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SAIGON SECURITIES INC.

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Tan Tao Industrial Park Corporation

Ticker: ITA

Sector: Real Estate

(1) Highlights:

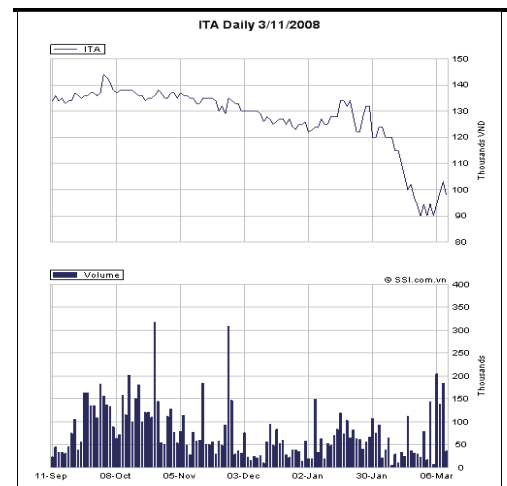
Tan Tao Industrial Corporation whose predecessor is Tan Tao Infrastructure Investment-Construction-Business Company Limited was established in 1996. The company owns 100% of 432ha Tan Tao and 80% of 535ha Tan Duc Industrial Parks which are leading Industrial zones in term of attracting FDI, speed of filling up, quality of facilities and services. The company's key projects include 535ha Tan Duc Industrial Park, 348ha Tan Duc Residential Area, 100ha Tan Tao Residential Areas and 2500ha Sai Gon-Mekong E city. The company's management hold about 30% stake which will motivate them to work toward the shareholder value.

- The company core expertise is developing industrial parks: 432ha Tan Tao and 535ha Tan Duc industrials parks, in 2007 contributed the most important part to company's revenue. Though these two successful projects have made ITA become one of the leading company operating in this field in Viet Nam, the management in late Dec 07 announced 2 big projects which are 700ha Tan Tao-Angrimeco in Hung Yen province and 800ha Tan Tao-Hanam in Hanam province (both are for development of residential areas and industrial zones).
- Apart from developing industrial parks with very big projects, the management has very ambitious plan to develop residential areas such as 2500ha SaiGon-Mekong City, 139ha Tan Duc E.City, 47ha ITA E. city. This business line will make a more contribution to the company's revenue from 2008 onward.
- In Jan 08, the management released its plan to increase the legal capital to VND2000bn and go to list its shares in Singapore Stock Exchange in 2008.
- Stock trades on a fully diluted PE 07 of 29x, which is at a premium to the average of its peers. During last 4 months, the company stocks decreased by 23% while the market's fell down of more than 40%. ITA performance proved it quite defensive stock to Vn-index.

(3) Share Summary (11 Mar 2008)

Current Price (VND)	98,000
30-week price range (VND)	100000 - 169000
No. of outstanding shares	115,000,000
Market Cap (billion VND)	11,270
Foreign Ownership (%)	37%
Estimated free float	53%
6-month average daily volume	75,674

Historical price chart



(2) Financial Summary

	2006A	2007A	2008E	Key Ratio	2006A	2007A	2008E
Sales (VND mil.)	352,763	918,302	1,708,041	Gross Margin	59%	57%	53%
Net Incomes (VND mil.)	148,773	377,556	641,802	EBITDA Margin	62%	53%	49%
EPS (VND)	3,306.06	3,716.58	3,158.88	Net Income Margin	42%	41%	38%
P/E (x)	n/a	29.85	31.02	Sale Growth	13%	160%	86%
P/B (x)	n/a	2.97	2.51	Net Income Growth	36%	154%	70%
EV/EBITDA (x)	n/a	22.52	12.96	EPS Growth	-10%	12%	-15%
Dividend Yield (%)	n/a	1.331%	2.662%	Operating Working Capital Ratio	-91%	114%	130%
ROE (%)	23%	11%	8%	Current Ratio	56%	211%	263%
ROA (%)	9%	8%	7%	Debt to Equity Ratio	57%	13%	6%

(4) Corporate Information

Profile

Tan Tao Industrial Corporation whose predecessor is Tan Tao Infrastructure Investment-Construction-Business Company Limited was established in 1996. The company owns 100% of 432ha Tan Tao and 80% of 535ha Tan Duc Industrial Parks which are leading Industrial zones in term of attracting FDI, speed of filling up, quality of facilities and services. The company's key projects include 535ha Tan Duc Industrial Park, 348ha Tan Duc Residential Area, 100ha Tan Tao Residential Areas and 2500ha Sai Gon-Mekong E city.

Main business activities

- Investing and developing infrastructure in industrial parks and residential development
- Renting lands with full infrastructure
- Building factories or warehouses for rent or for sales in industrial parks
- Providing logistic and warehouse service

Industry overview

- Vietnam's economic growth rate remains high with GDP growth at 7.87% in 1H07 - the highest YoY growth in recent 5 years. FDI, highly expected to surge after WTO accession, reached USD 5.2 bil in 1H07, marking 8% YoY growth
- Ho Chi Minh City is the heart of Vietnam's economical and industrial development. The City and its surrounding provinces regularly attract two third of total FDI
- Vietnam currently has more than 130 industrial zones with the occupancy rate was average more than 65%;
- Most of large industrial zone are located in the Southern Areas which is nearby Ho Chi Minh City
- The Government has also issued a list of more than 100 industrial Zone to be established and about 27 zones received incentives to expand by 2015. The Red River take the lead with 31 new industrial zones planned, but no industrial zones will be set up nearby Ho Chi Minh City

Ongoing Projects

Project Name	Project's description	Total estimated investment (VND bill)	ITA's Holding Stake	Status
Tan Duc Industrial park	Total area is 535 ha, located in Duc Hoa Dist, Long An Province.	1,145	80%	Phase 1 consist of 273 ha, started on 2006, mostly completed. Phase 2 consists of 262 ha which is still under construction
Tan Duc residential Area	Total area 348 ha, of which, 139 ha for residential houses development, located in Duc Hoa dist, Long An Province	1,312	100%	Carry out infrastructure construction for 100ha, the rest is under site clearance and compensation. The Project is expected to completed all phases by 2015
Tan Tao Residential Area	Total area 100ha of which, 46.67 ha for residential houses development	1,206	100%	Site clearance and compensation of 20ha. Infrastructure construction works are carried out in Q3, 2007. The Project is expected to complete all phases by 2015.

Apart from that, ITA currently developing/investing in other infrastructure projects such as 650ha Nhon Trach Industrial Park, 350ha Nhon Hoi Industrial Park, 1200ha Saigon-Mekong E City, University of Southeast Asia, ITA Way, ITA Water and ITA Rice. These plans promise the potential profit growth of the company in the long term.

The management in late Dec 07 announced 2 big projects which are 700ha Tan Tao-Angrimeco in Hung Yen province and 800ha Tan Tao-Hanam in Hanam province (both are for development of residential areas and industrial zones)

Earning Drivers

In 2007, more than 90% of consolidated revenue came from Tan Tao and Tan Duc Industrial Parks. It was noted that almost 100% of 432ha of Tan Tao Industrial Park and 273ha under phase 1 of Tan Duc Industrial Park has been leased out, therefore revenue from these will gradually reduce over the times. However, the said reduction will be compensated by the increase of revenues received from 262ha under phase 2 of Tan Duc Industrial Park. The chance of leasing land out in Tan Duc Industrial Park is relatively high, supported by the high economic growth and positive change in policy of attracting FDI investments. Starting from 2008, Tan Duc Residential Project start to contribute to the company's revenue since infrastructure construction for 100ha under phase 1 was planned to be completed by that time.

Brief summary of the company S.W.O.T

<p style="text-align: center;">Strengths:</p> <ul style="list-style-type: none"> ▪ High barriers to new entrants due to huge investment costs and limited license grant. In addition, in the government plan there are no new industrial parks in HCMC to help the current misdirection of investment where most investments going to HCMC ▪ Good relationship with HCMC and Long An people committees ▪ Well motivated and transparent management 	<p style="text-align: center;">Weaknesses:</p> <ul style="list-style-type: none"> ▪ Time-consuming compensation and clearance. This usually took 2 to 3 years ▪ The projects normally take quite long time to be completed i.e. 5 years or even more
<p style="text-align: center;">Opportunities:</p> <ul style="list-style-type: none"> ▪ Potential development of the company Property project besides the two properties Tan Tao and Tan Duc Industrial Parks, the company is having other property projects. ▪ Favourable tax rates: the company is enjoying favourable tax rate: 10% from 2004 to 2010. 	<p style="text-align: center;">Threats:</p> <ul style="list-style-type: none"> ▪ Threats of delays in the implementation of its on-going projects due to internal and external factors i.e. delays in site clearance other natural disaster.

(5) Financial analysis

High revenue and net earning growth. In 2007, ITA as a group saw net consolidated revenues of VND918bn (2006:VND353bn) and the net consolidated earnings of VN378bn (2006: VND184bn), which all exceeded the management target for 2007. We noted its high revenue and net earning growth of 160% and 154% respectively which is quite high as compared to its peers. In addition, ITA has maintained sound EBITDA margins of approximately 50% over the past 2 years.

In Jan 08, the management released its plan to increase the legal capital to VND2000bn and go to list its shares in Singapore Stock Exchange in 2008. This additional issuance are supposed to make a significant change in the companies balance sheet through the increase of owner's equity, therefore ROE, ROA in 2008 are forwarded to be worse than 2007.



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6. Appendix

INCOME STATEMENT (VND mil)	2006	2007	2008E
Net sales	352,763	918,302	1,708,041
CGS	143,779	391,055	795,683
Gross profit	208,984	527,247	912,358
Selling expense	31	644	2,905
G&A expenses	18,477	81,437	151,473
Total operating expenses	18,508	82,081	154,378
Operating profit (EBIT)	190,476	445,166	757,979
Financial income	18,069	45,066	83,823
Financial expense	34,503	28,358	63,296
Interest expense	33,419	28,217	43,390
Gain/Loss from financial activities	(16,434)	16,708	20,527
Other income	3,281	26,653	49,575
Other expense	82	24,376	45,339
Gain/Loss from other activities	3,200	2,277	4,236
Earnings before income tax provision	184,707	460,467	782,742
Income tax provision	35,934	82,911	140,940
Net earnings	148,773	377,556	641,802
<i>Attributable to:</i>			
Minority interest	-	5,898	10,026
Equity holders of the parent	148,773	371,658	631,776
Number of shares	45,000,000	100,000,000	200,000,000
EPS	3,306	3,717	3,159
Depreciation	2,335	1,418	9,220
EBITDA	220,461	490,101	835,352

BALANCE SHEET	2006	2007	2008E
<i>Unit: Million VND</i>			
Current Assets	410,879	1,999,572	3,573,695
Cash & cash equivalent	57,032	652,282	889,914
Short-term Investment	-	756,133	1,918,819
Accounts Receivable	341,086	547,209	683,217
Inventories	731	594	1,106
Other current assets	12,030	43,354	80,639
	-	-	-
Fixed Asset Long-term investment	1,244,930	2,687,887	6,082,995
Fixed Assets	297,167	638,503	1,027,061
Property Investment	43,649	-	-
Long-term financial Investment	903,342	1,825,768	4,825,768
Other Assets	772	7,616	14,166
Total Assets	1,655,809	4,687,460	9,656,689
LIABILITIES	1,010,706	1,351,542	1,778,969
Total current liabilities	732,904	949,113	1,357,142
Short-term Debt	100,809	29,565	48,565
Accounts Payable	8,951	17,873	36,366
Payroll	-	16	32
Income Taxes	69,092	97,515	181,379
Other current liabilities	554,051	804,144	1,090,800



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Long-term Liabilities	277,802	402,429	421,827
Long-term debt	268,106	388,330	401,330
Other long-term liabilities	9,696	14,098	20,496
EQUITY	645,103	3,335,918	7,877,720
Owners' Equity	570,902	3,303,475	7,815,997
Chartered Capital	450,000	1,000,000	2,000,000
Capital Surplus	-	1,907,779	5,407,779
Other Funds	-	(74)	(74)
Retained Earnings	120,902	395,788	408,310
Other resources and fund	-	(0)	19,254
Minority interest	74,201	32,444	42,469
TOTAL LIABILITIES AND EQUITY	1,655,809	4,687,460	9,656,689
Book value	12,686.71	33,034.75	39,079.98

	2006	2007	2008E
Margins			
COGS	41%	43%	47%
Gross profit	59%	57%	53%
SG&A expense	5%	9%	9%
EBIT	54%	48%	44%
EBITDA	62%	53%	49%
Pre-tax profit	52%	50%	46%
Net earnings	42%	41%	38%
Tax rate			
D&A/Fixed asset	1%	0%	1%
Growth rate			
Total sales	13%	160%	86%
EBIT	24%	134%	70%
EBITDA	25%	122%	70%
Interest expense	-18%	-16%	54%
Net earnings	36%	154%	70%
EPS	-10%	12%	-15%

	2006	2007	2008E
FINANCIAL RATIOS			
Working capital management			
Op. Working capital ratio	-91%	114%	130%
Days' receivables	352.92	217.50	146.00
Days' inventory	1.9	0.6	0.5
Days' payables	22.72	16.68	16.68
Current Liabilities and short-term liquidity			
Current Ratio	56%	211%	263%
Quick Ratio	54%	206%	257%
Cash Ratio	8%	69%	66%
Debt and long term solvency			
Liabilities-to-equity ratio	157%	41%	23%
Debt-to-equity ratio	57%	13%	6%
Net debt to equity ratio	48%	-7%	-6%



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