

**PVR – PetroVietnam Premier Recreation JSC**Shares of the Company are valued at **27,328 VND/share**.**OVERVIEW**

- **Real estate projects' revenue will be recorded from 2011:** In three years from 2007 to 2009, the company did not record revenue from core business due to specification of real estate business, in which introduction phase lasts three to five years. As a result, between 2007 and 2009, revenue of the company was generated by financial activities, which is deposit in banks in specific. From 2010, some projects started recording prepaid from customers, however revenue is improbably recorded in 2010. We estimate revenue from real estate will be recorded from 2011.
- **Large project portfolio:** The Company is now having nine projects with huge land bank. The big projects are Suoi Hai resort - Hanoi – 1,204.8ha, Ha Long eco-resort – 1,131ha as well as projects in key areas in Hanoi, Ho Chi Minh city, Ha Long... However, projects have certain lag time due to problems in procedures of investment, compensation, site clearance as well as planning.
- **Source of investment capital:** With the large project portfolio, PVR will face with difficulties in reciprocal capital. As a result, the company will implement projects gradually to balance investment capital source. The increase of chartered capital to VND600 billion in 2010 put a pressure on income in 2010 because.
- **Valuation: PVR's shares are valued at about 27,328 VND/share.** This result is estimated by using NAV/share at discount rate of 75% compared with NAV of the company and FCFE, PCFF, P/E, P/B according to average of real estate industry in stock exchanges.

RECOMMENDATION: BUY

Price target:	27,328
Market price	14,500
52-week high:	30,500
52-week low:	13,600

STOCK DATA

Stock exchange:	HNX
Par value:	10,000
Number of shares:	30,000,000
Market Cap. (bil VND):	435
EPS 2009 (VND)	212

OWNERSHIP INFORMATION

PVX	35.65%
PVI	10%
GPBank	10%
NETTRA	6.67%
PVS (PTSC)	5.31%
Others	32.37%

KEY FINANCIAL FIGURES

	2007	2008	YoY	2009	YoY	H1/2010	QoQ
Net revenue (VND million)	-	-	-	-	-	-	-
Gross profit (VND million)	-	-	-	-	-	-	-
Financial revenue (VND mil)	12,861	35,058	172%	25,269	-28%	14,221	
Net profit (VND million)	4,366	18,108	314%	6,372	-64%	5,879	-
Owners' equity (VND million)	292,500	292,500	0%	300,000	2,56%	300,000	0%
ROA	1.43%	5.61%	292%	1.93%	-65%	1.75%	-
ROE	1.47%	5.77%	292%	1.95%	-65%	1.78%	-
EPS (VND)	149	619	315%	212	-65%	196	-

Source: PVR

INVESTMENT INCENTIVES

Real estate along with gold and securities is one of the three most attractive investment channels in Vietnam. High growth rate of this industry creates opportunities for real

estate firms, especially projects in economic areas and big cities such as Hanoi, Ho Chi Minh city, Vung Tau, Quang Ninh, Binh Duong, Dong Nai, Da Nang...

The company has a clean land bank in urban centers: PVR has a clean land bank in CT15 – Viet Hung new urban town, Clock Tower - Ha Long, Km8 Giai Phong, Suoi Hai Lake Resort, CT10-11 Van Phu, Duminium Vinh Hung... These projects will generate revenue from 2011 because they were gotten off the ground in 2010.

The project created a breakthrough for the company: Suoi Hai lake resort and Ha Long resort are considered to create a breakthrough for the company thanks to the high increase in investment in villas. These projects will generate high and long-term profit for the company when phase 1 starts. Phase 1 and Phase 2 all focus on developing villas to collect capital for long-term projects such as golf course, hotel and recreation center.

Revenue structure has changed largely: Since establishment, the company has focused on developing projects; thereafter revenue from real estate projects has not been accounted. The reason is that project development in Vietnam usually takes three to five years before the official construction. However, the implementation of projects from the beginning will generate more income.

INVESTMENT RISKS

Business risk: The company was established to implement Tan Vien resort; however after four years of operation this project was postponed and has just been restarted. Therefore, risk of projects being postponed by the authorities is rather high.

Risk of project implementation progress: Real estate projects might be carried out much slower than initial announcement and estimation. Reasons for the delays including: Lack of investment capital, change in project plan, delay in construction by contractor, etc. These factors affected greatly on money collection of projects, revenue, expense and profit recognition. This risk is highly feasible in real estate projects when hardly any project was implemented as schedule.

Market risk: The projected revenue of the company in 2011 is generated from selling apartments, villas ground and long-term offices and commercial centers leasing. Except for some projects which were bought, some projects might get difficulties when real estate market in the north blew after the explosive growth from March to May of 2010. In addition, consumption trend also changed rapidly. Currently, apartments with price lower than USD 1,000 /m² are rather attractive; however, consumption of the ones with price higher than USD 1,500 /m² is rather low.

Investment capital risk: Presently, investment capital for real estate projects is a problem to firms. Borrowings from banks for real estate business are limited due to restricted regulation of credit for real estate as well as regulation in which minimum reciprocal capital of owner in a project is 20%. As a result, with the current portfolio, owners' equity of VND300 billion is much lower than the required reciprocal capital of each project.

VALUATION ON PVR'S PROJECTS

With the ill-developed infrastructure, low rate of urban population, low house area per capita as well as high GDP per capita growth rate, Vietnam, along with China and India, is one of the most attractive real estate markets in Asia – Pacific.

To evaluate PVR intrinsic value, we use NAV method to evaluate each project that PVR is implementing as well as to forecast NAV in long-term which depends on prospect of Vietnam economy, development potential of industry as well as potential of the firm.

The mentioned projects are:

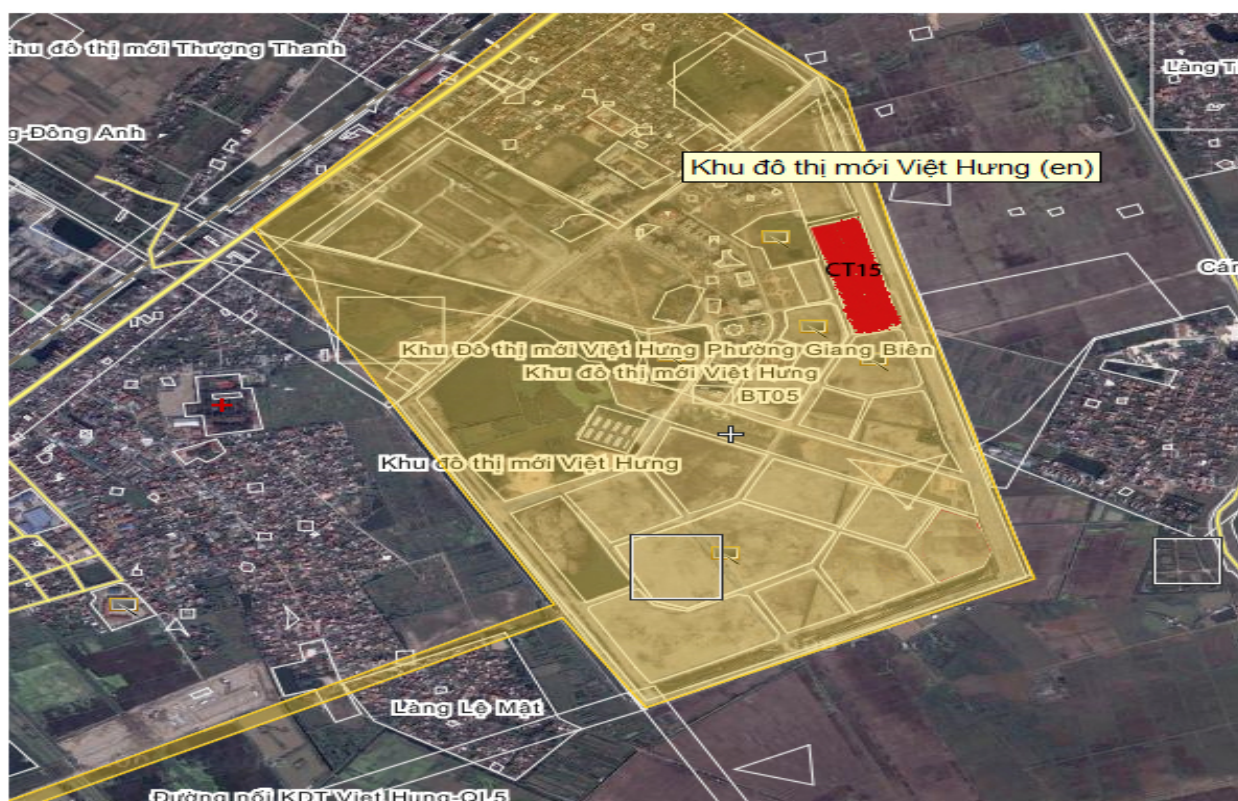
1. Project CT15 – Viet Hung
2. Center of office, commerce and Tower Clock hotel project, Ha Long
3. Tan Vien luxury resort
4. Megastar Duminium commercial center and apartment building – Vinh Hung
5. Center of office, commerce and apartment building km8 Giai Phong
6. Complex project District 9, Ho Chi Minh city
7. Project CT10-11 Van Phu – Ha Dong
8. West Ha Long Ecotourism Area Project
9. Phase 2 of Zone B Kim Lien

1. Project CT15 – Viet Hung – Long Bien – Hanoi

The project is built in CT15 lot in Viet Hung new urban town which was bided according to Decision 6696/QĐ-STC dated 30/12/2009 of Hanoi Finance Department to bid CT15, CT19B, CT21B lot in Viet Hung new urban town – Long Bien – Hanoi) with HUT as contractor. Total area is 29,405 m² in which construction area is 13,250 m². Area of two basement floors is 26,500 m², area of first and second floor used for commercial centre is 26,500 m², the rest 22 floors used as apartments has area of 224,840 m².

This project includes a twin tower with 24 floors and two basement floors and total construction area of 13,250 m² and total floor area of 277,840 m². This project is carried out under Business Cooperation Contract (BCC) of PVR, Van Phu Land and NNP Investment Ltd. Co., in which PVR's part in BCC is 20% and PVR has to contribute 20% of the total capital and will get 20% floor area of the project. Total bidding expense is VND195 billion, total investment capital is VND 2,561 billion, in which owners' equity is VND203 billion, prepayment of customer is VND2,100 billion and borrowings is VND258 billion. Construction cost including basement floor is about 11,390,000 VND/m² and without basement floor is about 12,580,000 VND/m².

Figure 1: Position of CT15 – Viet Hung



Source: PSI compilation

Currently, the project was gotten off the ground but has not been driven pile foundation and constructed. Therefore we estimate that no sooner than 2011 can the project generate revenue. The prime cost of apartment is VND 15,000,000/m², collection schedule is projected 30% in 2011, 30% in 2012, 20% in 2013, 10% in 2014 and 10% in 2015. Filling rate of commercial center is about 40% in 2013 and increase to 80% once operating stably with renting price of 18USD/m²/month. ATM place renting price is 150 USD/ATM/month, tennis court renting price is 5 USD/m²/month, and the rest area is for parking.

Table 1: Revenue – expense – profit of project CT15 – Viet Hung

	2011	2012	2013	2014	2015
Revenue of project	125,730,528,000	526,125,600,000	468,879,558,800	545,655,665,200	653,288,202,860
Apartment selling	125,730,528,000	526,125,600,000	468,879,558,800	503,101,984,000	595,124,499,200
Revenue from podium	-	-	-	38,098,523,880	52,377,986,340
ATM place	-	-	-	19,957,320	19,957,320
Basement	-	-	-	4,435,200,000	5,765,760,000
Total expense	100,634,018,409	417,423,467,591	372,059,360,611	405,133,332,916	480,241,144,956
Net income	18,822,382,193	81,526,599,307	72,615,148,642	105,391,749,213	129,785,293,428
Revenue of PVR (20%)	25,146,105,600	105,225,120,000	93,775,911,760	109,131,133,040	130,657,640,572
Profit of PVR (20%)	3,764,476,439	16,305,319,861	14,523,029,728	21,078,349,843	25,957,058,686

Source: PVR, PSI forecast

NAV of project CT15 – Viet Hung is VND 81,504,084,008, IRR is 22.35%, and

expected payback period is 6 years.

Project construction area locates in Viet Hung new urban town, a model urban town in the north of Hanoi. Apartment price in this town increased significantly from 10 million VND/m² from the initial to 16-18 million VND/m² at the moment and might increase to 20 million VND/m² in the future. Around this project are constructed apartment buildings in Viet Hung new urban town such as Happy House Garden luxury apartment building (trading price is 19 million/m², original price is 9.4 million/m²), K zone – Viet Hung (trading price 17 million/m², original price 9.2 million/m²), as well as in surrounding towns like Sai Dong new urban town (trading price is 15 million/m², original price is 9.3 million/m²), Dang Xa new urban town (10 - 12 million VND/m²), luxury apartment building at 45 Nguyen Son (trading price is 16.5 million/m², original price is 10 million/m²)... are very attractive to customers because the distance from Viet Hung to center of the city (Hoan Kiem Lake) is rather favorable compared with buildings in the east of Hanoi or other town in the same area (Dang Xa, Sai Dong)

2. Center of office, commerce and Clock Tower hotel project, Ha Long

Clock Tower project - Ha Long was started on 3/2/2010 and is in leveling process due to the ground belongs to landfill of Quang Ninh province. In addition, the project area was doubled from 5,108 m² to over 10,000 m² for the central square of Ha Long city. Construction area does not change significantly from the initial design.

Figure 2: Clock Tower – Ha Long



Source: PVR

The project locates in the best area of Ha Long city – Quang Ninh with price amounting to nearly 80,000,000VND/m² with no luxury apartment buildings surrounding. This project is considered the most luxury apartment building in Ha Long – Quang Ninh after completion with a twin 21-floor tower with two basement floors. One tower is the most modern apartment building in Ha Long; the other is

the most modern four-star hotel in Ha Long. Five foundation floors links the two towers are the large commercial center in Ha Long. Total area is 31,705m² and land leasing period is 50 years. Total expected investment is VND900 billion.

- Tower A is luxury apartment building with area of 12,000 m² including 120 apartments at expected selling price of 20 – 25 million/m².
- 3,000 m² used as office for lease was committed to hire by Vietnam International Bank (VIB)
- Tower B (from 7th to 21st floor) is hotel including 255 four-star rooms with average renting price of 70 USD/day. According to our survey, in Ha Long room filling rate might be 65%. 718 m² of 1st floor is main hall and waiting room; 1,490 m² of fourth floor is restaurant (Revenue from restaurant, laundry and telephones services equals 35% and 3.5% revenue from rooms respectively); 583 m² of fifth floor is used for sauna, yoga, massage; 409 m² of sixth floor is conference room, aerobic, karaoke and club (which generates revenue equaling to 10% of rooms revenue). Roof top is bar and swimming pool with area of 1,155 m² (which generates revenue equivalent to 7.5% of rooms revenue). Basement is parking area of hotels with area of 3,120 m².
- Commercial center includes 2nd and 3rd of Tower B and 1st to 5th floors of Tower A, the foundation floors linking the two towers and part of the basement. Renting area is about 13,000 m² with price of 19 million/m² (not including fees and services). At the present Big C is negotiating with PVR to hire all the commercial center area to open Big C Quang Ninh commercial center with long-term contract of 48 years.

Table 2: Revenue – expense – profit of Clock Tower project - Ha Long

	2011	2012	2013	2014	2015
Revenue of the project	213,028,800,000	551,872,000,000	394,984,125,000	91,794,150,000	103,203,075,938
Revenue from selling apartments	105,600,000,000	264,000,000,000	158,400,000,000	-	-
Commercial center	83,428,800,000	227,872,000,000	125,143,200,000	-	-
Offices for lease	24,000,000,000	60,000,000,000	36,000,000,000	-	-
Basement, others			8,870,400,000	8,870,400,000	8,870,400,000
Hotel			66,570,525,000	82,923,750,000	94,332,675,938
Total expense	75,920,000,000	186,800,000,000	112,880,000,000	13,058,768,209	17,117,374,048
Net income	102,831,600,000	273,804,000,000	211,578,093,750	59,051,536,343	64,564,276,417
Income of PVR (51%)	20,566,320,000	54,760,800,000	42,315,618,750	11,810,307,269	12,912,855,283

Source: PVR, PSI forecast

NAV of Clock Tower project – Ha Long is VND 142,989,143,204, expected payback period is about 4 years.

Clock Tower located in the ideal position of Ha Long city with one side next to the commercial center of Ha Long city, one side's view over Ha Long Bay's beach. In Ha Long city, at the moment there has not been any luxury apartment building with the same scale. Moreover, income per capita of Quang Ninh province is about USD 1,400/year and

population is about 1.1 million. We estimate real estate market in Quang Ninh province is very potential for PVR's business.

Hotel in Tower B of the building will be economically efficient because Quang Ninh is a big center of tourism and culture in the north with Ha Long Bay - world's natural wonder. Annual tourists to Ha Long are 4.2 million, in which international tourists are 2.35 million, revenue from tourism amounts to VND2.800 billion/year. Competition among four-star hotels comes from the following ten hotels:

Table 3: Four-star hotels in Ha Long

No	Hotel	Address	No. of room	Room price (USD)
1	Ha Long - Plaza ****	No. 8, Ha Long Rd, Bai Chay, Ha Long	185	140-350
2	Heritage Ha Long ****	No. 88, Ha Long Rd, Bai Chay, Ha Long	101	70 - 150
3	Sai Gon Ha Long ****	Ha Long Rd, Bai Chay, Ha Long	228	70-150
4	Ha Long Dream ****	No. 10, Ha Long Rd, Bai Chay, Ha Long	184	108-278
5	Hoang Gia Casino ****	Ha Long Rd, Bai Chay, Ha Long	134	130-280
6	Grand Ha Long ****	Ha Long Rd, Bai Chay, Ha Long	117	95-300
7	Ha Long Pearl ****	Ha Long Rd, Bai Chay, Ha Long	184	120-230
8	Asian Ha Long ****	4B, Hau Can Road, Bai Chay, Ha Long	101	120-240
9	Mithrin Ha Long ****	Dong Hung Thang, Bai Chay, Ha Long	88	85-160
10	Novotel Hotel ****	Ha Long Rd, Bai Chay, Ha Long	214	90-190

Source: PSI compilation

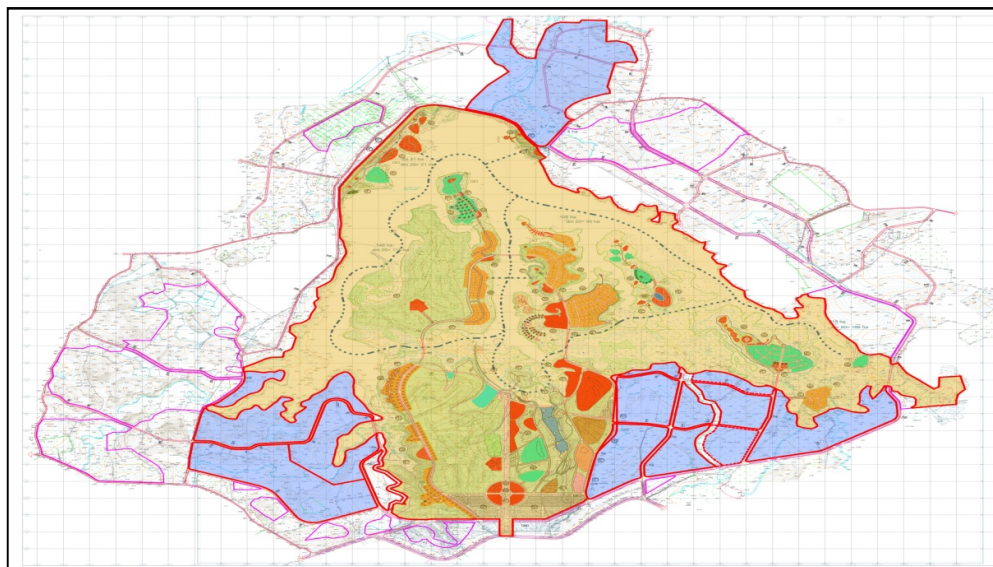
Yearly average filling rate of four-star hotels in Ha Long, according to current survey is about 50-55% and is going up thanks to the increasing demand for luxury hotels. We estimate the hotel business is rather profitable.

3. Tan Vien luxury resort

Tan Vien luxury resort located in four communes of Ba Vi – Hanoi with total area of 1,024.8 ha in which water area is 730.09ha, inland area is 291.51 ha and island area is 183.2 ha. The projects is built in three phases with total investment of nearly VND 5,100 billion, in which phase 1's investment is VND 825 billion.

However, this project has been postponed since 2007 due to disputes about land acquisition in farms and chicken farms. In 2010, the project was restarted and is now in process of compensation and site clearance. It is no sooner than 2011 this project generate revenue. This project is exempted from land rent in 50 years and might extend to the next 50 years. Moreover, we have many concerns about progress of the project due to the low process of compensation and site clearance.

Figure 3: Detailed plan of Tan Vien project – Ba Vi - Hanoi



Source: PVR

Table 4: General plan of Tan Vien project

No.	Zones	Area (m ²)	Floor area (m ²)
I	Northern recreation centre	30,249	
1	Centre and recreation centre	9,658	1,576
2	Welcome center	16,733	6,205
II	Culinary park	221,855	
1	Drill garden	24,066	13,537
2	Water gazebo	16,252	9,142
3	Services centre	56,834	29,032
4	Hotel	7605	4278
5	Park	23,315	1,749
6	Trees and flowers garden	18,845	
7	Transportation	4,950	
III	Thanh Nien Island	83,517	
1	Villas	49,718	32 villas
	Bungalow	8,662	16 houses
2	Restaurant, club	16,796	4,409

3	Club, massage, aerobic	872	425
4	Tennis course	2,113	
5	Welcome centre, information centre	2,250	1,547
6	Transportation	21,277	
IV	Yen Binh Island	196,845	
1	Villas		25 villas
	Luxury villas	44,559	10 villas
2	Luxury hotel	13,627	9,369
3	Bungalow		30 houses
4	Public services area		25,786
5	Commercial centre	6,910	5,614
6	Trees	31,938	
7	Transportation	33,218	
V	Yen Tinh Island	245,296	
1	Villas	10,241	95 villas
2	Luxury hotel	27,630	37,991
	Bungalow		38 houses
	Public centre	12,708	3,971
	Trees	19,919	
	Transportation	50,534	
VI	Hotel and recreation complex		
	Hotels, casino and services	46,177	75,038
	Club, Sports centre...	1,995	5,463
	Special zones	21,925	8 villas
	Trees	26,144	
	Transportation	14,165	
VII	Bai Chay Island	185,650	
	Villas	50,847	70 villas
	Bar, cafe, club...	9,028	4,315
	Paradise Castle	33,314	10,411
	Trees	21,317	
	Transportation	67,798	
VIII	Toan Mai Island	42,595	
	Villas	32,863	29 villas
	Trees	999	

	Transportation	8,118	
IX	Island II,G	11,682	
	Villas	8,291	6 villas
	Commercial centre	3,391	2,204
X	Southern tourism complex	2,704,639	
A	Golf course No. 2		
	Golf course villas	145,958	136 villas
	Spa, club...	28,037	9,462
B	Services complex		80,900
	Central hotel	81,664	71,456
	Water complex centre	12,062	2,261
C	Transportation	94,607	
XI	Golf course I Island 73	1,078,178	
	Golf course I villas Island 73	109,977	95 villas
	Golf club, therapy zone		10,153
	Technical zone, resort...	1,389	17,761
	Trees	55,087	
	Transportation	37,661	

Source: PVR

We consider highly potential of Tan Vien project with planned revenue and profit as followed:

Table 5: Revenue – profit of Tan Vien resort

	2010	2011	2012	2013	2014	2015	2016
Investment value	2,244	442,876	1,936,117	1,619,152	799,021	387,796	-
Revenue	-	-	852,945	1,459,997	1,381,643	999,715	872,987
Expense	-	-	64,047	117,136	159,451	162,648	178,240
Depreciation	-	-	-	57,874	129,851	129,851	212,238
Interest expense	-	2,087	8,906	6,517	4,494	264,058	264,058
Net income	-	-	2,087	779,992	1,278,470	1,087,848	443,158

Source: PVR, PSI forecast

NAV of Tan Vien resort is estimated of about VND 1,913,220,000,000.

Tan Vien resort locates in a key position in Ba Vi – Hanoi with large water area, which is very convenient to develop ecotourism and golf courses. In addition, the investment in tourism projects in Ba Vi Mountain has attracted many investors. The existing projects such as Khoang Xanh , Ao Vua, Suoi Ngoc – Vua Ba, Suoi Tien, Tan Da Resort, Asian Resort, V-Resort,... have been attracting many tourists, especially the ones from Hanoi in the weekend and the holidays.

In addition demand for eco houses has increased largely, especially the coastal ones. The resorts in the mountain or by the lakes are mostly developed in the North because in the North, the seas are far from the centers and the northern seas are less attractive than the southern.

According to incomplete statistics of CBRE, currently in the North, there are three golf courses and three eco zones providing 970 villas and 566 apartments; in the Central there are four golf courses and eighteen eco zones with 1,085 villas and 511 apartments; in the South there are eight golf courses and seventeen eco zones with 5,104 villas. The recent projects include Tuan Chau Residences in Quang Ninh, Flamengo Dai Lai – Me Linh – Vinh Phuc, Cat Ba Amatina – Hai Phong, etc.

Demand for eco-villas in 2007-2009 period increased strongly, however from the end of 2010, this trend stopped.

4. Megastar Duminium commercial center and apartment building – Vinh Hung

Area of the project is 6,054.9 m² in which 4,285.2 m² belongs to Hanoi Electronics Company (Hanel) and 1,769.7 m² belongs to Vinh Hung House Ltd, Co. (NVH). Leveling process was finished. Construction land area is 2,660 m². Total construction area (includes 35 floors and three basement floors) is 96,112 m². From first floor to fourth floor is the commercial center, from fifth floor to 35th floor are apartments, the three basement floors are parking area. Total area of the apartment part is 57,614 m² with 728 apartments, in which 696 ordinary apartments locate in 5th – 33th floor and 32 luxury apartments locate in 34th and 35th floor.

PVR is expected to buy 7th, 10th, 13th-15, 21-30 or fifteen floors with total floor area of 36,000 m² as a secondary investor to trade. COGS including VAT is about VND16 million /m².

The project was started however the progress was slower than the initial plan, revenue from prepayment of customers PVR collected but cannot recognize because the project has not finished the foundation.

Figure 4: Duminium Vinh Hung – Hanoi



Source: PVR

Table 6: Forecast financial results of Duminium Vinh Hung

	2011	2012	2013	2014	2015
Project Revenue	64,440,000,000	124,920,000,000	283,932,000,000	151,308,000,000	35,100,000,000
Apartments selling	64,440,000,000	124,920,000,000	283,932,000,000	151,308,000,000	35,100,000,000
Basement, others	-	-	-	-	-
Total expenses	144,892,800,000	119,093,724,000	231,686,433,000	86,400,000,000	-
Net income	- 60,339,600,000	4,369,707,000	39,184,175,250	48,681,000,000	26,325,000,000

Source: PVR, PSI forecast

NAV of Duminium Vinh Hung is about VND 17,520,837,471 VND

Along Linh Nam Road, we consider Lilama 27-floor luxury apartment building at No. 49 Linh Nam the main rivalry. Besides, Vinaconex 3 apartment building in Mai Dong is rather near the project.

However, demand of apartments in Hanoi, especially in the center and near the center is very high. In terms of transportation from Duminium Vinh Hung to the central districts, especially Hoan Kiem district is more convenient than from other projects in the East. According to our survey, apartment price in this area in the initial period is about VND 17.5-18 million /m², completed apartments are sold at VND 20-22 million /m². As a result, PVR's investment seems to be effective when payment progress of PVR to contractor NVH follows construction progress; PVR also collect prepayment of customers.

5. Center of office, commerce and apartment building km8 Giai Phong

Area of the project is 3,648 m² in which construction area is 1,824 m² including 25 floors and two basement floors with total area of 55,045 m². Renting expense is about VND 91.189 billion at VND 50 million /m², COGS is about VND 13.7 million /m². Area of two basement floors, five floors for the commercial center and apartment floors are 9,450 m², 9,119 m² and 36,457 m² respectively.

The project is now on completion of procedures to start. We estimate that no sooner than 2011 can the project generate revenue.

Table 7: Forecast financial results of project in km8 Giai Phong

	2011	2012	2013	2014	2015
Project Revenue	23,362,685,850	248,578,977,444	329,413,870,485	382,127,985,231	2,054,088,000
Apartments selling	23,362,685,850	248,578,977,444	329,413,870,485	380,544,777,231	-
Basement, others	-	-	-	1,583,208,000	2,054,088,000
Total expenses	14,348,971,759	142,533,059,512	188,720,501,796	218,157,329,108	787,572,320
Net income	5,531,142,738	65,073,631,458	86,334,567,150	100,618,357,166	777,180,076

Source: PVR, PSI forecast

We estimate that NAV of the project is VND 158,602,941,646.

Currently, in Giai Phong area and the surroundings there are many new urban towns and apartment buildings such as: Dinh Cong new urban town, Linh Dam new urban town and other new urban towns in Tu Hiep, Van Dien...which makes the competition in this area rather intense. Advantage of the project is on Giai Phong Road providing convenience for trade and transportation.

6. Project in District 9, Ho Chi Minh city

The project is implemented under BCC contract between Kim Thai Duong JSC (KTD) and PVR with capital contribution ratio of 50:50, in which KTD contributes land usage right, PVR contribute capital to carry out the project. Area of the project is 23,651 m2, including two part with area of 10,185 m2 and 13,466 m2 respectively.

The entire land area is currently vacant and agricultural land which was assembled from many smaller plots. Total construction area is 9,311 m2 with floor area of 24 floors of 190,015 m2 and area of two basement floors of 19,430 m2. Area of the apartments is 104,320 m2, area of the transportation and ails is 6,775 m2, area of the commercial center is 46,630 m2; the rest belongs to the basement. Total investment capital of the project is VND 1,942 billion, in which owners' equity capital is VND 385 billion VND, capital mobilized from customers is VND 1,106 billion and borrowing from banks is VND 450 billion.

Figure 5: Project in Phuoc Long B – District 9 – Ho Chi Minh city



Source: PVR

Table 8: Forecast financial result of the project

	2011	2012	2013	2014	2015
Project Revenue	68,050,500,000	480,269,088,360	1,290,099,091,439	183,242,658,283	13,720,437,963
Apartments selling	68,050,500,000	480,269,088,360	1,290,099,091,439	170,644,738,990	-
Basement, others	-	-	-	12,597,919,293	13,720,437,963
Total expenses	65,883,635,782	465,093,723,674	1,247,562,925,496	167,962,821,635	4,610,970,053
Net income	1,625,148,164	11,381,523,515	31,902,124,457	11,459,877,486	6,832,100,933
Net income of PVR (50%)	812,574,082	5,690,761,757	15,951,062,229	5,729,938,743	3,416,050,466

Source: PVR, PSI forecast

We estimate that NAV of the project is about VND 33,475,725,316.

The project is offer at initial price of VND13.68 million/m² and price once completed is VND 14.52 million/m², average selling price is VND 14 million VND/m², which is rather attractive compared to other projects in the same area.

Currently in District 9 – Ho Chi Minh city, there are many projects such as E.Home Dong Sai Gon 1 was completed and sold at VND 13.4 million/m²; E.Home Dong Sai Gon 2 in Nam Long – Phuoc Long B was sold at VND11.8 - 14 million/m²; Green Building in Nam Hoa – Phuoc Long was sold at VND19 million /m² in average,...

However, the attractiveness of the projects in Ho Chi Minh city is not high due to the weak market from 2008. The complex of PVR and KTD might be more competitive than other projects with attractive price at about USD720 /m². Additionally, distance from the project to the city center is about 40 minutes driving, which is suitable with low and medium income customers.

7. CT10-11 Van Phu – Ha Dong

CT10-11 Van Phu – Ha Dong was transferred by Van Phu Investment JSC (VPI) to PVR in which VPI contribute usage right and PVR contribute capital to develop the project.

Area of the project is 7,023 m², in which construction area is 3,490 m². The project has two basement floors with area of 13,494 m² and 39 floors with area of 96,191 m² (in which commercial area is 7,955 m², apartment area is 62,088 m²). Total investment of the project is VND 239,926 billion VND.

Table 9: Financial analysis of CT10-11 Van Phu – Ha Dong

STT	Content	Unit	Value
1	Total expected investment	VND	1,454,542,839,700
2	Annual revenue	VND	67,444,923,884
3	Operating expense	VND	48,961,239,968
4	Net income after 25 years	VND	202,650,000,601
5	NPV	VND	21,532,765,595
6	IRR	%	17.07%
7	Rate of return	times	0.14
8	Payback period	year	8.75

Source: PVR

It is expected that in 2011 when the foundation is finished, part of the revenue will be recognized. The feasibility of the project is high thanks to the shift in population to the East.

In this area, there are many new urban towns such as Van Quan new urban town, Van Phu new urban town, USilk city new urban town, International European villages, etc. with supply of millions of m² in the future. However the starting price of this project at about VND18.5 million/m² is rather attractive compared to Van Quan new urban town where trading price of apartments of about VND23-24 million/m². There are few projects having trading price under VND20 million/m² in Ha Dong District.

8. West Ha Long Ecotourism Area Project

West Ha Long Ecotourism Area has an area of 8,000 ha, in which PVR is making the survey of using 1,131 ha. The project was approved 1/2000 plan and is making 1/500 plan.

In the plan, PVR will build an eighteen-hole golf course in an area of 190 ha, a resort, a hotel and casino in an area of 864 ha, in which ground area is 754 ha, water area is 377 ha. Total investment is forecast at about VND 5,131 billion, in which owners' equity capital and prepaid of customers is VND 3,698 billion, borrowing is VND 1,432 billion. NAV is about VND 800 billion.

Table 10: Financial valuation of West Ha Long Ecotourism Area

No.	Content	Unit	Value
I	Total investment	VND	5,131,272,324,499
1	Golf course	VND	1,534,126,022,050
2	Viet Mong Rong Island	VND	2,804,831,046,520
3	Island	VND	13,800,000,000
4	Interest expense	VND	343,239,549,072
5	Expected expense	VND	435,275,706,857
II	Total revenue	VND	9,933,928,323,271
III	Total profit	VND	3,125,363,485,307
IV	Rate of return	times	0.61
V	Payback period	year	4
VI	NAV	VND	800,000,000,000

Source: PVR

9. Phase 2 of Zone B Kim Lien

This project is the cooperation between PVR and Song Hong Construction JSC (ICG) under BCC with capital contribution rate of 50:50.

Total area of zone B is 52,070 m², in which in phase 1 ICG implemented 12,924.8 m² including B4, B7, B10 and B14. It is expected that phase 2 will be implemented in an area of 39,145.2 m² including the rest B buildings.

Construction area is 7,058 m² with floor area of 279,994 m² in which three basement floors are 27,000 m². The buildings are from 27 to 42 floors height. This project generates an NAV of about VND 65 billion to PVR.

Table 11: Financial valuation of Zone B Kim Lien phase 2

No.	Key figures	Unit	Value
I	Total invested capital	VND	2,000,000,000,000
1	Construction cost	VND	1,900,000,000,000
2	Interest expense during construction time	VND	100,000,000,000
II	Profit before tax	VND	350,000,000,000
III	Tax expense	VND	87,500,000,000
IV	Net income	VND	212,500,000,000
V	NPV	VND	65,000,000,000

Source: PVR

Valuation

After reviewing projects that PVR is implementing, we estimate that in 2010, PVR's main business can not generate revenue. Revenue of 2010 is mostly contributed by financial activities. From 2011, we expect projects that the company started in 2010 will generate revenue, and revenue structure will change compared with period from 2007 to 2010.

Table 12: Forecast revenue and income of PVR in the following years

	2010E	2011E	2012E	2013E	2014E	2015E
Revenue (VND million)	-	494,612	1,931,766	2,767,310	1,651,129	1,807,366
COGS (VND million)	-	401,679	1,330,944	2,152,909	1,140,712	1,302,757
COGS/Revenue	-	81.2%	68.9%	77.8%	69.0%	72.1%
Gross profit (VND million)	-	92,933	600,822	614,400	513,417	504,609
Gross profit/Revenue	-	18.8%	31.1%	22.2%	31.0%	27.9%
Net income (VND million)	11,578	45,091	424,026	432,010	351,094	341,435
Net income/Revenue	-	9.1	22.0%	15.6%	21.2%	18.9%
ROA	1.68%	4.73%	24.65%	18.53%	12.72%	10.88%
ROE	1.82%	5.96%	32.64%	24.67%	16.81%	14.82%
Chartered capital (VND million)	600,000	700,000	1,000,000	1,200,000	1,400,000	1,500,000
EPS (VND)	193	644	4,240	3,600	2,508	2,276

Source: PVR's plan, PSI forecast

Financial valuation

The company started its operation in 2007 under the form of investment company. As a result of this, revenue from real estate – the core business – has not recognized because these projects are in introduction phase. Financial figures, especially efficient ratios, are rather low compared to other firms in real estate industry.

Table 13: Financial figures of PVR

		2007	2008	2009	1H/2010
Profitability	Net profit margin	-	-	-	-
	ROA	1.43%	5.61%	1.93%	1.75%
	ROE	1.47%	5.77%	1.95%	1.78%
Capital structure	Liabilities/Total assets	3.10	2.75	1.05	1.87
	Liabilities/Owners' Equity	3.20	2.84	1.06	1.87

Source: PVR

OTHER INVESTMENT PROJECTS

Besides real estate projects, PVR is implementing timber plastic manufacturing factory, which will supply materials for the company's real estate projects. Revenue after 10 years of the project is estimated at VND408 billion, NPV at 9.7 billion.

Table 14: PVC timber plastic project

No.	REVENUE AND EXPENSE	UNIT	
1	Net revenue before 10 years of operation	VND	408,436,400,000
2	Annual average revenue	VND/year	40,843,600,000
3	Total expense after 10 years of operation	VND	322,599,800,000
4	Annual average expense	VND/year	32,260,000,000
5	Total profit after 10 year s of operation	VND	53,763,200,000
6	Annual average profit	VND/year	5,376,300,000
7	Net present value (NPV)	VND	9,707,900,000
8	Internal rate of return (IRR)	$>r=17\%$	28.18%
9	Discounted payback period	11 month	6 years
10	Payback period due to profit and depreciation	1 month	4 years
11	Gross profit margin/Total invested capital		1.29
12	Net income/Annual revenue		0.13

Source: PVR

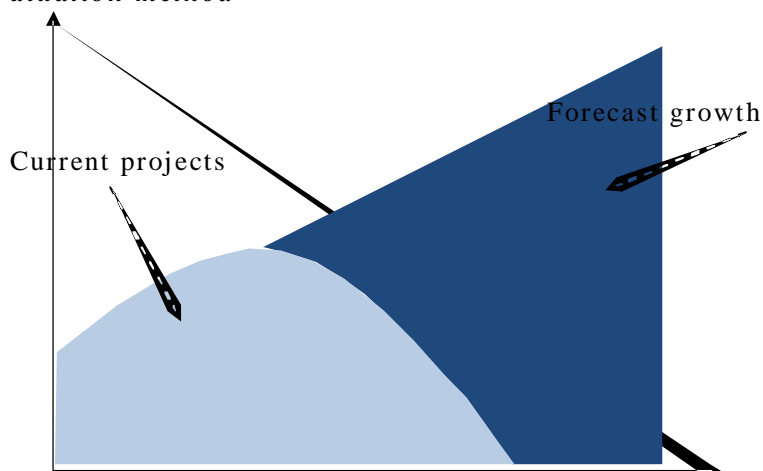
VALUATION

Valuation method

We use NAV/share to evaluate PVR's share price. Moreover, we use other methods (FCFE, FCFF, P/E and P/B) to compare PVR with other firms in the industry.

NAV/Share is calculated as following:

Figure 6: Valuation method



2009 2010 2015 2020

Source: PSI Research

From 2016 we forecast with the following assumptions:

- In developed countries with low population growth rate, real estate/GDP rate is about 4% while in developing countries with high population growth rate; this rate is much higher, which is about 6-10% in China and India. In Vietnam, this rate has changed dramatically since growth rate of real estate industry is twice to 2.5 times higher than that of GDP from now to 2020. Proportion of real estate industry in GDP is about 5% in the future.
- Expected growth rate from 2016 and later will be 6%/year
- Discount rate is 15%/year

NAV of the company from 2016 and later is about VND 2,485,838,502,191

Table 15: NAV of PVR's real estate projects

Project	NAV (VND)	NAV/Share
CT15 – Viet Hung – Long Bien – Hanoi	81,504,084,008	2,716,8
Clock Tower - Ha Long – Quang Ninh	142,989,143,204	4,766,3
Tan Vien resort – Ba Vi – Hanoi	1,913,220,000,000	63,774,0
Duminium Vinh Hung – Hoang Mai – Hanoi	17,520,837,471	584,0
Km8 – Giai Phong – Hai Ba Trung – Hanoi	158,602,941,646	5,286,7
Phuoc Long B – District 9 – HCM city	33,475,725,316	1,115,8
CT10-11 Van Phu – Ha Dong – Hanoi	21,532,765,595	717,7
West Ha Long Ecotourism – Quang Ninh	800,000,000,000	26,666,7
Zone B Kim Lien phase 2 – Hanoi	65,000,000,000	2,166,7
From 2016 and later	2,485,838,502,191	82,861,3
TOTAL	5,719,683,999,431	190,656

Source: PVR, PSI forecast

However, according to PSI's survey, listing real estate firms, especially the big ones, have very high, for example that of SJS is 93% and that of VIC is 85%. Most of the big real estate firms has discount rate of over 75% while small ones' rate is about 50-70%,

Market capitalization of PVR is about VND435 billion, we estimate that trading price of PVR is now discounted at 92.4%, which is rather high compared with small and medium-sized real estate firms in introduction phase. We evaluate discounted price of PVR's share is about 85% of NAV.

In conclusion, PVR's shares price is estimated according to NAV at about VND**28,598** per share.

Compilation of valuation

In addition to NAV valuation method, we also apply other methods, which are

FCFE, FCFF, P/E, P/B, the average price is about VND**27,328** per share. Compilation of price under these methods is presented in the following table:

Table 16: Compilation of price under FCFE, FCFF, P/E, P/B

Method	Price (VND)
FCFE	52,808
FCFF	20,190
P/E	10,000
P/B	21,233

Source: PSI forecast

The reasonable price of PVR is about **27,328 VND/share**.

APPENDIX: FINANCIAL REPORTS

	2009	2010F	2011F	2012F	2013F
Net revenue	-	-	494,613	1,931,767	2,767,310
COGS	-	-	401,679	1,330,944	2,152,909
Gross profit	-	-	92,933	600,822	614,401
Financial revenue	25,270	28,443	9,481	10,429	11,472
Financial expense	4,132	1,896	30,000	31,689	33,473
Selling expense	-	-	-	-	-
Administration expense	13,988	11,677	13,429	15,443	17,760
Net income from operation	7,151	14,870	58,985	564,119	574,640
Other income	576	568	1,136	1,250	1,375
Earnings before tax	7,727	15,438	60,121	565,369	576,015
Net income	6,372	11,578	45,091	424,027	432,011
TOTAL ASSETS	330,238	687,791	953,979	1,720,524	2,331,221
Current assets	288,349	553,886	643,787	1,279,132	1,694,393
Cash and cash equivalent	40,684	409,979	435,973	1,051,849	1,448,193
Short-term financial investment	233,348	133,700	133,700	138,178	138,178
Account receivables	6,051	5,112	68,000	81,768	99,219
Inventories	-	-	-	-	-
Others	8,267	5,095	6,114	7,337	8,804
Non-current assets	41,889	133,905	310,192	441,393	636,828
Long-term account receivables	-	-	-	-	-
Fixed assets	9,119	59,141	261,658	389,796	581,953
Tangible fixed assets	1,966	3,426	5,973	6,270	6,663
Historical cost	4,083	6,429	9,644	10,608	11,669
Accumulated depreciation	(2,117)	(3,003)	(3,671)	(4,339)	(5,006)
Long-term financial investment	32,188	34,125	35,831	37,623	39,504

Other non-current assets	582	40,639	12,703	13,973	15,371
LIABILITIES AND OWNERS' EQUITY	330,238	687,791	953,979	1,720,524	2,331,221
Current liabilities	3,436	20,202	67,859	191,431	249,718
Short-term borrowings	-	-	10,000	20,000	24,000
Non-current liabilities	16	30,016	130,016	230,016	330,016
Long-term borrowings	-	30,000	130,000	230,000	330,000
Owners' Equity	325,416	636,995	753,849	1,277,876	1,729,887
Capital stock	300,000	600,000	700,000	1,000,000	1,200,000
Retained earnings	19,858	31,436	41,527	265,554	517,565
Others	1,371	579	2,255	21,201	21,601

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