

*“HPG, PXS –
2Q2014
business result”*

- **HPG – 2Q2014 business result**
- **PXS– 2Q2014 estimated business result**

HPG – 2Q2014 business result

1H2014: Output growth outperformed industry growth

According to VSA, in the first half of 2014, construction steel consumption was 2.46 million tons, up 8.39% compared to 2013. Meanwhile, that of HPG was approximately 445,000 tons, up 38% compared to the same period. Average selling price was quite stable in 1H2014 (~VND13.1 million/ton), down 5.2%.

HPG' steel pipe consumption also gained dramatically, reached 94,000 tons, up 30% compared to the same period. Besides, HPG exported about 72,000 tons billets to ASEAN countries (Philippines, Thailand) and first-time exported steel coils to Australia in June, 2014.

As a result, HPG recorded VND13,339 bn in revenue (+58.6% yoy) and VND1,874 bn in EAT (+85.1% yoy). In addition to strong growth in core business (steel segment), Mandarin project also contributed to 15% of revenue and 18% of EAT in 1H2014.

2H2014: more investment while growth will be continued

HPG will implement Phase III of Hoa Phat Integrated Steel Complex in Sep, 2014 with total investment about VND3,000 bn. As company said, though Phase III has higher capacity than other phases but lower investment capital because HPG has invested infrastructures before, and Coke plants (700,000 tons/year) still meet Phase III' demand. Investment time for Phase III will be around 18 months, then come into operation in Q2/2016 if everything is on schedule, this investment will raise HPG' billets production capacity to 1.95 million tons per year.

In the early of August, 2014, HPG will repair and upgrade blast furnace 1, and increase Phase 1' capacity more 50,000 tons per year. Company has prepared billets in advance so this renovation will not affect company operation very much and we expect steel consumption will be increased in later period.

With good sales performance in 1H2014, we adjust HPG' steel output in 2014 from 834,000 tons to 916,500 tons (+10%) and decreased billets volume from 220,000 tons to 130,000 tons (-40%). In addition, average selling price (ASP) may increase slightly in 2H2014 due to an increase of transportation fees. Thus, we revise a drop of ASP in 2014 from -5% to -2%.

The downtrend of materials (coke, scrap steel, HRC) also helps HPG improve its gross margin. Furthermore, Mandarin Garden project' selling price increased slightly in 2014 so real estate segment could bring better profit. Based on above reasons, we estimated gross margin of HPG in 2014 will increased to 20.2% from 17.3% in 2013. Accordingly, forecasted revenue in 2014FY was adjusted to obtain VND25,278 billion (+33.5% yoy) and post-tax profit achieved VND3,280 billion (+68% yoy); by the way, EPS would be around VND6,807/ share. At the close price of VND57,500/ share on 07/16/2014, expected P/E of HPG was only 8.45x. In our opinion, this was an attractive price which investors should consider as good investment for medium-term strategies.

PXS – 2Q2014 estimated business result

We have had a brief discussion with the PXS's representative as regards the first-half year earnings result. Accordingly, revenue reached VND880 billion whereas NAT recorded VND62 billion, finished almost 80% of the PVC's plan. In particular, 2Q2014 revenue was VND520-528

billion and 2Q2014 NAT was VND40-43 billion. The result showed optimistic outlooks as NAT nearly doubled to the prior quarter and almost four times to the same period. Moreover, EPCC P3P4 project accounted for the highest revenue contributor (66%), subsequent to EPCC Diamond project (16%).

As PXS's sharing, P3P4 project has been completed and most of its revenue was booked in 2Q2014. Moreover, gross profit margin in this quarter was improved remarkably in comparison with a rate of 10% in the prior quarter as 1Q2014 revenue was in purchasing period and did not bring higher profit. However, in general, the gross profit of the whole project is not much as notable as EPCC Diamond project due to tight-management of its investors of the Ministry of Defence.

In the second-half year, the Company continues to record the remaining of Diamond project as well as EPCC Thai Binh (total value of VND60 billion), Thai Binh II Power Plant (total value of VND950 billion), H5 project (total value of VND169 billion) and other projects as below table. Recently, PXS has signed a contract as a role of construction, installment namely Nghi Son project and planed to execute in March 2015 with the total value of USD16,246,626. Thus the Company is in the middle of seeking contracts for next year operation under circumstance of accomplishing current projects. Consequently, the income will be insured firmly.

Project	Total value (VND million)	Schedule	
		Beginning	Ending
Completing for Diamond project	320,500	1-Jan-14	15-Mar-14
Thai Binh Jacket project	600,000	1-Apr-14	2Q-2015
P3, P4 project	550,000	1-Nov-13	3Q-2014
Jacket BK16	30,000	5-Nov-13	28-Feb-14
Thai Binh II Power Plant	950,000	1-May-14	2Q-2015
Ham Rong project	400,000	4Q-2014	3Q-2015
Thien Ung project	32,500	3Q-2014	Mar-2015
H5 project	169,000	2Q-2014	1-Oct-2014
Others	50,000		

Sources: PXS, Rong Viet Research compiled

Positive signs in performance result this year as well as in 2Q2014 are in line with our estimates. However newly updated results have a considerable gap as compared to the latest sharing of PXS due to late records in Diamond project and H5 project. Moreover, although gross profit of P3P4 project is much more improved to 1Q2014, it was still at a low rate. Thus, NAT was lower than our forecast in the prior advisory diary. Based on current projects, we still highly evaluate the accomplishment of revenue and still maintain our forecaste of VND1,658 in revenue. Nevertheless, we also notice that the contribution of P3P4 projects might be remarkable, as a result total gross profit should decrease of 3% to our estimate.

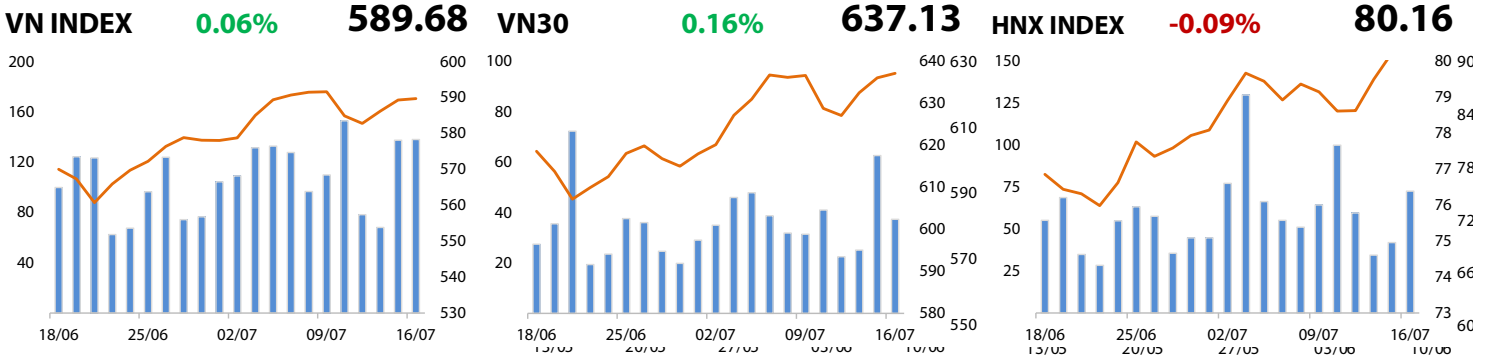
The market restructured in eventful trading days

As confronted to the news of removing HD981 drilling rig and positive forecast in macro economy of World Bank, the market today was filled with the optimism. However, at closed session, VNIndex only increased slightly to the prior session due to profit taking at some tickers which had added values into prices outperformed 2Q2014 results such as TCM, DRC, FPT, PVD. Notably, foreign investors in this session came back with total net bought value of approximately VND47 billion. HPG was the ticker with the highest net bought value of approximately VND27 billion which was caused by its positive financial results.

Tam Bui

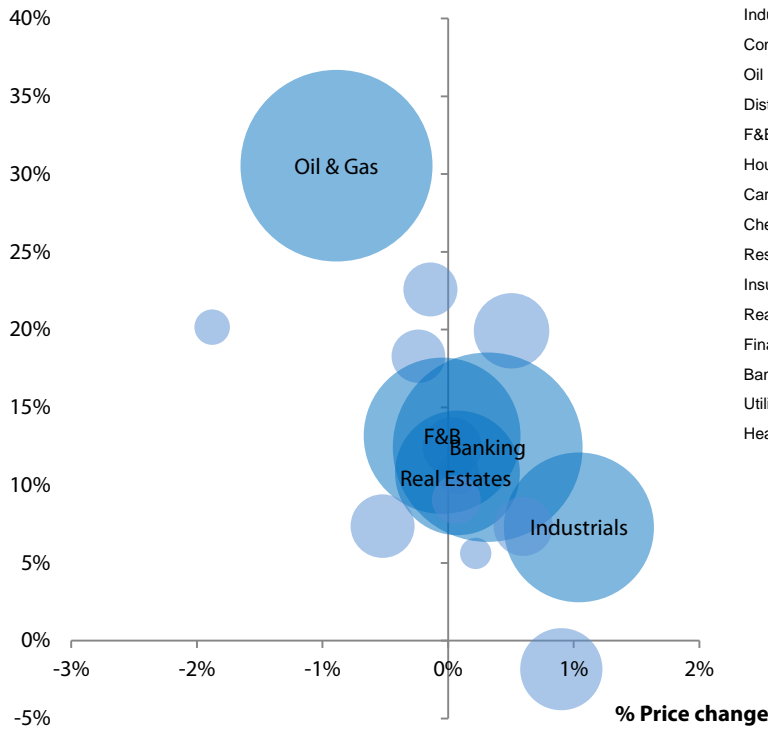
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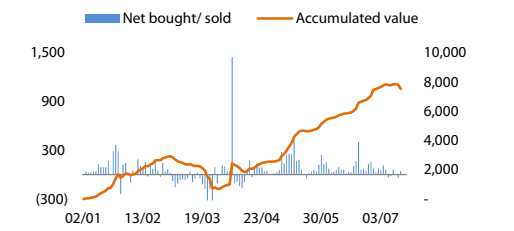
Industry Movement

Industry ROE

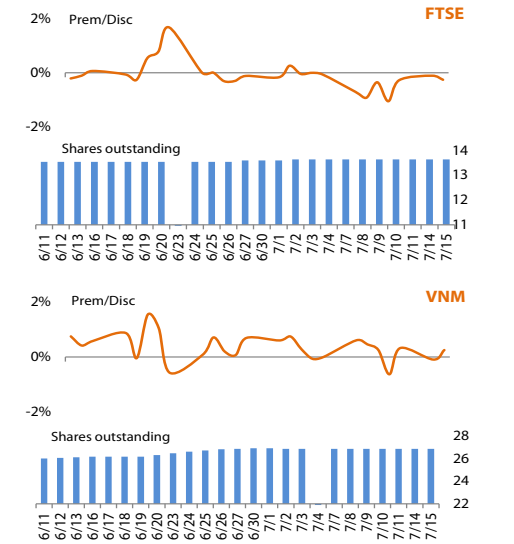


Industry	% change
Technologies	-0.2%
Industrials	1.0%
Constructions	0.9%
Oil & Gas	-0.9%
Distribution	0.2%
F&B	0.0%
Household Goods	0.1%
Cars & Parts	-1.9%
Chemicals	0.0%
Resources	-0.1%
Insurances	0.5%
Real Estates	0.1%
Financials	-0.5%
Banking	0.3%
Utilities	0.6%
Healthcare	0.1%

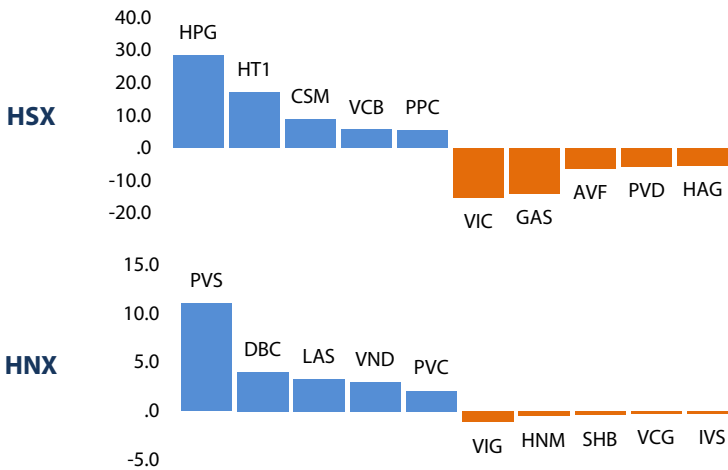
Foreign Investors Trading



ETF



Top net bought/sold by foreigners (VND bn)



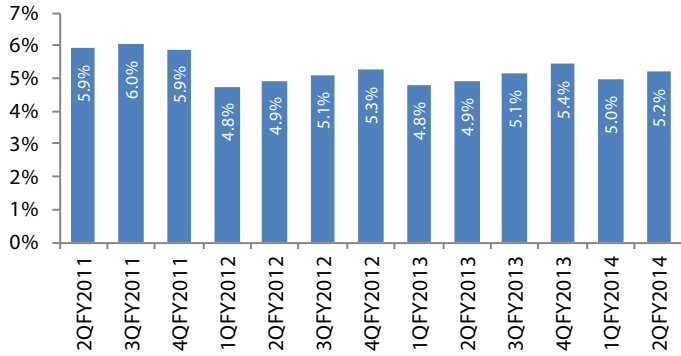
Top Active

Ticker	Price	Volume	% price change
FLC	13.90	14.91	1.5%
SAM	10.30	8.20	-3.7%
HQC	8.20	6.49	-1.2%
AGR	7.20	6.02	-5.3%
ITA	8.20	5.18	-1.2%

Ticker	Price	Volume	% price change
PVX	4.60	11.77	3.2%
KLF	11.90	7.18	1.7%
KLS	12.40	5.88	1.6%
SCR	9.20	5.63	1.1%
SHB	9.10	5.06	1.7%

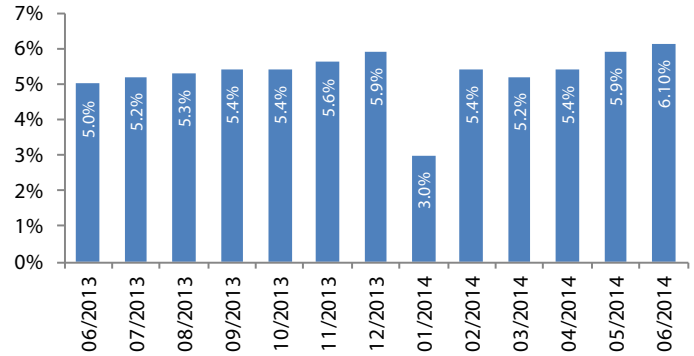
MACRO WATCH

Graph 1: GDP Growth



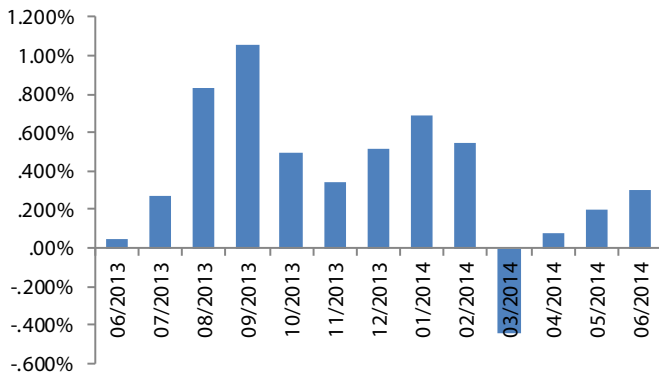
Sources: GSO, Rongviet Securities database
(* Comparison price in 1994)

Graph 2: IIP



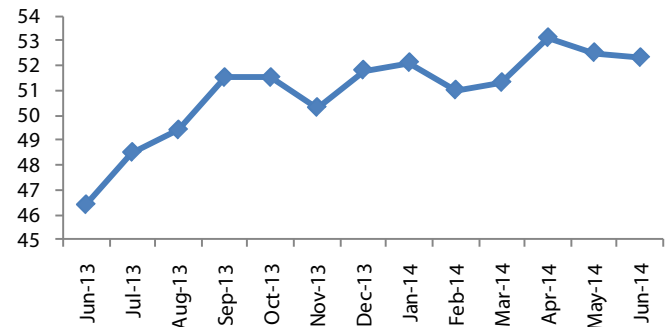
Sources: GSO, Rongviet Securities database

Graph 3: Monthly CPI



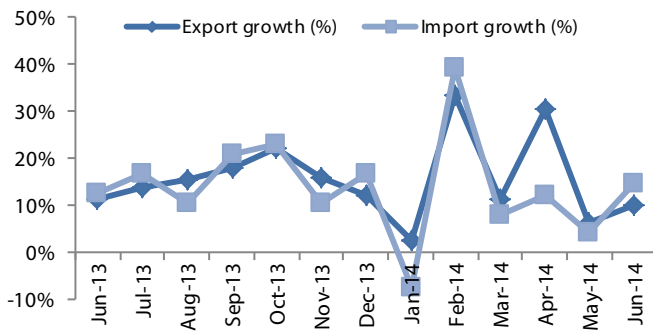
Sources: GSO, Rongviet Securities database

Graph 4: HSBC - PMI



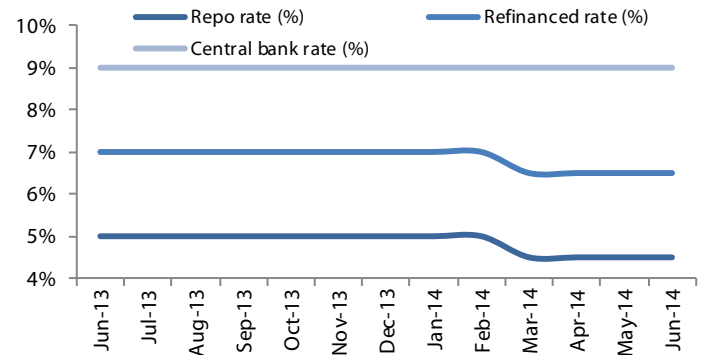
Sources: GSO, Rongviet Securities database

Graph 5: Trade Growth



Sources: GSO, Rongviet Securities database

Graph 6: Interest



Sources: SBV, Rongviet Securities database

RONG VIET NEWS

COMPANY REPORTS	Issued Date	Recommend	Target Price
DBC-Benefit from decline in material price	May 27 th , 2014	Buy – Long-term	28,000
FPT-Leaping revenue	May 27 th , 2014	Accumulate – Intermediate-term	51,600
NBB-Strengthened cash flows	May 07 th , 2014	Buy – Long-term	36,300
DIG-Reboot	April 28 th , 2014	Accumulated – Long-term	19,200
HPG-Sustainable Development	April 24 th , 2014	Accumulated – Intermediate-term	55,100

Please find more information at <http://vdsc.com.vn/tabid/149/language/vi-VN/default.aspx>

FUND CERTIFICATION INFORMATION

Fund name	Trading Day	Subscription Fee (% of trading value)	Redemption Fee (% of trading value)	NAV per unit at valuation date	NAV per unit last valuation date	Change in NAV
VFF	01/07/2014	0.75%	0.75%	10,881	10,833	0.44%
VF1	03/07/2014	0.20% - 1.00%	0.50%-1.50%	21,377	21,100	0.60%
VF4	02/07/2014	0.20% - 1.00%	0.00%-1.50%	9,704	9,527	1.86%
VFA	04/07/2014	0.20% - 1.00%	0.00%-1.50%	7,411	7,377	0.47%
VFB	04/07/2014	0.30% - 0.60%	0.00%-1.00%	10,853	10,799	0.50%
ENF	27/06/2014	0.00% - 3.00%		9,888	9,785	1.05%

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