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Investing in Vietnam – Presentation to Indian Investors

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5 November 2011



Agenda

Snapshot of Vietnam Economy

- Country profile
- Economic highlights
- Labour market
- Investment Climate
- Infrastructure

Investment Opportunities

Overcoming Investment Barriers

KPMG in Vietnam





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Snapshot of Vietnam Economy



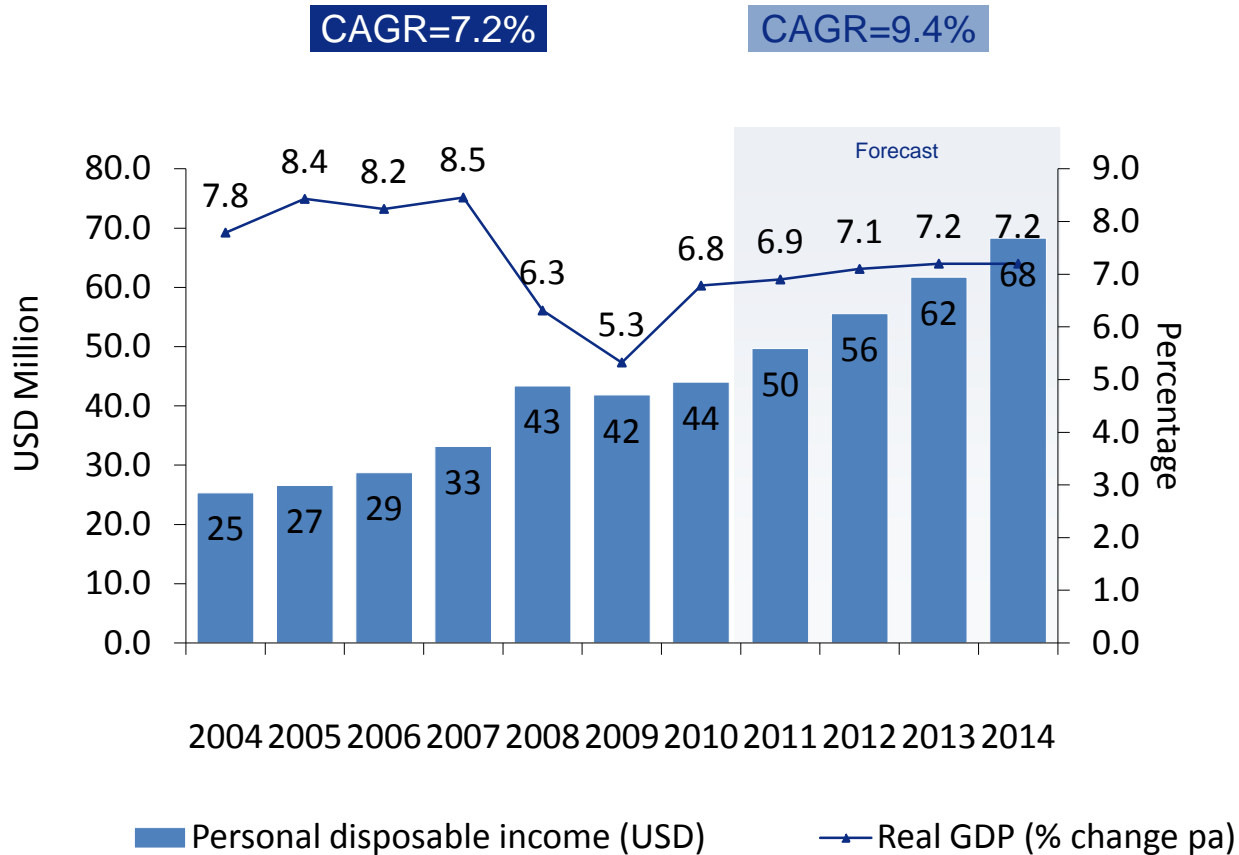
Country Profile



Key Facts – 2010

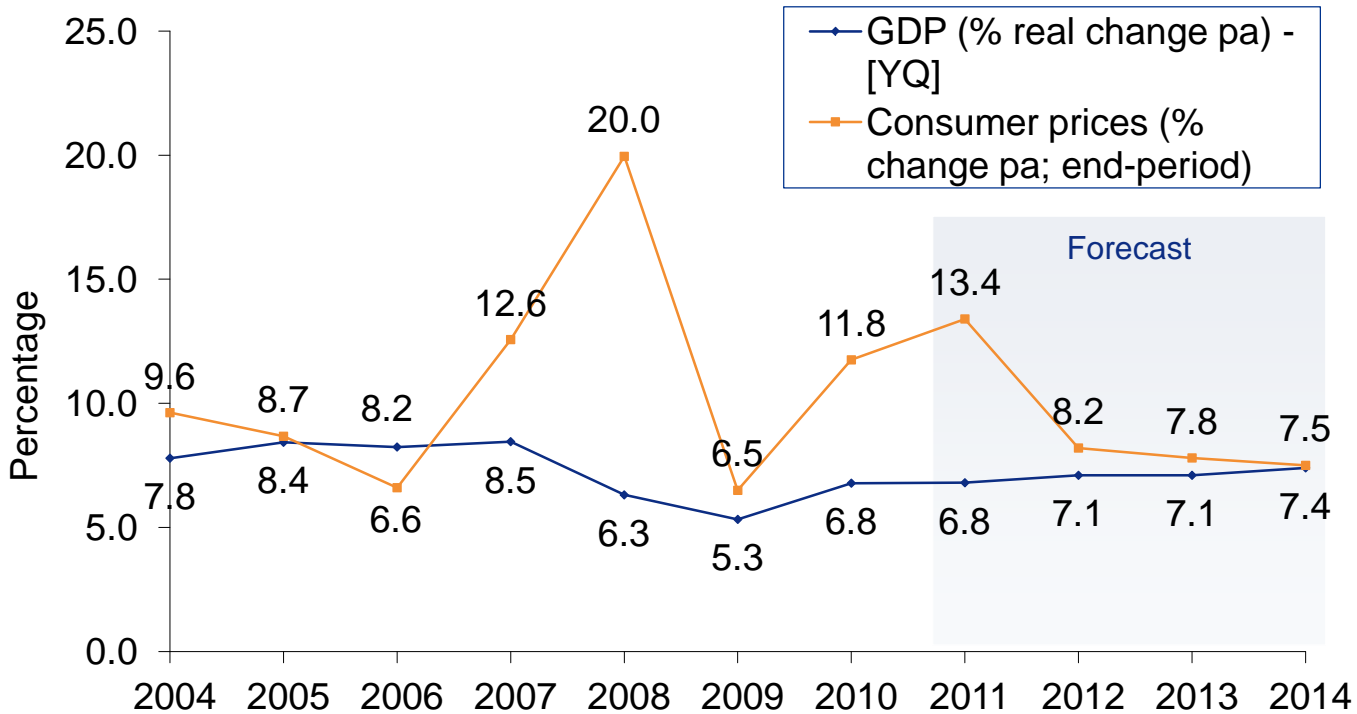
- **87 million people**
- **GDP: USD103 billion, GDP per capita: 1,180**
- **Growing economy**
- **Politically stable**
- **Reform oriented**
- **Increasing relations with the United States**
- **Attractive for investment**
 - **Relatively low costs**
 - **Access to ASEAN and South China Market**
 - **Emerging domestic market**

GDP Growth and Disposable Income



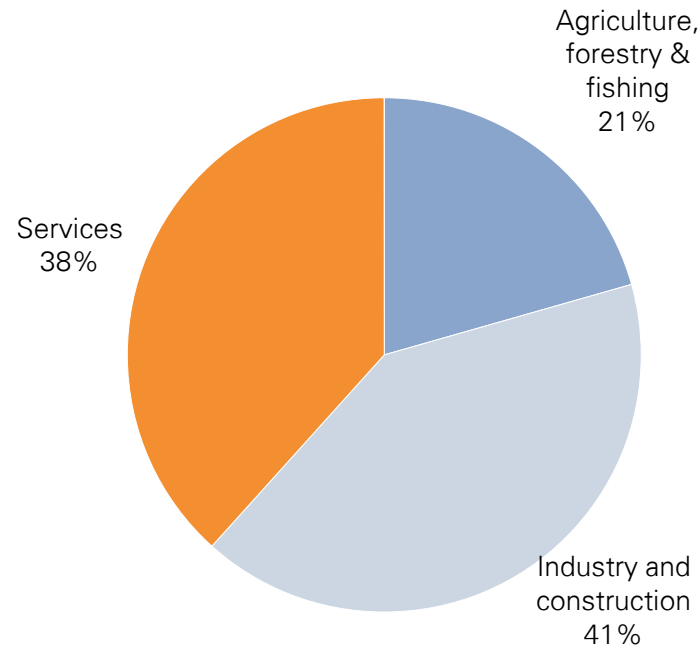
Source: KPMG's analysis based on EIU's data

GDP growth vs. Inflation



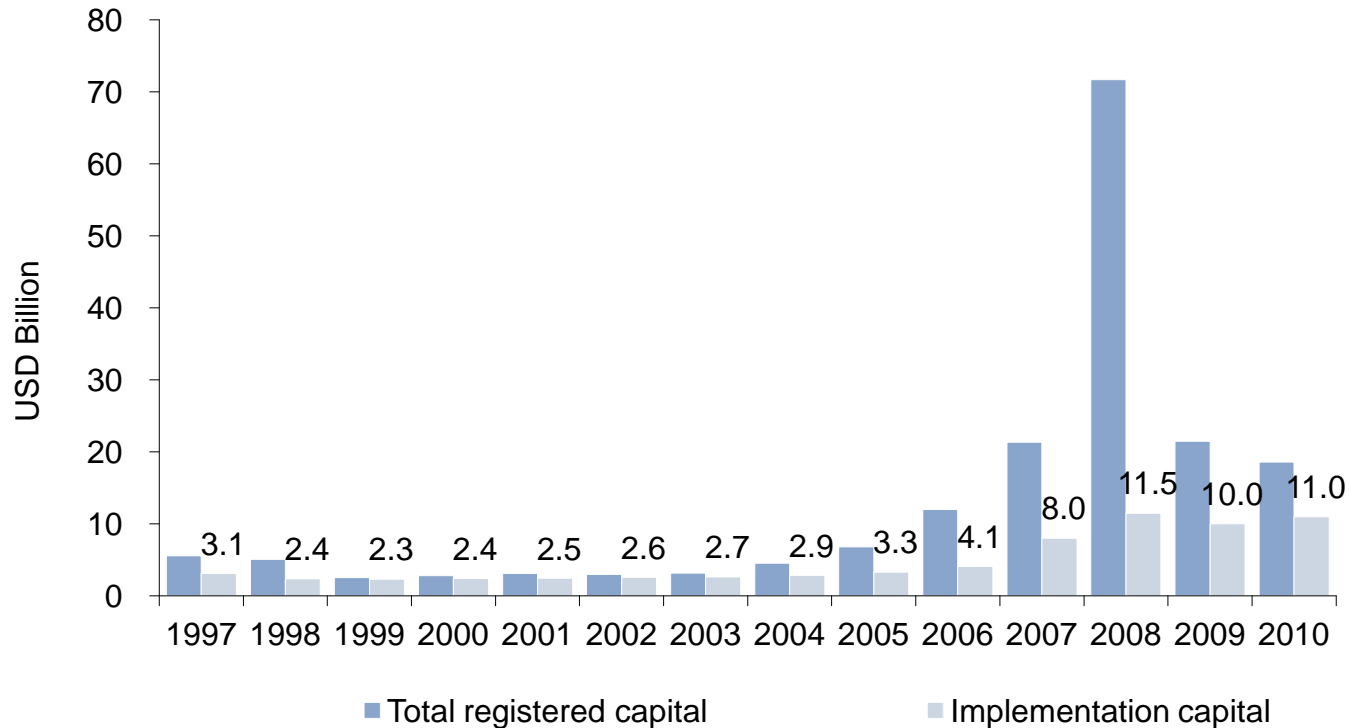
Source: KPMG's analysis based on EIU's data

GDP at Current Prices by Economic Sector – Prel. 2010



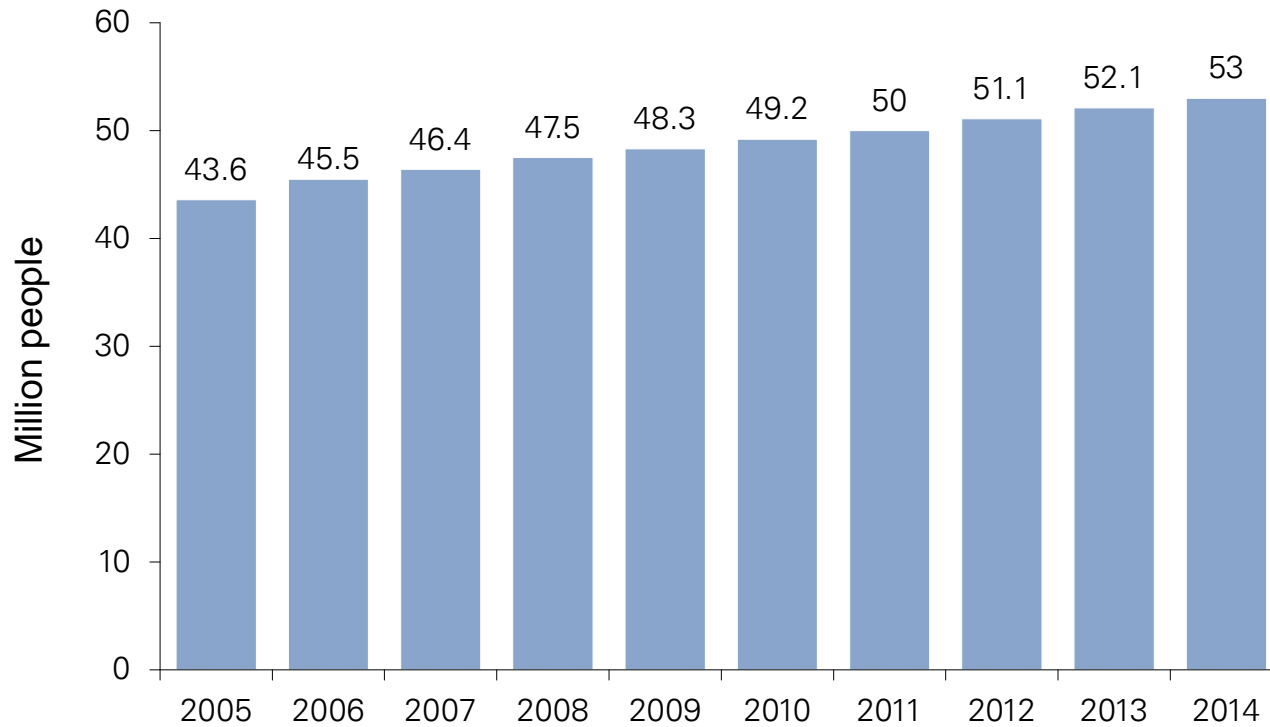
Source: KPMG's analysis based on GSO's data

Foreign Direct Investment



Source: KPMG's analysis based on EIU's data

Labour market



Source: Economic Intelligence Unit

Ease of doing business ranking

Ease of doing business ranking (out of 183 countries)	2008	2009	2010	2011
Vietnam	91	92	88	78
China	83	83	78	79
Thailand	15	13	16	19
The Philippines	133	140	146	148
Indonesia	123	129	115	121

Source: *The World Bank and the International Finance Corporation, Doing Business 2008, 2009, 2011*

- According to World Bank's recent study, climate for doing business in Vietnam has been improving remarkably
- Vietnam's joining the WTO and entering into trade agreements with major economies makes it a more attractive investment destination for investors

Vietnam Infrastructure Profile

Overall infrastructure rank	97
Quality of roads	102
Quality of railroads	66
Quality of port infrastructure	112
Quality of air transport infrastructure	92
Quality of electricity supply	104

- Infrastructure, especially roads and ports, is under-developed by global standards, with Vietnam currently ranking 97 out of 134 countries. However, steady investment is being put into improving the system



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Investment Opportunities



Opportunities – Snapshot

- Portfolio investors can gain exposure to Vietnam:
 - ✓ listed equities in Vietnam;
 - ✓ a number of foreign incorporated investment funds; or
 - ✓ MNC's that have significant Vietnam business
- Market access or sourcing (without investment);
 - ✓ appointment of a Vietnamese agent
 - ✓ opening a Representative Office
 - ✓ operating as a Foreign Contractor
- Direct investors can gain exposure by:
 - ✓ establishing a “greenfields” investment project
 - ✓ can usually be 100% foreign owned
 - ✓ some sectors must be joint ventures
 - ✓ acquiring all or part of an existing company

Privatization Program

- Restart of privatization process in 2011
- Divestment of numerous small and unprofitable enterprises
- Some high profile transactions
- Difficulties with valuation
- Plan for 2011:
 - ✓ Equitisation of Mobiphone, major mobile phone operator
 - ✓ Equitisation of Vietnam Airlines, the national Airlines
 - ✓ Sale of 15% stake in Vietcombank, a leading commercial bank to a strategic investor

Equitization

By mid-2010, 5,565 State Owned Enterprises had been privatized.

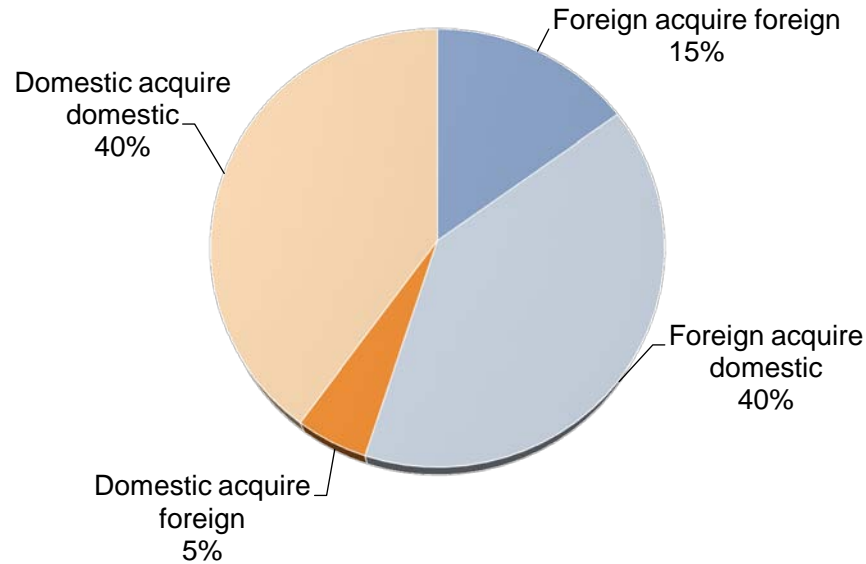
There are 1,507 State Owned Enterprises left, including 11 groups and 84 main parent companies.

Several large privatisations planned for 2011

Fact: Increasing number of M&A transactions

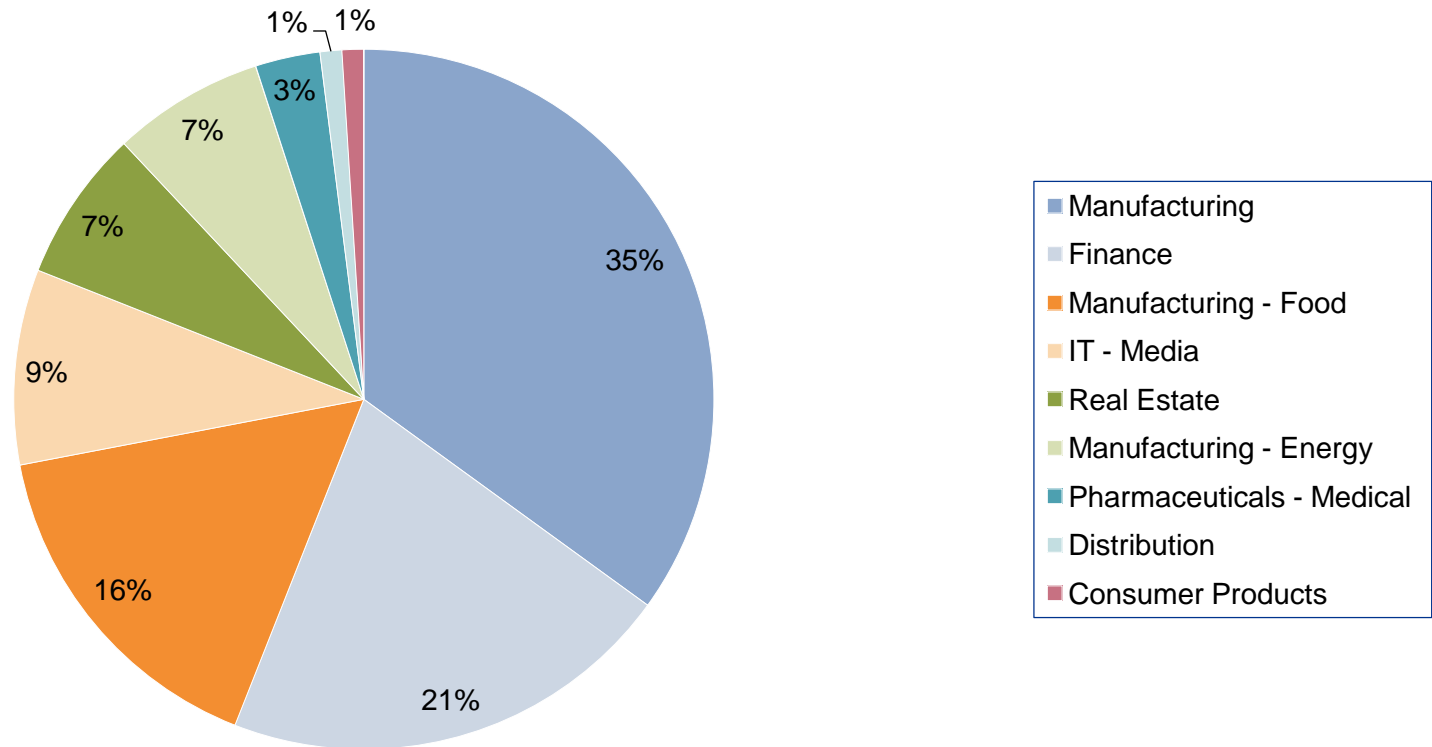
Mainly in medium and small scale (from USD5 mil - USD20 mil/deal)

M&A Deals in Vietnam - 2009



Fact: Increasing number of M&A transactions

M&A Deals in Vietnam - 2009



Investment Opportunities – Real Estates

■ 2007 – 2010

- ✓ Second largest Foreign Direct Investment sector: 187 projects, \$38 billion

■ Future trends

- ✓ Office buildings
- ✓ Apartment buildings and villas
- ✓ Hotels & Resorts
- ✓ Retail
- ✓ Infrastructure



▪ Advantages

- ✓ Import and export goods
- ✓ 100% FIE allowed from Jan 2009
- ✓ Small market size: potential higher development
- ✓ Stable economic growth
- ✓ Large and young population
- ✓ Consumer volume gets higher each year
- ✓ Consumer styles in developed areas
 - towards foreign brands
 - towards supermarkets, shopping centers



Investment Opportunities – Trading

- **As of 1 January 2009, 100% foreign owned entities are permitted to:**
 - ✓ Import and export goods
 - ✓ Distribute goods
 - ✓ Agent for purchase and sale
 - ✓ Franchise
- **Except for prohibited or restricted sectors/industries/products**



Investment Opportunities – Manufacturing

- **2007 – 2010**
 - ✓ largest FDI: 2,049 projects, \$46 billion
- **Largest 100% FIE**
 - ✓ Investment capital: \$7.9 billion
 - ✓ Charter capital: \$2.7 billion
 - ✓ Industry: Steel
- **Advantages**
 - ✓ Large number of labor force
 - ✓ Low labor cost
 - ✓ Fewer investment restrictions



Financial Services

Sub-sector	2009	2012 onwards
Foreign commercial bank	100% Foreign owned (FO)	
Foreign finance company		
Foreign finance leasing company		
Securities companies	49% JV	100% FO

Investment Opportunities – Logistics

Logistics Services

Sub-sector	2010	2014 onwards
Unloading goods	50% JV	
Warehousing services	51% JV	100% FIE
Transportation agency services	51% JV	JV with no limitation on foreign capital
Other subsidiary services	51% JV	100% FIE



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Overcoming Investment Barriers





Understand the basics

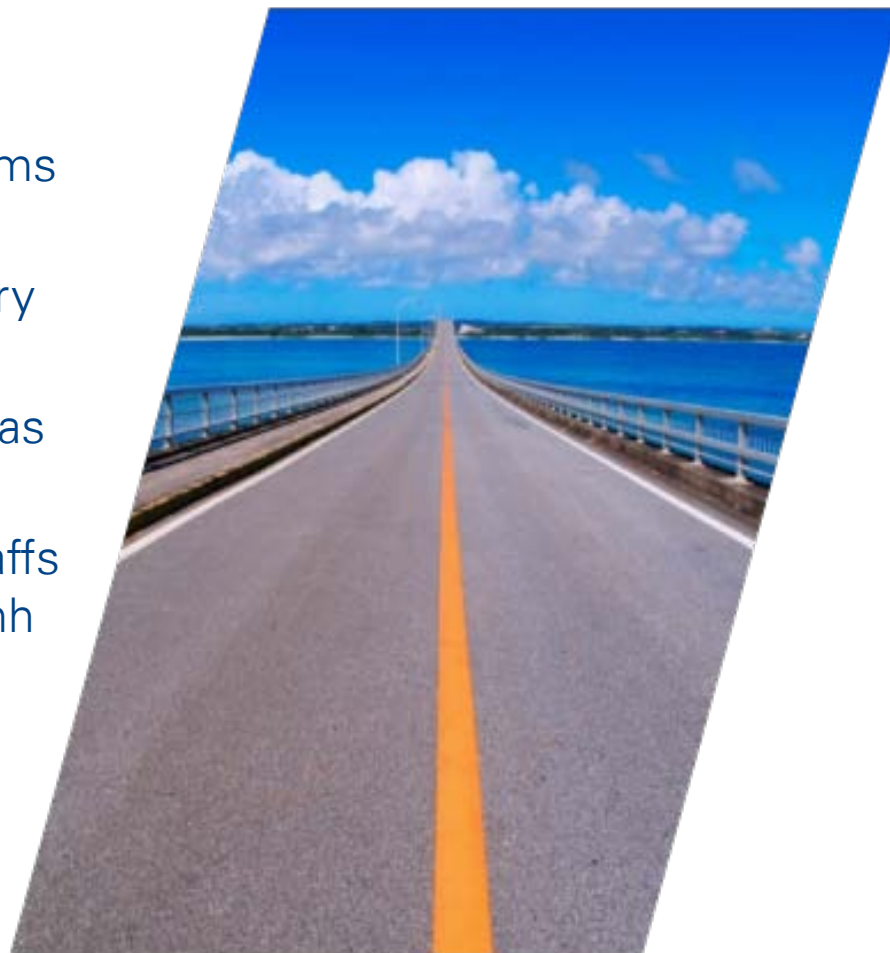
- Understanding the basics is the first step in succeeding in Vietnam
- Investment licensing is discretionary for most projects
- Investors need to establish a relationship with the relevant authorities and counterparties
- “Relationship” means get to know them, and introduce yourself. It is not “code” for something else
- Discretion reduces once you are in business – there are rules, and they are followed
- Vietnam is bureaucratic – get the paperwork right
- Understand the basics – and get good advice
- Assume that whatever you think you know about Vietnam is out of date



Proactively address systemic weaknesses

- Corruption and administrative red tape
 - ✓ Say “NO” to corruption
 - ✓ Maintain pressure to state bodies to improve
 - ✓ Make extensive regulatory study prior investment decision
 - ✓ Co-operate with partners to handle administrative issues
- Poorly developed infrastructure
 - ✓ Conduct location search prior to investment decision
 - ✓ Invest directly in infrastructure development
- Ineffective protection of intellectual property
 - ✓ Register intellectual property
 - ✓ Closely supervise the market to identify violation acts

- ❖ KPMG is one of the largest advisory firms in Vietnam.
- ❖ KPMG has been operating in the country since 1994.
- ❖ Offices in Hanoi and Ho Chi Minh City, as well as in Cambodia.
- ❖ We now have over 900 professional staffs in two offices in Ha Noi and Ho Chi Minh City.



Why KPMG ?

Strong presence

- Over 900 professional staffs across key cities - Hanoi and Ho Chi Minh
- One of the selected few qualified providers of Market Entry Services in Vietnam

Strong market knowledge

- Extensive knowledge of the local market in terms of industry, regulations, market practices and local companies/targets
- In particular, we have a strong focus on the retail sector, where we have advised on several proposed divestments by local corporate

Qualified team of professionals

- Working closely with a seasoned team of regional professionals
- Professional staff led by a management team with extensive experience and in-depth expertise in financial advisory services

A comprehensive range of professional services

- KPMG provides reliable and quality services of audit, tax, financial and risk advisory to over 1,200 clients in Vietnam in a wide range of industries, including energy, food and beverage, banking, finance, processing, manufacturing, transportation, services and property

Solid relationships with state-owned sector

- KPMG has strong relationships with the local government and has won many high profile engagements with local state banks and corporations

KPMG in Vietnam - Services Qualifications

Audit Services

Tax Services

Advisory Services

Market Entry Services

Others

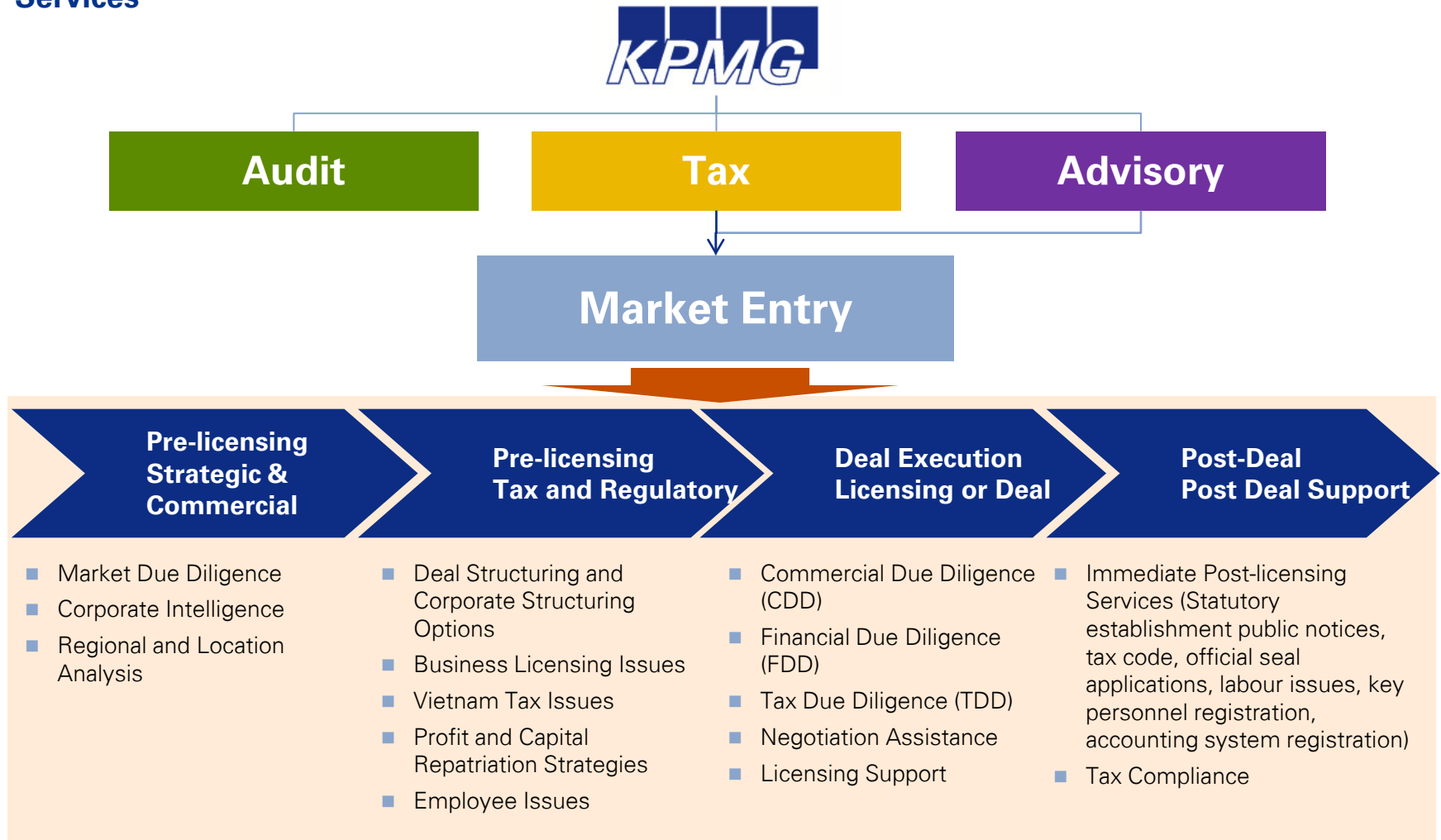
In 2003, KPMG was awarded a certificate of recognition by the Ministry of Finance for our significant contribution to the development of the Vietnamese financial accounting and auditing sectors. KPMG is currently the only accounting firm in Vietnam to have received this award.

For seven consecutive years in 2003, 2004 and 2005, 2006, 2007, 2008, 2009 and 2010 in recognition of KPMG's commitment to client service, KPMG was the inaugural winner of the Golden Dragon Prize for the Best Financial Service Advisory Firm awarded by the Vietnam Economics Times under the Golden Dragon Award initiative organised with the support of the Ministry of Planning and Investment and Vietnam Economists Association.

In 2010, KPMG is awarded as "Vietnam Tax Firm of the Year, 2010" by International Tax Review.

KPMG's Market Entry Services

KPMG Vietnam focuses on three key disciplines, with Market Entry on the edge of Tax and Advisory Services





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Q&A Thank you

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