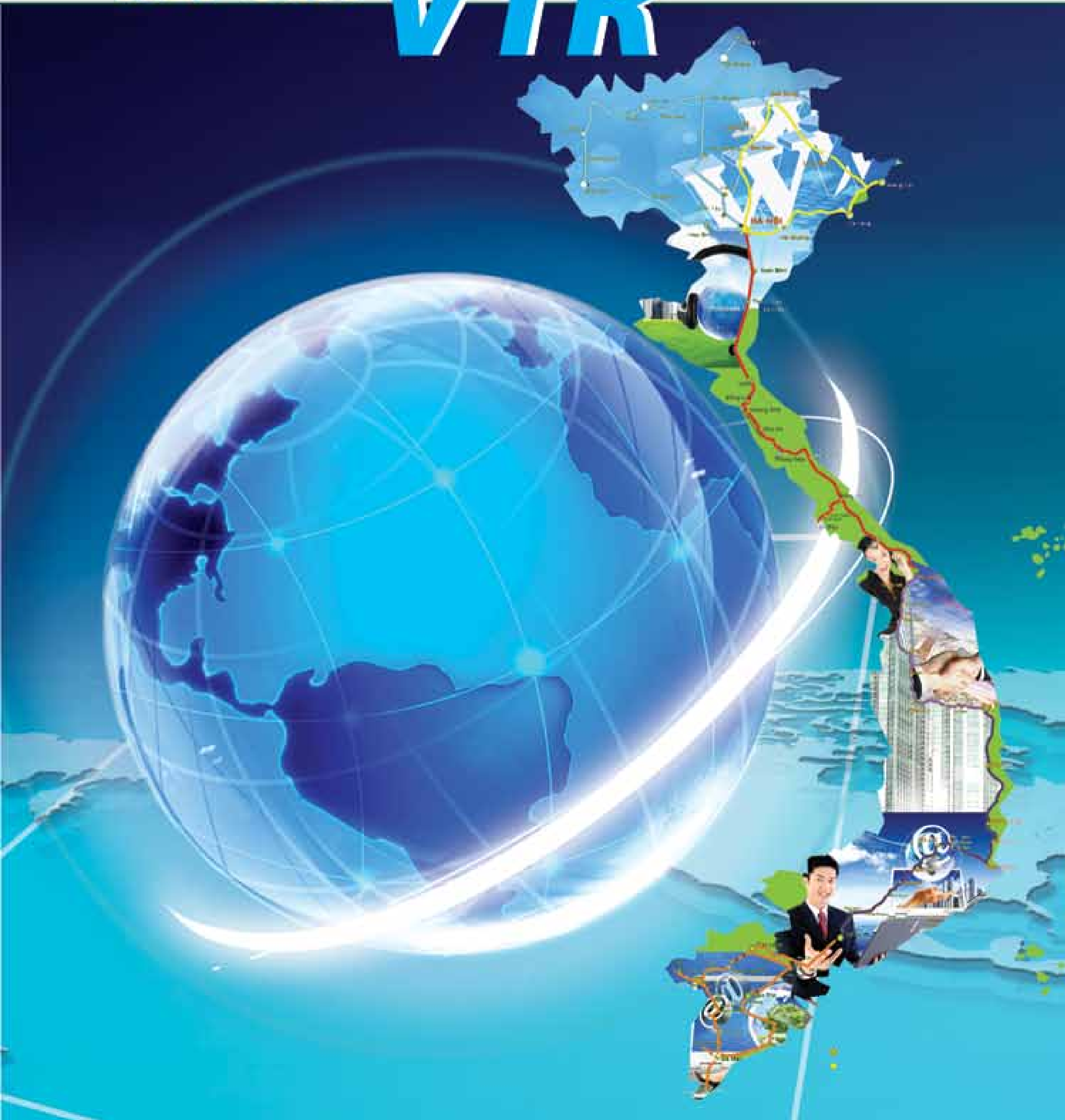
THE VIETNAM POSTS & TELECOMMUNICATIONS GROUP(VNPT)
THE INFORMATIONS AND PUBLIC RELATIONS CENTRE (IPC)

VIETNAM TELECOMMUNICATIONS REPORT VTR



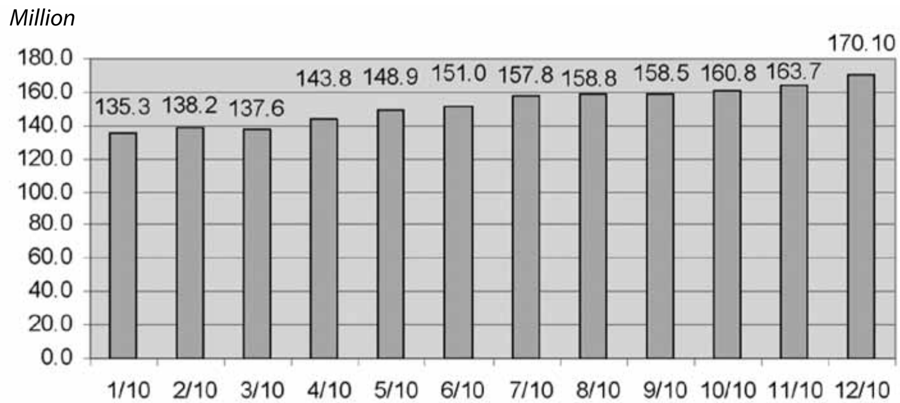
GENERAL SITUATION

Satisfactory results

According to database of General Statistics Office (GSO), new Subscriber Number in 2010 is estimated 44,5 million numbers, increasing by 0.6 percent in comparison with 2009, including fixed line subscriber numbers of 793 thousand which decreases by 49.1 percent and mobile subscriber numbers of 43.7 million which increases by 2.4 percent.

Vietnam had 170.1 million subscribers, including 16.4 million fixed and 153.7 million mobile subscribers, by the end of December 2010, up 35.4 percent from the previous year.

Telephone subscribers development in 2010



Source: GSO

Mobile market in 2010 kept powerful growth speed. However, that Circular No 11/2010/TT-BTTTT providing for sales promotion for mobile phone services has effected to the growth. The mobile phone market in the period of 6 final months has had clearly low growth speed. That is considered necessary base for new period: deeper and more practical development

Reducing of mobile phone charge is controlled strictly by Governmental agencies to avoid the case that some network operators decrease the price to the very low level that can lead to unfair competition or break the market. Thanks to fastened promotion, in 6 final months of this year, the crisis of subscribers registering new SIM card has been limited remarkably. This is good signal which means that price and promotion competition is taken notice of and managed. Moreover, management agencies has gained results.

The number of Internet subscribers at the end of December 2010 is calculated at 3.68 million, growing by 24 percent from last year. Among them, VNPT Group has 74% of market share (equivalent to 2.73 million). The number of people who use Internet counted to the end of 2010 is 26.8 million, increasing by 18% in comparison with the end of 2009.

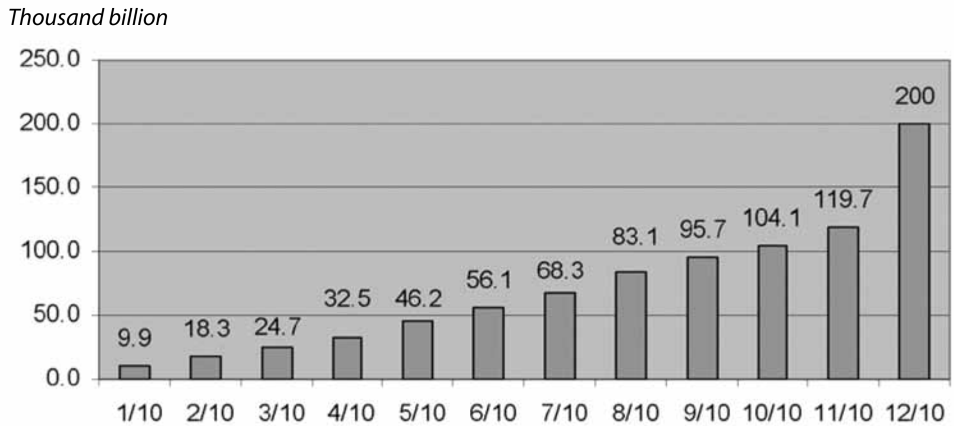
Generally, the growth of market is not changed suddenly. The targets by the Government toward 2010 are achieved excessively, making Vietnam be in Top 10 countries having the most Internet users in Asia after 13 years of development. In 2010, fastened management of online game resolves shortcomings that being with Internet development.

Although FTTx and mobile broadband are covered widely in the whole Vietnam, Internet effect of the two technologies is not strong. Internet ADSL still plays an important role in 2010 and some next years.

Post & telecommunication net revenue is estimated at 200 thousand billion dong, rising 57 percent from the same period last year.

Revenue of 3 final months increases strongly because almost of network operators manage to reach the expected revenue in the sprint period. To pay to Governmental budget for 16,795 billion VND.

Post & telecommunication net revenue in 2010



Source: GSO

The race to the finishing line revenue 100,000 billion VND of the two giants VNPT and Viettel has ended. VNPT finished with excessive revenue of 101,569 billion VND. Viettel is lack of 9,000 billion to complete the target.

Shortcomings still remain

Besides achieved results, there are still shortcomings in 2010 that need resolving in order to stable development.

Prepaid subscribers' information management is a big problem for managers. It cannot deny authorities and network operators' effort in monitoring information of customers who buy new SIM card. However, the results achieved in the year are not much. The users are easy to own a new SIM card without declaring any personal information to card agencies. Whereas, these agencies still supply enough information in compliance with network operators' requirement. That leads a condition that the network operators cannot confirm whether such information is true or false.

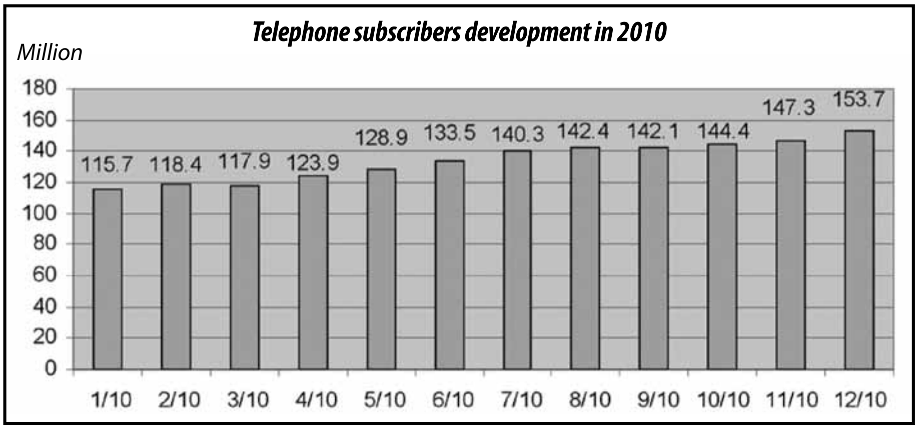
That develops 3G subscribers is still hard problem to network operators. In 2010, all networks providers who were issued 3G permission started to provide service according to commitment with Ministry of Information & Communications. Although 3G infrastructure has been completed and basic services has been supplied to users, after 1 year of development, the number of achieved 3G subscribers is still far from the expectation. As 2G, almost network operators slashed their charges for attracting big number of subscribers. This condition makes network operators consider quality and their attraction of 3G service.

In addition to new problems in 2010, there are still "always existing problems" of telecommunication sector which have not been resolved thoroughly. They are gap between urban and rural; sharing infrastructure, wasting public benefit of telecommunication; and managing mobile numbers. These problems need resolving thoroughly in the next years in order to stable development. In order to do that, Governmental agencies, network operators and users should make a hand.

VIETNAM MOBILE MARKET

1. Steady mobile growth rate:

According to the Vietnam's General Statistics Office, to the end of December, 2010, the Vietnam mobile subscribers reached 153.7 million, increase 39.8% over the same period last year (equivalent to 48.8 new mobile subscribers). Of which, the lowest growth rate was recorded in the third quarter with 8.6 million new users.



Source: GSO

Looking at the monthly mobile users development graph, we can see that the year 2010 can be divided into two periods:

The first half year witnesses the strong development with 28.6 million new mobile users, which was caused by: the promotion policy for new users was much preferential than buying scratch cards; although the Ministry of Information and Communications (MIC) has issued the decree that new subscribers need to register their individual information, and limited the number of sim cards for each users, it was very easy for them to buy new ones without providing exact individual information; From July 1st, operators can not give users more than 50% of prepaid cards value in their promotion.

So, the agencies register individual information massively and active sim cards to get promotion from operators before July 1st, although these sim cards have not been sold to customers.

There was a weaker development in the second half year. According to the MIC, new added subscribers in this period only reached 51% of the first half year. It's the affect of the circular number 11/2010/TT-BTTTT.

The price reductions of the 3 big operators in June and August also can not boost the mobile growth rate to be high again. However, it is said that the market does not go backward, but develops in-depth, deducting unreal subscribers.

2. Price Competition

Price and Promotion competition became one of the highlights of Vietnam mobile market in recent years. However, the price war begins to be controlled closely step by step.

ARPU in some countries in Asia – Pacific area (USD)

Country	3rd quarter 2010	Country	3rd quarter 2010
APAC area	11.01	South Korea	32.83
Bangladesh	2.89	Malaysia	16.09
China	9.72	Pakistan	2.59
India	3.61	Philippines	4.07
Indonesia	4.31	Singapore	34.18
Japan	58.06	Taiwan	21.72
North Korea	15.20	Thailand	6.71

ARPU in some countries in Asia – Pacific area (USD)

In January 2010, Viettel suggested MIC to fix the mobile price as 800VND/minute, which was agreed by the other big operators. But small operators did not sympathize with this view. They said that this will limit new package creation, which were their main competition arms. Right after the debate, VNPT and Viettel submitted the mobile charge reduction plan up to 15% to 20%, but the proposals were not approved by MIC. Not to be allowed to slash mobile price, the 3 big operators shifted to launch big promotion programs continuously.

We can not deny that the price war brought many benefits to users as well as Vietnam mobile market, which led the price equal to other countries in area. However, the war made the market develop unstably, ARPU went down to under 5 USD, much lower than other countries.

Price is one of many competition tools, but mass reductions will cause the service quality decrease because users' demands are higher than network capacity. Small operators also are not able to follow the others, which breaks market structure.

For the reasons above, MIC announced an itinerary for price reduction. With this itinerary, Vietnam mobile price will continue to reduce but ensuring a stable development market.

3. Active but Unused Sim Cards problem has not been solved thoroughly

With the mobile penetration rate over 100%, Vietnam is evaluated as one of the quickest developing telecom market in the world. However, accompany with this is the unreal subscribers problem, leading to many consequences such as wasting of national mobile numbers resource, wasting of sim cards productions fee, and spam, advertising, defrauding SMS…

At the end of 2009, some experts said that there were only about 50 million of 104.9 mobile users really in used. Estimated 15 to 20 million potential mobile users added in 2010. But according to the Vietnam General Statistic Office's data, new added mobile subscribers in 2010 reached 44.8 million, which shows that the management regulation for prepaid users seemed not to be effective as desired after one year going in used.

From the end of 2009, all of pre-paid users need to register their individual information, and the maximum prepaid sim cards numbers that each user can own are 21 (3 sim cards x 7 mobile operators). The people who own more sim cards than the regulation have to return them to the operators. To the middle of January 2010, the operators retrieved many active but unused sim cards.

However, operators are reluctant to deduct inactive subscriber SIM cards, which would reduce their market shares. So, after one month, information register reception was transferred to agencies. Of course, active but unused sim cards were boomed again, which lead to the cooperation between MIC and Ministry of Public Security (MPS) to check identity card numbers. This would help MIC to control prepaid users more effectively, because most of them give wrong ID numbers but no one can check this, except MPS.

MIC's measures to control prepaid users information are comprehensive: subscribers, operators and related agencies. However, we also can not solve this problem if there is no effective measure for the two main matters as below:

Firstly, removing the difference between promotion for scratch cards and new sim cards. At present, with an amount of money, users can get more money in account with a new sim card than scratch card. So the hobby to buy new sim cards instead of scratch card will be never changed.

Secondly, implementing regulations thoroughly and usually, setting up strict punishment rules to strengthen regulations' effectiveness.

4. Network quality is improved day by day

Users' complains about network quality are much fewer than before, especially in Tet holidays, and Thang Long – Hanoi 1000 years anniversary, show that the network quality is getting perfect.

The testing results for network quality in location and time by chance from Authority of Information and Communications Technology Quality Control (under MIC) also were higher than the industrial standard.

VNPT mobile network quality in Nghe An province (3rd quarter 2010)

	Norm	TCN 68-176:2006	Testing result	Evaluate
1	**Successful calls rate**			
	Inner calls	≥ 95%	100%	Suitable
	Inter calls	≥ 94%	99.80%	Suitable
2	**Voice quality**	≥ 3.5 point	4.32 point	Suitable
3	**Billing discrepancy**	≤ 0.1%	0%	Suitable
4	**Service usable**	≥ 99.5%	99.972%	Suitable
5	**Line break-down (numbers/100 subscribers/one year)**	≤ 20.8	10.72	Suitable
6	**Time for repairing**	≥ 90%	99.97%	Suitable
7	**Complaint about service quality (complaints/100 subcribers/3 months)**	≤ 0.25	0.099	Suitable
8	**Reply rate to complaint (in 48 hours)**	100%	100%	Suitable
9	**Customer care service**			
	Successful calls to contact center in 60 seconds	≥ 80%	96.47%	Suitable

II. 3G MARKET

As assessed early this year, although all licensed mobile operators have started to offer 3G services, 3G market could not enjoy a boom. Viettel has officially launched its 3G services but it does not make a breakthrough as it succeeded with 2G ones. For most mobile subscribers, price of 3G terminal and charges of 3G services are quite costly, 3G contents are still less attractive. However, 3G market in 2010 was stirred up with significant developments.

1. Dramatic reductions in charges to attract subscribers

When the market is close to saturation level, new 2G subscribers become less day-by-day and 3G networks are ready invested but their capacity is not be used up, migration of existing 2G subscribers to 3G is a vital way for operators.

While charges for 2G services could drop by 15% maximum with only one time in a year, the market has seen dramatic reductions in charges of 3G services. Charge reduction, which once succeeded with 2G services, now continues to apply to 3G ones.

On 25th March, Viettel marked its launch of 3G services with promotional programs reducing charges by 30-50% for mobile internet service packages (3G service has the highest number of subscribers at this time) that led to reductions in charges offered by the remaining 3G operators, VinaPhone and MobiFone. In the 3rd quarter, operators continued their massive promotional campaigns with maximum reduction by 87% (VinaPhone).

Huge reductions offered by operators have made mobile internet charges become inexpensive (<65VND/MB), even much cheaper than other countries in the region and the world. However, this kind of promotion seemed not to reach the expectation because it did not change the subscribers' attitude toward 3G services and the range of subscribers was narrow (not all types of mobile phones can use 3G services).

2. Advanced phone market got excited

Apple iPhones have become a phenomenon in the world because of its attractiveness that has never happened to any handset so far. To own an iPhone is a dream of many people in the world including Vietnamese users.

Operators seized this opportunity and copied the model of contract subscriber (selling contract phones) from countries with developed telecom industry such as: Japan, USA... The race for iPhone distribution was shaped and fierce like price-cutting efforts in the past. However, only VinaPhone and Viettel took part in the race; no movement was produced by Mobiphone despite having stated its intentions to join the race.

Selling iPhone 3G at 4 million Vietnam dongs, equal to 1/4 – 1/3 of the market price while ensuring the origin and warranty, VinaPhone and Viettel has caused a "fever" in the 1st quarter mobile market. However, the more people expected to own a 3G iPhone the more they felt disappointed when operators officially launched their charge package. Accordingly, total price was about 10-14 million Vietnam dongs, not cheaper than those are selling in free market which were not limited by provisions in services contract. Then iPhone 3G fever reduced quickly a month later and did not attract 3G subscribers as operators' expectations. Reduction in service charges and terminal price did not draw attention from customers again.

At the end of June, Apple officially released iPhone 4. Hours later, VinaPhone and then Viettel declared to sell iPhone 4 in Vietnam. Once again this warmed up Vietnam mobile market. Due to limited number of imported handsets, operators gave priority to post-paid subscribers. This policy has settled users' concern about limitations in service contract. However, the supply did not satisfy users' demand.

It could be said that 2 times of distribution launched by VinaPhone and Viettel did not produce significant effect for the increasing number of 3G subscribers. For iPhone 3G, it was a failure because this handset was widespread with a large quantity in free market, especially advertisements led to customers' misunderstanding over the price to buy an iPhone. On the contrary, iPhone 4 attracted attention from customers because this model was newly released and its price was lower than those in free market. However, due to the limited number of iPhone 4 as stipulated by Apple's policy, operators could not increase the number of 3G subscribers considerably.

Therefore, many experts said that the race for iPhone distribution among operators tends to advertise their brand name rather than to attract more 3G subscribers.

3. Radio frequency interference: Need to be solved completely

So far, no official inspection of 3G service quality has been carried out by competent authorities. There were few complaints from customers; some personal tests were performed to assess the service quality offered by operators, mostly VinaPhone, MobiFone and Viettel. It does not confirm that the service quality was good because the number of subscribers was low and network infrastructure could meet their needs.

However, in the mid-May, radio frequency interference in 3G networks occurred in Southern and Central provinces, especially in early 3rd quarter. 3G subscribers in these areas were repeatedly out of services, phone calls and other services were unstable. This was caused by imported cordless telephones. MobiFone was recorded to be the most affected network because its uplink frequency was the same as the frequency of this cordless telephones.

It is difficult to solve the radio frequency interference both in technical aspect and practical deployment. It was difficult to determine the sources of interference. However, the biggest problem was the limited understanding among people about damaging effects brought about by these telephones. Moreover, other telephones with the same frequency was sold, the users may use them intentionally or did not co-operate with competent authorities during the solving process.

So far, radio frequency interference was solved quite completely. However, operators still did not have technical solutions for this problem but mostly depended on the users' self-awareness and self-compliance. Regulations imposing a ban on import and use of cordless telephones issued by the Ministry of Information and Communications need to be strictly observed to prevent the radio frequency interference from breaking out again.

4. 4G/LTE Test

In 09/2010, the Ministry of Information and Communications granted 4G/LTE testing licenses for 5 operators: FPT, VNPT, Viettel, CMC and VTC. Under the license agreement, the company would be allowed to operate LTE network over a trial period of 1-2 years. Then based on the testing results and development in the world, 4G/LTE will be officially deployed in Vietnam.

In the mid-October, VNPT started to build the first LTE base transceiver station in Vietnam with Internet connection speeds of up to 70 Mbps. VNPT and Alltech Telecom (Russia) have signed an agreement recently to set up a joint venture for constructing and providing 4G/LTE broadband internet service in Vietnam. "4G Roadmap" in Vietnam was officially kicked off.

Early December 2010, Viettel announced to test 4G/LTE network in Hanoi. CMC and VTC reached an agreement on infrastructure sharing and 4G/LTE frequency using for tests. FPT still had no action.

Based on the current situation in the world and Vietnam telecom markets, the Ministry of Information and Communications believed that it was not an appropriate time for issuing detailed plans on 4G/LTE frequency and official deployment.

World market: Until end of this year, number of operators who provide 4G/LTE services is quite modest, there is only one operator in Asia (Hong Kong), number of operators who carry out 4G/LTE tests is not high. 4G/LTE technology is going to be improved, the price of 4G/LTE terminal and infrastructure network equipment is still high and choice of 4G/LTE terminal is limited.

Domestic market: 3G services have been come to the market for over a year, however, they did not draw users' attention and it remained unknown to most people. Therefore, the current bandwidth is not be used up, it could satisfy the users' demand in coming years. Operators need to recoup massive investments in 3G before deploying 4G/LTE network.

However, technological test is never too early as technical and financial conditions allow. Test will help to assess services capacity in practical environment, advantages and disadvantages. Operators will take the initiative in commercializing the services when technology and time becomes mature.

Therefore, domestic telecom companies received licenses for trial of 4G/LTE services and these companies also carried out tests. That is a good signal for Vietnam telecom industry. Opportunity to enjoy advanced services will be greater in the future, however, from trial to official deployment and operation is a lengthy way. To achieve success in 4G/LTE, operators need to succeed in the current 3G network at first.

III. THE TREND TOWARDS MERGING AMONG OPERATORS

1. Current situation of small operators and merging process

Vietnam telecom market has been enjoying a boom with 7 mobile operators. However, 3 giant operators namely: Viettel, VinaPhone and MobiFone always accounted for nearly 90% of the total subscribers and mobile market was not "a fertile land" as people thought, many companies "got stuck in the mud", 10% is for 4 remaining operators and they are facing with severe difficulties, even loss in business.

In the world, if faced with the same conditions, small operators would declare bankruptcy or carry out merging procedures.

However, in Vietnam, most of operators are under the State ownership, merging also depends on the State's decision (not only depends on the market rules).

To this time, some small operators have owed connection charges and frequency fees. VNPT and Viettel have also dropped hints that they would take these operators to the economic court and if they could not pay the debt, they must "declare bankruptcy as Vietnam's style". However, this story does not happen.

Growing pressure forced small operators to think about a new trend, i.e. merging, FPT and EVN Telecom are pioneers of the new trend in Vietnam.

2. EVN Telecom – FPT: Pioneers

At the end of October 2010, Vietnamese Government approved of FPT to be a strategic partner of EVN Telecom (EVNT) and FPT will hold over 50% stake in EVNT. This signal has been shown that merging process started in Vietnam's mobile operators. EVNT had earlier planned to sell at least a 20% stake to a foreign strategic partner in the total of 30% stake intend to be sold.

Co-operation between operators to increase the competiveness for their services in Vietnam is not a new issue. Before, EVNT had co-operated with Vietnammobile to obtain 3G license. However, this is the first acquisition between 2 local telecom enterprises.

Despite of improvements in radio frequency interference (the most serious problem when EVNT deployed its 2G network), 3G deployment did not make any breakthrough for EVNT. The reason is that the 3G technology applied by EVNT was completely different from other operators and the subscribers had to use particular 3G terminal – it was extremely difficult to attract customers, especially Vietnamese customers who prefer unused promotional SIM cards. As a result, EVN's mobile services (2G and 3G services) looked gloomy; revenues could not cover investment capital and operation expenses.

Meanwhile, FPT is a successor, has no frequency for its own network infrastructure. On contrary, FPT has valuable business experiences conclusively proved by successes in bringing FPT Internet services and mobile phones to people. The combination of EVNT's infrastructure and FPT's business strategy may be a promising future for EVNT's 3G services because Vietnam's 3G market still has untapped potential.

3. Only three operators to remain?

It can be seen that Vietnam telecom market is following the world's rules: merging , co-operation to increase the competitiveness and survival in the market.

In 2004, when Viettel officially provided mobile services and other new operators prepared to operate, mobile market was considered as "a fertile land", even earning a lot of money. At that time, experts said that Vietnam mobile market after booming time would remain three mobile operators and form in tripodal position, restraining one another.

At that time, merging process of mobile operators has taken place in the region and experts said Vietnam would not be outside the trend of merging or bankruptcy in telecom sector but this process would come later because Vietnam opened its market later than other countries.

After a period of stagnation, SK officially withdrew its investment capital from Sfone. Right then, Sfone has announced to seek other foreign partner. However, it has not found any foreign partner. Like EVNT, a domestic partner may be a good choice for this operator.

Apart from the selling of over 50% stake to FPT, EVNT also joined with Vietnammobile in beauty contest for 3G license. Therefore, EVNT does not want to see the confrontation between FPT and Vietnammobile. A "bridge" named EVNT may make another acquisition in the future.

It is too early to conclude anything but a trend that proved definitely in the world will naturally occur in Vietnam. Whenever this trend becomes reality, it is only a matter of time. Three operators for a country is a popular model in all over the world from giant China to small countries like Singapore. This model proves great advantages in competition and market development. Experts said that Vietnam cannot stay outside this model.

MOBILE VALUE-ADDED SERVICES MARKET

1. General situation

If mobile value-added services market started to develop in 2009 so many changes in the content and ways of access to customers were occurred in 2010. A great deal of value-added services has been released.

Number of services: Each operator has hundreds of value-added services for particular users but there is not much difference among operators.

Services content: Services content covers a wide range of the customer's needs such as: news, games, chat and social network applications. However, the quality is still poor.

Payment and services providing methods: Mobile value-added services used to be provided via SMS, now subscribers can use these services by directly browsing website, wapsite, online store, application store... Payment methods are more convenient and transparent, that helps to boost the users' demand.

It can be said that number of mobile value-added services and their content have basically satisfied the users' demands. Access to the services is easier and more convenient.

2. Potential is not fully exploited

Recently, operators have made thorough preparation for mobile value-added services market which already satisfied the users' basic demands, however, the potential is not fully exploited. Most of services are entertainment, mainly activated via SMS. Revenues from mobile value-added services now account for 10-20% of the total revenues, almost from the old services. This rate is too low in a large market. Some experts estimated that operators just exploited about 10% of the potential.

Numerous services and similar contents have made users confused about the services. Although almost advertising methods were used (Television, radio, website, newspaper...), but the current situation has not been improved. Only a few services are known and used regularly among hundreds of services.

Operators have sent SMS to introduce new services to all subscribers but the market was not up. Unclear payment for services via previous SMS portals, cheating and spam SMS has reduced the effectiveness of this advertisement.

Another reason is that the convenience offered by these services is not great. Low-end terminal with basic functions (make/receive phone calls, SMS) account for a large proportion, technological skills of most users are poor. On contrary, services usage is not so easy for all subscribers despite many improvements. Services price has reduced significantly, users have real demand but services using rate is quite low.

3. Competition by value-added services – an inevitable trend of development

It can be said that mobile subscribers now demand not only to "feed and clothe themselves properly" but also to "eat delicious food and wear good clothes". In addition to making/receiving phone calls and SMS, now users tend to utilities for entertainment and working needs.

All the telecom markets in the world now focus on value-added services. Competition in charges reduction is limited and ARPU is reducing day-by-day, value-added services will be a prevailing trend of development when 3G infrastructure is untapped.

Vietnamese operators have been in tune with this trend. Sharing proportion between operators and content providers has been changed significantly. Now content providers receive 60% of total revenues from the sale of their applications (They only received less than 10% in previous years). In the context of APRU reduction and low profit, a concession of 50% of the total revenues of mobile applications to content providers has pointed out the importance of mobile applications in attracting new subscribers and increasing operators' revenues.

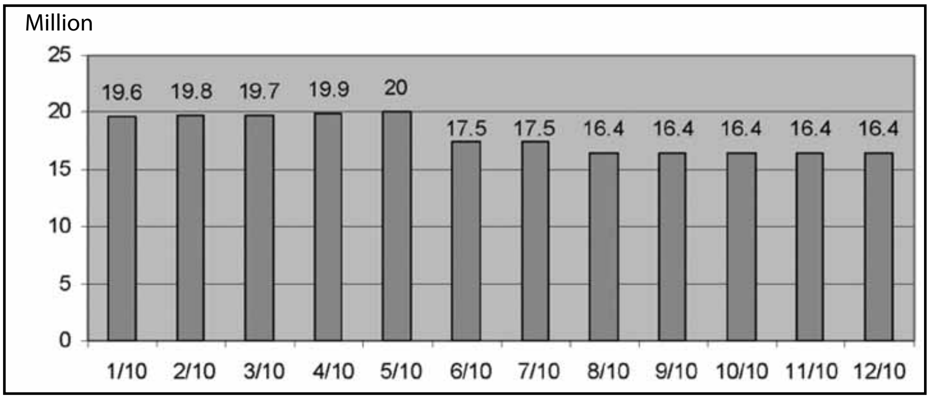
Some operators have organized mobile programming contests to boost the development of new applications with high quality, using Vietnamese to spread among various users. This is first steps taken by operators to adapt themselves with the new circumstances.

FIXED TELEPHONE & INTERNET MARKET

I. FIXED TELEPHONE

Fixed telephone market has developed slowly in preceding year because of competition of mobile phone market. According to General Statistics Office, the number of fixed phone subscribers by the end of 2010 has achieved 16.4 million. The market share of fixed line subscribers does not takes 10% of total subscribers in the whole country, decreasing by 5% in comparison with the end of 2009.

Fixed Telephone subscribers development in 2010



Source: GSO

In 5 months of beginning of the year, the number of fixed line subscribers has tendency to increase lightly thanks to development of some benefits such as: locking call, reporting of going out, connecting to change call, limiting personal code call, etc.

In June, July and August, the number of fixed line subscribers is decreased powerfully because of lowest mobile price of 3 big network providers at the same time. Although fixed line subscribers decreases by 10% - 15% and the price is 400d/minute, subscriber price of 20.000d/month, it is not satisfactory.

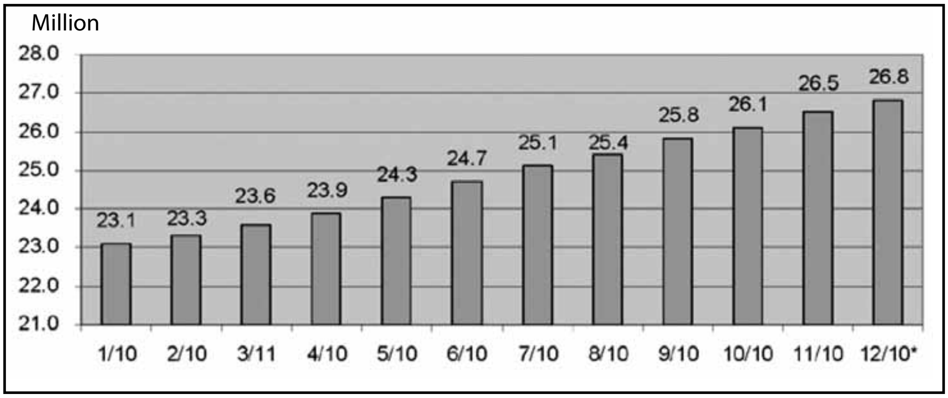
Fixed subscribers who want to find another way leave all in such 3 months, making the market in final 5 months of the year is more stable. They are faith subscribers with fixed line network, and they are almost wireless fixed line subscribers. VNPT and EVN are still the most market shares with over 80% of total fixed line subscribers. It is predicted that in 2010, fixed line network market will not have the dramatically changes, but more developed when the network providers can apply a policy of flexible price for each customer that is effective on January 1st 2011.

II. INTERNET

1. Growth situation

According to Vietnam Internet Network Information Center (VNNIC), by the end of November, the number of Internet users has achieved 26.5 million subscribers. With that average growth of 300,000 subscribers per month regularly in 11 months, it is predicted that in the end of the year, Vietnam will have 26.8 million Internet users which is bigger than average level of Asia (21.5%) and the world. From 2009 up to now, Vietnam still rank 7th in the region of the Internet user number.

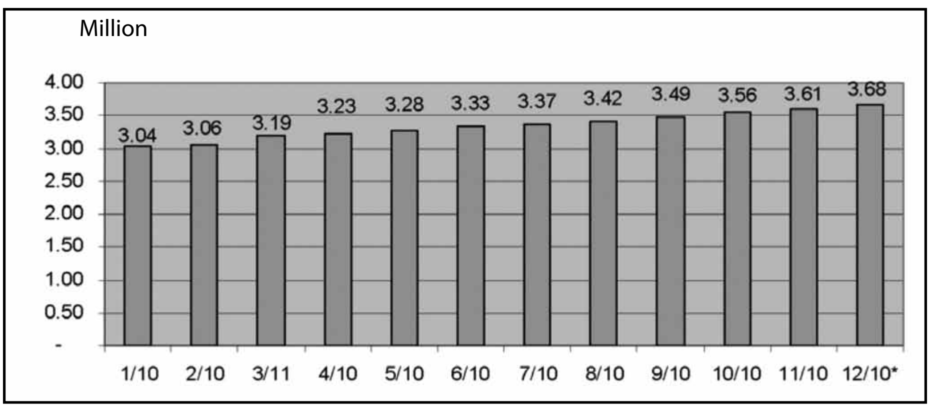
Internet subscribers development in 2010



Source: VNNIC

Generally, in 2010, Vietnam Internet basically have achieved the target by the Party and Government from 2006. The rate of users in Hanoi and Ho Chi Minh City has achieved over 50%. Over 70% of communes have had public Internet access points, 100% of schools and universities have been connected Internet. 100% of districts and communes in potential economic area is provided with broadband internet service.

Broadband Internet subscribers development in 2010



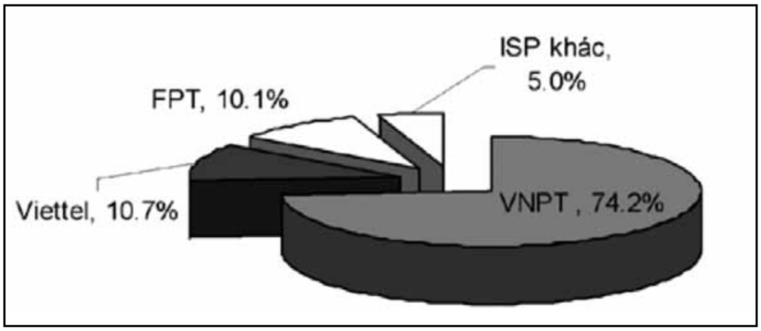
Source: VNNIC

Broadband Internet is not changed much in last year. Counting to the end of 2010, the number of broadband ADSL subscribers has achieved 3.68 million, increasing by 24% in comparision with the same period last year. After breakout in 2009 with the growth of 50%, Internet market seems to lowly develop.

VNPT is considered the best quality service provider, leading in supplying broadband to users, VNPT is currently the leader with market share making over 74% of Internet market share, having big gap with other ISPs (Internet Service Providers).

Thanks to investing strongly in network and nation- widely covering in 2 preceding years, Viettel "passes" FPT and rank 2nd in Internet market with the market share of 17%. However, FPT has tried to make good in limited coverage by open the network to Central provinces and Central highlands with the target of covering 40 provinces in the end of 2010; the main market is potential and populous cities. In addition, Viettel seems to "ignore" that market to focus on 3G that makes market share of the two ISP be equal, the difference is under 1%

Internet market share in 2010



At the end of March, CMC has been being strategic shareholder of Netnam with 44% of share, having ambition to be in top 5 biggest ISPs. However, the market shares of the 5th ISP only about 1 percent. Although investing strongly in FTTx, that strategic cooperation does not bring any remarkable results.

2. FTTx and mobile broadband cannot growth fast

Fiber optic broadband FTTx is implemented by ISPs widely and officially supply services with a lot of different service packages. With faster speed by far than ADSL's, supporting a variety of services which is required of large brand such as HDTV, IPTV, VoD... However, service price and terminal compatibility price are quite high, unsuitable with many people. Therefore, after 1 year, the number of subscribers is quite small. The users are mainly big enterprises, IT companies, and banks. It is predicted that it will take over 3 years; for FTTx to be more popular with the current ADSL users.

As the mobile network providers are issued 3G implementation license, it is supposed that 3G mobile broadband in Vietnam will overwhelm ADSL market like it happened in the world before. As the network providers officially come to operation, Internet access service from computer to mobile network which is one of 3G services is used by a lot of people. In addition, service price is decreased strongly by network providers in order to attract subscribers (now equivalent to ADSL's subscribers). That makes above prediction believable. However, after over 1 year of operation, the number of 3G is still small and the network providers do not have effective way to attract users. The barrier of terminal price and use skill will take some years to handle. If the problem is not handled, mobile broadband internet cannot overcome ADSL.

With current development situation and Internet use in Vietnam, the market has a lot of potentials to explore. In the near future, the two technologies will supplement to each other and cover Internet to users. In spite of developed telecommunication industry as that of some developed countries, fixed broadband still have a certain competitive advantages.