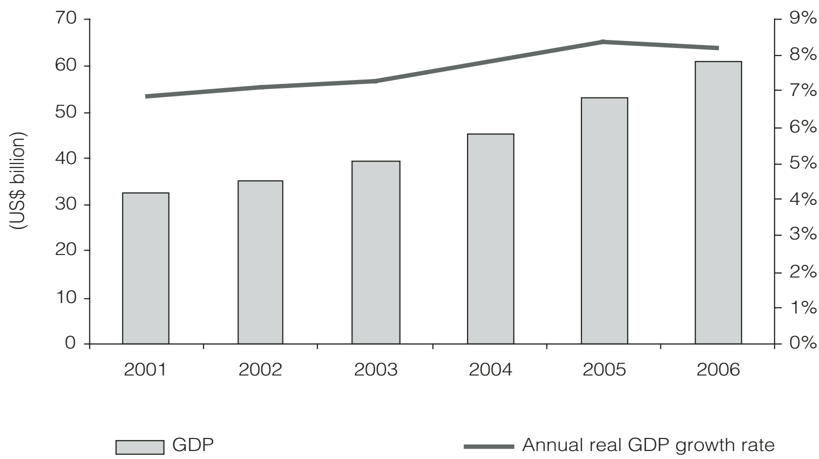
Certain of the information, the industry- and country-related forecasts, and the statistics set out in this section have been extracted from official government publications where not otherwise indicated. No independent verification has been carried out regarding such information, forecasts and statistics. Neither the Group nor any of the Sponsor, the Underwriters or any other party involved in the Global Offering has independently verified such information, forecasts and statistics or made any representation as to the accuracy of sources. Such information and statistics may not be consistent with each other or with other information available and may not be accurate and therefore should not be unduly relied upon.

VIETNAM'S SOCIAL AND ECONOMIC DEVELOPMENT

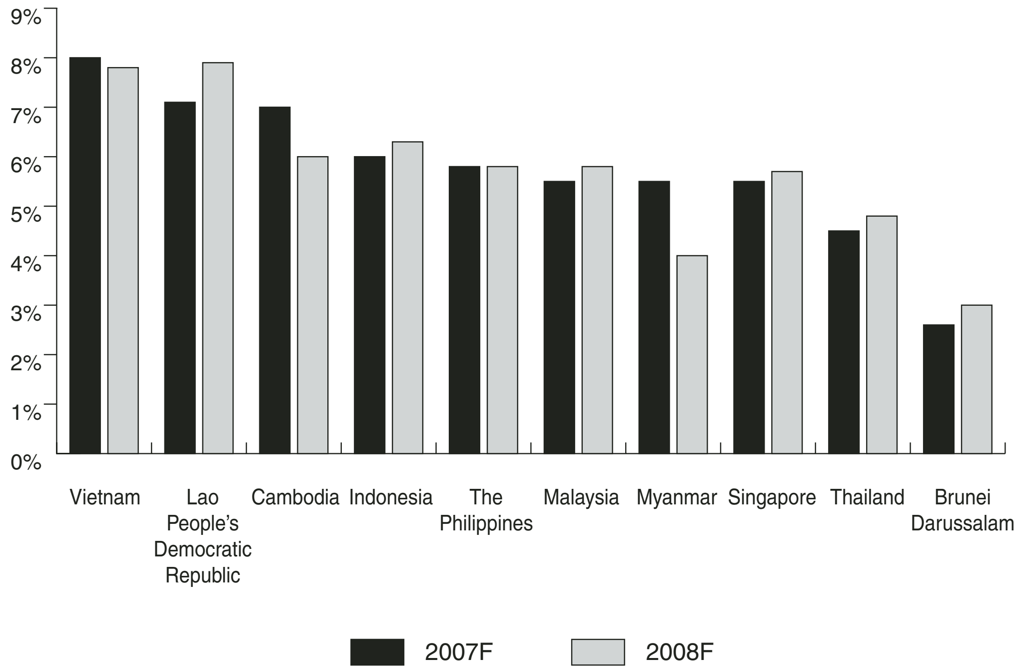
General economic growth

Vietnam's economy is expanding rapidly at a rate exceeding that of most other ASEAN countries. Vietnam's annual real GDP growth averaged 7.6% between 2001 and 2006, with its nominal GDP rising from US$32.5 billion in 2001 to US$61.0 billion in 2006. The chart below shows Vietnam's nominal GDP and its real GDP growth rate from 2001 to 2006:



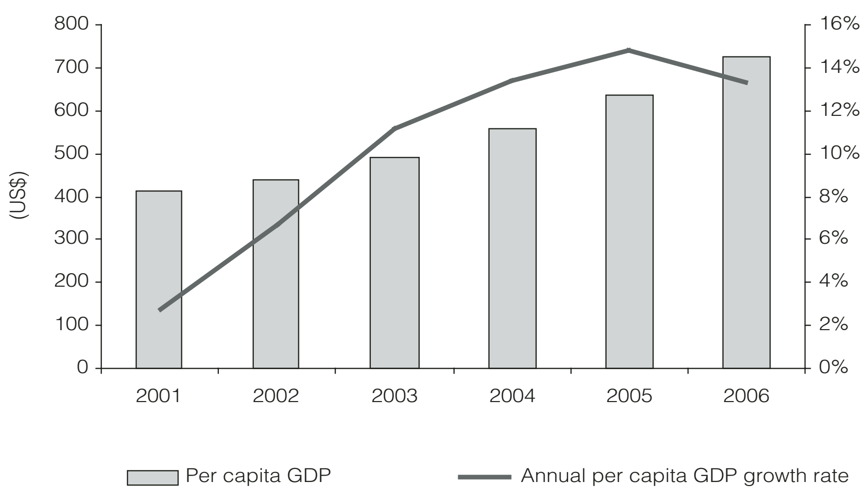
Source: International Monetary Fund, World Economic Outlook Database

The International Monetary Fund has estimated that Vietnam's real GDP will grow at an annual rate of 8.0% and 7.8% in 2007 and 2008, respectively, which is expected to be higher than in most other ASEAN countries. The chart below shows the real GDP growth rate in ASEAN countries forecast by the International Monetary Fund:



Source: International Monetary Fund, World Economic Outlook Database

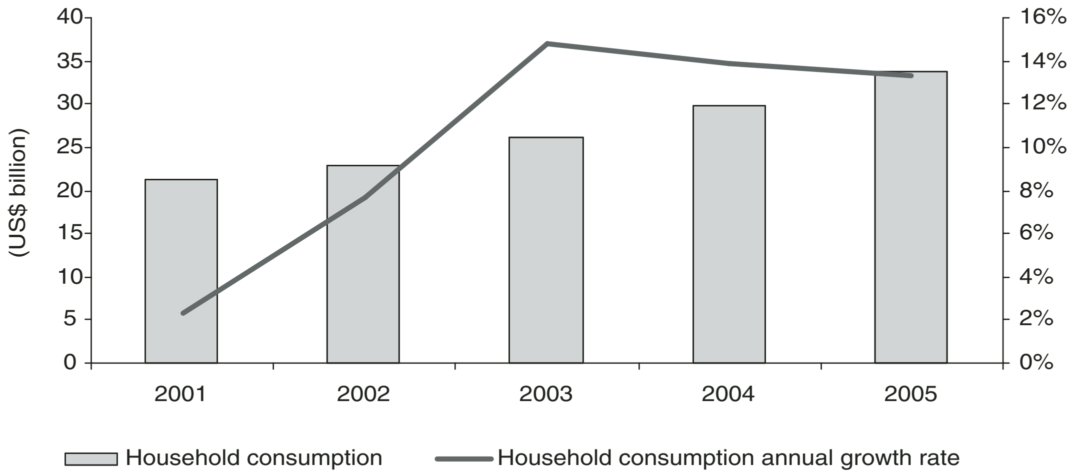
Vietnam's per capita GDP increased from US$413 in 2001 to US$723 in 2006, representing a compound annual growth rate of 11.8%. The chart below shows the country's per capita GDP and the growth rate of this indicator from 2001 to 2006:



Source: International Monetary Fund, World Economic Outlook Database

Strong economic growth in Vietnam has led to a rise in the living standards and the disposable income of the Vietnamese, generating higher consumer demand for goods. The country's total retail sales of goods, including motorbikes, increased by 82.5% in five years, from US$16.6 billion in 2001 to US$30.3 billion in 2005, representing a compound annual growth rate of 16.3%, while household consumption increased by 59.4%, from US$21.2 billion in 2001 to US$33.8 billion in 2005, a compound annual growth rate of 12.4%.

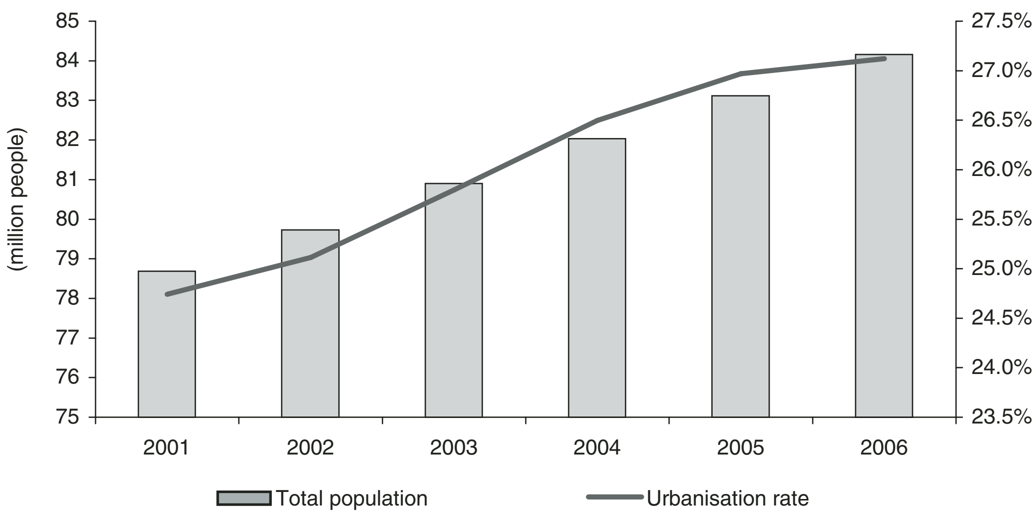
The following graph shows the evolution of household consumption in Vietnam from 2001 to 2005:



Source: United Nations Economic and Social Commission for Asia and the Pacific

Increasing urbanisation

Vietnam had a population of 84.2 million in 2006, a relatively large proportion of which was rural in comparison with Vietnam's regional counterparts. From 2001 to 2006, the country's urbanisation rate grew at a compound annual rate of 1.9%, reaching 27.1% of the total population in 2006. In 2006, the combined population of Vietnam's two largest cities, Ho Chi Minh City and Hanoi, accounted for 11.0% of Vietnam's total population and 40.8% of the country's urban population. Vietnam's urban population is expected to reach 30% of the total population by 2010, representing an additional 3.4 million people living urban areas compared with 2006. The country's total population is expected to reach 89.2 million in 2010. The chart below shows the evolution of the urban and rural population in Vietnam from 2001 to 2006.



Source: General Statistics Office of Vietnam

Regional disparities

Despite rapid growth in per capita GDP, economic development in Vietnam has been uneven, with growth in the south of the country far exceeding that in the north. Ho Chi Minh City alone accounted for 19.5% of Vietnam's national output, 23.4% of foreign investment and 37.9% of total exports in 2006. This was far in excess of its 7.6% share of Vietnam's population in the same year. Ho Chi Minh City's per capita income was approximately 2.5 times the national average in 2006.

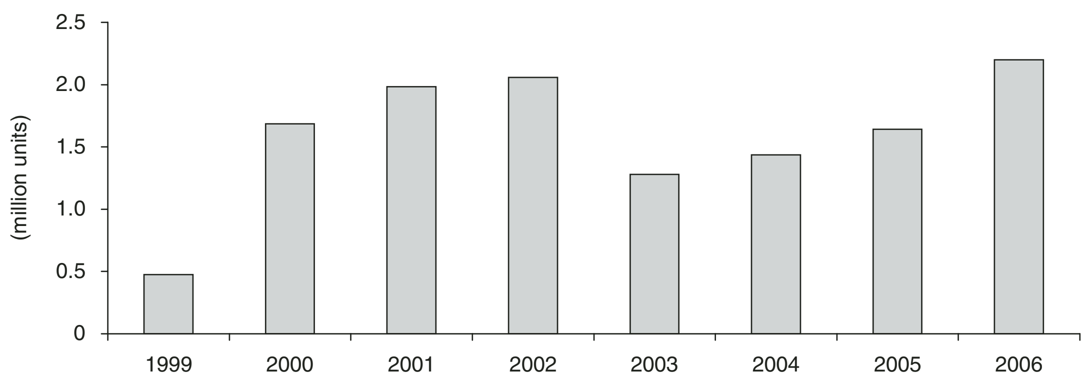
THE MOTORBIKE INDUSTRY IN VIETNAM

Overview

The absence of a sophisticated public transport system and the poor condition of the public road network have resulted in the motorbike dominating over other modes of transport in Vietnam.

In recent years, the motorbike industry in Vietnam has experienced significant growth, increasing by nearly 4.3 times between 1999 and 2002 and reaching a peak in 2002 when over 2.0 million motorbikes were sold. Between 2003 and 2005, sales were negatively impacted by a government policy that restricted motorbike registrations in large cities. With the suspension of this policy by the end of 2005, sales in 2006 rebounded to 2.2 million, registering a 34.1% rise year on year and a compound annual growth rate of 24.5% over the period from 1999 to 2006. The chart below shows motorbike sales volume from 1999 to 2006 in Vietnam.

Motorbike sales (1999-2006)

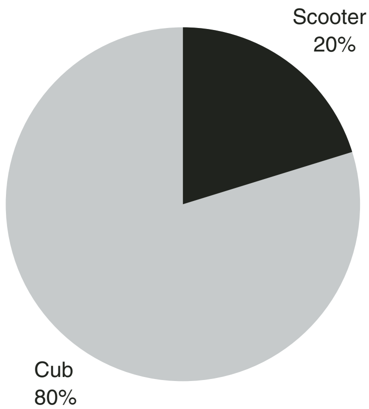


Sources: Vietnam Ministry of Industry and Trade; and "Nam 2007 tieu thu xe may se vuot 2.5 trieu chiec" ("Number of motorbikes sold will go over 2.5 million units in 2007"), Industrial Policies and Strategies Institute, 13 March 2007

The country's motorbike industry mainly comprises cubs and scooters, as large motorbikes (over 175cc in engine capacity) historically were not commonly manufactured in, or imported to, Vietnam other than for the Ministry of Defence and other public security services. A cub is a type of motorbike where the rider's legs straddle the engine. A scooter is a type of motorbike with a step-through frame where the rider sits without straddling any part of the engine. At present, the cub motorbike dominates the Vietnamese domestic market, with scooters accounting for only approximately 20% of annual sales in Vietnam in 2006.

The chart below shows the composition of the scooter and cub market in Vietnam in 2006.

Scooter and Cub Market (2006)

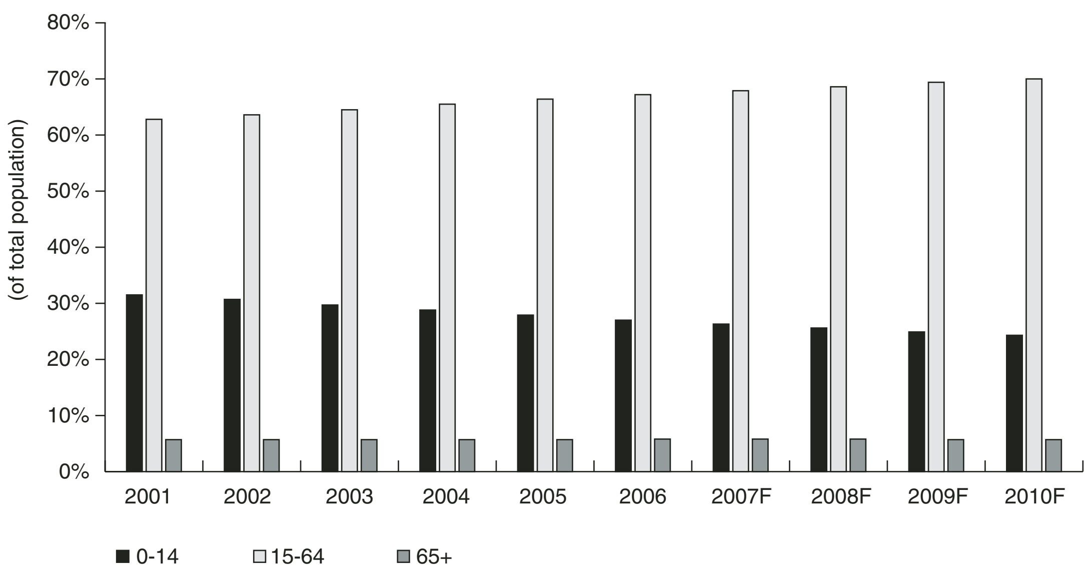


Source: VietNamNet, "Xe tay ga nhieu san pham moi, gia giam" ("Scooters with many new models, decreased prices"), 9 October 2006

Vietnam has a relatively young population, with a large 0-to-14-year-old age group contributing annually to the expansion of the country's large 15-to-64-year-old group. From 2001 to 2006, the 15-to-64-year-old age group expanded, a trend which is expected to continue between 2007 and 2010 and is likely to have a positive impact on demand for motorbikes.

The diagram below shows the historical and expected change in different age groups in Vietnam from 2001 to 2010:

Population by age group (2001-2010)



Source: U.S. Census Bureau, International Data Base, July 2007

Vietnam's transport infrastructure is relatively poor. In 2006, the number of buses per 1,000 people in Ho Chi Minh City was only 0.5, compared to 1.3 in Bangkok in 2004. In 2006, about 19% of Vietnam's road network was surfaced and urban roads accounted for only 3.3% of the total road network, according to the Vietnam Road Administration. The Vietnamese generally use motorbikes for personal transport, given Vietnam's inadequate transport infrastructure and the better mobility and greater affordability of motorbikes in comparison with cars. In 2005, motorbikes met about 62.7% and 77.9% of transportation needs in Hanoi and Ho Chi Minh City, respectively, while buses accounted for approximately 8.4% and 5.9%, respectively and cars and taxis together accounted for approximately 3.5% and 1.6% of the transportation needs in these two cities.

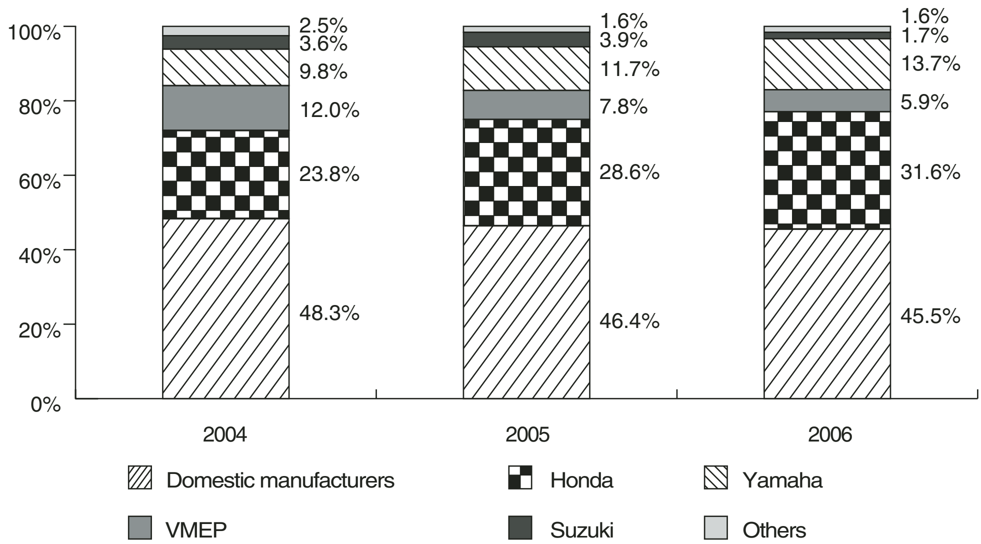
The number of motorbikes on the road is growing at a significantly faster rate than the population, which is partly attributable to the fast-growing economy in Vietnam. From 2005 to 2006, the population grew by approximately 1.0 million, while the number of motorbikes rose by approximately 2.0 million.

With 2.2 million new motorbikes sold in 2006, there were approximately 18 million registered motorbikes on the road in that year. Based on a population of approximately 84.2 million, this represents a penetration rate of 21.4%, compared to 19.2% in 2005. The Industrial Policies and Strategies Institute forecasts that there will be approximately 25 million motorbikes in Vietnam by 2010, which would represent approximately one motorbike for every 3.6 people.

Competitive landscape

The Vietnamese motorbike manufacturing industry comprises over 50 companies and is dominated by seven foreign direct invested ("**FDI**") manufacturers, namely Honda, Yamaha, the Group, Suzuki, Lifan, Vina Siam and GMN. Of these seven, the Group is the only wholly-foreign-owned FDI motorbike manufacturer in Vietnam, while the others are joint ventures between foreign partners and one or more Vietnamese partners.

Around 2003, the market composition of the motorbike industry changed significantly. While the motorbike market had previously been dominated by local manufacturers assembling low-priced Chinese motorbikes, these local manufacturers were overtaken by FDI companies in the period after 2003. Local producers now tend to focus their efforts on the rural market, where there remains greater demand for models that are more basic (and more affordable in comparison with those produced by FDI companies) and where there is still a large proportion of the population without motorbikes. While FDI companies also target the rural market, with some low-end models successfully capturing market share from Chinese models, these manufacturers also produce new and premium models targeting the young and higher-income segments of the urban market. The total market share of FDI motorbike manufacturers was 51.7%, 53.6% and 54.5% in 2004, 2005 and 2006, respectively. The chart below illustrates the market share of each of the major FDI motorbike manufacturers by the number of motorbikes manufactured and assembled from 2004 to 2006:



Source: Vietnam Ministry of Industry and Trade

RECENT DEVELOPMENTS

Government strategy for the motorbike industry

In 2006, the Vietnamese government published Decision 33, setting out its strategy for the development of Vietnam's motorbike industry through 2015. This development strategy aims to improve the production capability and enhance the technological level of the domestic motorbike manufacturing industry, with a view to Vietnam becoming a major motorbike exporter. The government plans on encouraging manufacturers to increase the production of spare parts in order to lower costs through economies of scale, with the ultimate goal of boosting export sales. To attract advanced technologies to Vietnam, the government intends to encourage the establishment of more FDI companies in Vietnam. In an effort to promote developments in the industry generally, the government plans to encourage business co-operation and association among manufacturers. The following diagram summarises this development strategy.

Development Strategy (2006)

To develop production to meet domestic demand

- Quickly develop support industries, such as precision engineering, chemicals, rubber, plastics, electricity, electronics and new materials
- Accelerate research into, and the design of, new products, raising the prestige and competitiveness of Vietnam-made motorbikes
- Encourage research into the manufacture of high-end motorbikes and special-use motorbikes, especially those using clean fuel

To develop science and technology

- Mobilise all domestic scientific and technological resources while improving international co-operation, in which foreign investment and technology transfer will constitute a motivating force for scientific and technological development focusing on:
  - Investment in research and development activities, boosting the designing of new products
  - Transfer of advanced and modern technologies
  - Development of domestic technologies in combination with acquisition of foreign technologies
  - Investment in product quality inspection technologies

To promote export

- Boost the export of highly competitive motorbikes, accessories and spare parts to meet the consumption demand and taste of each market
- Enhance co-operation and association in domestic production, improve competitiveness and encourage research into motorbike designs to suit export markets
- Actively participate in regional and global co-operation in the manufacture of motorbikes, accessories and spare parts

To develop systems of suppliers and distribution and service systems

- Conduct trade promotion, seeking and tapping export markets, especially African, Southwestern Asian and Latin-American
- Rearrange and reorganise production establishments by optimising the association and co-operation among enterprises in the industry
- Set up systems of manufacturers and suppliers of highly competitive motorbike accessories and spare parts on the basis of association and co-operation, and strive to participate in the manufacture and supply of automobile accessories and spare parts
- Build and develop service and distribution systems
- Improve management practices, raise production and business efficiency and develop mass-production skills in enterprises
- Uphold the role and functions of the Bicycle and Motorbike Association, which will act as the core in allying domestic and foreign-invested enterprises in Vietnam's motorbike industry

Source: Decision No. 33/2006/QD-BCN, issued by Ministry of Industry and Trade on 13 September 2006

It is unclear how the Vietnamese government intends to implement this development strategy, but the government has unveiled some policies that support the strategy. To promote domestic manufacturers, for example, the government imposes a maximum import duty of 90% on fully assembled motorbikes imported from MFN countries and 135% on fully assembled motorbikes imported from other countries (other than ASEAN members, as described more fully below). In addition, the Vietnamese government has prohibited the import of used motorbikes since 2000.

Development of Vietnam's public transport system

As noted above, much of Vietnam's road network is in poor condition and its public transport system is inadequate. On 10 December 2004, the Prime Minister of Vietnam approved a strategy to develop Vietnam's transportation systems through to 2020, one element of which is the enhancement of the public transportation system in Hanoi and Ho Chi Minh City. Under this strategy, it is envisaged that public transport should be able to meet 25% to 30% of travel demand in both Ho Chi Minh City and Hanoi by 2010, and 50% to 60% by 2020. This strategy calls for investment in public transport infrastructure as well as an extensive road network. The impact this strategy will have on the motorbike industry is uncertain.

Vietnam's accession to the WTO

On 11 January 2007, Vietnam became a member of the WTO, presenting both opportunities and challenges for the Vietnamese economy, particularly the industrial sector. As part of the WTO bilateral market access agreement, Vietnam will further expand access for U.S. and other foreign products by significantly reducing tariffs on manufactured goods. Vietnam has committed to bind all tariff lines and to lower its average bound tariff rate on industrial and consumer goods by 20% after full implementation. These changes will impact the country's motorbike industry. For example, on full implementation of the WTO agreement, Vietnam will reduce the tariff on motorbike parts to 35% from the current average rate of 45%. Vietnam has also agreed to eliminate its restrictions on imports of large motorbikes (i.e., those with an engine capacity exceeding 175cc), establishing a non-discriminatory and transparent system for the importation, distribution and use of large motorbikes by individuals and firms (subject to certain criteria being met).

Vietnam's entry into the AFTA and ACFTA

On 28 July 1995, Vietnam officially joined ASEAN, an association formed in 1967 to provide a framework and mechanism for regional co-operation. During the course of its membership, Vietnam has entered into AFTA and the ASEAN-China Free Trade Area agreement ("**ACFTA**"). These agreements aim to promote greater economic efficiency, productivity and competitiveness and to achieve better economic integration among the ASEAN countries, and between the ASEAN countries and China, through the removal of barriers to the movement of goods, services, capital and labour. Currently, economic integration is in its infancy, and the focus is on facilitating the flow of goods and services among the countries by reducing tariffs and non-tariff barriers.

The Vietnamese government has, for many years, protected its domestic motorbike industry through an import tax policy favouring the industry. From 2003 to 2006, fully assembled motorbikes imported from countries enjoying MFN status (apart from signatories to the AFTA and ACFTA agreements) were subject to a tax rate of 100%, while motorbike parts and components were subject to an MFN tax rate of 50%. Since September 2006, these tax rates have been set at 90% and 45%, respectively.

In compliance with its AFTA and ACFTA obligations, Vietnam has reduced its tariffs rates on motorbikes and motorbike parts imported from ASEAN members and from China. Under the AFTA agreement, Vietnam began implementing the Common Effective Preferential Tariff (CEPT) scheme in 1996, pursuant to which tariff rates levied on a wide range of products traded within the region would gradually be reduced to between zero and 5% by 2006. The CEPT scheme, however, has permitted Vietnam to exclude certain items from the framework by classifying them as highly sensitive products, which include motorbike parts and components that can be produced domestically as well as fully assembled motorbikes. Accessories and parts from ASEAN countries are now subject to a tax rate of 5%, excluding items such as clutch assembly, gear assembly and starter system, which are levied a rate of 10%. Fully assembled motorbike imports from China are subject to a tax rate of 80%, while kits imported from China are subject to a tax rate of 40%.

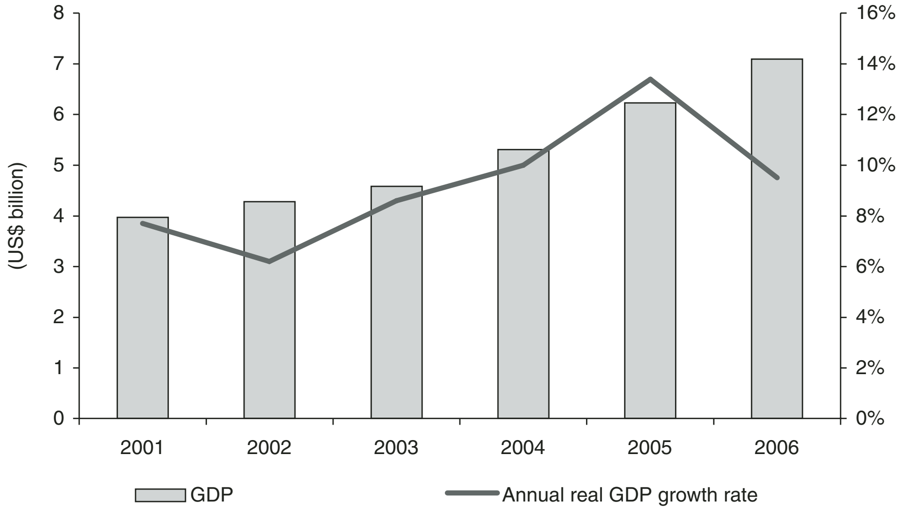
Under AFTA and ACFTA, Vietnam has pledged to further reduce its tariffs rates on motorbikes in the coming years. Under AFTA, imported motorbike kits will be subject to a flat rate of 5% phased in from 2008 to 2013, which is significantly lower than Vietnam's final bound rate of 35% under WTO rules by 2010. Under ACFTA, Vietnam has agreed to reduce the duty on fully assembled motorbikes imported from China to 50% by 2018.

INFORMATION ON ASEAN COUNTRIES

Cambodia

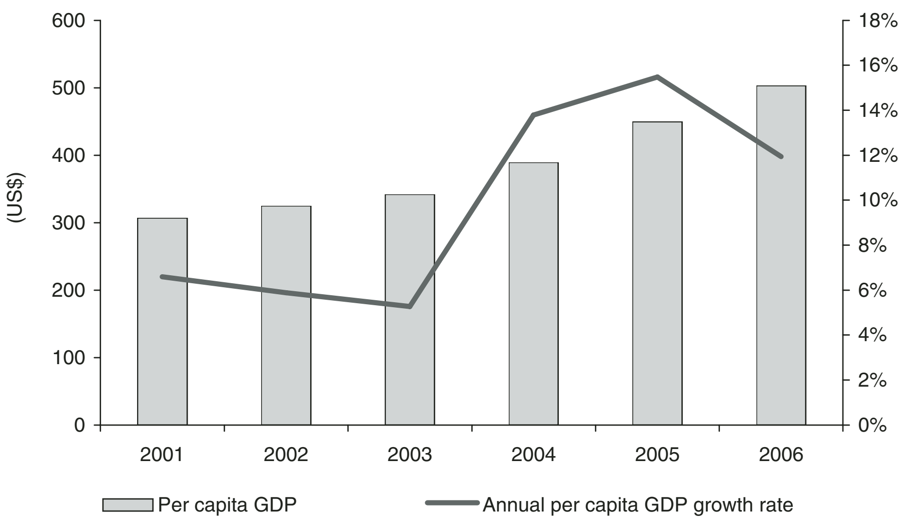
General economic growth

From 2001 to 2006, Cambodia's real GDP grew at an average annual rate of 9.2%, with its nominal GDP rising from US$4.0 billion to US$7.1 billion. The chart below shows the trend in the country's nominal GDP and the annual real GDP growth rate over this period.



Source: International Monetary Fund, World Economic Outlook Database

Cambodia's per capita GDP increased from US$307 in 2001 to US$503 in 2006. The chart below illustrates this increase and the annual growth rate of this indicator over this period.



Source: International Monetary Fund, World Economic Outlook Database

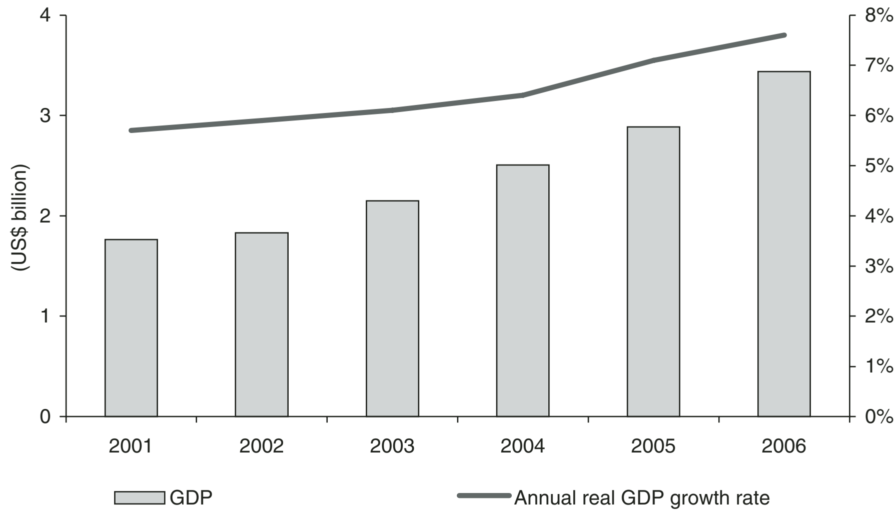
Urbanisation

In 2005, Cambodia had a population of 14.1 million, with 19% of the people living in urban areas. In 2006, Kompong Cham was the most populous city in Cambodia, with approximately 1.6 million inhabitants.

Lao People's Democratic Republic

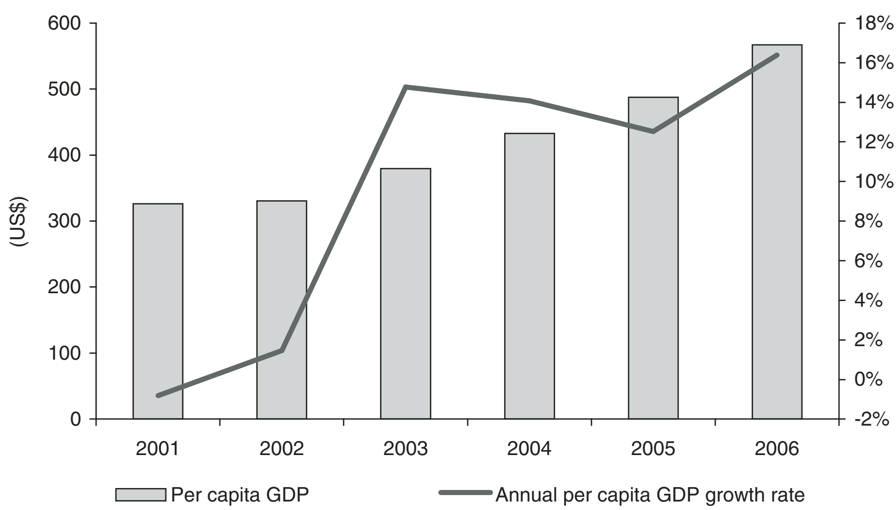
General economic growth

Laos' nominal GDP grew from US$1.8 billion in 2001 to US$3.4 billion in 2006, while its real GDP growth rate increased from 5.7% in 2001 to 7.6% in 2006. The chart below shows the increase in nominal GDP and the annual real GDP growth rate over this period.



Source: International Monetary Fund, World Economic Outlook Database

Laos' per capita GDP increased from US$326 in 2001 to US$567 in 2006. The chart below illustrates the country's per capita GDP and the annual growth rate of this indicator over this period.



Source: International Monetary Fund, World Economic Outlook Database

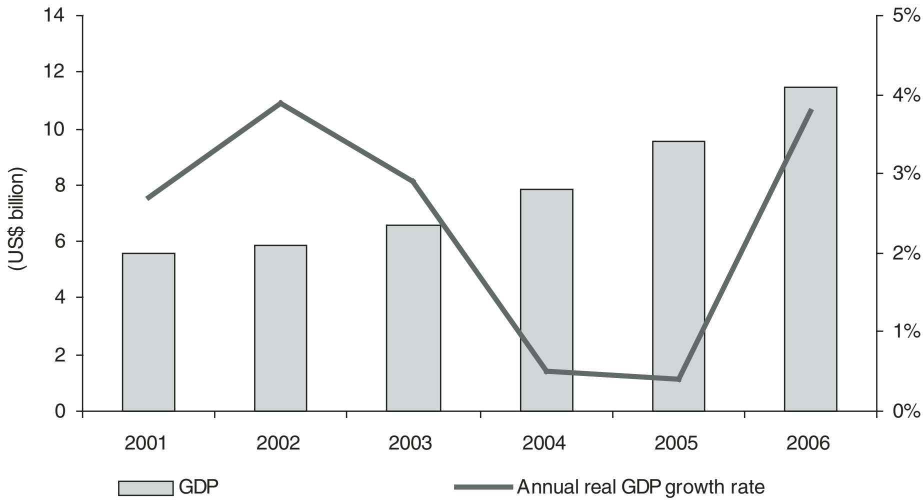
Urbanisation

In 2005, Laos had a population of 5.9 million, with 21% of the people living in urban areas. In 2005, the capital, Vientiane, was the most populous city in Laos, with approximately 535,000 inhabitants.

Brunei Darussalam

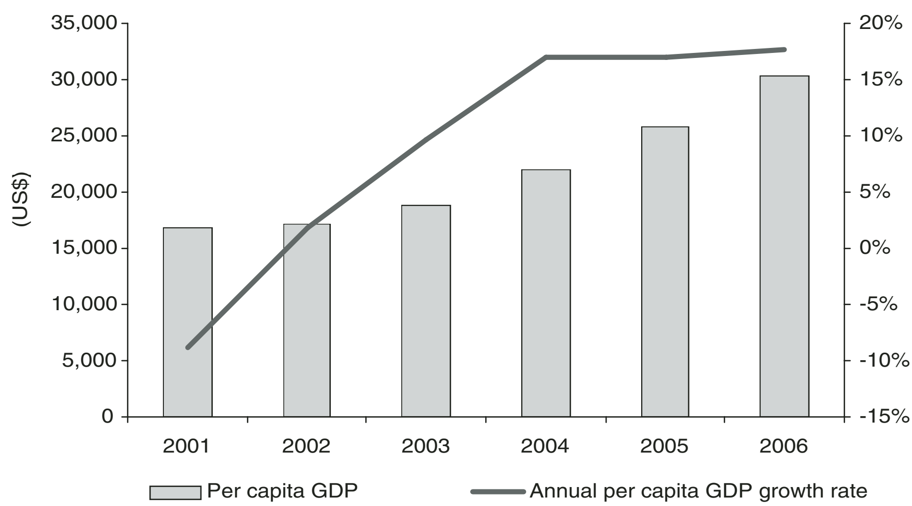
General economic growth

From 2001 to 2006, Brunei Darussalam's real GDP grew at an average annual rate of 2.4%, with its nominal GDP standing at US$5.6 billion at the start of this period and US$11.4 billion at the end. The chart below shows the country's nominal GDP and its annual real GDP growth rate from 2001 to 2006.



Source: International Monetary Fund, World Economic Outlook Database

Brunei Darussalam's per capita GDP increased from US$16,830 in 2001 to US$30,298 in 2006. The chart below shows this increase and the annual growth rate of the country's per capita GDP between these years.



Source: International Monetary Fund, World Economic Outlook Database

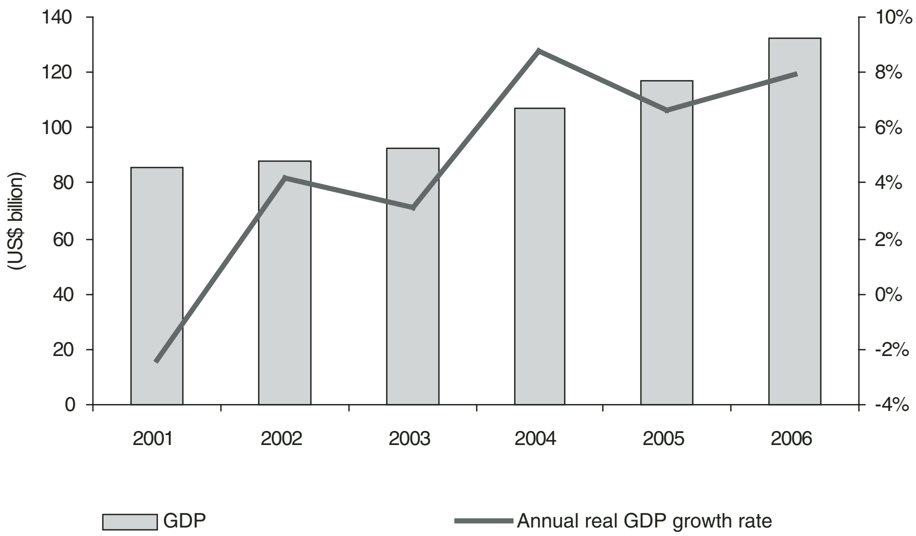
Urbanisation

In 2005, Brunei Darussalam's population was 0.4 million, with 77% of the people living in urban areas. In 2005, Bandar Seri Begawan was the most populous city in Brunei, with approximately 70,000 inhabitants.

Singapore

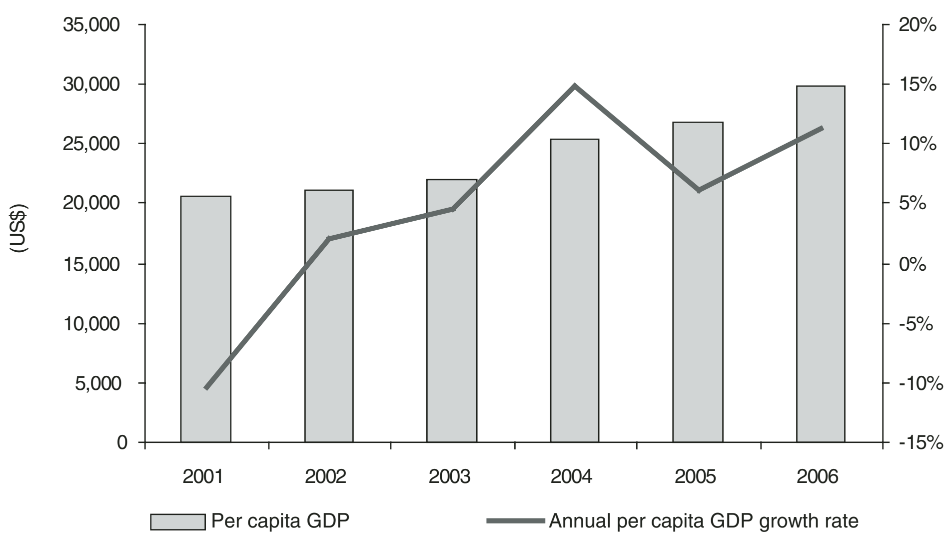
General economic growth

Singapore's nominal GDP grew from US$85.5 billion in 2001 to US$132.2 billion in 2006, with an average annual growth rate in real GDP of 4.7%. The chart below shows Singapore's nominal GDP and its annual real GDP growth rate over this period.



Source: International Monetary Fund, World Economic Outlook Database

Singapore's per capita GDP increased from US$20,692 in 2001 to US$29,917 in 2006. The chart below shows Singapore's per capita GDP and the annual growth rate of this indicator over this period.



Source: International Monetary Fund, World Economic Outlook Database

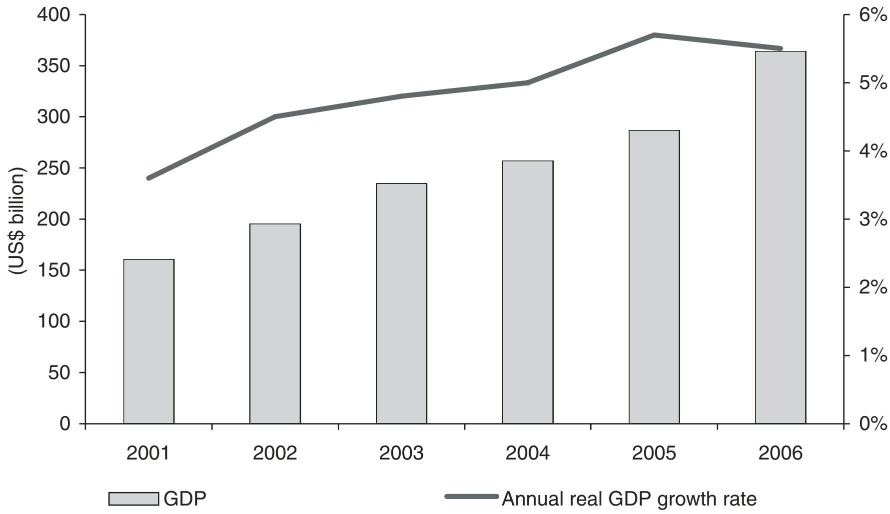
Urbanisation

In 2005, Singapore's population totalled 4.3 million, all of whom were living in the city.

Indonesia

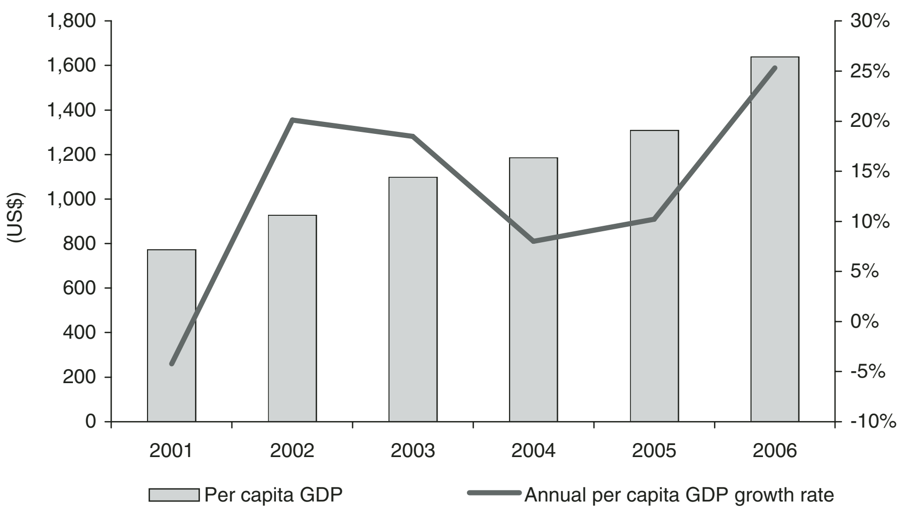
General economic growth

Indonesia's real GDP grew at an average annual rate of 4.9% from 2001 to 2006, with its nominal GDP climbing from US$160.7 billion in 2001 to US$364.2 billion in 2006. The chart below shows the country's nominal GDP and the annual real GDP growth rate between these years.



Source: International Monetary Fund, World Economic Outlook Database

From 2001 to 2006, Indonesia's per capita GDP more than doubled, from US$773 to US$1,640. The chart below illustrates Indonesia's per capita GDP and the annual growth rate of the country's per capita GDP over this period.



Source: International Monetary Fund, World Economic Outlook Database

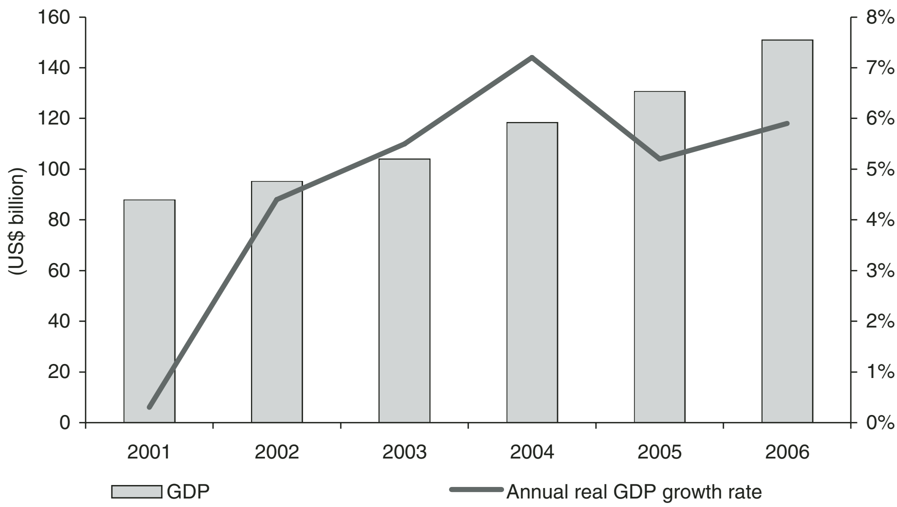
Urbanisation

In 2005, Indonesia's population was 219.2 million, with 47% of the people living in urban areas. The capital, Jakarta, was the country's most populous city, with approximately 14.0 million inhabitants.

Malaysia

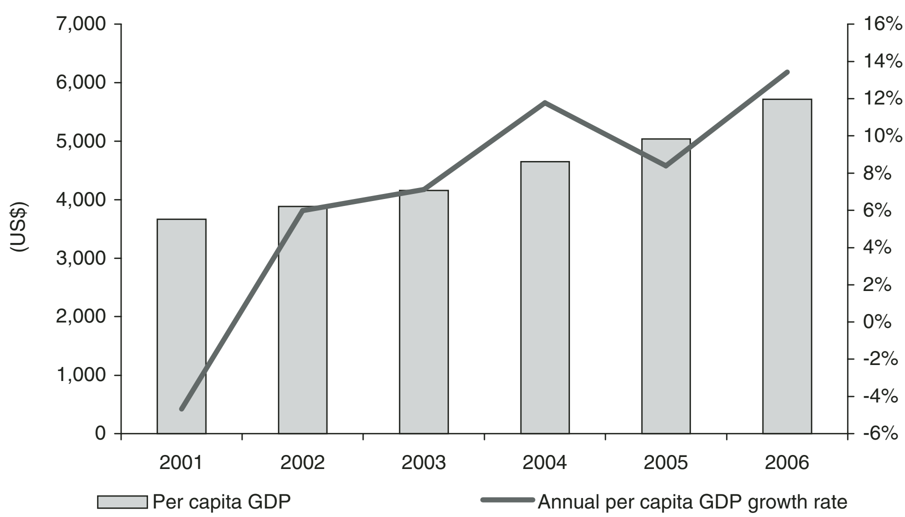
General economic growth

From 2001 to 2006, Malaysia's real GDP increased at an average annual rate of 4.8%, with nominal GDP rising from US$88.0 billion to US$150.9 billion. The chart below shows the nominal GDP and the annual real GDP growth rate of the country over this period.



Source: International Monetary Fund, World Economic Outlook Database

Malaysia's per capita GDP increased from US$3,665 in 2001 to US$5,718 in 2006. The chart below illustrates the country's per capita GDP and the annual growth rate of this indicator between these years:



Source: International Monetary Fund, World Economic Outlook Database

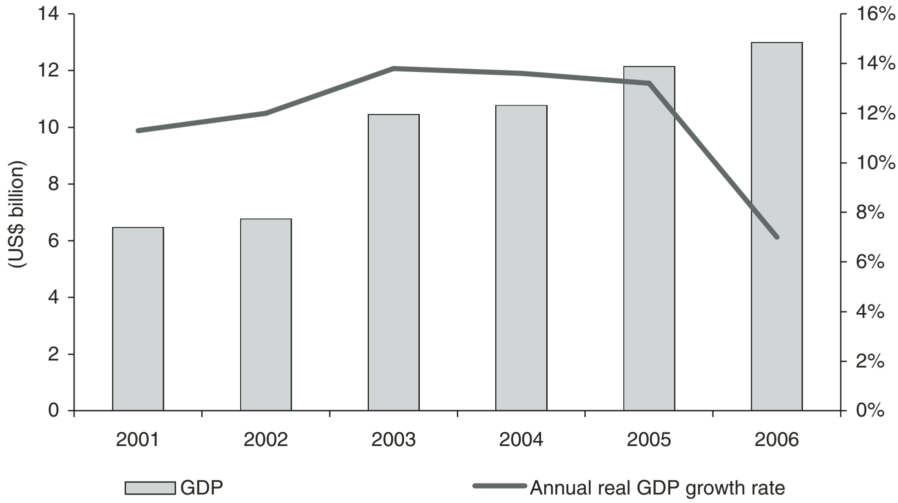
Urbanisation

In 2005, Malaysia had a population of 26.0 million, with 64% living in urban areas. In 2005, the capital, Kuala Lumpur, was the most populous city, with approximately 1.3 million inhabitants.

Myanmar

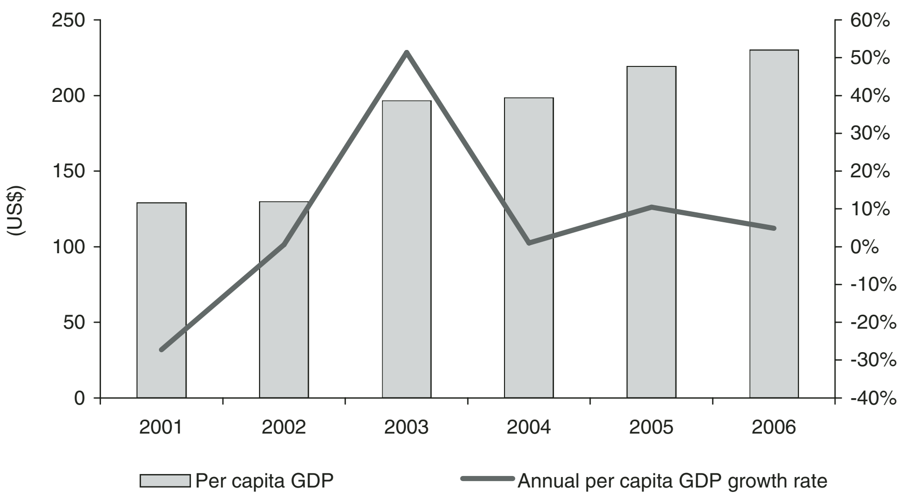
General economic growth

Myanmar's real GDP grew at an average annual rate of 11.8% from 2001 to 2006, with its nominal GDP climbing from US$6.5 billion to US$13.0 billion over this period. The chart below illustrates the country's nominal GDP and its annual real GDP growth rate from 2001 to 2006.



Source: International Monetary Fund, World Economic Outlook Database

Myanmar's per capita GDP also increased over this period, from US$129 in 2001 to US$230 in 2006. The chart below illustrates the per capita GDP and annual growth rate of this indicator from 2001 to 2006.



Source: International Monetary Fund, World Economic Outlook Database

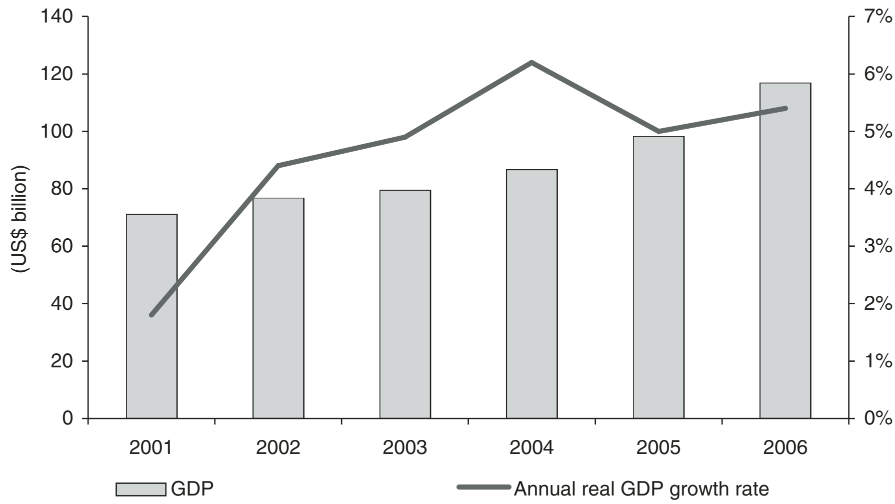
Urbanisation

In 2005, the population of Myanmar was 55.4 million, with about 30% living in urban areas. The capital, Yangon, was the most populous city, with approximately 4.5 million people.

Philippines

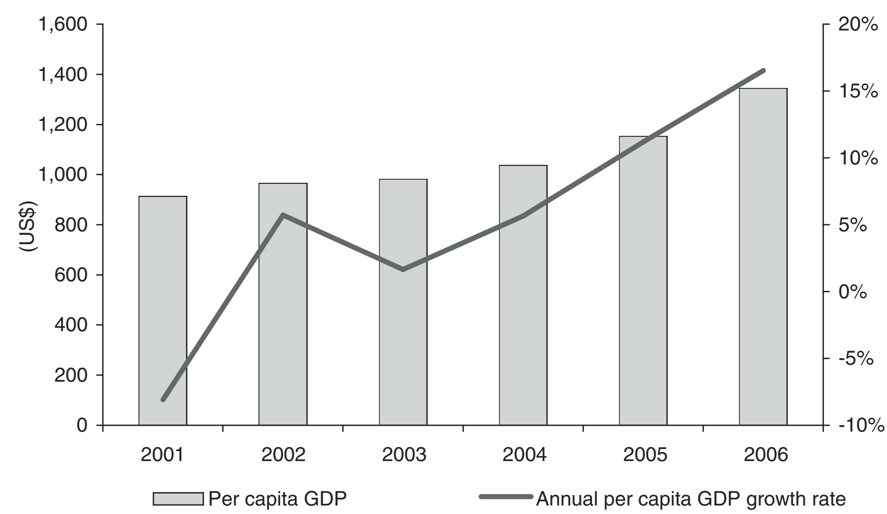
General economic growth

The Philippines' nominal GDP grew from US$71.2 billion in 2001 to US$116.9 billion in 2006, representing an average annual growth rate of 4.6% in real GDP. The chart below illustrates the Philippines' nominal GDP and the annual real GDP growth rate from 2001 to 2006.



Source: International Monetary Fund, World Economic Outlook Database

Per capita GDP in the Philippines increased from US$914 in 2001 to US$1,345 in 2006. The chart below illustrates the per capita GDP of the country and the annual growth rate of this indicator over this period:



Source: International Monetary Fund, World Economic Outlook Database

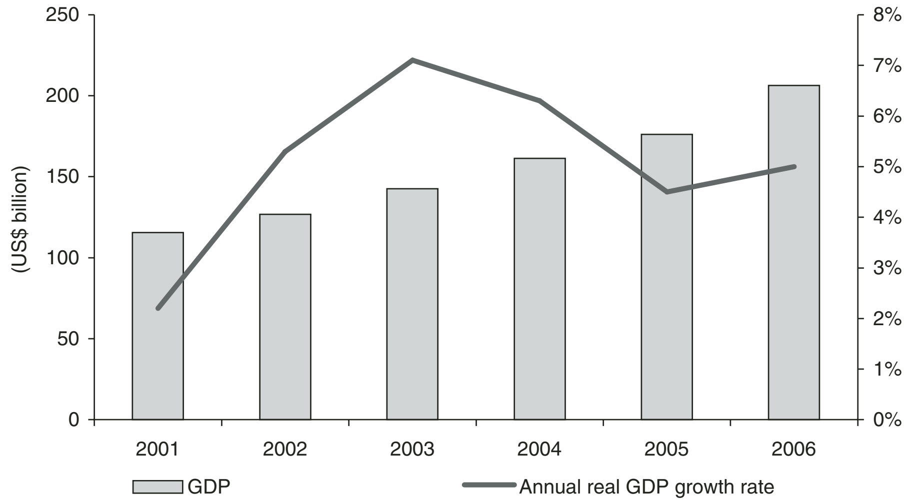
Urbanisation

In 2005, the Philippines had a population of 85.3 million, with 62% of the people living in urban areas. The metropolitan area of Manila, an agglomeration of cities including the capital, was the most populous urban area, with approximately 14.0 million inhabitants.

Thailand

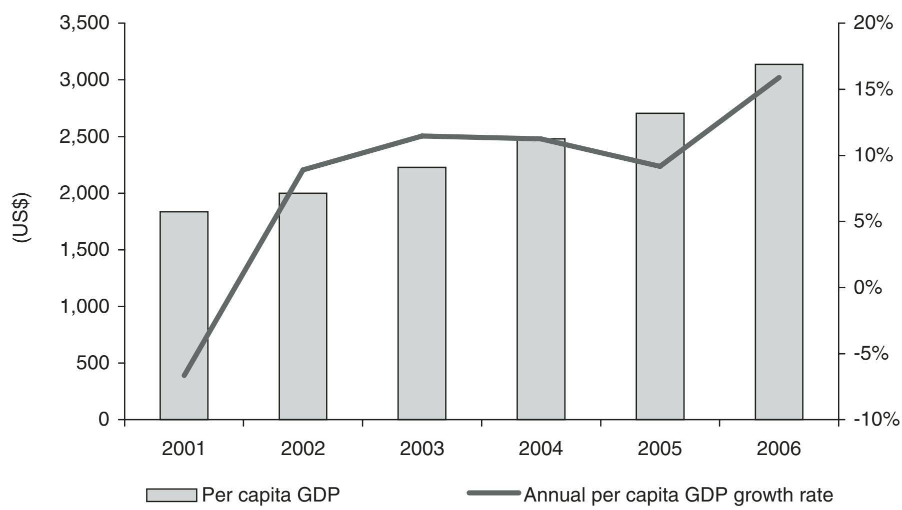
General economic growth

From 2001 to 2006, Thailand's real GDP grew at an average annual rate of 5.1%, from US$115.5 billion to US$206.3 billion. The chart below shows Thailand's nominal GDP and its annual real GDP growth rate over this period.



Source: International Monetary Fund, World Economic Outlook Database

Per capita GDP in Thailand increased from US$1,836 in 2001 to US$3,136 in 2006. The chart below illustrates the per capita GDP and the annual growth rate of this indicator from 2001 to 2006.



Source: International Monetary Fund, World Economic Outlook Database

Urbanisation

In 2005, the population of Thailand was 65.1 million, with about 32% of the people living in urban areas. The capital, Bangkok, was the country's most populous city, with approximately 5.7 million inhabitants.