

APRIL

14

TUESDAY

“The market lost grips as blue-chips lost heat”

ADVISORY DIARY

- **AGM Notes: KDH - A not-so-easy return to the high-end segment**
- **PLC – Stepping in FY2015 with many tailwinds**

AGM Notes: KDH - A not-so-easy return to the high-end segment

Today, the stock of KDH was hit hard, losing up to VND900/share during the day but managed to end down only VND400/share. This was rather surprising since the Company just announced very optimistic 2015 earnings guidance in its Annual General Meeting yesterday. Our analyst has had some notes from the event the most notable of which may be KDH’s plan to return to the high-end/luxury real estate segment this year.

For the business plan, KDH plans to expand its land bank size by 130ha to 230ha, an equivalent of 9,000 townhouses and 6,000 condominium units. KDH now has 4 projects in the pipeline that it will develop and commercialize this year: Tri Minh (Mega Village), Quoc Te, Song Lap (Mega Garden) and Sapphire (Mega Ruby phase 2). Except for Quoc Te, all these projects will be under KDH’s signature garden townhouse brand Mega, which made a spectacular debut in last year.

As compared to older projects, the new projects are significantly priced upward by a significant margin. Mega Garden starts from VND2.7 billion/unit, Mega Village from VND2.45 billion/unit (the previous Mega Ruby started from VND2.2 billion/unit and Mega Residence from VND1.9 billion/unit). The increases are due to upgrades in term of quality and add-in facilities of later projects, said KDH. However, that is a tactic often employed by real estate developers to compensate secondary investors who have invested earlier products and will help boost the sales of later launches. Our analyst noted that KDH’s failure to give a clear answer at the AGM of whether it will issue new shares this year to fund the announced projects may have bothered some minority shareholders.

For whole-year 2015, KDH targets sales of 500 units, revenue of VND1,400 billion and NPAT of VND200 billion. By the end of March, up to 150 units have been sold and Q1 NPAT was about VND51 billion, reported the Company’s management.

As an important takeout of the event, KDH informed shareholders it would develop 43 luxury villas at the Quoc Te project, which would be open for sale in 4Q2015 for a price of VND9-10 billion/unit. KDH decision to return to the high-end segment comes along with vigorous signs of improvements in the real estate market. Consulting firm Savills reported the absorption rate of townhouse/villas in HCMC at about 32% in Q1, up by 18 percentage points from a year earlier. Transactions were also up 58% from 1Q2014. Better liquidity for townhouses is expected to support transactions of high-end/luxury villas in the second half of 2015.

What concerns our analyst are: (1) fast supply growth of townhouses and villas in Dist. 9 may continue in upcoming quarters (Savills predicts up to 1,400 units, 60% of which are in Dist.9 will be launched in the remaining time of 2015); (2) there will a huge gap between the products in KDH’s pipeline and the majority of what the market is buying. This is a risky endeavor even for an experience real estate developer, which may require the firm to find customers in advance and deploy its merchandises before the market saturated.

Beside Dist.7, Dist.2 &9 of HCMC are considered very attractive residential areas for foreigners. In fact, areas like Phu My Hung (Dist.7) and Thao Dien (Dist.2) have always been the destination of choice for a great many foreign house buyers in HCMC. When the New Housing Law takes effect (July 2015), it will allow foreigner property rights in Vietnam. This is a big motivation for high-end real estate developers in those areas, including KDH, and more specifically, it may be the reason

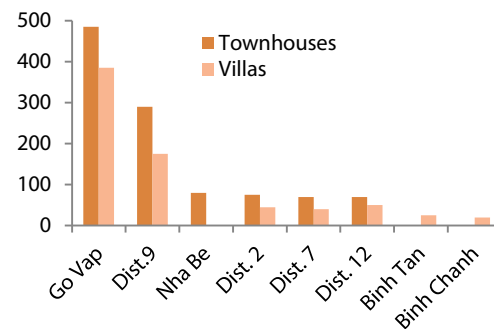
the Company times the sale opening of Quoc Te project in Q4.

KDH's real estate projects in 2015

| Project | Land area (m ²) | Number of units | Sale opening | Location | Progress | Sale price |
|-------------------------|-----------------------------|------------------------|--------------|-----------------------------|---|---------------------------|
| Sapphire (Mega Ruby) | 8,324 | 57 gardened townhouse | January 2015 | Phu Huu Ward, Dist. 9, HCMC | <ul style="list-style-type: none"> – Sales and construction finished – LURs issued for all units | From VND 2,2 billion/unit |
| Tri Minh (Mega Village) | 57,556 | 323 gardened townhouse | April 2015 | | <ul style="list-style-type: none"> – Infrastructure & landscape finished – Bareshells for 100 units under construction – LURs issued for all units | From VND2,45 billion/unit |
| Song Lap (Mega Garden) | 170,000 | 442 gardened townhouse | 3Q2015 | | <ul style="list-style-type: none"> – Infrastructure & finished – Landscape and add-in facilities under construction – LURs issued for all units | From VND2,7 billion/unit |
| Quoc Te | 31,010 | 43 high-end villas | 4Q2015 | | <ul style="list-style-type: none"> – Infrastructure & landscape under construction – LURs issued for all units | VND9-10 billion/unit |

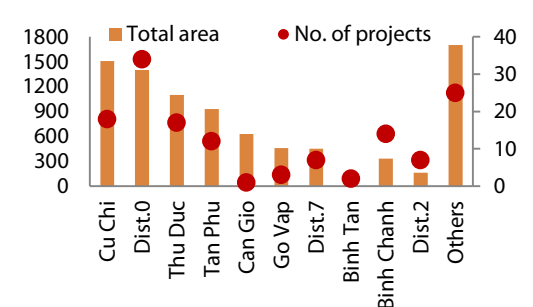
Source: KDH, RongViet Research

Current townhouse and villa supply in HCMC



Source: Savills

Future townhouse and villa supply in HCMC



Source: Savills

PLC – Stepping in FY2015 with many tailwinds

Today, RongViet Research just published a Company Report on Petrolimex Chemical Corporation (PLC – HNX). PLC is a subsidiary owned 79% by Vietnam National Petroleum Group (Petrolimex). The Company three main products include lubricants, bitumen and chemicals. The parent Company specializes in lubricants business while its wholly owned subsidiaries: (1) Petrolimex Bitumen Company Limited and (2) Petrolimex Chemicals Company Limited, as their name imply, are responsible for the other segment. In the past two years, especially FY2014, the Company business performance has showed significant improvement along with the recovery of the

economy and robust infrastructure investment activities in Vietnam.

PLC's 2014 business results reflected the Company's many advantages and has attracted many investors to the stock. In 2015, our analyst – My Tran- believes the advantages of **(1) being the leading firm in term of market share in its main businesses, (2) extensive distribution channels and production facilities, (3) low oil price and (4) increased infrastructure investment** would still be in place but with a milder effect on the Company's performance than last year. Profit margin improvement is a key driver for the Company's outlook in 2015. Furthermore, PLC's prospect lies with several new investment projects that could bring about enhanced efficiency in the next few years as well as high demand for its polymer bitumen, a product of many potentials given the increasing number of highway and airport projects. PLC's business risks stem not only from the inherent risks of each segment activities but also the volatility of global oil price.

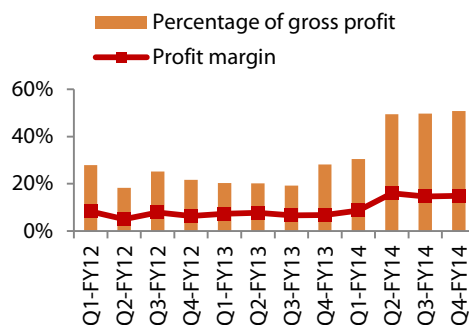
Using the discounted cash flow valuation method (FCFE and FCFF) and relative valuation (P/E) in comparison with regional peers, our analyst has determined the reasonable price for PLC's stock as **VND40,000/ share**. At the closing price on 13/4/2015 of VND34,300/share, PLC is trading at a forward P/E of 7,98x. For PLC's positive business outlook, RongViet Research rates the stock as **ACCUMULATION** in the **MEDIUM** term.

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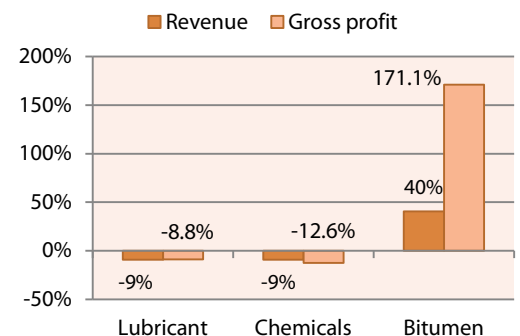
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Gross profit contribution and margin of the bitumen segment



Source: PLC, RongViet Research

2014 revenue and gross profit growth by segment

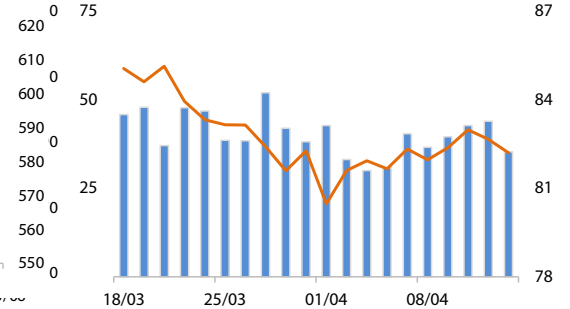
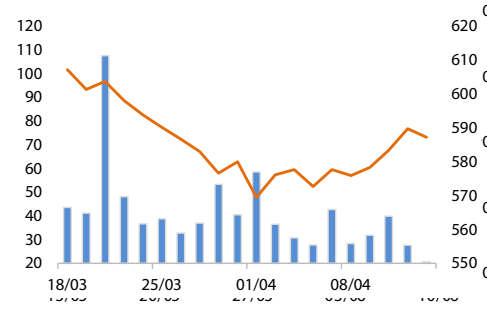
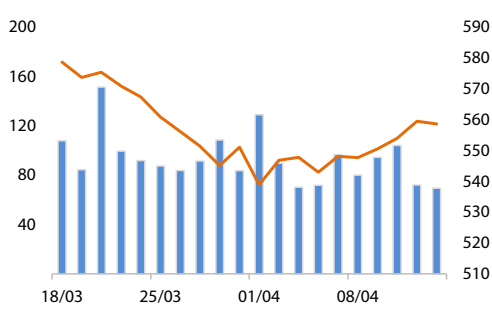


Source: PLC, RongViet Research

VNINDEX -0.16% 558.67

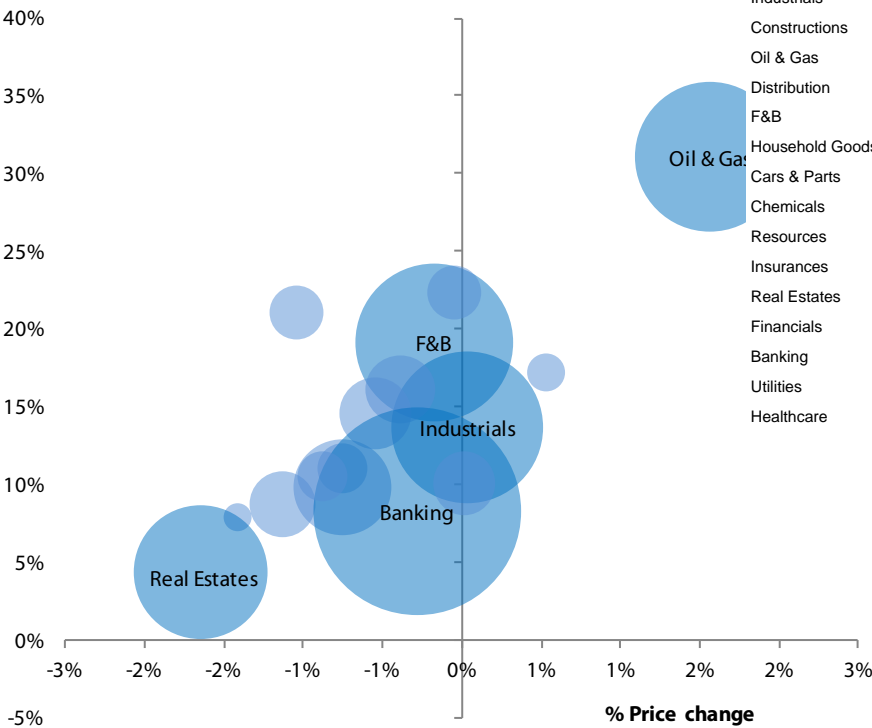
VN30 -0.43% 587.24

HNXINDEX -0.56% 82.20

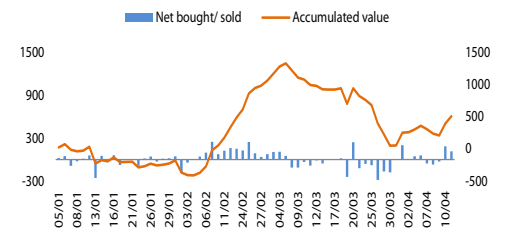


Industry Movement

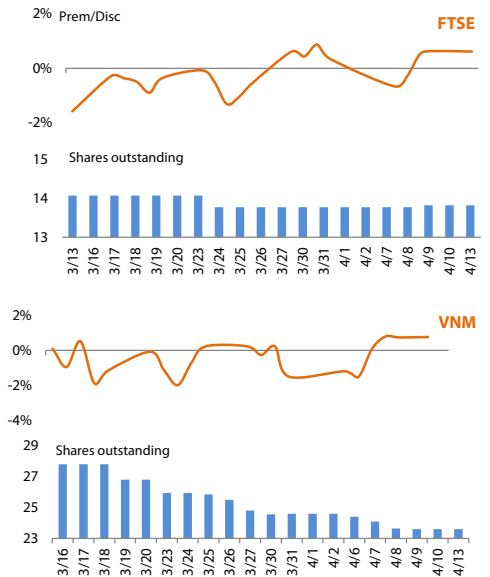
Industry ROE



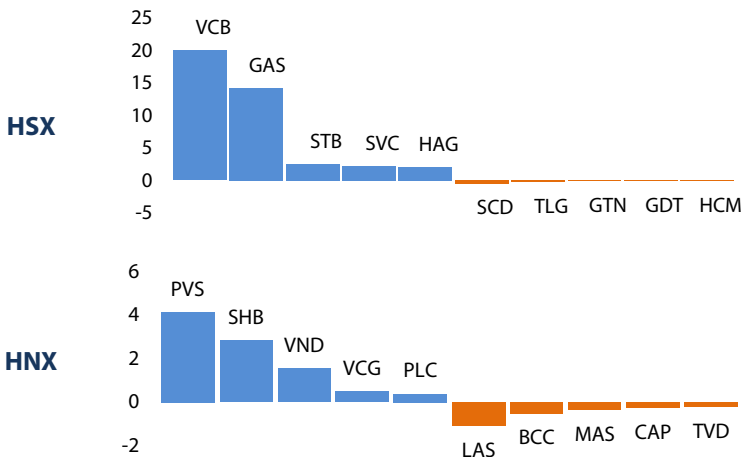
Foreign Investors Trading



ETF



Top net bought/sold by foreigners (VND bn)



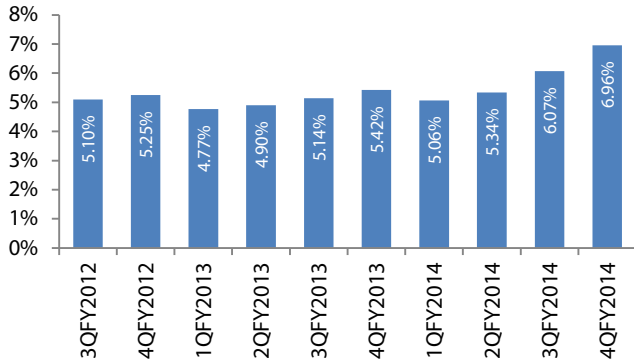
Top Active

| Ticker | Price | Volume | % price change |
|--------|-------|--------|----------------|
| BID | 19.0 | 5.10 | 0.0% |
| CTG | 17.9 | 4.31 | -1.1% |
| DLG | 9.7 | 3.38 | -1.0% |
| FLC | 10.5 | 2.96 | -0.9% |
| HAI | 11.0 | 2.59 | 0.0% |

| Ticker | Price | Volume | % price change |
|--------|-------|--------|----------------|
| FIT | 14.0 | 3.80 | 0.0% |
| SHB | 8.4 | 2.42 | -1.2% |
| KLF | 9.0 | 2.32 | 0.0% |
| ITQ | 18.0 | 2.31 | -10.0% |
| KVC | 20.8 | 2.09 | 30.0% |

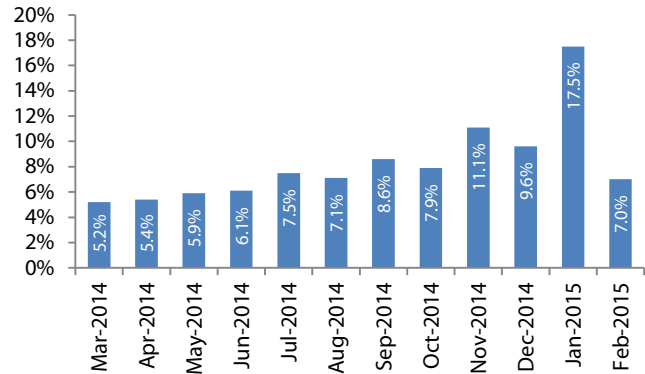
MACRO WATCH

Graph 1: GDP Growth



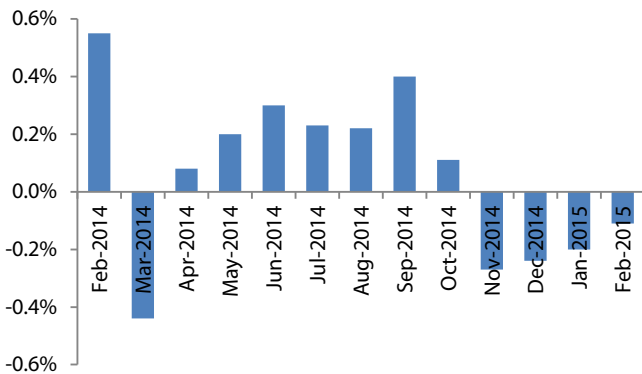
Sources: GSO. Rongviet Securities database
(* Comparison price in 1994)

Graph 2: IIP



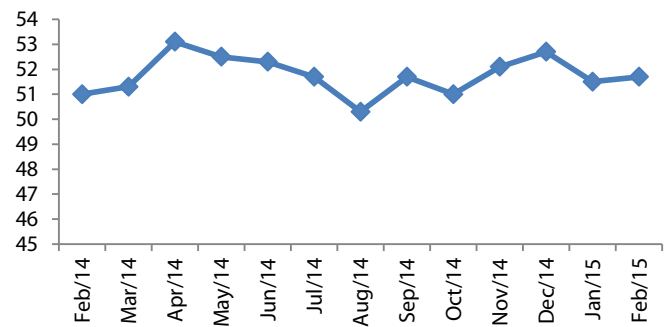
Sources: GSO. Rongviet Securities database

Graph 3: Monthly CPI



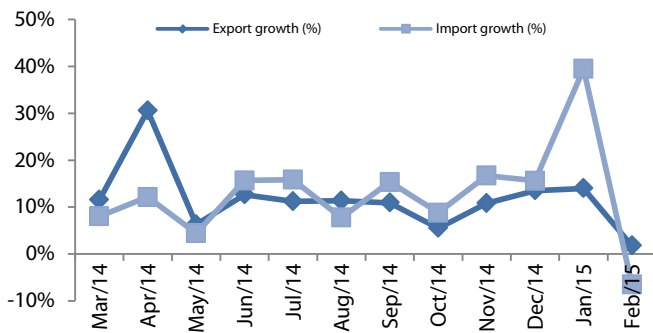
Sources: GSO. Rongviet Securities database

Graph 4: HSBC - PMI



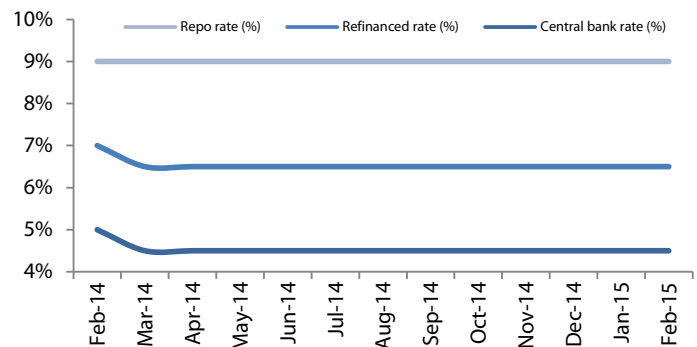
Sources: GSO. Rongviet Securities database

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 |
|--|-----------------------------|--------------------------------|--------------|
| PAC- Opportunities along with challenges | Jan 14 th , 2015 | Accumulate – Intermediate term | 27,500 |
| HMH - Positive outlook from various supporting factors | Jan 06 th , 2015 | Accumulate – Long term | 33,800 |
| DPM - Tail wind from crude oil | Dec 26 th , 2014 | Buy – Intermediate term | 36,100 |
| VNM - 2014 - At the pit stop | Dec 19 th , 2014 | Accumulate – Long term | 110,000 |
| PCT – Restructuring | Dec 11 th , 2014 | Monitor | |

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 | 10/03/2015 | 0%-0.75% | 0%-2.5% | 11,730 | 11,725 | 0.04% |
| VEOF | 10/03/2015 | 0%-0.75% | 0%-2.5% | 9,871 | 9,695 | 1.82% |
| VF1 | 16/03/2015 | 0.2% - 1% | 0.5%-1.5% | 21,715 | 21,772 | -0.26% |
| VF4 | 11/03/2015 | 0.2% - 1% | 0%-1.5% | 9,530 | 9,552 | -0.23% |
| VFA | 13/03/2015 | 0.2% - 1% | 0%-1.5% | 7,402 | 7,457 | -0.73% |
| VFB | 13/03/2015 | 0.3% - 0.6% | 0%-1% | 12,187 | 12,179 | 0.06% |
| ENF | 06/03/2015 | 0% - 3% | 0% | 10,951 | 10,868 | 0.76% |
| MBVF | 26/02/2015 | 1% | 0%-1% | 11,081 | 11,100 | -0.17% |
| MBBF | 11/03/2015 | 0%-0.5% | 0%-1% | 12,032 | 11,966 | 0.55% |

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