

Vietnam Vista

Weekly Market Update (27 - 31/10/2008)

- Stock market round-up:** Stronger buying activities on weaker market valuation and improving trend of global markets underpinned better market performance this week. VNINDEX rose slightly by 0.6% W/W to 347.05 and trading value climbed by 39% W/W to US\$151.2 million. Hanoi floors followed the trend to rise 3% W/W to 114.88 and trading value increased 1.7% W/W to US\$65.4 million. Foreigners remained net sellers with US\$24.5 million on HOSE and US\$2.2 million on HASTC. Total accumulated net sales by foreigners in October reached US\$93.3 million, creating strong pressure on the US\$/VND exchange rate in the week.
- Economy:** Macro indicators remained strong in 10M08. Total FDI approvals in 10M08 rose 426.6% Y/Y to US\$59.3 billion and disbursed FDI grew 38.3% Y/Y to US\$9.1 billion. Total retail sales grew 2% M/M in October and 29.7% Y/Y in 10M08. Inflationary pressure continued to trend down as Petrolimex announced another 3% cut in petrol prices since October 31 or 11% down M/M given that crude oil prices are falling globally. Given the softening CPI, SBV announced cuts of basic, refinancing and discount rates by 1% to 12%, 13%, and 11%, respectively. In the same time, the RRR ratio was also lowered to 10% from 11%.
- Vietnam's economy has cooled in 2008** after robust growth in previous years. This has reflected drags to growth from domestic and external factors. Nonetheless, in 3Q, the economy surged following particularly weak growth in 1H. The rebound was likely payback as many of the economic drags confronting Vietnam are still in place. We expect growth to be more subdued in coming quarters. Slower inflation and stronger public finances leave room for SBV easing, perhaps some fiscal stimulus too. Despite extreme widening in CDS spreads recently, Vietnam's external debt profile appears sustainable.
- Corporate developments:** We highlight KDC, the leading confectionary manufacturer in Vietnam.

NO PART OF THIS RESEARCH MAY BE REPRODUCED OR DISTRIBUTED INTO VIETNAM BY ANY MEANS WHATSOEVER. FAILURE TO COMPLY WITH THIS RESTRICTION MAY CONSTITUTE A VIOLATION OF LAW.

Vietnam: Market at a glance

	HOSE	HASTC
Index	347.05 (+0.6% W/W)	114.88 (+3% W/W)
T/O (US\$MM)	151.2 (+39% W/W)	65.4 (+1.7% W/W)
Market cap (US\$B)	9.5	3.4
Number of stocks	162	153
2007 Market P/E	9.4	8.3
Foreign Net Buy/(Sell), US\$MM	(24.5)	(2.2)
Foreign TO as % of Market	16.2	3.3
Exchange rate (VND/US\$)		16,830
O/N interbank (%)		11.3

Source: VSE, HASTC, Bloomberg.

Vietnam

Sriyan Pietersz^{AC}

(662) 684 2670

sriyan.pietersz@jpmorgan.com

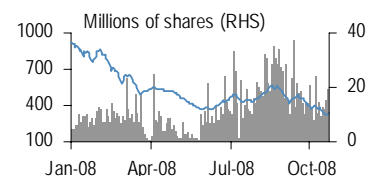
JPMorgan Securities (Thailand) Limited

Linh Truc Nguyen^{AC}

linh.t.nguyen@jpmorgan.com

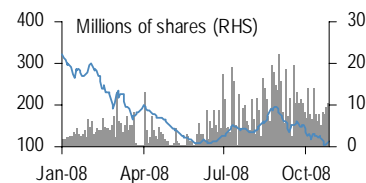
J.P. Morgan Securities (Asia Pacific) Limited

Ho Chi Minh City Stock Exchange: VNINDEX vs. trading volume



Source: Bloomberg.

Hanoi Stock Trading Center: VHINDEX vs. trading volume



Source: Bloomberg.

VND rates (%)

	Government bond	VND deposit
1Year	16.1 O/N	11.3
2Year	15.9 1 Week	12.0
3Year	15.8 1 Month	14.6
5Year	15.5 2 Month	15.0
7Year	15.1 3 Month	15.5
10Year	15.0 6 Month	16.0

Source: Bloomberg.

See page 20 for analyst certification and important disclosures, including non-US analyst disclosures.

J.P. Morgan does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision.

Weekly statistics

Ranked sector returns (%)				Top and bottom five stocks (% W/W)			
One week		One month		HOSE		HASTC	
Telecommunication services	0.8	Energy	(18.1)	MCP VM	15.8	NVC VH	11.3
Energy	(0.6)	Health care	(19.6)	TCR VM	13.6	CIC VH	10.0
Utilities	(1.0)	Utilities	(19.7)	LSS VM	7.9	PVE VH	8.6
Information Technology	(3.3)	Consumer Discretionary	(21.3)	SDN VM	6.5	PLC VH	6.8
Consumer Discretionary	(4.6)	Materials	(21.4)	COM VM	5.6	VC7 VH	6.7
Consumer staples	(4.9)	Consumer staples	(22.3)				
Materials	(5.5)	Information Technology	(23.1)	VNA VM	(21.3)	VSP VH	(18.6)
Health care	(6.8)	Telecommunication services	(23.4)	VHC VM	(21.8)	HBE VH	(21.1)
Industrials	(7.9)	Industrials	(27.5)	DPR VM	(21.9)	TPH VH	(21.4)
Financials	(8.7)	Financials	(29.5)	TRC VM	(21.9)	KKC VH	(22.8)
				HRC VM	(21.9)	CCM VH	(29.6)

Source: Bloomberg, VSE, HASTC, J.P. Morgan.

Top and bottom five most active stocks (shares)			
HOSE		HASTC	
STB VM	2,573,488	ACB VH	1,108,220
HPG VM	846,266	KLS VH	919,480
DPM VM	797,848	PVS VH	495,060
SSI VM	685,862	PVI VH	454,300
VTO VM	539,622	TBC VH	302,420
PMS VM	1,386	LUT VH	260
SFN VM	1,196	TPH VH	240
SGH VM	842	VBH VH	120
SFC VM	818	SPP VH	20
SDN VM	372	HSC VH	-

Source: Bloomberg.

HOSE: Bid/offer

Date	Bid volume	Offer volume
10/27/2008	13,543,090	28,730,020
10/28/2008	22,082,660	30,497,550
10/29/2008	42,303,140	27,611,600
10/30/2008	31,698,820	22,793,310
10/31/2008	30,593,420	18,729,060
Total	140,221,130	128,361,540

Source: VSE, ATP.

HOSE: Foreign activities

Date	Bid volume	Offer volume	Bid value (VNDk)	Offer value (VNDk)
10/27/2008	964,340	1,991,420	29,838,386	69,644,763
10/28/2008	2,160,530	4,790,890	69,086,190	162,502,644
10/29/2008	1,416,070	4,081,150	46,905,923	177,158,887
10/30/2008	1,314,050	2,974,160	46,372,700	117,645,857
10/31/2008	1,432,820	3,148,680	49,363,628	129,936,237
Total	7,287,810	16,986,300	241,566,827	656,888,388

Source: VSE, ATP.

HOSE profile

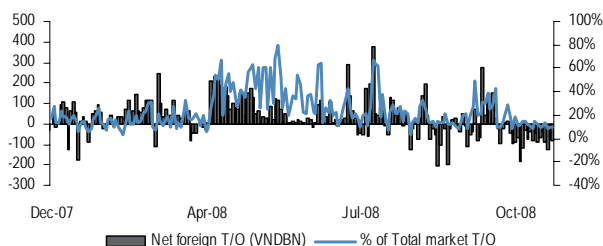
Sector *	EPS growth (%)			P/E (x)			Dividend yield (%)		P/BV (x)		ROE (%)	
	2006	2007	2008E	2006	2007	2008E	2006	2007	2006	2007	2006	2007
Consumer staples	69.0	-22.9	3.7	6.5	8.5	8.2	3.5	2.3	2.1	1.5	39.4	20.6
Consumer discretionary	46.5	48.4	9.1	21.0	14.1	12.9	2.0	3.3	3.6	2.5	19.4	20.9
Energy	851.7	32.9	-7.0	15.1	11.4	12.2	2.9	0.0	3.7	2.8	24.8	27.8
Financials	77.6	192.3	-11.1	17.9	6.1	6.9	6.1	0.0	3.2	1.1	21.1	26.7
Health care	43.6	22.2	18.4	18.7	15.3	12.9	1.8	2.1	5.2	2.3	31.0	21.1
Information technology	171.7	32.1	28.2	12.2	9.2	7.2	6.4	1.5	3.6	2.9	40.6	34.9
Industrials	87.7	-1.0	-11.7	7.3	7.3	8.3	4.6	3.7	1.9	1.1	28.0	19.0
Materials	29.4	-18.2	60.8	14.0	17.0	10.6	1.3	4.6	2.7	2.4	21.8	15.1
Utilities	32.5	7.9	-16.6	13.0	12.0	14.4	5.2	0.6	2.1	1.4	16.4	14.0
Universe	83.1	10.6	2.0	10.4	9.4	9.2	3.7	2.5	2.5	1.6	27.5	21.0

Source: PXP AM. *Sector classified by J.P. Morgan.

Market review

Stronger buying activity on weaker market valuation and improving trend of global markets underpinned better market performance this week. VNINDEX rose slightly by 0.6% W/W to 347.05 and trading value climbed by 39% W/W to US\$151.2 million. Hanoi floors followed the trend to rise by 3% W/W to 114.88 and trading value increased by 1.7% W/W to US\$65.4 million. Foreigners remained net sellers with US\$24.5 million on HOSE and US\$2.2 million on HASTC. Total accumulated net sales of foreigners in October reached US\$93.3 million, creating strong pressure on the US\$/VND exchange rate in the week.

Figure 1: Net daily foreign activities on HOSE



Source: Bloomberg.

All sectors declined this week except for telecommunication services, which rose 0.8% W/W to become the top performer. Energy followed with a 0.6% decrease. Financials were the worst performers, dropping 8.7% given the concerns about decreasing NIM and rising solvency issues. Industrials were the second-worst performers with a 7.9% W/W drop given weaker demand versus oversupply of construction materials for 2H08.

Local retailers tend to focus on penny stocks, which underpinned the strong performance of small and mid-cap names. MCP and TCR were the best performers on HOSE, rising by 15.8% and 13.6% W/W, respectively. The worst performers were HRC and TRC, both dropping by 21.9% W/W on weaker global demand for rubber exports. STB, HPG and DPM were the most active stocks.

On the HASTC, the top gainer was NVC (+11.3% W/W), followed by CIC (+10% W/W). Top losers on HASTC were CCM (-29.6%) and KKC (-22.8%). ACB, KLS and PVS were the most active stocks.

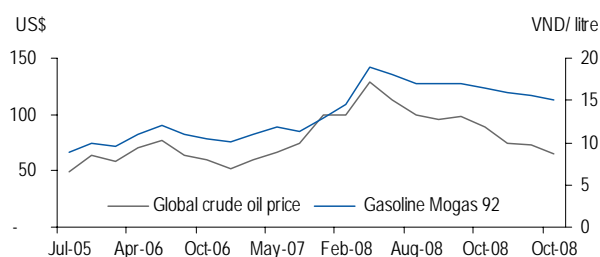
Economic review

FDI flow continued to be strong in October: MPI just announced total FDI approvals in 10M08 rose 426.6% Y/Y to US\$59.3 billion and disbursed FDI grew 38.3% Y/Y to US\$9.1 billion. Industry and construction received the most FDI with US\$32.5 billion, accounting for 55.7% of total FDI approvals in 10M08. The services sector followed with US\$25.6 billion or 43.9% of total registered capital. The foreign invested sector continued to strongly contribute to Vietnam's economic growth. FIEs' revenue rose 29.6% Y/Y to US\$40.6 billion, while the sector's export amounted US\$23.8 billion. In the 10M08 period, the foreign sector created 1.4 million new jobs, up 15.5% Y/Y. (Source: *Vietnam News*)

Total retail sales grew 2% M/M in October and the retail sales value in 10M08 rose 29.7% Y/Y, of which sales and services revenue from the state-run economic sector was up 15.5% while private economic sector was up 33.8% and the foreign-invested economic sector was up 32.8%. Excluding price inflation, total retail sales grew 6.1% Y/Y in 10M08. Sector-wise, tourism grew the strongest by 46% Y/Y, followed by commerce with 31.2%. (Source: GSO)

3% cut on petrol price since October 31: Petrolimex, the leading petrol trading corporation, announced that it was lowering the price for petrol and some other types of petroleum products by VND500 per liter, another 3pct cut to VND15,000 per liter since October 31 or 11pct down over the month given that crude oil price are falling globally. The import tariff for petrol, kerosene and mazut oil will be raised to 10pct, 15pct, and 15pct, respectively, from 5pct, 10pct, and 0pct. This is likely to lower the cost burden on end-consumers and budget loss burden for the government as well. (Source: *VNEconomy*)

Figure 2: Global crude oil and domestic A92 gasoline price



Source: *VNEconomy*.

Economic research

Matthew L Hildebrandt^{AC}

(The following is extracted from *Global Data Watch* of October 31, 2008)

- Vietnam's economy expanded faster than expected in 3Q; growth likely to be subdued in coming quarters.
- Slower inflation and stronger public finances leave room for SBV easing, perhaps some fiscal stimulus too.
- Despite extreme widening in CDS spreads recently, Vietnam's external debt profile appears sustainable.

Vietnam's economy has cooled in 2008 after robust growth in previous years. This has reflected drags to growth from domestic and external factors. Nonetheless, in 3Q, the economy surged following particularly weak growth in 1H. The rebound was likely payback as many of the economic drags confronting Vietnam are still in place. We expect growth to be more subdued in coming quarters.

Inflation in October moderated further to 26.7% oya after peaking in August. Earlier this month, the central bank (SBV) cut its main policy rate 100bp. Slowing growth and inflation will likely provoke further easing of monetary policy. In addition, the central government ran a budget surplus in 1H08. If the fiscal position remains in surplus in 2H, Vietnam will post its first annual budget surplus since before 1990. This could provide room for greater fiscal stimulus in 2009 to help support growth.

Credit default swap (CDS) spreads on Vietnam's external debt nearly quadrupled from their August levels earlier this week. This appears to reflect general aversion to emerging market risk, rather than fundamentals.

Vietnam's external debt profile and monthly trade balances appear sustainable with the country's current level of reserves.

Slower growth expected ahead

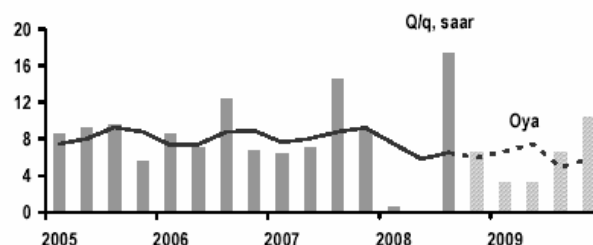
Vietnam's economy expanded 17.4% Q/Q, saar, in 3Q, leaving real GDP up 6.5% oya, YTD (first chart).

Vietnam releases only industry-side GDP figures on a quarterly basis, and the surge in sequential growth appears to be due to a rebound in the industrial sector while construction and services slowed. However, the surge followed two quarters of near stagnation on a sequential basis and likely reflected payback rather than improved fundamentals. The economy still faces notable headwinds from tight monetary and fiscal policies, slowing global demand, and negative wealth effects from falling equity and property prices. Lower food, commodity, and consumer prices will have positive

effects on consumer income, but the impact will be muted by losses to Vietnam's food and commodity producers. Given these constraints, we expect the economy to expand at a below-trend pace in coming quarters. We currently expect growth of 6.3% p.a. in 2008 and 6.2% in 2009.

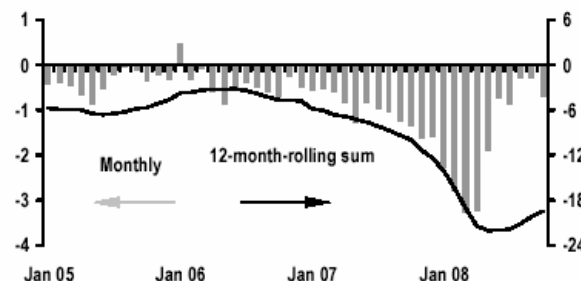
Vietnam—Real GDP growth

Percent change



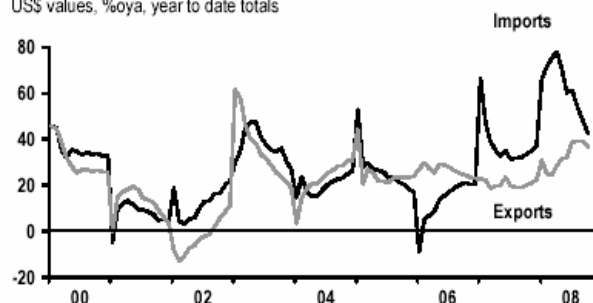
Vietnam—Trade balance

US\$ million, both scales



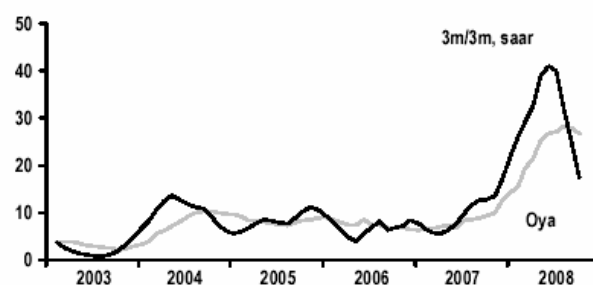
Export and import growth

US\$ values, %oya, year to date totals



Vietnam—Consumer prices

% change



Further policy easing expected

The government has successfully reestablished macroeconomic stability since concerns emerged earlier this year. In October, the trade deficit widened to US\$700 million from US\$263 million in September and a small surplus of US\$183 million in August (revised data), but this remains well below the average deficit of US\$2.9 billion in the first four months of 2008 (second chart, previous page). Smaller deficits have mainly reflected weaker import demand as the economy slowed (third chart, previous page).

PCI inflation slowed again in October, to 26.7% oya (fourth chart, previous page). Falling prices of food, housing, construction materials, and transport and communication services accounted for the decline. Indeed, the three index components that drove inflation higher over the last year are now leading it lower. Core inflation (excluding food and transport prices) also slowed, to 13.6% oya from 14.1% in September, marking the first moderation since September 2007. With sequential trend inflation already coming off sharply, food and commodity prices falling, and economic growth slowing, headline and core inflation are like to move noticeably lower over the next year.

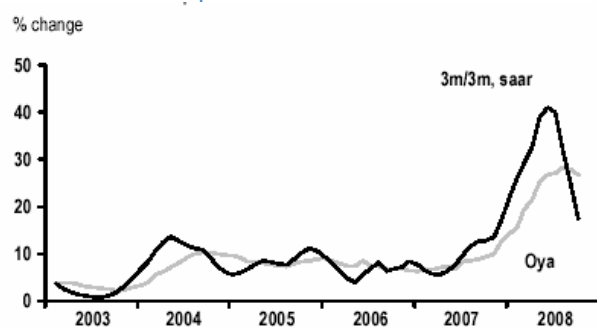
The SBV eased its interest-rate stance 100bp earlier this month, for reasons similar to those motivating many other central banks in the region (first chart). SBV officials focused on growth concerns as the primary catalyst for the move, saying they wish to “limit the negative impact of a possible global recession.” With growth concerns unlikely to fade anytime soon and inflation likely to slow rapidly in 1H09, further rate cuts are likely. In addition to monetary policy, the government may use fiscal stimulus to support growth. Vietnam has chronically run fiscal deficits over the last 20 years (see chart). However, the central government ran a surplus in 1H08, continuation of which could enable the government to ease some of its recent belt tightening. However, we caution that this source of stimulus may be limited as the improvement in the government’s financial position largely reflects improvement in revenues. As the economy slows, revenues will likely decline.

External position seems sustainable

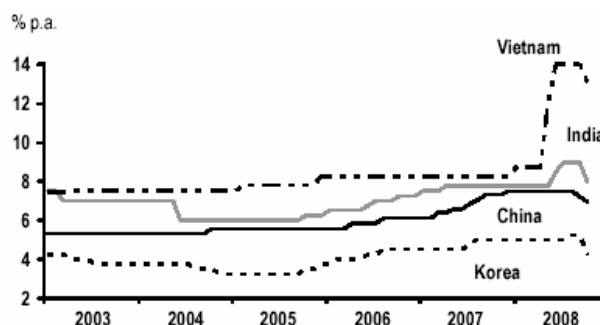
CDS spreads on Vietnam’s external debt rose from around 250 in August to almost 1000 earlier this week before coming back in (see chart 9). The quick and rapid

rise in spread levels appears to have reflected general investor sentiment toward emerging markets rather than specific concerns about Vietnam’s debt profile. The government last reported fx reserves of US\$ 22 billion at the end of 3Q, a slight increase over 2Q. This compares favorably with Vietnam’s US\$19.3 billion in total external debt outstanding as of year end 2007 and roughly US\$1 billion in annual debt servicing (table). Moreover, only 14% of external debt originated from private creditors, further limiting default risk.

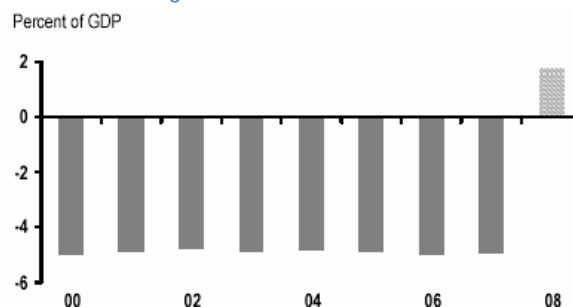
Vietnam—Consumer prices



Selected Asian countries, policy interest rates

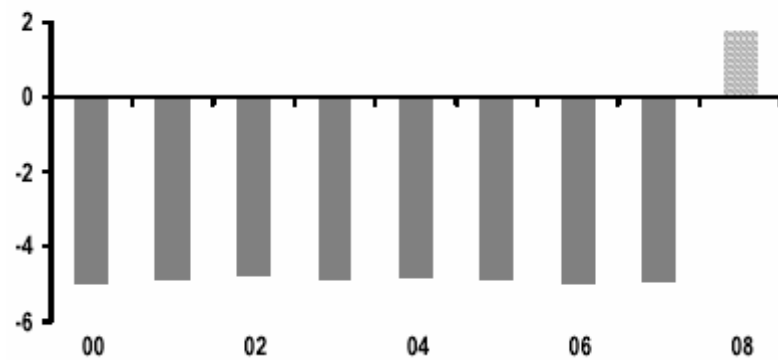


Vietnam—Central government fiscal balance



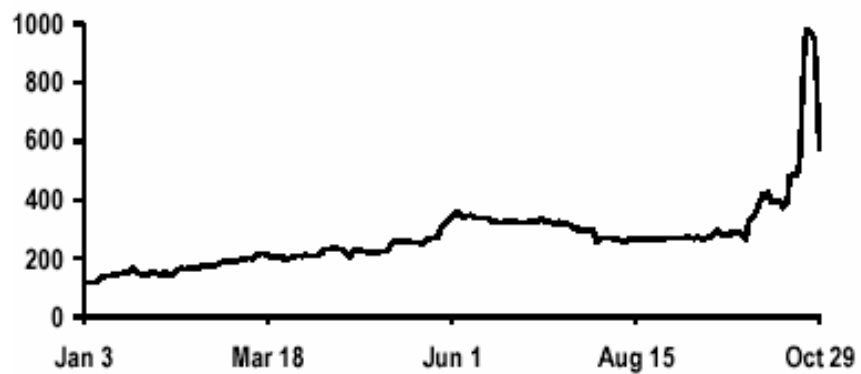
Vietnam—Central government fiscal balance

Percent of GDP



Credit default swap for Vietnamese debt

Basis points



Vietnam—External debt

US\$ billion outstanding, except as noted

	2002	2003	2004	2005	2006	2007
Total external debt	9.4	11.4	13.5	14.2	15.6	19.3
Official creditors	8.7	10.7	12.6	12.6	13.9	16.6
Private creditors	0.7	0.7	0.9	1.6	1.7	2.6
Bond and note holders	0.4	0.4	0.4	1.1	1.1	1.1
Commercial banks	0.2	0.2	0.4	0.4	0.5	1.4
Others	0.2	0.2	0.2	0.1	0.1	0.1
Debt servicing (US\$ net outflow)	0.8	0.8	0.6	0.7	0.8	0.9
Principal	0.6	0.6	0.3	0.4	0.4	0.5
Interest	0.2	0.2	0.3	0.3	0.3	0.4

1. Ministry of Finance figures; IMF also publishes external debt figures which tend to be around US\$ 2 billion higher per year for total external debt outstanding

Corporate news

Materials

DPM reported 9M08 results: Sales rose 67.4% to VND4.3 trillion or 99% of its year's target. Earnings rose 71.5% to VND1.6 trillion or 33% over the year's target mainly due to strong sales at good prices in 1H08. Sales and profit in 3Q08 dropped by 37.7% and 49%, respectively, over 2Q08 due to ASP decrease in the third quarter. The fourth quarter could see further drop in prices according to forecast from MARD. Given that DPM has already fulfilled its targets, its FY08 results should meet its commitments to shareholders. (Source: HOSE)

Ha Tien 1 Cement (HT1 VM) 9M08 results: HT1 reported a sales decrease of 8% in the third quarter of 2008. The ASP increase of 12% has helped to offset the falling sales volume of 18% and result in sales deduction of 8% in the quarter. As HT1 can increase its selling price in the third quarter to partly cover its rising cost, the company started making profits in the third quarter, VND22.4 billion, recovering from a loss of VND15.7 billion in the second quarter. During 9M08, the company posted a Y/Y sales growth of 16.6% to VND1,798 billion but a Y/Y fall of 64% in net profit to make just VND20 billion in 9M08. It fulfilled 78% of its FY08 sales target but just 20% of its profit target. (Source: HOSE)

Property

Office building rentals have started to drop due to increase in supply: According to HCMC's Construction Department, there are 107 office buildings being built in HCMC with GFA of more than 857,000 sqm. The department expects HCMC will have 2 million sqm in terms of new office buildings by 2012. The significant new supply, especially B and C-class office buildings, attributed to the recent decline in office rentals. Just in October, office rental dropped by 10%-15% over September.

CBRE Vietnam expect that this is a good time for service apartments given limited supply – just 3,000 service apartments in HCMC compared to more than 60,000 expats working in the city. The city's construction department forecasts that from here to 2012, HCMC will have 12 service apartment projects to be launched in District 1, 2, 7, Phu Nhuan and Tan Binh, providing 3,394 apartments in total or 340,000 sqm in GFA. Such supply just satisfies 25% of total demand, leading to 5%-10% rental increase of service apartments.

New listings

PVFC (PVF VM) will list 500 million shares on HOSE from November 3: The reference price for the first date is VND30,000, underpinning a market cap of PVFC to be US\$890 million. The free float will be just 12% of its total share number or 60 million shares given the State's holdings of 78% represented by PetroVietnam and 10% by strategic partner, Morgan Stanley, which will be restricted from trading in next three years within the first listing date.

Established in June 2000, PVFC has grown to be a powerful financial arm of PetroVietnam and the leading non-banking financial institutions in Vietnam. PVFC aims at financing PetroVietnam's development, effectively using the industry's financial sources to maximize profit and designing financial instruments to assist PetroVietnam. Its major businesses include co-financing, lending trust, investment

trust, investment advisory and brokerage and restructuring advisory services. Besides, PVFC also acts as a consultant on financial and monetary issues and financial restructuring for enterprises in the oil and gas industry.

PVFC strongly grew in all of its business segments, growing by 30%+ annually. Its earnings increased by a CAGR of 320% in the 2004-07 period and reached VND497 billion in 9M08. The corporation just established three subsidiaries to diversify its business into land with PVFC Land (charter capital of VND500 billion), investment with PVFC Invest (charter capital of VND500 billion) and Asset Management with PVFC Capital (charter capital of VND100 billion). PVFC is also preparing for offshore listing in Singapore.

PVFC successfully sold shares for the first time in 2007 with the successful auction price of VND70,000. However, due to local market correction, its share price has plummeted to around VND30,000.

PVFC's credit growth was strong, 112% in FY07 and 109% YTD. The mobilized capital also soared by 154% in FY07 but dropped 13.5% YTD due to huge drop in capital raised from other financial institutions. Its loan-to-deposit was 23.4% in FY07 and rose to around 56.7% in 8M08 as PVFC gave finance to PetroVietnam's subsidiaries like PVT, PVD, PTSC, PV construction. A point to consider is the high NPL ratio of PVFC, which is 4.08% in FY07 and 4.62% as of end August 2008, quite high compared to other banks in Vietnam. The company has restructured its loan book to lessen its NPL to 4.62% by the end of August from 6.65% in March 2008. (Source: *VNEconomy*)

Appendix I: List of listing candidates

No	Company	Trading floor	Sector	Charter capital (VNDB)
1	PVFC	HOSE	Financials	5,000
2	Hoang Anh – Gia Lai	HOSE	Financials	1,200
3	Hoa Sen Group	HOSE	Industrials	570
4	BCCI	HOSE	Industrials	542
5	Saigon – Hanoi bank	HASTC	Financials	500
6	Dai Viet Securities	HASTC	Financials	250
7	Intresco	HOSE	Financials	200
9	Minh Hai Seafood	HOSE	Consumer Staples	139
10	PV Gas North	HOSE	Energy	135
11	Thien Long Pen	HOSE	Consumer discretionary	120
12	577 Investment	HOSE	Construction	119
13	Thanh Hoa Beer	HASTC	Consumer staples	114
14	Viconship Saigon	HOSE	Industrials	110
16	NTACO	HOSE	Consumer Staples	100
17	Cao Son Coal	HASTC	Materials	100
18	Song Da Thang Long	HASTC	Industrials	100
19	PITCO	HOSE	Energy	98
20	BASA	HOSE	Consumer staples	96
21	Ha Tu Coal	HASTC	Materials	91
22	Casumina	HOSE	Materials	90
24	An Giang Coffee	HASTC	Consumer Staples	83
25	OPC Pharmaceuticals	HOSE	Pharmaceuticals	82
26	Cuu Long Pharma	HOSE	Pharmaceuticals	81
28	Serrano Vietnam	HOSE	Consumer discretionary	80
29	Tan Hoa Plastic	HOSE	Consumer Discretionary	80
30	Traphaco	HOSE	Health care	80
31	Cadovimex	HOSE	Consumer Staples	80
32	Deo Nai Coal	HASTC	Materials	80
33	Cement Trading	HASTC	Consumer discretionary	60
34	Thanh Cong	HASTC		55
35	Sao Vang Rubber	HOSE	Materials	50
36	Ha Tay Pharma	HASTC	Pharmaceuticals	41
37	Vinaconex 25	HASTC	Industrials	40
38	Bien Hoa Packaging	HASTC	Consumer discretionary	39
39	Energy Construction	HASTC	Industrials	33
40	Song Da 8	HASTC	Industrials	28
41	VNECO SSM	HASTC	Industrials	28
42	Can Tho Cement	HASTC	Materials	28
43	Lighting Power	HASTC	Consumer discretionary	20
44	Ben Tre Pharma	HOSE	Pharmaceuticals	20
45	Da Nang Book and School equipments	HASTC	Consumer discretionary	20
46	Constrexim 8	HASTC	Industrials	20
47	Global Electronic Technology	HASTC	Industrials	18
48	Binh Phuoc Imexco	HOSE	Industrial goods & services	15
49	Pisco Dong An Wood Processing	HASTC	Consumer discretionary	15
50	CNC Accurate Molding and Machine	HASTC	Industrials	13
51	Construction material 720	HASTC	Industrials	13
52	Quang Nam Transport Construction	HASTC	Industrials	12
53	Binh Thuan Books and School Equipment	HASTC	Consumer Discretionary	11
54	Thai Binh Cement	HASTC	Materials	10
55	Cai Lay Venitary Pharma	HASTC	Pharmaceuticals	10
56	Binh Duong Book and School Equipments	HASTC	Consumer discretionary	10

Source: ATP, VSE, HSE.

Appendix II: Key annual macroeconomic data on Vietnam

	2000	2001	2002	2003	2004	2005	2006	2007
Domestic economic structure and performance								
Real GDP (% official data)	6.8	6.9	7.1	7.3	7.8	8.4	8.2	8.5
GDP contribution (% point)								
Agriculture	1.1	0.7	0.9	0.8	0.9	0.8	0.7	0.6
Industry and construction	3.5	3.7	3.5	3.9	3.9	4.2	4.2	4.3
Services	2.2	2.5	0.6	4.6	2.9	3.4	3.3	3.5
Nominal GDP (US\$ billion)	30.4	31.9	34.8	39.2	45.3	52.7	60.7	71.4
GDP per capita (US\$)	391.9	405.5	436.3	484.6	552.8	634.4	720.7	838.0
Employment (million)	37.6	38.4	39.5	40.5	41.6	42.5	43.3	44.2
Share of total (%)								
Agriculture	64.4	63.3	58.7	57.0	55.3	53.9	52.2	54.6
Industry and construction	10.1	10.9	11.1	12.1	12.5	12.9	13.2	19.6
Services	25.5	25.8	30.1	30.9	32.2	33.2	34.6	25.9
Saving – investment balance (% of GDP)	2.1	1.6	(1.9)	(4.8)	(3.4)	0.4	0.3	(0.8)
Gross national saving	31.7	32.8	31.3	30.6	32.3	35.6	35.8	35.9
Gross national investment	29.6	31.2	33.2	35.4	35.7	35.2	35.5	36.7
Inflation (% YOY, end-period)	(0.6)	0.5	4.1	2.9	9.7	8.8	6.5	12.6
Inflation (% YOY, average)	(1.7)	(0.4)	3.8	3.1	7.8	8.3	7.5	8.3
Monetary indicators								
Broad money (%YOY, end-period)	56.2	25.5	17.6	24.9	29.5	29.7	33.6	46.0
Net domestic banking assets (VND trillion)	127.2	162.2	211.7	279.8	386.4	499.7	N/A	N/A
Real effective exchange rate (2000=100)	100.1	101.1	96.6	89.3	91.3	101.8	N/A	N/A
Exchange rate (VND per US\$, end-period)	14,514	15,084	15,403	15,646	15,777	15,916	16,054	16,017
Exchange rate (VND per US\$, average)	14,168	14,725	15,280	15,510	15,741	15,859	15,994	16,077
Government balance								
Fiscal balance (% of GDP)*	(5.0)	(5.0)	(4.7)	(6.4)	(2.8)	(5.9)	(6.3)	N/A
Total revenue (VND trillion)	90.7	103.9	121.7	158.1	198.6	217.1	264.3	N/A
Grants (VND trillion)	2.0	2.0	2.3	3.0	2.9	2.3	3.6	N/A
Total expenditure, excluding on-lending (VND trillion)	109.0	129.8	148.2	181.2	214.2	226.9	267.8	N/A
External balance of payments								
Current account balance (US\$ million)	1,107.0	682.0	(604.0)	(1,931.0)	(957.0)	(519.0)	(299.0)	N/A
% of GDP	3.6	2.1	(1.7)	(4.9)	(2.1)	(1.0)	(0.5)	N/A
Trade balance (US\$ million)	376.0	481.0	(1,054.0)	(2,581.0)	(2,287.0)	(2,654.0)	(2,776.0)	N/A
- Total Merchandise Exports (FOB)	14,448.0	15,027.0	16,706.0	20,149.0	26,485.0	32,438.0	39,826.0	N/A
- Total Merchandise Imports (FOB)	14,072.0	14,546.0	17,760.0	22,730.0	28,772.0	35,092.0	42,602.0	N/A
Capital account balance (US\$ million)	(1,212.0)	275.0	1,637.0	4,944.0	2,859.0	1,873.0	5,534.0	N/A
Gross foreign direct investment (US\$ million)	1,101.0	1,252.0	2,023.0	1,894.0	1,878.0	1,972.0	2,315.0	N/A
Errors & missions (US\$ million)	(218.0)	(917.0)	(676.0)	(862.0)	(1,019.0)	777.0	(913.0)	N/A
Overall balance (US\$ million)	(323.0)	40.0	357.0	2,151.0	883.0	2,131.0	4,322.0	N/A
FX reserves (US\$ billion)	3.4	3.7	4.1	6.2	7.0	9.0	13.4	N/A
Import coverage (in weeks of imports)	8.6	9.4	7.2	8.7	8.5	9.8	11.2	N/A
External debt								
External debt (US\$ billion)	12.3	12.8	12.6	14.0	16.8	19.1	21.2	N/A
Medium- and long-term (US\$ billion)	11.5	12.2	12.0	13.1	15.2	16.9	18.3	N/A
Short-term (US\$ billion)	0.8	0.6	0.6	0.9	1.6	2.2	2.9	N/A
External debt service (US\$ billion)	1.8	1.9	1.5	1.7	2.2	2.5	2.8	N/A
Amortization paid (US\$ billion)	1.3	1.5	1.1	1.3	1.5	1.7	1.9	N/A
Interest (US\$ billion)	0.5	0.4	0.3	0.4	0.7	0.8	0.9	N/A
External debt service ratio (% of current account receipts)	9.6	9.8	6.8	6.6	6.5	6.2	5.8	N/A

Source: GSO.

Appendix III: 1H08 results of top 20 listed companies

No.	Symbol	Industry	Market Cap.	Revenue (VNDBN)			Net Profit (VNDBN)			Operating income (VNDBN)		OP/NP	Investment revenue (VNDBN)		Investment profit (VNDBN)		MTM Write downs (VNDBN)
				(US\$m)	1H08	Y/Y	%Target	1H08	Y/Y	%Target	1H08		Y/Y	1H08	Y/Y	1H08	
1	DPM VM	Materials	1,329.2	3,043.2	NA	69.1%	1,103.2	NA	92.7%	1,186.8	NA	107.6%	72.0	N/A	43.1	N/A	-
2	ACB VH	Financials	985.3	4,843.9	85.1%	N/A	894.6	9.9%	49.7%	N/A	NA	N/A	N/A	N/A	N/A	N/A	-
3	KBC VH	Financials	947.2	760.3	NA	63.9%	284.9	NA	46.6%	483.0	NA	169.6%	6.8	N/A	(1.8)	N/A	0.6
4	PVD VM	Energy	770.4	1,680.0	83.1%	56.0%	504.0	135%	72.0%	489.9	129%	97.2%	51.2	1140.8%	(19.8)	-2115%	1.2
5	VIC VM	Financials	724.4	127.4	46.8%	31.8%	77.1	15.5%	28.6%	76.7	5.8%	99.5%	160.8	483.4%	26.1	2.3%	9.5
6	VPL VM	Financials	712.8	242.0	NA	N/A	19.8	N/A	N/A	17.2	NA	86.8%	7.3	N/A	(32.5)	N/A	-
7	HPG VM	Industrials	693.9	4,927.1	106%	64.3%	848.1	234%	114.6%	969.8	225%	114.4%	57.3	-328.9%	(51.3)	N/A	-
8	STB VM	Financials	692.2	4,006.2	N/A	N/A	637.8	N/A	31.9%	1,202.3	NA	188.5%	31.7	N/A	31.7	N/A	151.7
9	PPC VM	Utilities	565.8	2,132.8	4.1%	70.5%	571.4	1.5%	82.4%	570.7	1.7%	99.9%	89.6	304.3%	(74.2)	11.5%	-
10	ITA VM	Financials	524.5	593.0	31.0%	44.0%	225.1	54.0%	37.5%	N/A	NA	N/A	N/A	N/A	N/A	N/A	-
11	FPT VM	Information Technology	394.0	8,676.6	47.1%	59.3%	518.9	19.0%	60.9%	615.5	43.0%	118.6%	86.1	450.5%	(173.7)	1074.0%	-
12	SSI VM	Financials	298.3	536.7	-35.5%	56.5%	(27.3)	-104%	-5.0%	21.5	-97.1%	-78.9%	99.6	N/A	99.6	N/A	439.3
13	PVS VH	Energy	273.1	39.3	N/A	0.6%	167.5	N/A	55.8%	7.4	NA	4.4%	206.4	N/A	163.6	N/A	-
14	VSH VM	Utilities	251.7	295.5	66.1%	60.8%	215.5	106%	76.7%	215.5	106%	100.0%	17.3	-7.3%	11.2	7.3%	-
15	KDC VM	Consumer Staples	196.6	513.9	11.9%	32.0%	68.3	-6.5%	32.5%	71.5	28.6%	104.6%	51.6	67.8%	27.1	64.0%	-
16	SJS VM	Financials	181.3	166.1	-38.7%	12.9%	59.5	-41.3%	11.7%	70.7	-30.2%	118.9%	25.8	357.9%	8.2	45.0%	17.6
17	ANV VM	Consumer Staples	181.1	1,350.9	-23.9%	35.2%	154.6	-21.7%	36.8%	163.5	-21.7%	105.8%	95.1	240.2%	17.8	797.1%	-
18	PVI VH	Financials	166.1	526.9	N/A	29.3%	100.8	N/A	35.5%	83.7	N/A	83.0%	193.6	N/A	16.7	N/A	-
19	DHG VM	Health Care	157.0	764.3	39.4%	52.7%	68.5	31.0%	65.6%	77.2	32.9%	112.6%	9.7	1312.9%	(18.1)	77.0%	8.4
20	DPR VM	Materials	152.2	223.4	3.7%	31.2%	90.5	-14.5%	42.5%	75.0	-29.0%	82.9%	4.1	-34.4%	(9.9)	-661.9%	9.9

Source: VSE, ATP, HSE. Data as at August 8, 2008.

Appendix IV: HOSE—Top 20 weekly valuations

Price as of Oct 31, 2008	Bloomberg	Price & relative performance				Mkt Cap (US\$MM)	Avg. daily turnover (Shares)	Cur. Foreign ownership (%)	EPS		EPS Y/Y Growth		P/E		P/B		ROE		Div. yield		
		1M	3M	6M	2006A				2007A	2006A	2007A	2006A	2007A	2006A	2007A	2006A	2007A	2006A	2007A	2006A	2007A
		(VNDk)	(%)	(%)	(%)				(VNDk)	(VND)	(%)	(%)	(x)	(x)	(x)	(x)	(%)	(%)	(%)	(%)	
Exchange rate = 16,830.00																					
PETROVIETNAM FERT & CHEMICAL	DPM VM	47.0	3.1	6.3	NA	1,059	735,327	18.9	4.52	3.50	79.6	-22.5	10.4	13.4	0.9	4.1	24.9	29.4	0.0	0.0	
SAIGON THUONG TIN COMMERCIAL	STB VM	21.8	20.5	20.1	14.0	663	2,197,237	30.0	1.95	2.79	20.9	43.0	11.2	7.8	2.1	1.4	22.8	27.4	6.9	6.9	
PETROVIETNAM DRILLING AND WE	PVD VM	80.0	7.4	4.0	76.4	628	292,451	30.3	1.83	3.66	48.9	100.0	43.7	21.8	10.3	4.5	16.4	43.1	1.9	5.0	
VINPEARL JSC	VPL VM	85.0	1.7	-7.9	NA	505	102,819	18.3	NA	1.24	NA	NA	NA	68.4	NA	8.3	NA	12.4	NA	NA	
VINCOM JSC	VIC VM	71.5	-1.0	-12.3	96.3	476	84,307	1.7	7.57	3.07	246.6	-59.4	9.4	23.3	11.3	4.5	75.7	22.1	0.0	0.0	
PHA LAI THERMAL POWER JSC	PPC VM	22.3	-12.1	-0.7	8.6	431	339,828	17.5	3.19	2.58	4748.5	-19.1	7.0	8.7	3.8	1.6	26.0	21.9	5.4	5.4	
FPT CORP	FPT VM	74.5	7.1	44.6	-15.9	413	388,608	28.5	9.26	8.06	33.1	-13.0	8.0	9.2	3.9	3.1	48.3	41.6	2.0	4.0	
HOA PHAT GROUP JSC	HPG VM	32.5	-23.6	-23.1	NA	379	760,712	24.6	2.40	3.77	2141.0	57.3	13.6	8.6	6.7	1.4	24.4	37.0	6.2	0.0	
SAIGON SECURITIES INC	SSI VM	31.8	-22.5	0.9	-44.8	255	719,817	47.8	6.52	8.38	29.7	28.5	4.9	3.8	3.0	1.1	37.8	32.8	9.4	9.4	
TAN TAO INVESTMENT INDUSTRY	ITA VM	30.4	-15.6	-48.9	-9.9	239	263,893	35.1	3.45	3.34	-3.4	-3.3	8.8	9.1	6.7	3.5	30.5	19.0	5.9	5.9	
VINH SON – SONG HINH HYDROPO	VSH VM	29.2	33.0	25.7	51.9	239	230,750	27.3	2.18	1.98	203.9	-8.8	13.4	14.7	3.5	1.8	20.8	15.3	4.1	4.1	
PETROVIETNAM TRANSPORTATION	PVT VM	20.0	25.9	160.3	NA	171	344,086	26.4	NA	NA	NA	NA	NA	NA	NA	2.7	NA	3.1	NA	NA	
SONGDA URBAN & INDUSTRIAL ZO	SJS VM	58.5	-21.4	12.7	-33.0	138	174,680	31.9	5.99	9.15	-27.5	52.7	9.8	6.4	4.0	1.8	24.5	39.6	3.4	3.4	
DHG PHARMACEUTICAL JSC	DHG VM	108.0	7.7	7.2	33.1	128	33,706	39.8	8.71	6.36	57.2	-27.0	12.4	17.0	6.6	3.1	46.3	31.0	2.3	1.9	
REFRIGERATION ELECTRICAL ENG	REE VM	26.7	-11.9	46.9	-24.5	128	302,860	47.6	7.19	3.72	172.1	-48.2	3.7	7.2	1.1	1.2	27.9	17.5	6.0	6.0	
KINHDO CORP SAIGON	KDC VM	34.0	-16.4	-25.7	-37.3	113	89,906	38.2	6.21	5.48	40.8	-11.7	5.5	6.2	4.0	0.8	31.0	15.8	4.7	4.7	
TELECOMMUNICATION & T	SGT VM	28.3	0.1	9.2	NA	98	98,058	18.2	NA	2.93	NA	NA	NA	9.6	NA	2.8	NA	NA	NA	NA	
GEMADEPT CORP	GMD VM	33.5	-17.6	4.5	-29.6	94	119,124	48.5	3.85	4.53	-1.7	17.7	8.7	7.4	3.2	0.8	21.9	13.9	3.6	4.8	
NAM VIET CORP	ANV VM	21.0	-36.8	-30.3	NA	82	74,348	20.6	4.44	5.61	267.8	26.4	4.7	3.7	2.7	0.8	40.7	NA	0.0	9.5	
SOCIETE DE BOURBON TAY NINH	SBT VM	9.6	13.8	30.1	NA	81	225,632	36.5	NA	NA	NA	NA	NA	NA	NA	NA	NA	12.6	NA	NA	

Source: Company reports, Bloomberg.

Appendix V: HASTC—Top 20 weekly valuations

Price as of Oct 31, 2008 Exchange rate = 16,830.00	Bloomberg	Price & relative performance				Mkt cap (US\$MM)	Avg. daily turnover (Shares)	Cur. Foreign ownership (%)	EPS				P/E		P/B		ROE		Div. yield	
		1M (VNDk)	3M (%)	6M (%)	2006A (VNDk)				2007A (VND)	2006A (%)	2007A (%)	2006A (x)	2007A (x)	2006A (x)	2007A (x)	2006A (%)	2007A (%)	2006A (%)	2007A (%)	
																				2006A
ASIA COMMERCIAL BANK	ACB VH	0.0	12.6	36.5	22.2	1,075	865,223	30.0	3.91	5.22	27.0	33.6	11.4	8.5	3.2	2.5	30.0	44.5	8.6	5.6
KINHBAC CITY DEVELOPMENT SHA	KBC VH	0.1	-14.2	-54.0	-34.0	402	55,553	14.5	2.45	3.02	-61.2	23.5	21.2	17.2	4.2	3.2	15.0	NA	0.0	0.0
PETROLEUM TECHNICAL SERVICES	PVS VH	0.0	7.0	10.0	39.8	248	524,033	8.9	1.34	3.19	2.5	138.1	31.2	13.1	4.2	3.5	17.0	NA	2.9	0.0
VIET NAM CONSTRUCTION & IMPO	VCG VH	0.0	2.3	NA	NA	179	497,147	16.8	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
PETROVIETNAM INSURANCE JSC	PVI VH	0.0	-23.2	1.2	-9.4	140	384,150	12.6	1.70	3.65	-60.7	115.2	13.4	6.2	2.3	1.2	13.7	20.2	4.4	4.6
VIETNAM NATIONAL REINSURANCE	VNR VH	0.0	-11.5	38.1	12.0	112	10,927	30.9	1.31	1.84	0.7	40.9	21.4	15.2	3.1	1.0	15.7	14.2	4.6	5.0
BIM SON CEMENT JSC	BCC VH	0.0	15.7	36.8	11.2	77	167,210	13.2	0.81	1.51	-15.5	86.5	16.8	9.0	1.3	1.1	7.6	NA	5.1	3.4
BAO VIET SECURITIES CO	BVS VH	0.0	-24.0	5.5	-41.2	76	152,413	25.3	5.28	5.28	126.3	0.0	5.4	5.4	1.0	1.1	19.6	41.9	7.0	7.4
VINASHIN PETROLEUM INVESTMEN	VSP VH	0.1	-26.9	13.0	83.5	73	158,060	1.5	4.36	12.84	482.2	194.4	20.3	6.9	5.6	0.8	40.7	78.0	1.1	1.7
BUT SON CEMENT JSC	BTS VH	0.0	8.1	27.9	-14.5	69	25,673	9.3	0.81	1.10	11.3	34.5	15.0	11.1	1.1	1.0	7.6	NA	4.9	6.4
TIEN PHONG PLASTIC JSC	NTP VH	0.0	-2.6	27.9	17.0	57	212,840	15.5	6.76	5.79	-10.1	-14.4	6.6	7.7	3.9	2.2	50.4	42.9	15.7	15.7
THAC BA HYDROPOWER JSC	TBC VH	0.0	37.5	30.6	12.1	51	254,613	0.3	0.87	1.26	-1601.6	44.0	15.4	10.7	1.3	NA	8.4	NA	9.0	9.0
KIM LONG SECURITIES CORP	KLS VH	0.0	-17.4	42.3	-5.1	41	981,803	1.9	NA	1.93	NA	NA	NA	7.1	NA	NA	NA	NA	NA	NA
NAM VANG CORP	NVC VH	0.0	12.3	54.5	63.1	35	142,577	-2.7	NA	2.69	NA	NA	NA	14.5	NA	2.7	NA	NA	NA	NA
PETROLIMEX PETROCHEMICAL	PLC VH	0.0	24.4	36.5	34.6	25	16,030	6.5	2.41	3.65	NA	51.5	10.6	7.0	1.8	1.3	18.9	21.6	4.7	4.7
VINACONEX ADVANCED COMPOUND	VCS VH	0.0	-8.0	-8.0	31.3	24	80,517	11.8	NA	5.52	NA	NA	NA	5.5	NA	1.8	NA	NA	NA	NA
HAIPHONG SECURITIES JSC	HPC VH	0.0	-20.8	33.1	0.0	23	213,062	11.4	3.03	9.56	NA	215.4	5.4	1.7	1.9	0.8	40.8	53.9	7.4	12.5
SONG DA NO 9 JSC	SD9 VH	0.0	4.4	54.1	15.2	22	129,297	1.8	2.25	6.66	NA	195.8	11.2	3.8	1.9	1.5	16.8	38.4	6.0	20.1
VINACOMIN COC SAU COAL JSC	TC6 VH	0.0	39.3	47.4	NA	22	63,733	11.3	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
DRILLING MUD JSC	PVC VH	0.0	-10.4	3.2	9.8	21	68,697	11.8	NA	2.72	NA	NA	NA	9.1	NA	2.1	NA	NA	NA	NA

Source: Company reports, Bloomberg.

Company Visit Note

Kinh Do Corporation

KDC is the leading confectionery company in Vietnam with major market share in all categories except candy. 9M08 sales grew 21% Y/Y supported by ASP increase but profit margins in the period were squeezed due to a lag in price increases to cover a rising cost burden.

Key takeaways from the meeting:

- **Leading market share and strong distribution networks:** KDC has one of the largest confectionary distribution networks in Vietnam, with potential for the distribution of new products. Its market share has increased to 40% in 9M08 from 35% in FY07, according to management.
- **Plans to become a diversified F&B group:** The company aims to become a diversified F&B company, building both horizontal and vertical integration through acquisitions. Management said it is considering doing OEM for global brand names in its new factory to improve capacity utilization. The company has high exposure to property (44% of shareholders' equity as of end-September 2008), and this could crowd out its core business expansion.
- **Valuation and stock performance:** The stock trades at a 12-month trailing P/E of 8.3x. KDC has underperformed the index by 16.4% in the past month, or fell 40.5% in absolute terms.

NOTE: THIS DOCUMENT IS INTENDED AS INFORMATION ONLY AND NOT AS A RECOMMENDATION FOR ANY STOCK. IT CONTAINS FACTUAL INFORMATION, OBTAINED BY THE ANALYST DURING MEETINGS WITH MANAGEMENT. J.P.MORGAN DOES NOT COVER THIS COMPANY AND HAS NO RATING ON THE STOCK. NO PART OF THIS RESEARCH MAY BE REPRODUCED OR DISTRIBUTED INTO VIETNAM BY ANY MEANS WHATSOEVER. FAILURE TO COMPLY WITH THIS RESTRICTION MAY CONSTITUTE A VIOLATION OF LAW.

Reuters: KDC.HM; Bloomberg: KDC VM

VND in millions, year-end December

	FY05	FY06	FY07
Sales	798,618	998,150	1,230,802
Net income	94,757	170,666	224,138
EPS (VND)	2,437	3,591	4,096
DPS (VND)	1,600	1,800	1,800
Net debt (cash)/equity (%)	23.0	28.7	Net cash
Sales growth (%)	11.1	25.0	23.3
Net profit growth (%)	16.9	80.1	31.3
EPS growth (%)	4.0	47.4	14.1
ROE (%)	24.7	31.6	14.8
P/E (x)	14.0	9.5	8.3
P/B (x)	2.7	2.8	0.8
Dividend yield (%)	5.2	5.8	5.8

Source: Company reports, Bloomberg. Per share data is adjusted for 20% share dividend payment in July 2008.

Vietnam

Linh Truc Nguyen^{AC}

linh.t.nguyen@jpmorgan.com

J.P. Morgan Securities (Asia Pacific) Limited

Sriyan Pietersz^{AC}

(662) 684 2670

sriyan.pietersz@jpmorgan.com

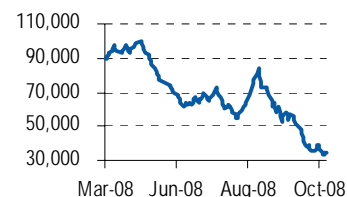
JPMorgan Securities (Thailand) Limited

KDC VM, Not Covered Confectionery

VND34,000, October 31, 2008

Share price performance

VND



Source: Bloomberg.

One-year price performance

	1M	3M	12M
Absolute (%)	(40.5)	(46.7)	(81.7)
Relative (%)	(16.4)	(25.7)	(37.3)

Source: Bloomberg.

Company data

52-week range (VND)	182,787-33,000
Mkt cap. (VND B)	1,907
Mkt cap. (US\$MM)	113.3
Shares O/S (MM)	56.1
Free float (%)	100
Daily volume (MM)	0.1
Daily liquidity (US\$MM)	0.3
Exchange rate (VND/US\$)	16,830.0
Index: VNI	347.1
Year-end	December

Source: Bloomberg.

See page 20 for analyst certification and important disclosures, including non-US analyst disclosures.

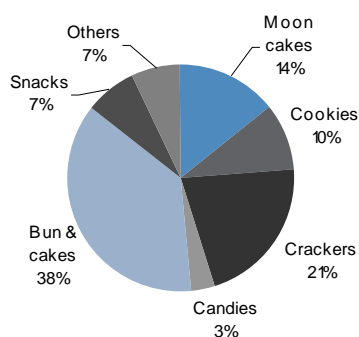
J.P. Morgan does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision.

Key takeaways from the meeting

Company description:

Established in 1993, Kinh Do Corporation (KDC VM) is now the leading confectionery company in Vietnam with 40% market share as of end-September 2008. The company was listed on HOSE in 2005. The founding Thanh family still holds 62% of KDC through Kinh Do Holdings and in their name. Kinh Do Holdings has four subsidiaries including confectionery (KDC), retailing, property, and financial services.

Figure 2: FY07 sales breakdown



Source: Company reports.

20.7% sales growth in 9M08 on strong moon cake sales

Kinh Do Corporation (KDC VM) had a sales growth of 20.7% in 9M08; however, its net profit prior to an adjustment of minority interest dropped by 15.1% Y/Y.

- Sales growth in 9M08 of 20.7% Y/Y, was an improvement from sales growth of 12% Y/Y in 6M08, and was mainly due to strong moon cake sales in the third quarter. This year, KDC manufactured around 1,500 tons of moon cakes, nearly triple that of other competitors; sales of moon cakes grew 25% this year due to an ASP increase. Moon cake sales were 105.8% Q/Q and contributed to 355.3% of the net profit growth in 3Q08.
- According to management, there was strong growth across the key product lines, although KDC's sales breakdown for 9M08 is not available; however, the company reports that the sales growth trend of 8M08 was strong across key products except for candies. Total sales in 8M08 grew by 27%, driven by cookies with the strongest sales growth of 80%. The growth of cookies in the 8M08 period was due to the growth of moon cakes as well as successful launches of some new cookies during the period, most notable among them is First Pie. Buns followed with 39% sales growth, while cakes sales rose 19%. Snacks and crackers of KDC remained one of the favorite choices of kids and teenage customers in Vietnam, according to the company, growing mainly on volume growth by 9% and 5% Y/Y, respectively, in 8M08. As Vietnamese customers tend to consume less sweet and sugar products, KDC candy sales dropped by 18% Y/Y in 8M08.
- The company has finished the relocation to the new factory in Binh Duong, which is now running at around 40% of its designed capacity. The company expects to raise the utilization to 60% by this year end and fully utilize it in 2.5 years by doing some OEM business with global brand names. The old factory site in Thu Duc will be used as an office building, which KDC expects to build in 1Q09.
- KDC's market share increased to 40% by the end of September from 35% in FY07. KDC said that given that almost all foreign brand names and small local brand names delayed their market penetration plans, KDC can enhance its market share further.

Table 1: KDC—9M08 financials

VND in millions, YE Dec	Jun-Sep 08	Jun-Sep 07	Y/Y change	Q/Q change	Sep-08	Sep-07	Y/Y change
Net sales	532,232	407,718	30.5%	105.8%	1,046,095	866,992	20.7%
COGS	376,233	264,532	42.2%	80.4%	769,354	623,093	23.5%
Gross profit (loss)	155,998	143,186	8.9%	211.9%	276,741	243,899	13.5%
Selling expenses	40,532	31,626	28.2%	32.8%	79,725	64,201	24.2%
G&A expenses	32,548	18,569	75.3%	43.5%	69,739	47,641	46.4%
Operating profit (loss)	82,919	92,991	-10.8%	-2709.4%	127,277	132,056	-3.6%
Non operating profit (loss)	(20,970)	(4,563)	359.5%	-198.0%	6,157	11,973	-48.6%
Interest expenses	20,015	7,238	176.5%	114.7%	36,979	19,093	93.7%
Extraordinary profit (loss)	7,870	3,411	130.7%	4130.7%	7,807	20,883	-62.6%
EBIT	60,993	91,102	-33.1%	24.7%	176,569	175,094	0.8%
EBT	69,818	91,839	-24.0%	279.4%	141,240	164,912	-14.4%
Corporate income tax	(1,912)	-	-	-172.3%	1,173	-	-
Net profit (loss)	71,730	91,839	-21.9%	355.3%	140,067	164,912	-15.1%
Margin			% pct change				% pct change
Gross margin	29.3%	35.1%	-5.8%	10.0%	26.5%	28.1%	-1.7%
EBIT margin	11.5%	22.3%	-10.9%	-7.5%	16.9%	20.2%	-3.3%
Net margin	13.5%	22.5%	-9.0%	7.4%	13.4%	19.0%	-5.6%
Major expenses as % of sales							
Selling expenses	7.6%	7.8%	-0.1%	-4.2%	7.6%	7.4%	0.2%
G&A expenses	6.1%	4.6%	1.6%	-2.7%	6.7%	5.5%	1.2%

Source: Company reports.

Profitability

Returns

ROE dropped to 14.8% in FY07 and 8% in 9M08 on an annualized basis from 31.6% in FY06 due to the impact of dilution. KDC granted 20% bonus shares to its existing shareholders in July 2008 to increase its charter capital to VND561 billion.

Squeeze on margin with the new factory operation and a lag in price increases

KDC has made an effort to hedge against raw material price increases and improve the product mix portfolio. However, the company has just moved its production to its new factory and costs have risen due to higher depreciation. Moreover, given that inflationary pressure was strong in 9M08, KDC said it can partly pass the rise in costs to its customers with a lag in time. Except for the third quarter when sales from the high-margin moon cakes helped it achieve a 10% improvement in gross margin, 9M08 financials showed that gross margin fell by 1.7% Y/Y in the overall nine months of 2008.

Net profit margin in 9M08 declined by 5.6% Y/Y given the 93.7% Y/Y rise in interest costs and higher MTM write-downs for its financial investments, around VND29.4 billion in 9M08, up from VND4.9 billion at the end of FY07.

Table 2: KDC—8M08 performance

	% Y/Y growth	Gross margin (%)	Net margin (%)
Cookies	80%	47%	34%
Crackers	5%	30%	12%
Cakes	19%	19%	6%
Snacks	9%	18%	1%
Buns	39%	16%	1%
Candies	-18%	6%	-20%
TOTAL SALES	27%	27%	15%

Source: Company reports.

Outlook

KDC plans to increase sales by 30% Y/Y in FY08 to VND1,600 billion and pre-tax profit by 21% Y/Y to VND270 billion. The company hopes to achieve this through increased product coverage to 120 supermarkets, an expanded network to 180 main distributors, utilizing the full capacity of its new factory in Binh Duong, and helping affiliated companies expand their capex, facilitating increased product coverage to more cities and more shops, and effectively enhance market share at 40% in FY08. The company will focus on premium products for the high-end market segment locally and in export markets.

As for investments in 2008, KDC intends to reserve VND437 billion to invest in its affiliated companies' expansion projects:

- VND160 billion for Kinh Do Binh Duong.
- VND69 billion for Vinabico.
- VND8 billion for Tribeco Binh Duong.
- VND200 billion for M&A in other food producers.

KDC also plans to invest another VND1,051 billion in three property projects. The company expects all three projects to be completed in 1-4 years and will be implemented by Kinh Do Real Estate. The total investments by KDC would be around VND1,051 billion or US\$64.6 million. There is a large supply of residential and office projects in the pipeline amid a cooling property market, and the company has high exposure to property (44% of shareholders' equity as of end-September 2008).

Expansion through M&A towards a diversified F&B group

Kinh Do Holdings, the parent company of KDC has expanded through M&A deals into smaller-size food and beverages companies and is one of the market leaders in its relevant businesses. It has an ambition to become a leading food and beverages company in Vietnam. So far, the group has successfully bought stakes in Wall Ice Cream from Unilever Bestfoods to develop it into Kido Ice Cream; 55% of Tribeco (TRI VM), the number three beverage company in Vietnam after Coca-Cola and Pepsi Cola; a 30% stake in Nutifood, one of the top five local dairy companies in Vietnam; and 51% of Vinabico, a smaller confectionary player to jointly develop processed food products in Vietnam. KDC also partnered with Tribeco to build Tribeco Binh Duong and Northern Tribeco, which it hopes will help increase its production capacity and product coverage in the Eastern, Southern and Northern markets.

The next step, according to management, will be the long-awaited merger between KDC and North Kinh Do (NKD VN) and then mergers with Kido Ice Cream, Tribeco, Nutifood and Vinabico to form a complete F&B group. In our recent meeting with KDC, management indicated that it wants to merge NKD and KDC to fulfill its commitments to shareholders and strengthen the synergy between the two companies. However, despite the completion of all the paperwork, the company thinks this is unlikely to happen this year as the merger will be the first M&A on the HOSE and market conditions continue to remain unfavorable.

Capital raising/balance sheet

Given the share premium of VND1,700 billion from its private placements of 11 million shares in FY07, which KDC has not yet disbursed into new capex expansion or property projects, the company had a strong net cash position as of end of 2007. Net debt-to-equity increased to 6.7% by the end of September 2008, compared to 28.7% in FY06. The company just paid a 20% share dividend to its shareholders in July 2008 to raise its charter capital to VND561 billion. Total debt-to-equity was only 10% by the end of September 2008, down from 15% in FY07 and 38% in FY06, and most of its debt is short term for working capital.

KDC: Summary of historical financials

Profit and loss statement

VND in millions, YE December	FY05	FY06	FY07
Revenues	798,618	998,150	1,230,802
% change Y/Y	11.1	25.0	23.3
Gross margin (%)	28.8	28.2	26.2
EBITDA	142,822	245,471	344,627
% change Y/Y	20.5	71.9	40.4
EBITDA margin (%)	17.9	24.6	28.0
EBIT	112,101	211,138	306,881
% change Y/Y	47.1	88.3	45.3
EBIT margin (%)	13.9	13.2	12.5
Net interest	-18,263	-17,490	-31,710
Earnings before tax	107,612	170,031	222,480
% change Y/Y	21.2	58.0	30.8
Tax	12,856	(635)	(1,659)
as % of EBT	11.9	-0.4	-0.7
Net income (reported)	94,757	170,666	224,138
% change Y/Y	16.9	80.1	31.3
Shares outstanding (MM)	25	30	46
EPS (reported) (VND)	2,437	3,591	4,096
% change Y/Y	4.0	47.4	14.1

Cash flow statement

VND in millions, YE December	FY05	FY06	FY07
EBIT	112,101	211,138	306,881
Depreciation & amortization	na	34,334	37,746
Change in working capital	87,170	-32,482	-312,077
Taxes	12,856	-635	-1,659
Cash flow from operations	212,647	172,517	-50,193
Capex	-79,197	-24,351	-260,386
Disposal/ (purchase)	0	0	0
Net interest	18,263	17,490	31,710
Free cash flow	4,214	-10,753	449,561
Equity raised/ (repaid)	187,949	6,668	1,742,546
Debt raised/ (repaid)	-65,051	60,557	170,160
Other	-7,855	0	20,468
Dividends paid	-62,208	-85,536	-98,493
Beginning cash	9,391	44,724	50,826
Ending cash	44,724	50,826	530,438
DPS (VND)	1,600	1,800	1,800

Balance sheet

VND in millions, YE December	FY05	FY06	FY07
Cash and cash equivalents	74,532	142,935	1,052,956
Accounts receivable	215,980	195,881	560,318
Inventories	65,953	120,403	136,272
Others	3,562	1,028	5,082
Current assets	360,027	460,247	1,754,629
Long-term investments	131,350	178,777	797,350
Net fixed assets	268,202	258,219	480,860
Total assets	784,682	936,372	3,067,474
Liabilities			
Short-term loans	100,816	171,257	263,003
Payables	122,282	118,950	173,671
Others	10,896	13,564	31,126
Total current liabilities	233,995	303,771	467,800
Long-term debt	57,182	47,299	125,713
Other liabilities	0	0	0
Total liabilities	291,177	351,070	593,513
Shareholders' equity	493,505	585,303	2,453,494
BVPS (VND)	12,693	12,317	44,838

Ratio analysis

%	FY05	FY06	FY07
EBITDA margin	17.9	24.6	28.0
Operating margin	13.9	13.2	12.5
Net profit margin	11.9	17.1	18.2
SG&A/sales	14.8	15.0	13.7
Sales per share growth	-1.2	2.3	7.1
Sales growth	11.1	25.0	23.3
Net profit growth	16.9	80.1	31.3
EPS growth	4.0	47.4	14.1
Interest coverage (x)	6.1	12.1	9.7
Net debt to total capital	17.4	20.9	Net cash
Net debt to equity	23.0	28.7	Net cash
Sales/assets	114.7	116.0	61.5
Assets/equity	1.8	1.6	1.3
ROE	24.7	31.6	14.8
ROCE	19.5	29.0	16.8

Source: Company reports, Bloomberg.

Analyst Certification:

The research analyst(s) denoted by an “AC” on the cover of this report certifies (or, where multiple research analysts are primarily responsible for this report, the research analyst denoted by an “AC” on the cover or within the document individually certifies, with respect to each security or issuer that the research analyst covers in this research) that: (1) all of the views expressed in this report accurately reflect his or her personal views about any and all of the subject securities or issuers; and (2) no part of any of the research analyst’s compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed by the research analyst(s) in this report.

Important Disclosures

Explanation of Equity Research Ratings and Analyst(s) Coverage Universe:

J.P. Morgan uses the following rating system: **Overweight** [Over the next six to twelve months, we expect this stock will outperform the average total return of the stocks in the analyst’s (or the analyst’s team’s) coverage universe.] **Neutral** [Over the next six to twelve months, we expect this stock will perform in line with the average total return of the stocks in the analyst’s (or the analyst’s team’s) coverage universe.] **Underweight** [Over the next six to twelve months, we expect this stock will underperform the average total return of the stocks in the analyst’s (or the analyst’s team’s) coverage universe.] The analyst or analyst’s team’s coverage universe is the sector and/or country shown on the cover of each publication. See below for the specific stocks in the certifying analyst(s) coverage universe.

J.P. Morgan Equity Research Ratings Distribution, as of September 30, 2008

	Overweight (buy)	Neutral (hold)	Underweight (sell)
JPM Global Equity Research Coverage	42%	44%	15%
IB clients*	53%	51%	43%
JPMSI Equity Research Coverage	40%	48%	12%
IB clients*	76%	70%	59%

*Percentage of investment banking clients in each rating category.

For purposes only of NASD/NYSE ratings distribution rules, our Overweight rating falls into a buy rating category; our Neutral rating falls into a hold rating category; and our Underweight rating falls into a sell rating category.

Valuation and Risks: Please see the most recent company-specific research report for an analysis of valuation methodology and risks on any securities recommended herein. Research is available at <http://www.morganmarkets.com>, or you can contact the analyst named on the front of this note or your J.P. Morgan representative.

Analysts’ Compensation: The equity research analysts responsible for the preparation of this report receive compensation based upon various factors, including the quality and accuracy of research, client feedback, competitive factors, and overall firm revenues, which include revenues from, among other business units, Institutional Equities and Investment Banking.

Registration of non-US Analysts: Unless otherwise noted, the non-US analysts listed on the front of this report are employees of non-US affiliates of JPMSI, are not registered/qualified as research analysts under NASD/NYSE rules, may not be associated persons of JPMSI, and may not be subject to NASD Rule 2711 and NYSE Rule 472 restrictions on communications with covered companies, public appearances, and trading securities held by a research analyst account.

Other Disclosures

J.P. Morgan is the global brand name for J.P. Morgan Securities Inc. (JPMSI) and its non-US affiliates worldwide.

Options related research: If the information contained herein regards options related research, such information is available only to persons who have received the proper option risk disclosure documents. For a copy of the Option Clearing Corporation’s Characteristics and Risks of Standardized Options, please contact your J.P. Morgan Representative or visit the OCC’s website at <http://www.optionsclearing.com/publications/risks/riskstoc.pdf>.

Legal Entities Disclosures

U.S.: JPMSI is a member of NYSE, FINRA and SIPC. J.P. Morgan Futures Inc. is a member of the NFA. JPMorgan Chase Bank, N.A. is a member of FDIC and is authorized and regulated in the UK by the Financial Services Authority. **U.K.:** J.P. Morgan Securities Ltd. (JPMSL) is a member of the London Stock Exchange and is authorised and regulated by the Financial Services Authority. Registered in England & Wales No. 2711006. Registered Office 125 London Wall, London EC2Y 5AJ. **South Africa:** J.P. Morgan Equities Limited is a member of the Johannesburg Securities Exchange and is regulated by the FSB. **Hong Kong:** J.P. Morgan Securities (Asia Pacific) Limited (CE number AAJ321) is regulated by the Hong Kong Monetary Authority and the Securities and Futures Commission in Hong Kong. **Korea:** J.P. Morgan Securities (Far East) Ltd, Seoul branch, is regulated by the Korea Financial Supervisory Service. **Australia:** J.P. Morgan Australia Limited (ABN 52 002 888 011/AFS

Licence No: 238188) is regulated by ASIC and J.P. Morgan Securities Australia Limited (ABN 61 003 245 234/AFS Licence No: 238066) is a Market Participant with the ASX and regulated by ASIC. **Taiwan:** J.P.Morgan Securities (Taiwan) Limited is a participant of the Taiwan Stock Exchange (company-type) and regulated by the Taiwan Securities and Futures Bureau. **India:** J.P. Morgan India Private Limited is a member of the National Stock Exchange of India Limited and The Stock Exchange, Mumbai and is regulated by the Securities and Exchange Board of India. **Thailand:** JPMorgan Securities (Thailand) Limited is a member of the Stock Exchange of Thailand and is regulated by the Ministry of Finance and the Securities and Exchange Commission. **Indonesia:** PT J.P. Morgan Securities Indonesia is a member of the Indonesia Stock Exchange and is regulated by the BAPEPAM. **Philippines:** J.P. Morgan Securities Philippines Inc. is a member of the Philippine Stock Exchange and is regulated by the Securities and Exchange Commission. **Brazil:** Banco J.P. Morgan S.A. is regulated by the Comissao de Valores Mobiliarios (CVM) and by the Central Bank of Brazil. **Mexico:** J.P. Morgan Casa de Bolsa, S.A. de C.V., J.P. Morgan Grupo Financiero is a member of the Mexican Stock Exchange and authorized to act as a broker dealer by the National Banking and Securities Exchange Commission. **Singapore:** This material is issued and distributed in Singapore by J.P. Morgan Securities Singapore Private Limited (JPMSS) [mica (p) 207/01/2008 and Co. Reg. No.: 199405335R] which is a member of the Singapore Exchange Securities Trading Limited and is regulated by the Monetary Authority of Singapore (MAS) and/or JPMorgan Chase Bank, N.A., Singapore branch (JPMCB Singapore) which is regulated by the MAS. **Malaysia:** This material is issued and distributed in Malaysia by JPMorgan Securities (Malaysia) Sdn Bhd (18146-x) which is a Participating Organization of Bursa Malaysia Securities Bhd and is licensed as a dealer by the Securities Commission in Malaysia. **Pakistan:** J. P. Morgan Pakistan Broking (Pvt.) Ltd is a member of the Karachi Stock Exchange and regulated by the Securities and Exchange Commission of Pakistan.

Country and Region Specific Disclosures

U.K. and European Economic Area (EEA): Issued and approved for distribution in the U.K. and the EEA by JPMSL. Investment research issued by JPMSL has been prepared in accordance with JPMSL's Policies for Managing Conflicts of Interest in Connection with Investment Research which outline the effective organisational and administrative arrangements set up within JPMSL for the prevention and avoidance of conflicts of interest with respect to research recommendations, including information barriers, and can be found at

<http://www.jpmorgan.com/pdfdoc/research/ConflictManagementPolicy.pdf>. This report has been issued in the U.K. only to persons of a kind described in Article 19 (5), 38, 47 and 49 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (all such persons being referred to as "relevant persons"). This document must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this document relates is only available to relevant persons and will be engaged in only with relevant persons. In other EEA countries, the report has been issued to persons regarded as professional investors (or equivalent) in their home jurisdiction

Germany: This material is distributed in Germany by J.P. Morgan Securities Ltd. Frankfurt Branch and JPMorgan Chase Bank, N.A., Frankfurt Branch who are regulated by the Bundesanstalt für Finanzdienstleistungsaufsicht. **Australia:** This material is issued and distributed by JPMSAL in Australia to "wholesale clients" only. JPMSAL does not issue or distribute this material to "retail clients." The recipient of this material must not distribute it to any third party or outside Australia without the prior written consent of JPMSAL. For the purposes of this paragraph the terms "wholesale client" and "retail client" have the meanings given to them in section 761G of the Corporations Act 2001. **Hong Kong:** The 1% ownership disclosure as of the previous month end satisfies the requirements under Paragraph 16.5(a) of the Hong Kong Code of Conduct for persons licensed by or registered with the Securities and Futures Commission. (For research published within the first ten days of the month, the disclosure may be based on the month end data from two months' prior.) J.P. Morgan Broking (Hong Kong) Limited is the liquidity provider for derivative warrants issued by J.P. Morgan International Derivatives Ltd and listed on The Stock Exchange of Hong Kong Limited. An updated list can be found on HKEx website: <http://www.hkex.com.hk/prod/dw/Lp.htm>. **Japan:** There is a risk that a loss may occur due to a change in the price of the shares in the case of share trading, and that a loss may occur due to the exchange rate in the case of foreign share trading. In the case of share trading, JPMorgan Securities Japan Co., Ltd., will be receiving a brokerage fee and consumption tax (shouhizei) calculated by multiplying the executed price by the commission rate which was individually agreed between JPMorgan Securities Japan Co., Ltd., and the customer in advance. Financial Instruments Firms: JPMorgan Securities Japan Co., Ltd., Kanto Local Finance Bureau (kinsho) No. [82]

Participating Association / Japan Securities Dealers Association, The Financial Futures Association of Japan. **Korea:** This report may have been edited or contributed to from time to time by affiliates of J.P. Morgan Securities (Far East) Ltd, Seoul branch. **Singapore:** JPMSI and/or its affiliates may have a holding in any of the securities discussed in this report; for securities where the holding is 1% or greater, the specific holding is disclosed in the Important Disclosures section above. **India:** For private circulation only, not for sale. **Pakistan:** For private circulation only, not for sale. **New Zealand:** This material is issued and distributed by JPMSAL in New Zealand only to persons whose principal business is the investment of money or who, in the course of and for the purposes of their business, habitually invest money. JPMSAL does not issue or distribute this material to members of "the public" as determined in accordance with section 3 of the Securities Act 1978. The recipient of this material must not distribute it to any third party or outside New Zealand without the prior written consent of JPMSAL.

General: Additional information is available upon request. Information has been obtained from sources believed to be reliable but JPMorgan Chase & Co. or its affiliates and/or subsidiaries (collectively J.P. Morgan) do not warrant its completeness or accuracy except with respect to any disclosures relative to JPMSI and/or its affiliates and the analyst's involvement with the issuer that is the subject of the research. All pricing is as of the close of market for the securities discussed, unless otherwise stated. Opinions and estimates constitute our judgment as of the date of this material and are subject to change without notice. Past performance is not indicative of future results. This material is not intended as an offer or solicitation for the purchase or sale of any financial instrument. The opinions and recommendations herein do not take into account individual client circumstances, objectives, or needs and are not intended as recommendations of particular securities, financial instruments or strategies to particular clients. The recipient of this report must make its own independent decisions regarding any securities or financial instruments mentioned herein. JPMSI distributes in the U.S. research published by non-U.S. affiliates and accepts responsibility for its contents. Periodic updates may be provided on companies/industries based on company specific developments or announcements, market conditions or any other publicly available information. Clients should contact analysts and execute transactions through a J.P. Morgan subsidiary or affiliate in their home jurisdiction unless governing law permits otherwise.

"Other Disclosures" last revised September 29, 2008.

Copyright 2008 JPMorgan Chase & Co. All rights reserved. This report or any portion hereof may not be reprinted, sold or redistributed without the written consent of J.P. Morgan.