

“The market fell to the sell side as liquidity dropped and leading stocks stumbled”

- REE – 2Q2014 Result Update
- The market fell to the sell side as liquidity dropped and leading stocks stumbled.

REE – 2Q2014 Result Update

REE released last week its Q2 consolidated financial report, in which revenue added 1.3% yoy last quarter and 3.3% in 1H2014. As we mentioned in our Advisory Diary dated 1st August 2014, REE saw revenue from all its core businesses little changed from the previous year in Q2 such that revenue from the mechanical & electrical construction segment picked up 5.2%, office leasing 2.8% and air-con retail minus 7.8%. As an exception, the M&E arm saw the operating profit margin doubling from 2Q2013 thanks to final-stage construction of large projects in REE’s order book such as the Vietinbank Tower, the Vietcombank Tower (Dist.01, HCMC), T2 Terminal Noi Bai Airport, the National Assembly Building...

On the other hand, profits from associates fall drastically to minus VND70 billion from VND107 billion a year earlier last quarter. It should be noted, however, that a large portion of 2Q2013 associate profit was one-off items deriving from REE investing PPC well below the investee company’s book value and PPC enormous forex gain at that time. We also mentioned in our last update that under the equity method, cash dividends from large investees such as PPC, TMP and TBC would be deducted from REE’s share in these associate companies’ Q2 profits. Last quarter, REE received up to VND148 billion in the form of cash dividends.

Exhibit: Selected items from REE’s Q2 income statement (VND billion)

	2Q2014	+/-yoy	1H2014	+/-yoy
Revenue	619.2	1.3%	1.161.0	3.3%
-M&E	357.6	5.2%	692.0	7.3%
-Reetech	141.4	-8.3%	234.2	-4.5%
-Office leasing	120.2	2.8%	234.9	0.5%
Gross profit	172.4	9.4%	335.4	12.2%
-Gross profit margin	27.8%	202bps	28.9%	228bps
Financial income	169.9	59.8%	199.2	29.7%
Share in associates’ profits	-69.8	-164.9%	2.0	-99.5%
Net income	205.7	-19.3%	436.9	-31.7%

Source: REE’s 2Q2014 financial report, RongViet Securities

Since REE raised its stake in TBC share capital from 24% to 58% in Q1, TBC was no longer listed as an associate of REE in Q2 financial report. Nonetheless, for the Company continued to recognize its share in TBC’s Q2 profits using the equity method, deducting an amortization of the goodwill arising from buying an additional 34% of TBC shares. We estimate the total amount of goodwill from this purchase was about VND127 billion. From Q3 on, REE will consolidate TBC’s financial report using the acquisition method. Therefore, we expect a jump in REE’s revenue and assets but a drop in the net profit margin, ROE and ROA in upcoming quarters. However, given TBC’s optimistic business outlook in later months of the year, we still see positive growth in REE’s bottom-line in Q3 and Q4.

For 2014 the whole-year, we expect REE’s net revenue to reach VND2,871 billion, up by 19.1% and net income VND856 billion, down by 12% from 2013. Because a significant part of 2013 net profit came from REE’s investment in PPC, such projected results can still be considered positive for REE. Given a forward EPS of VND 3,380, REE is now trading at P/E of roughly 8.0x, which is quite

attractive given the stock's blue-chip status and the potential of REE's investment portfolio.

The market fell to the sell side as liquidity dropped and leading stocks stumbled.

Although sell pressure was not excessively strong, weakened demand for leading stocks such as MSN, VNM, BVH and PPC pushed VNIndex further away from 605. However, active trading in some low-priced tickers such as FLC, TTF, IJC, DLG, PET, VIP and NKG could still create some excitement. Liquidity in both exchanged continued to sliding, to 74.32 million shares in the HSX and 34.15 million shares in the HNX. In addition, that foreign investors selling net for the fifth straight day in the HSX while "neglecting" HNX stock did not have a good effect on local investors' sentiment.

Putting everything in one picture, the market seems to be following the scenario we laid out earlier this month: low liquidity, narrow range by high frequency of stock fluctuations. With insufficient supporting information, this situation may to stretch over the next one or two weeks. Short-term investors should have lowered the weight of stocks in their portfolio by now; fresh buying should be limited until the shows clear improvement. For long-term investors, the retreating market will open an opportunity to accumulate stock at reasonable prices.

A friend of us visited HAG's Myanmar Center Complex (Yangoon, Myanmar). In today's Advisory Diary, we would like to share a few looks at the much expected project. After more thorough research of the Myanmar's real estate market, we may have brief updates on this project in the future.

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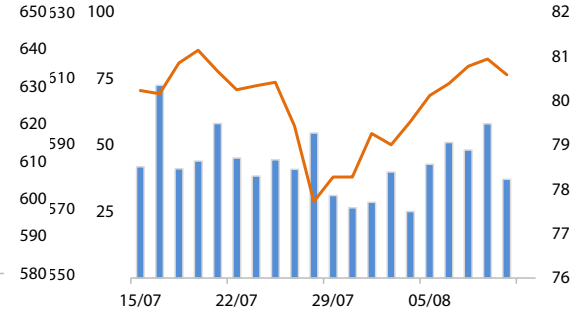
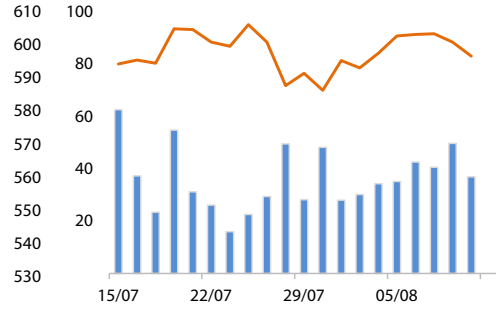
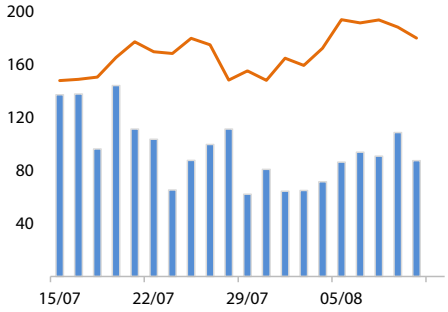
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VNINDEX -0.55% 602.13

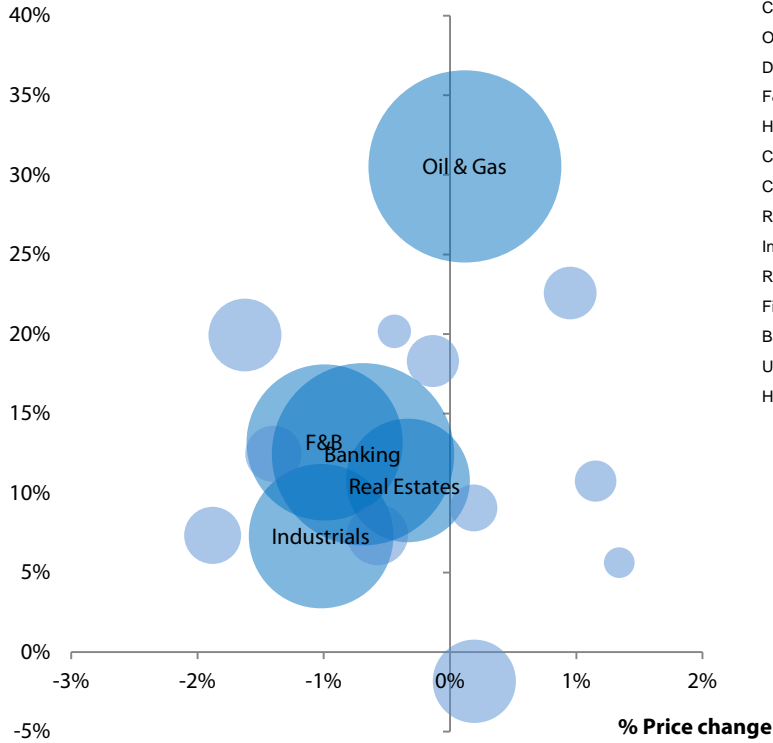
VN30 -0.58% 638.22

HNXINDEX -0.43% 80.59



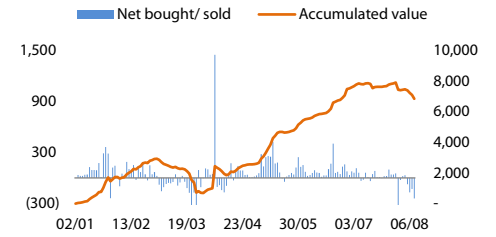
Industry Movement

Industry ROE

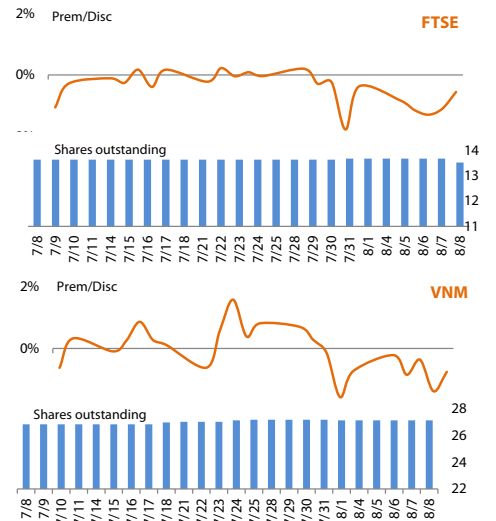


Industry	% change
Technologies	-0.1%
Industrials	-1.0%
Constructions	0.2%
Oil & Gas	0.1%
Distribution	1.3%
F&B	-1.0%
Household Goods	1.2%
Cars & Parts	-0.4%
Chemicals	-1.4%
Resources	1.0%
Insurances	-1.6%
Real Estates	-0.3%
Financials	-0.6%
Banking	-0.7%
Utilities	-1.9%
Healthcare	0.2%

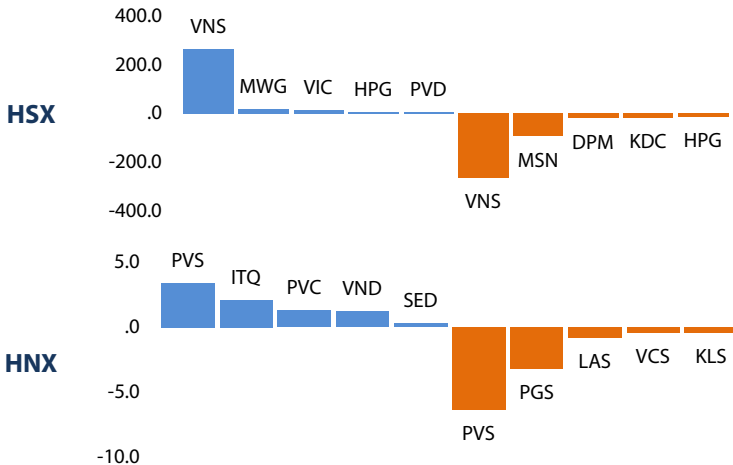
Foreign Investors Trading



ETF



Top net bought/sold by foreigners (VND bn)



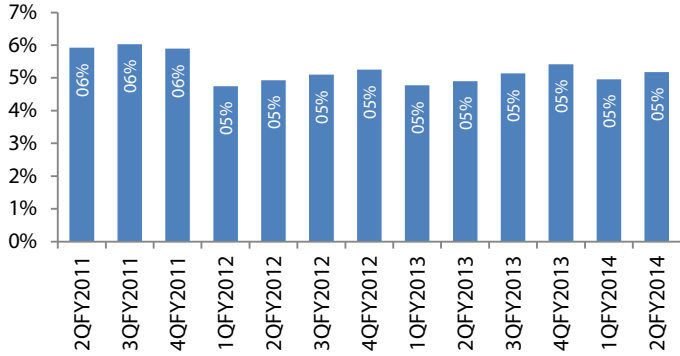
Top Active

Ticker	Price	Volume	% price change
FLC	14.10	11.70	1.4%
PTL	3.70	2.78	2.8%
HAG	24.90	2.37	-0.8%
DLG	10.80	2.34	0.9%
SAM	11.50	2.33	-1.7%

Ticker	Price	Volume	% price change
KLF	12,5	5.60	0.0%
PVX	4,6	5.31	-2.1%
SCR	9,1	3.82	0.0%
PVS	33,9	2.17	0.9%
ITQ	10,7	1.55	5.9%

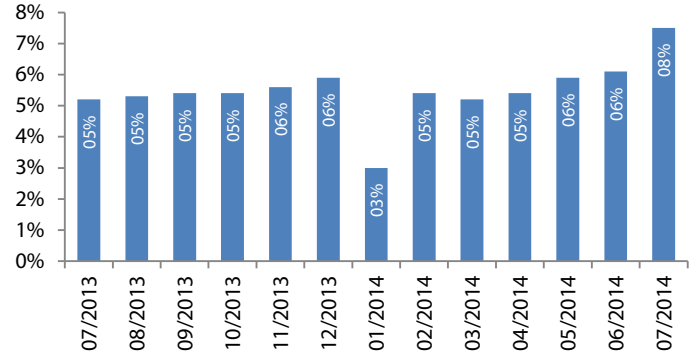
MACRO WATCH

Graph 1: GDP Growth



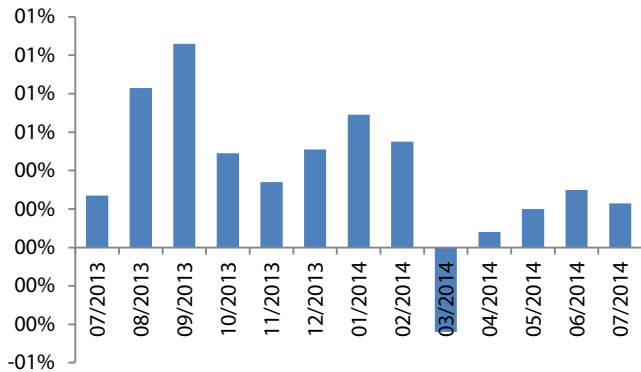
Sources: GSO, Rongviet Securities database
(* Comparison price in 1994)

Graph 2: IIP



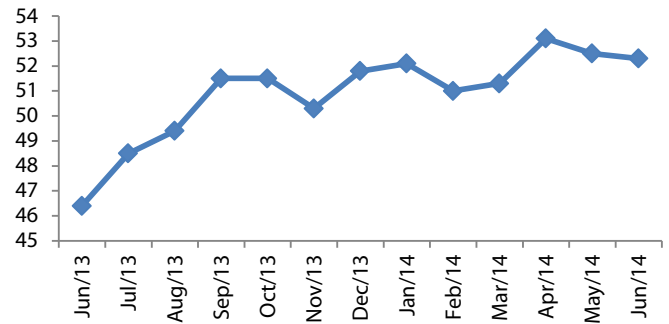
Sources: GSO, Rongviet Securities database

Graph 3: Monthly CPI



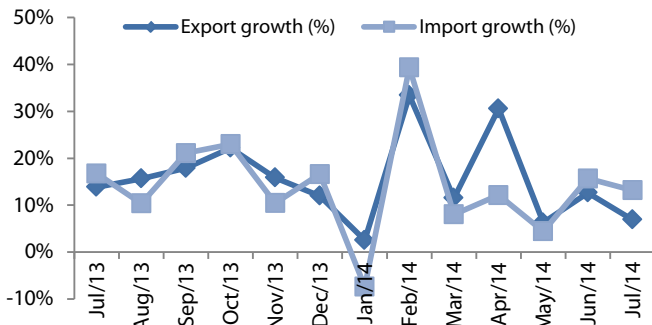
Sources: GSO, Rongviet Securities database

Graph 4: HSBC - PMI



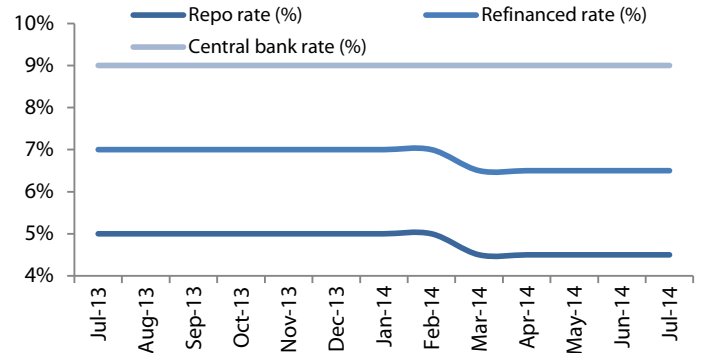
Sources: GSO, Rongviet Securities database

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	22/07/2014	0.75%	0.75%	11,065	11,000	0,59%
VF1	24/07/2014	0.20% - 1.00%	0.50%-1.50%	22,261	21,961	1,36%
VF4	23/07/2014	0.20% - 1.00%	0.00%-1.50%	10,157	9,975	1,83%
VFA	25/07/2014	0.20% - 1.00%	0.00%-1.50%	7,516	7,479	0,50%
VFB	25/07/2014	0.30% - 0.60%	0.00%-1.00%	10,982	10,975	0,07%
ENF	18/07/2014	0.00% - 3.00%		10,105	10,009	0,96%

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