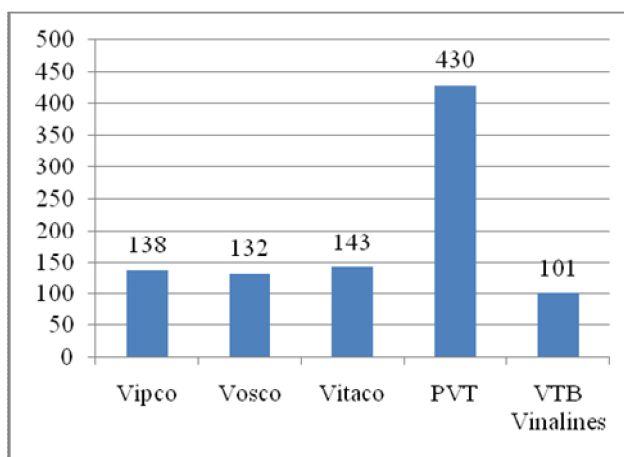
The largest liquid cargo fleet team is now PVT's team with the capacity of 430,000 DWT and accounts for approximately 43.4% of the total capacity of liquid cargo ship team in Vietnam. The liquid cargo ship team has the capacity of about 100,000 to 150,000 DWT. Of the liquid cargo ships, the crude oil tankers have the largest capacity, followed by oil product ship. PVT's oil products ship team reached 122,160 DWT while VSP's team only reached 1,170m3 - quite small compared with other large liquid transport companies in Vietnam.

*Table 5: Capacity of bulk cargo ships of some enterprises in Vietnam*

*Table 6: Liquid cargo ship capacity of some enterprises in Vietnam*



Source: PSI Research

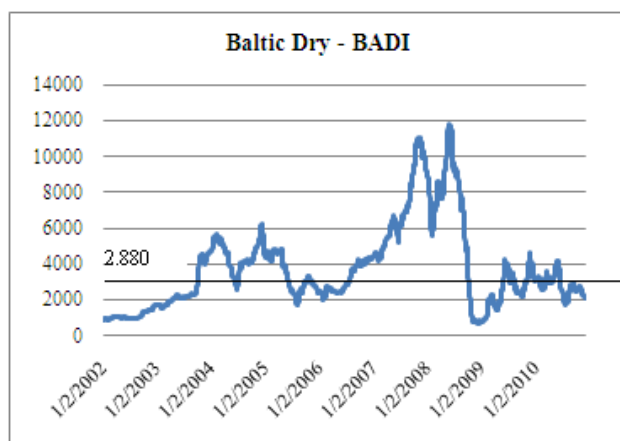


Source: PSI Research

During this period sea transport market is still facing with a lot of difficulties, despite the freight recovery, the companies in this sector are still operating at a loss or at breakeven threshold, especially shipping enterprises with liquid cargo team often operate at a loss. Breakeven point of liquid transport is when the Baltic Clean Tanker Index – Bait is at 1,185 points. However, in recent times the index level is often from 620 to 700 points, so the liquid freight companies are having many difficulties.

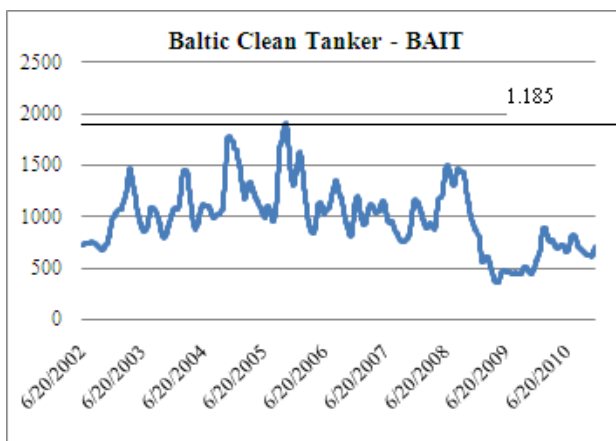
With the bulk transport enterprises, the Baltic Dry Index is now at 2,096, this relatively low level may also lead to inefficient operations. Breakeven point of bulk cargo transportation is at 2,880 points with the Baltic Dry - Badi. During the period 2009 – 2010, this index strongly ranges from 773 points at the beginning of 2009 up to 4,661 points on 19/11/2009 then decline to 2,096 points on 01/12/2010. This shows that the difficulties of the maritime transport sector are not over as the main transportation market now - China is now curbing its overheating which leads to the decrease in cargo transport.

Table 7: Bulk transport freight



Source: Reuters, PSI Research

Table 8: Liquid transport freight



Source: Reuters, PSI Research



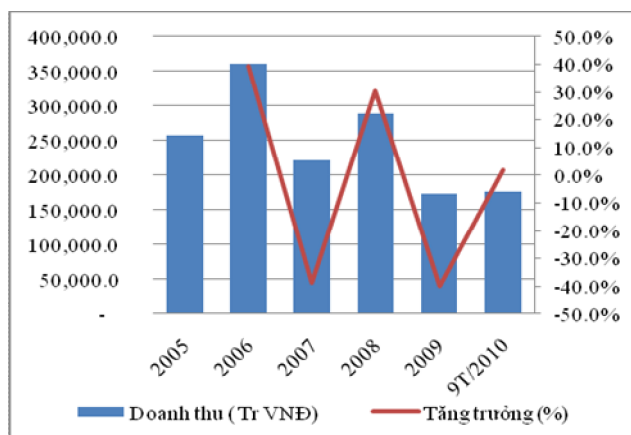
### LPG Businesses

Business on liquefied petroleum gas (LPG) of VSP is formerly the principal business activities of the Company since its establishment in 2002 and up to 2006 it still accounted the main proportion in revenue structure of the Company.

LPG of VSP is sold under the form of LPG supply for household consumption and retail industry under the VINASHIN brand nationwide. However, consumption and sales of the VSP has declined from 2007 to now.

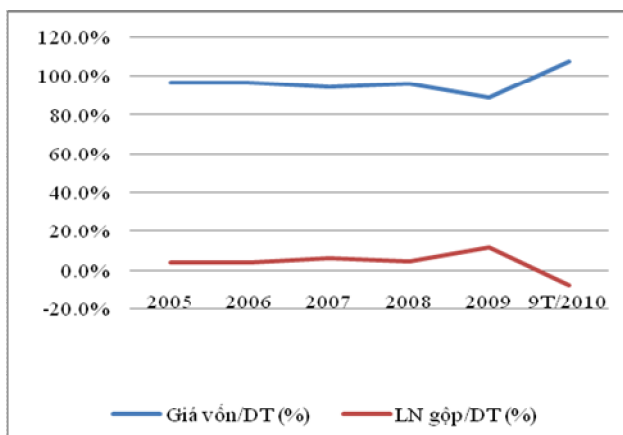
LPG supply input of VSP is mainly imported from Thailand and from some Southeast Asia countries in FOB terms and shipped to Vietnam via LPG ship transport of VSP.

Table 9: Revenue, growth rate



Source: VSP, PSI Research

Table 10: Gross profit margin, CoGS/Revenue



Source: VSP, PSI Research

LPG business of VSP have relatively low efficiency due to the price fluctuations of LPG import, VSP's market share decreased gradually from 2007 as the Company actively reduced the size and focused on shipping and real estate business. Currently LPG business of the Company is mainly in VSP North Branch and Dinh Vu LPG Warehouse with an annual consumption of about 20,000 to 30,000 tons of LPG per year. Market share of VSP is declining in the North as PetroVietnam Gas North (PVG) has promoted its LPG distribution from the Dung Quat oil refinery plant as well as competition from longtime rival in the market such as Petrolimex Gas Corporation (PGC), Alpha Petrol (ASP) and other market-leading rivals.

VSP's business results of 9 months in 2010 from LPG were lost VND-13.21 billion. The average profit margin from LPG is relatively low with an average of about 5.8% for the period from 2005 - 2009. Revenue proportion from LPG contributing to VSP's total revenue also decreased from 87.81% in 2005 down to 28.03% in 2007, 33.78% in 2009 and for the first nine months of 2010 also 25.84%.

Table 3: Liquefied petroleum gas (LPG)

	2005	2006	2007	2008	2009	9T/2010
Revenue (VND mil)	258,364.3	360,612.6	221,387.0	288,567.9	173,147.4	176,126.0
Growth (%)	-	39.6%	-38.6%	30.3%	-40.0%	1.7%

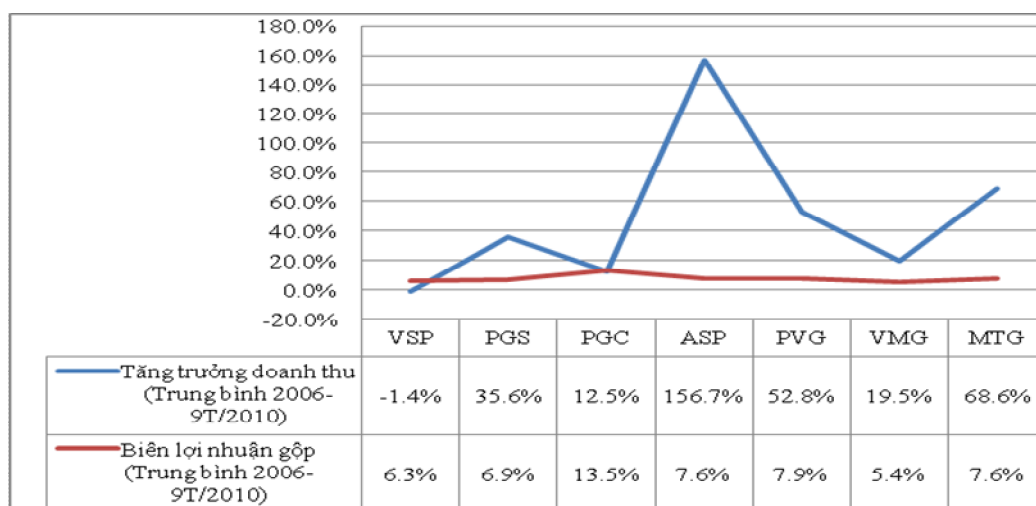


CoGS (VND mil)	248,740.3	347,128.2	208,239.7	276,458.2	153,405.5	189,340.1
CoGS/Revenue (%)	96.3%	96.3%	94.1%	95.8%	88.6%	107.5%
<b>Gross profit (VND mil)</b>	<b>9,624.0</b>	<b>13,484.3</b>	<b>13,147.3</b>	<b>12,109.7</b>	<b>19,741.8</b>	<b>- 13,214.1</b>
Gross profit/Revenue (%)	3.7%	3.7%	5.9%	4.2%	11.4%	-7.5%

Source: VSP, PSI Research

Compared with some LPG distribution companies listed on the stock market, revenue from LPG of VSP declined annually. Average profit margin of VSP is within the average margin of the industry. Average profit margin of the industry is low as LPG is pure business activities, low added value and exchange rate fluctuations recently have great impact on business operations of the Company.

Table 11: Profit margin of some companies operating in LPG business

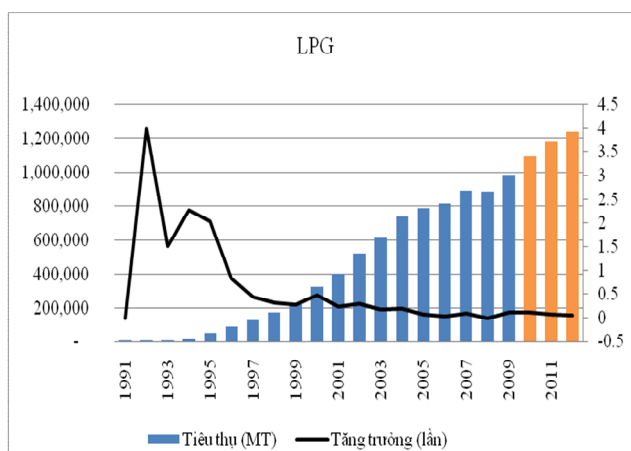


Source: PSI Research

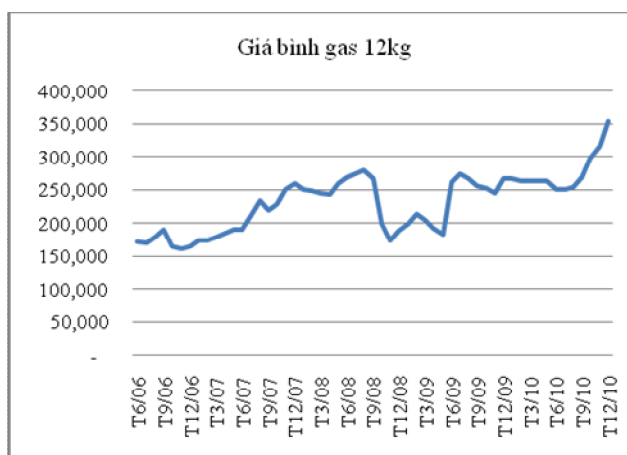
LPG distribution market in Vietnam is still affected by source of LPG supply. While the annual demand has exceeded 1 million tons per year, domestic manufacturing just meets about 50% of the total market demand. So the pressure for businesses which do not have active supply is very great.

Table 12: LPG consumption in Vietnam

Table 13: Retail price of 12kg gas tank



Source: PVGas, PSI Research



Source: PSI Research

**Supply:** The LPG in the market mainly come from GPP Dinh Co plant with inputs from Bach Ho field and output more than 200,000 tons per year. From 2010 the LPG amount from the Dung Quat plant also officially been commercialized with an output of about 340,000 tons per year, which will increase amount of LPG domestic production. Total production of two plants will meet about 50% of domestic demand.

**Demand:** demand in 2010 is estimated at around 1.1 million MT per year. With growth rate of around 5%, LPG consumption in Vietnam has sharply increased in recent years. The period from 1991-2000 was the fastest-growing period with the growing rate of more than 100%. In the period from 2000-2009 the market grew more slowly and stable. 2010 period the market is expected to increase about 11% and 2011-2012 period around 8% per year.

Gas prices in the period from 2008-2010 were much fluctuated especially in Q1 and Q2/2009 due to fluctuation of world oil prices. From Q3/2009 to now gas price is relatively stable. However, during the last months of 2010, the large fluctuations in exchange rates had a strong impact on the import price of LPG making LPG retail prices increase strongly in the market. Currently, the price of 12kg LPG tank is from VND 335,000 to 343,000/tank higher than 2008's price when oil prices were up to \$ 147 a barrel.

### Ships trading activities and other activities

**Demand:** demand in 2010 estimated at around 1.1 million MT per year. With growth rate of around 5%, LPG consumption in Vietnam has increased sharply recently. Period from 1991-2000 was a fastest-growing period of the market with growth rate more than 100%. In the period from 2000-2009, the market grew slower and more stable, 2010 period is expected to increase about 11% and the period from 2011-2012 is around 8% per year.

This activity brings high economic efficiency with an average profit margin reached 33.8% from 2006 -2009 and especially for 2007 -2008 when the economy reached its peak economic cycle; the ships are also strongly traded with revenue reaching

VND223.27 billion, profit margin from this activities up to 40.2%.

Not only the Company received good revenue from the sale of ships in 2009, but also the estimated profit is about \$ 1 million from the sale of Vinashin Iron ship and the Company could record in Q4/2010.

Table 4: trading ship activity

Ship sales	2006	2007	2008	2009
<b>Revenue (VND mil)</b>	<b>152,864.5</b>	<b>166,077.2</b>	<b>223,270.0</b>	<b>24,914.9</b>
<i>Growth rate (%)</i>	-	8.6%	34.4%	-88.8%
CoGS (VND mil)	122,973.4	120,473.7	133,584.7	12,930.0
<i>CoGS/Revenue (%)</i>	80.4%	72.5%	59.8%	51.9%
<b>Gross profit (VND mil)</b>	<b>29,891.1</b>	<b>45,603.5</b>	<b>89,685.3</b>	<b>11,984.9</b>
<i>Gross profit/Revenue (%)</i>	19.6%	27.5%	40.2%	48.1%

Source: VSP, PSI Research

### Investment activities in real estate

VSP now invests in some real estate projects and industrial parks nationwide. However, the duration of this project is relatively long as most of the projects are just in progress.

Table 5: Investment in real estate projects

Projects	Area	Total invested capital	Progress
Me Linh golf urban	217.65 ha	1.2 bil USD	Received a certificate of land use rights, but temporarily suspended due to planning adjustment
Ba Trieu Office Building	3,019.2 m2	65 mil USD	Waiting for approval
Tourist Area entertainment complex	22 ha	188 mil USD	In process of land clearance and implementation
Long An Shipbuilding Industrial Complex	570 ha	2,500 bil VND	Compensation for land clearance and implementation

Source: VSP, PSI Research

Me Linh Urban golf project- Hanoi is implemented on an area of 217.65 hectares for building an 27-hole golf course in the urban area and the system of high class office buildings, exhibition fairs, 5 star hotel, shopping centers, apartments, luxury villas and other auxiliary works with a total investment of \$ 1.2 billion. But in the recent report of the Hanoi People's Committee, the project is suspended together with 15 other projects waiting for planning. If the project is transferred, VSP could earn the high profit as the Company compensated from previous years when the compensation price is very low.

Ba Trieu Office Building project was carried out on the land with the area of 3019.2 m2 at 60-62-64 Ba Trieu for a complex office building and commercial center with 24 floors and two basements.

Cai Lan - Quang Ninh Tourism and Entertainment complex and Long An industrial ships

complex are being deployed but very slowly.

### **Real Estate Business**

Business activities in real estates at present are mainly in Hanoi, specifically the west of Ha Noi – old Ha Tay and Me Linh - Hanoi, Phuc Yen - Vinh Phuc ...

The population of Vinh Phuc, Me Linh - Hanoi is about 1,231 persons/km<sup>2</sup> and the total population of 1,003 million people in the total area of 1,373 km<sup>2</sup>. Currently this area has many major real estate projects primarily located in Me Linh, Phuc Yen and Vinh Yen City. Of which Vinh Phuc province has 11 major urban projects, Me Linh has up to 40 real estate project in which 20 housing projects were licensed, urban area projects have about 10 officially approved and deployed. Major projects in Vinh Phuc province such as Ha Tien Temple Urban Area (59.7 ha), New Urban Area in South Vinh Yen (446.92 ha), Mau Lam - Dam Vac garden villas (22.89 ha), Flamingo Dai Lai Resort (123 ha), Xuan Hoa new urban areas (29.6 ha), a new urban area of Hung Vuong Tien Chau (75 ha), Petroleum university urban area (72 ha) ...

Major projects in Me Linh district, Hanoi such as: Vinashin golf Urban Area (217.65 ha), Quang Minh - Viet Long Urban Area (46.912 ha), Tien Phong flowers Village Urban Area (99.17 ha), Chi Dong (68.886 ha), Ha Phong (41.82 ha), Cienco 5 (67.81 ha), Me Linh Dai Thinh 1 Urban Area (141 ha)...

It can be seen that Me Linh area has relatively thick density urban area, with a total area of 141 km<sup>2</sup> and there are 23 real estate projects more than 20 ha, 10 projects with the area of 10 -20 ha and 16 urban areas under 10 ha. The total area of urban land in Me Linh district is 1,777.15 hectares, accounting for approximately 12.6% of the total land area of Me Linh district. So the area competition is pretty fierce. The companies which have cheaper compensation and site clearance will be much more advantageous. Land prices in urban areas in Me Linh are now ranging from VND13-15 million/m<sup>2</sup>.

Some completed projects are sold in secondary markets such as Quang Minh - Long Viet project with 465 villas, Quang Minh houses for sale project - Vinaconex 2 has built 327 villas and sold out, Chi Dong Urban Area with 712 houses and 30 villas, Ha Phong urban area with 444 villas and 278 houses, Cienco 5 with 944 houses and 324 villas...

Demand in the region is mainly speculation and weekend resting resort in Hanoi and some surrounding provinces. The actual number of people live in urban areas is not high because it is far from the city center - Hanoi. So the demand in the region is mainly for speculation and for resting at weekend.

Vinashin golf urban project of VSP has the largest area of 217.65 ha in Me Linh. But now it is temporarily paused to consider planning adjustment of Hanoi.

House for sale in Hanoi market

House market in Hanoi, there are about 75,235 apartments for sales including 2,186 luxury apartments (2.91%), 14,005 high-class apartments (18.62%), 46,392 middle-class apartments (61.66%) and 12,652 popular apartments (16.81%). The price ranges from USD 650 - 3,000 m<sup>2</sup>. But on the secondary market, the middle class and luxury

apartments have changed a lot of compared with the initial price. Forecasting for 2010, the total number of apartments is estimated at 16,000 units.

The current need is still great. The average resident rate in Hanoi is around 18m<sup>2</sup> per person. Population migration to Hanoi continues increasing strongly in recent times with a total population of more than 6 million people living mainly in the urban districts of Hanoi. So the population density of Hanoi is still at highest one of about 4,000 persons/km<sup>2</sup> in the urban districts. So, the average estimated area in Hanoi in 2015 reached 28m<sup>2</sup>/person and the actual area of construction continues to expand strongly in the future. But real estate price in Hanoi is too high compared with the purchase ability of over 80% of Hanoi population. So the speculative element is still dominant in the market of real estate and houses for sale nowadays.

#### OTHER INVESTMENTS OF VSP

In 2009, VSP liquidated its investment in Nam Viet oil refinery joint stock company with a total value of VND 155 billion which is mainly long-term assets and inventories, reducing its long-term investments.

In 2010, VSP also dissolved Nam Viet shipping one member limited company due to the losses in 2009 and all assets and liabilities of the company were transferred to the parent company- VSP.

Currently, some of VSP's investments include investment to purchase two bulk carriers (VND115.23 billion), investment for Dinh Vu LPG storage (VND76.41 billion), Nha Be - Military Zone 7 (VND16.02 billion) and LPG tanks (VND8.949 billion). These investments are all in progress or incomplete. Especially the project of building two bulk cargo ships: 54,000 DWT and 22,500 DWT ship is delayed because the company which builds 2 ships is a member of Vinashin and is having financial difficulty as well as VSP itself does not finance actively for this activity. The total signed value of these two ships was VND 977 billion, however the purchase price at the moment is cheaper than newly built ship and the delay in building the ship increased the expense.

#### FINANCIAL INFORMATION OF VSP

VSP's financial situation is not favorable as most of VSP's cash volume invested in fixed assets in 2008 when the total value of fixed assets increased by VND1764.56 billion. The increased fixed assets are mainly newly-purchased ships. But the ship price is at its peak at that time so VSP suffered big losses.

Projects currently implemented by VSP are shortage of capital, so VSP is looking for partners to transfer its projects to quickly recover its invested capital to focus on potential projects and business activities of the company.

The short-term and long-term debt of VSP is very high. As at 30.09.2010, total current liabilities and long-term debt is up to 1,974.2 billion VSP creating great financial pressure on VSP as interest rates continued to increase rapidly recently.

*Table 6: Financial Indicators of VSP*

Indicators	2006	2007	2008	2009	9T/2010
<b>Indicator of capital structure</b>					
The debt / Total assets	91.4%	95.1%	58.1%	65.9%	64.3%
The debt / equity	1106.8%	2141.8%	150.8%	194.8%	181.2%
<b>Indicator of asset structure</b>					
Current assets / Total Assets	32.7%	46.9%	28.2%	22.3%	24.3%
Long-term assets / total assets	67.4%	53.1%	71.8%	77.7%	75.7%
<b>Indicators of liquidity</b>					
Quick ratio	0.33	0.47	0.44	0.32	0.36
Current ratio	0.86	0.79	1.24	1.71	1.97
<b>Indicators of operational capacity</b>					
Cash turnover	35.54	3.42	4.60	2.37	149.99
Total assets turnover	1.31	0.48	0.44	0.17	0.40
Fixed assets turnover	1.96	1.11	0.53	0.29	0.55
Receivables turnover	6.36	7.35	36.67	12.81	18.81
Accounts payable turnover	22.46	14.33	2.09	9.66	8.15
Inventory turnover	37.73	18.38	10.58	15.56	21.43
<b>Indicators of profitability</b>					
CoGS / revenue	88%	76%	54%	148%	77%
Margin	12%	24%	46%	-48%	23%
Selling exp / Revenue	1%	1%	0%	6%	1%
G&A exp / Revenue	2%	3%	1%	5%	2%
Profit margin from operating activities	9%	20%	44%	-58%	20%
PAT / Sales	2.68%	9.37%	30.93%	-70.15%	4.87%
ROE	27.42%	59.39%	28.45%	-30.47%	2.73%
ROA	2.36%	2.91%	11.30%	-10.38%	0.98%
Profit from business profit / net revenue	3.09%	10.62%	34.42%	-73.13%	4.82%

Source: VSP, PSI research

## FINANCIAL FORECASTS

### Revenue and cost of goods sold assumptions:

- We forecast revenue from LPG is stable and there is no mutant growth in the coming time
- Revenue from shipping transportation increases in line with the recovery of world economy.
- Revenue from real estate could be recorded in 2012 when VSP recorded part of the revenue from the project and continue to record in the next years of which revenues are mainly from Me Linh Golf urban area project with total revenue of nearly VND10,000 billion and about 5,000 billion profit.
- The shipbuilding project will be completed in 2012 when the economy recovers from the crisis lasting from 2008 up to now

Table 7: Forecast revenue from VSP operations from 2010 to 2015

	2010E	2011E	2012E	2013E	2014E	2015E
Revenue from LPG	234,835	241,880	249,136	256,610	264,309	272,238

Revenue from transportation	673,908	727,820	800,602	880,663	968,729	1,065,602
Revenue from ship sale	31,000	-	-	-	-	-
Other revenue	-	-	-	-	-	-
Revenue from property	-	-	200,000	1,000,000	600,000	500,000
<b>Revenue</b>	<b>939,742</b>	<b>969,700</b>	<b>1,249,738</b>	<b>2,137,273</b>	<b>1,833,037</b>	<b>1,837,839</b>
COGS	713,179	768,351	1,004,605	1,576,748	1,366,820	1,373,370
Cost of LPG	237,183	237,042	244,153	251,478	259,022	266,793
Cost of transport	464,996	531,309	600,452	625,270	687,797	756,577
Cost of ship sale	11,000	-	-	-	-	-
Other COGs	-	-	-	-	-	-
Cost of property	-	-	160,000	700,000	420,000	350,000
<b>Gross profit</b>	<b>226,563</b>	<b>201,349</b>	<b>245,133</b>	<b>560,524</b>	<b>466,218</b>	<b>464,469</b>
Gross profit from LPG	-2,348	4,838	4,983	5,132	5,286	5,445
Gross profit from transportation	208,911	196,511	200,151	255,392	280,931	309,024
Gross profit margin from ship sales	20,000	-	-	-	-	-
Other gross profit	-	-	-	-	-	-
Gross profit from property	-	-	40,000	300,000	180,000	150,000

Source: PSI forecast

## VALUATION

### Valuation results

We use a combination of three methods: FCF/Share, P/E, and P/B and to determine the expected price for VSP. The reasonable price of VSP is at around VND **39,900** per share. The price is equivalent to a P/B of about 1.21 times.

Valuation models	Price (dong)	Ratio	Weighted average
FCF/Share	37,249	33.33%	12,415
P/E	36,299	33.33%	12,098
P/B	46,210	33.34%	15,407
<b>Weighted average price</b>		<b>100.00%</b>	<b>39,920</b>



## INDEX: FINANCIAL STATEMENTS

Unit: VND mil

	2009	2010F	2011F	2012F
<b>Net sales</b>	512,613	938,322	969,700	1,249,738
Cost of goods sold	758,711	713,179	768,351	1,004,605
<b>Gross profit</b>	<b>(246,098)</b>	<b>225,142</b>	<b>201,349</b>	<b>245,133</b>
Revenue from financial activities	85,858	4,337	1,841	25,112
Financial expenses	161,851	132,300	132,514	144,608
Selling expenses	28,238	11,869	14,546	30,786
General and administration expenses	24,556	21,021	23,123	25,435
<b>Operating profit</b>	<b>(374,885)</b>	<b>64,289</b>	<b>33,007</b>	<b>69,416</b>
Other profit	12,178	5,929	9,697	12,497
<b>Profit before tax</b>	<b>(362,706)</b>	<b>70,218</b>	<b>42,704</b>	<b>81,914</b>
<b>Profit after tax</b>	<b>(359,595)</b>	<b>52,664</b>	<b>32,028</b>	<b>61,435</b>
<b>TOTAL ASSETS</b>	<b>3,464,708</b>	<b>3,467,443</b>	<b>3,419,490</b>	<b>3,956,713</b>
<b>Current assets</b>	<b>773,997</b>	<b>889,263</b>	<b>891,638</b>	<b>1,253,762</b>
Cash and cash equivalent	10,197	41,723	16,762	249,474
Short term receivables	<b>688,842</b>	<b>778,563</b>	<b>803,700</b>	<b>912,558</b>
Inventories	49,488	51,686	53,334	68,736
Other current assets	25,470	17,291	17,842	22,995
<b>LT Assets</b>	<b>2,690,711</b>	<b>2,578,180</b>	<b>2,527,852</b>	<b>2,702,951</b>
Fixed assets	2,583,392	2,474,173	2,422,879	2,597,002
Tangible fixed assets	2,070,533	1,934,682	1,777,207	1,631,732
LT Financial investments	6,281	1,643	1,643	1,643
Other assets	101,027	102,358	103,324	104,299
<b>TOTAL RESOURCES</b>	<b>3,464,708</b>	<b>3,467,443</b>	<b>3,435,192</b>	<b>3,972,415</b>
<b>Short term liabilities</b>	<b>451,532</b>	<b>438,399</b>	<b>456,861</b>	<b>891,721</b>
Short term liabilities	288,341	259,881	233,893	210,503
<b>LT loans</b>	<b>1,832,843</b>	<b>1,764,739</b>	<b>1,681,837</b>	<b>1,603,445</b>
LT loans	1,774,098	1,711,325	1,625,759	1,544,471
<b>Owner's equity</b>	<b>1,172,694</b>	<b>1,257,070</b>	<b>1,289,114</b>	<b>1,469,721</b>
Owner's equity	380,845	380,845	380,845	500,000
Undistributed earnings	(285,132)	(201,290)	(169,262)	(107,827)
<b>Other funds</b>	<b>7,639</b>	<b>7,235</b>	<b>7,380</b>	<b>7,527</b>
<b>Settlement</b>				
Quick ratio	0.32	0.38	0.39	0.47
Current ratio	1.71	2.03	1.95	1.41
<b>Capital structure</b>				
Debt/ Owner's equity	194.8%	175.3%	165.9%	169.8%
Debt/Total assets	65.9%	63.5%	62.5%	63.1%
<b>Operating</b>				
Inventories turnover	15.56	14.10	14.63	16.46
Payables turnover	9.66	6.23	5.50	3.11
Receivable turnover	12.81	16.07	10.16	11.26
<b>Profitability</b>				
Net profit/ Revenue (GM)	-48%	24%	21%	20%
Operating profit/Revenue	-58%	20%	17%	15%
ROA	-10.4%	1.5%	0.9%	1.6%
ROE	-30.5%	4.2%	2.5%	4.2%

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**PETROVIETNAM SECURITIES INCORPORATED****Research Department**

**Director of Department:** Pham Thai Binh - [binhpt@psi.vn](mailto:binhpt@psi.vn)

**Research Analyst:** Nguyen Minh Hanh – [hanhnm@psi.vn](mailto:hanhnm@psi.vn)

**Market & Macroeconomic  
Research**

**Ninh Quang Hải**  
[hainq@psi.vn](mailto:hainq@psi.vn)

**Le Thanh Tung**  
[tunglt@psi.vn](mailto:tunglt@psi.vn)

**Sector/Company analysis**

**Nguyen Minh Hanh**  
[hanhnm@psi.vn](mailto:hanhnm@psi.vn)

**Ngo Hong Duc**  
[ducnh@psi.vn](mailto:ducnh@psi.vn)

**Ngo Thi Khanh Chi**  
[chintk@psi.vn](mailto:chintk@psi.vn)

**Truong Tran Dung**  
[dungtt@psi.vn](mailto:dungtt@psi.vn)

**Ho Thi Thanh Hoan**  
[hoanhtht@psi.vn](mailto:hoanhtht@psi.vn)

**Nguyen Anh Tuan**  
[tuanna1@psi.vn](mailto:tuanna1@psi.vn)