

Key Numbers

| (VNDmil) | 2008 | 2009 |
|------------------|---------|---------|
| Total assets | 271,331 | 435,851 |
| Owner's equity | 102,394 | 121,608 |
| Net sales | 248,333 | 384,533 |
| Pre-tax profit | 22,875 | 300,936 |
| After-tax profit | 22,875 | 83,598 |

Source: Company

Earnings model

| | FY2007 (3/9-12/31/2007) | % y/y | FY2008 | % y/y |
|-----------------------|----------------------------|-------|---------|--------|
| Net revenue (VNDm) | 108,537 | na | 248,333 | 128.8% |
| Pretax profit (VNDm) | 16,407 | na | 22,875 | 39.4% |
| Net profit (VNDm) | 16,407 | na | 22,875 | 39.4% |
| Pre-tax Profit Margin | 15.1% | na | 9.2% | -39.1% |
| Net Profit Margin | 15.1% | na | 9.2% | -39.1% |
| EPS (VND) | 2,835 | na | 3,445 | 21.5% |
| BVPS (VND) | 12,691 | na | 15,618 | 23.1% |
| ROE | 21.6% | na | 22.3% | 3.2% |
| P/E | 18.3x | | 15.1x | |
| P/B | 4.1x | | 3.3x | |

| Main Ratios | 2008 | 2009 |
|-----------------------|-------|-------|
| Liquidity | | |
| - Current ratio | 0.97 | 0.98 |
| - Quick ratio | 0.63 | 0.65 |
| Profitability | | |
| - Gross margin | 20.9% | 21.7% |
| - Net margin | 9.2% | 9.8% |
| - ROE | 25.6% | 33.7% |
| - ROA | 10.8% | 10.7% |
| Operating Efficiency | | |
| - Receivable turnover | 12.69 | 10.94 |
| - Inventory turnover | 6.60 | 8.67 |
| - Asset turnover | 1.17 | 1.09 |
| - Equity turnover | 2.78 | 3.43 |

Source: Company

| | FY2009 | % y/y | FY2010 | % y/y |
|-----------------------|---------|-------|---------|--------|
| Net revenue (VNDm) | 384,533 | 54.8% | 550,000 | 43.0% |
| Pretax profit (VNDm) | 38,380 | 67.8% | 80,000 | 108.4% |
| Net profit (VNDm) | 37,723 | 64.9% | 65,000 | 72.3% |
| Pre-tax Profit Margin | 10.0% | 8.4% | 14.5% | 45.7% |
| Net Profit Margin | 9.8% | 6.5% | 11.8% | 20.5% |
| EPS (VND) | 5,716 | 65.9% | 7,200 | 26.0% |
| BVPS (VND) | 18,337 | 17.4% | 24,450 | 33.3% |
| ROE | 31.2% | 39.9% | 29.4% | -5.6% |
| P/E | 9.1x | | 7.2x | |
| P/B | 2.8x | | 2.1x | |

Source: APP, HSC

An Phat Plastic and Green Environment Company - Pre-listing notes

- An Phat is a fast-growing and well-managed company producing new plastic bags and recycled plastic bags. The company is planning to list in Hanoi Exchange this mid-July.*
- Although a mid-cap stock, we find An Phat an interesting company to have a closer look as it promises impressive growths for both the top and bottom lines this year. In FY2009, the company saw a strongly growth rate of revenues and profit and they expected it will still be the story of this year due to their capacity expansion and good market prospect.*
- Valuation is still attractive now with the forward P/E around 7-7.5xs based on the OTC price reference.*

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- We visited An Phat Plastic and Green Environment Company late last week which is located in Hai Duong, about 60km from Hanoi. The company hopes to list next month and we have made some preliminary albeit very rough notes as we have not had a chance to make an earnings model or ask follow up questions yet. An Phat is a plastics manufacturing company with two main products; new nylon bags and recycled nylon bags. According to the management, the market for plastic bags is still growing quite rapidly. Currently An Phat's products are mainly exported to EU (85%) although the company is seeking out new markets. The company now has 3 factories with a total capacity of 24,000 tons per year.
- An Phat has established a professional operating environment in its factories. When we visited last week we had a very good impression about the plants; they were modern, very clean and well-organized. Most of the plastic materials for new nylon bags are imported (75-80%) and then the materials for recycled nylon bags are collected domestically. The company applies the cost-plus pricing model and therefore is partly cushioned from short term movements in plastic material prices by passing these cost increases on to clients. When a client orders some products, the contract includes a quote based on the production cost including the market raw material costs plus their profit margin.
- An Phat enjoyed an impressive growth rate last year: FY2009 revenues came to VND385 billion (+54.9% y/y), net profit was VND37 billion (+62.2% y/y) and FY2009 EPS was VND5,619, (+65.9% y/y). And for FY2010 the company targets revenues of VND550 billion (+42.8% y/y); net profit of VND65 bn (+75.7% y/y) and HSC estimates this will lead to a FY2010 EPS of around VND7,200. While we have not had the chance to go into more details, at my first sight, HSC considers the figures to be reasonable.
- However, we note that the barriers to entry into this industry are fairly low because the production technology is fairly basic and doesn't require large investment capital (we understand it costs just VND70-100bn to build a factory). The main advantage An Phat has apparently is that they have already built up a good reputation with their clients, they have some proprietary processing technology and may enjoy a cost advantage in part of their business.
- Over the longer term, An Phat plans to build a new plant in a joint venture in Japan with Maruzen to produce plastic bags (using recycled agricultural plastic covers to make plastic cones to turn into bags for the European market) with the factory capacity of 50,000 tons per year. The Japanese location was chosen as it is close to an abundant source of raw materials. An Phat's advantage is that they have already developed special machinery that can recycle plastics no matter how dirty or jumbled the raw material is. This makes it especially suitable when the raw material concerned is coming from the agricultural sector. Hence Maruzen's need for An Phat's technology.
- An Phat will contribute the machines, workers (they will send 50 workers to Japan) and technical support. They expect this joint venture will start operating in late FY2010 and they forecast the factory will generate VND2.5 billion in net profit (An Phat share will be 50-75% but this is still under negotiation. In addition An Phat plans to build two new 2 factories focusing on recycled plastic products. These factories will cost about VND400 billion in investment cost for both and are expected to start operating in FY2012.
- We talked with the Chairman and CEO who are still young (mid thirties) and very dynamic. The Chairman is the main spokesman and speaks quite frankly. An Phat plans to list their share in the middle of next month on or about the 15th July with SSI as the advisor. According to the company the current key investors includes some local asset management companies affiliated to brokers. There are also some transferable bonds owned by a foreign investment bank. The current OTC price is around VND50,000-54,000 per share, which values the company at a FY2010 forward P/E of 7.0-7.5x.
- The company is a fast-growing well-managed business which seems to be quite aggressively managed and appears to enjoy good support from shareholders who seem to include a lot of professional market investors. And with a thriving export business the company is in the right sector at the moment to receive support from the authorities in terms of tax breaks and access to cheap loans. Valuations are reasonable although we admit this is based on a preliminary evaluation and we have not done any independent number crunching yet. Against that the business appears to be easy to entry and with imported raw materials (not all mind you) the company could be vulnerable to currency risk. Even so with the growth rates we saw last year and what the company is projecting into this year it certainly seem worth a closer look.

COMPANY PROFILE

| Annual Income Statement (Unit: VNDmil) | FY2007 | FY2008 | y/y% | FY2009 | y/y% |
|---|---------|----------|---------|----------|--------|
| Net sales | 108,537 | 248,333 | 128.8% | 384,533 | 54.8% |
| Cost of goods sold | 85,892 | 196,355 | 128.6% | 300,936 | 53.3% |
| Gross profit | 22,645 | 51,978 | 129.5% | 83,598 | 60.8% |
| Net financial income | (929) | (14,470) | 1458.3% | (17,542) | 21.2% |
| Selling and general administration expenses | 5,418 | 14,687 | 171.1% | 28,239 | 92.3% |
| Net profit from operating activities | 16,299 | 22,822 | 40.0% | 37,817 | 65.7% |
| Other profit | 108 | 53 | -51.1% | 562 | 961.7% |
| Profit before tax | 16,407 | 22,875 | 39.4% | 38,380 | 67.8% |
| Net profit after tax | 16,407 | 22,875 | 39.4% | 37,723 | 64.9% |
| Profit after tax of parents' shareholders | 16,407 | 22,875 | 39.4% | 37,723 | 64.9% |

Source - Company, HSC

Company History

An Phat plastic and green environment JSC was established in March 2007 with the initial charter capital of VND66 billion. In early 2010 the company issued 3.3 million shares to raise its charter capital to currently VND99 billion. The company now has three factory manufacturing new nylon bags and recycled bags with total capacity of 1,700 tons/month or 20,000 tons/year. The company has set up well-organized production process. Currently there are about 100 young officers and 1,000 workers working for the company.

Scope of business

Manufacturing nylon bags, recycled plastic bags, and plastic machinery.

Products, Services and Market

An Phat's main products include plastic bags and plastic films. The company also produces recycled nylon bags and disintegrated plastic bags. Besides, An Phat supplies machinery used in manufacturing plastic products.

Position in the industry

An Phat has set up a firm position in its business field with good business relationships with many well-known corporations and companies from Taiwan, Korea, the Philippines, Singapore, Thailand, Ireland, America, EU, UAE,... Their products have been certified with the ISO 9001-2000 and highly appreciated by both domestic and international customers. The company has also been awarded with a number of national certificates of merit such as The gold medal Vietnam Expo 2008, and "Vietnam Excellent Brand 2007" Cup.

Development Strategy

An Phat targets to become the largest companies producing plastic bags and plastic films in Vietnam.

Contact Information

| | |
|--|---|
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| Website | www.anphatplastic.com |
| Chartered capital (28 th June 2010) | VND99,000,000,000 |

Company logo



| Names | Titles |
|---------------------|---------------------------------------|
| Mr. Pham Anh Duong | Chairman - General Director |
| Mr. Nguyen Le Trung | Deputy General Director of Finance |
| Mr. Chu Thai Son | Deputy General Director of Production |
| Ms. Hoa Thi Thu Ha | Chief Accountant |

SWOT

Strengths

- The company has many years of experience in the business of producing plastic bags.
- An Phat has set up a strong client network and presents good reputation in exporting to EU.

Weaknesses

- Debt/equity ratio is rather high as the company has borrowed to invest in new factories for business expansion.

Opportunities

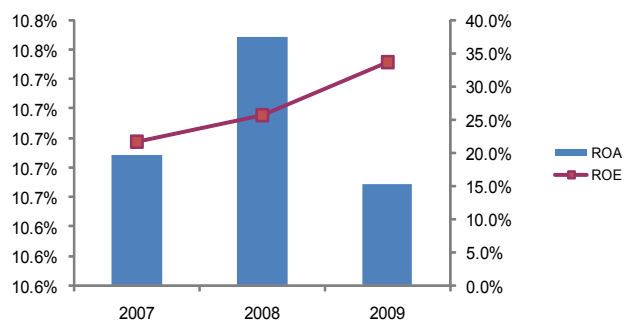
- Recycled bags give high profit margin.
- In the future, disintegrated plastic bags will become a trend of consumption as it is better for the environment.

Threats

- Barriers to entry is low that may cause higher competition for An Phat.

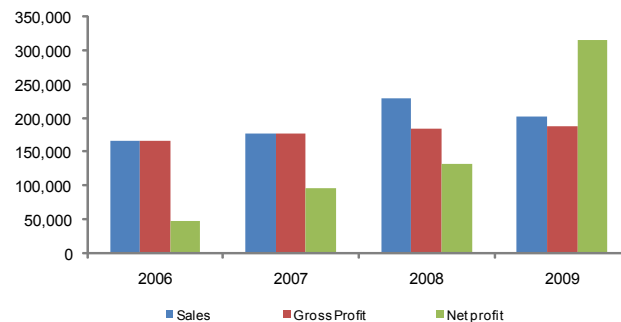
Source - Company

ROA - ROE movement (%)



Source - Company, HSC

Sales - Net profit movement (VNDmil)



Source - Company, HSC

FINANCIAL RATIO

An Phat Plastic and Green Environment Company _ Ticker: APP - OTC

Monday, July 05th 2010

Unit: VNDmil

| ANNUAL BALANCE SHEET | FY2007 | FY2008 | FY2009 |
|---------------------------|---------|---------|---------|
| Current Assets | 100,277 | 143,554 | 182,826 |
| Cash and cash equivalents | 8,974 | 3,681 | 37,822 |
| Short term investments | 8,171 | - | - |
| Receivables | 42,684 | 90,093 | 84,576 |
| Inventories | 35,276 | 39,978 | 48,690 |
| Other current assets | 5,173 | 9,802 | 11,738 |
| Long-term Assets | 53,233 | 127,778 | 253,025 |
| Long-term receivables | - | - | - |
| Fixed assets | 53,088 | 125,999 | 210,279 |
| Investment Properties | - | - | - |
| Long-term investments | - | - | 39,000 |
| Other long-term assets | 146 | 1,779 | 3,746 |
| Goodwills | - | - | - |
| Total Assets | 153,510 | 271,331 | 435,851 |
| Liabilities | 77,482 | 168,937 | 314,243 |
| Current Liabilities | 51,029 | 148,484 | 186,955 |
| Long-term Liabilities | 26,453 | 20,453 | 127,289 |
| Owners' Equity | 76,029 | 102,394 | 121,608 |
| Owners' Equity | 76,146 | 103,082 | 121,027 |
| Other capital and funds | (117) | (687) | 581 |
| Minority Interest | - | - | - |
| Total Resources | 153,510 | 271,331 | 435,851 |

| ANNUAL CASHFLOW STATEMENT | FY2007 | FY2008 | FY2009 |
|--|----------|----------|-----------|
| Net cash flow from operating activities | (49,933) | (46,373) | 52,330 |
| Net cash flow from investment activities | (64,586) | (61,242) | (114,680) |
| Net cash flow from financing activities | 123,493 | 102,180 | 96,441 |
| Net cash flow of the year | 8,974 | (5,435) | 34,091 |
| Cash & cash equivalents at the beginning of year | - | 8,974 | 3,682 |
| Effect of foreign exchange differences | - | 143 | 49 |
| Cash & cash equivalents at the end of year | 8,974 | 3,682 | 37,822 |

| GROWTH RATE (%) | 2007 | 2008 | 2009 |
|-----------------------|------|--------|-------|
| Sales growth | NA | 128.8% | 54.8% |
| Pre-tax profit growth | NA | 39.4% | 67.8% |
| Net profit growth | NA | 39.4% | 64.9% |

| FY2010 PLAN | | | |
|--------------------------------|--|--|---------|
| Revenue (VNDmillion) | | | 550,000 |
| y/y growth (%) | | | 43% |
| Profit before tax (VNDmillion) | | | 65,000 |
| y/y growth (%) | | | 72% |

| VALUATION | As of July 05 th 2010 | | |
|-----------------------|----------------------------------|-----------|-----------|
| Outstanding share | | | 9,900,000 |
| Market price | | | 50,000 |
| Market Cap (VNDmil) | | | 495,000 |
| | 2007 (9/3-31/12) | 2008 | 2009 |
| Year-end OS | 3,300,000 | 6,600,000 | 6,600,000 |
| Average OS | 3,300,000 | 6,600,000 | 8,250,000 |
| EPS (VND) | 2,835 | 3,445 | 5,716 |
| P/E | 17.64 | 14.51 | 8.75 |
| EV/EBITDA | 27.04 | 3.52 | 1.91 |
| BVPS (VND) | 12,753 | 14,839 | 17,144 |
| P/B | 3.92 | 3.37 | 2.92 |
| Sales per share (VND) | 18,754 | 37,626 | 58,263 |
| P/Sales | 2.67 | 1.33 | 0.86 |
| DPS (VND) | 1,958 | 2,426 | 1,000 |
| Dividend yield | 3.9% | 4.9% | 2.0% |
| Payout ratio | 79% | 70% | 17% |

| OPERATING EFFICIENCY | 2007 | 2008 | 2009 |
|----------------------|------|-------|-------|
| Receivable Turnover | 6.57 | 12.69 | 10.94 |
| Inventory Turnover | 3.08 | 6.60 | 8.67 |
| Payables Turnover | 8.59 | 26.35 | 22.32 |
| Total Asset Turnover | 0.71 | 1.17 | 1.09 |

| LIQUIDITY | 2007 | 2008 | 2009 |
|---------------|------|------|------|
| Current ratio | 1.97 | 0.97 | 0.98 |
| Quick ratio | 1.17 | 0.63 | 0.65 |
| Cash ratio | 0.18 | 0.02 | 0.20 |

| PROFITABILITY (%) | 2007 | 2008 | 2009 |
|---------------------|-------|-------|-------|
| Gross profit margin | 20.9% | 20.9% | 21.7% |
| PBT margin | 15.1% | 9.2% | 10.0% |
| Net profit margin | 15.1% | 9.2% | 9.8% |
| ROA | 10.7% | 10.8% | 10.7% |
| ROE | 21.6% | 25.6% | 33.7% |

| DUPONT ANALYSIS | 2007 | 2008 | 2009 |
|-------------------|--------|--------|--------|
| Net profit margin | 15.1% | 58.0% | 155.9% |
| Asset turnover | 70.7% | 12.4% | 9.0% |
| Equity multiplier | 201.9% | 237.8% | 226.6% |
| ROE | 21.6% | 25.6% | 33.7% |

| CAPITAL STRUCTURE | 2007 | 2008 | 2009 |
|---------------------|------|------|------|
| Debt to Equity | 0.84 | 1.55 | 2.23 |
| Debt to Total asset | 0.41 | 0.58 | 0.62 |

Source - Company, HSC

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