

Horizon Securities

Research team

Hoc Nhan

Analyst

hocnhan@horizonsecurities.com

COTECCONS GROUP

**Head Office:** 194/2 Nguyen Trong Tuyen, Ward 8,
Phu Nhuan District, HCM City**Tel:** 84-(8) 399 791 68**Fax:** 84-(8) 399 791 67**Email:** coteccons@vnn.vn**Website:** <http://www.coteccons.vn/>

Stock profile/statistics 21-Jan-10

| Stock profile/statistics | | 21-Jan-10 |
|---------------------------------|-----------|--------------------------|
| Bloomberg Ticker | | CTD |
| Sector | | Construction & Materials |
| Price (VND) | | 114,000 |
| USD/VND | | 18,474 |
| Share Outstanding | | 18,450,000 |
| Par (VND) | | 10,000 |
| Market Capitalization (VND mln) | | 2,103,300 |
| Foreign room/ limit (%) | 43.5 / | 49.0 |
| 52 week High/ Low (VND) | 116,000 / | 113,000 |

Ownership Structure (%) 30-Sep-09

| | |
|-----------|-----|
| Local | 73% |
| Foreigner | 27% |

| | |
|---------------|-----|
| Institutional | 44% |
| Individual | 56% |

Major Owners

| | |
|-------------------------|-----|
| Indochina Holding Group | 10% |
| FICO (state-owned) | 7% |
| Vietnam Property Fund | 6% |
| Vietnam Dragon Fund | 6% |
| Nguyen Ba Duong | 6% |

Company Note

Coteccons Group (CTD) - Established as a division of Technical Construction and Building Material Company (part of Building Material Corporation No.1), Cotec Construction (Coteccons) was equitized in 2004 and listed 18.45mln shares on HOSE with a reference price of VND95,000 (US\$5.3) on 20 Jan 2010. The free float is around 11.27mln shares (61.1% of total listed shares)

The Company provides construction services for the industrial, office, residential and hotel sectors. As of 9M2009, the Company has generated revenues of US\$76mln (up 18% y-o-y) and net income of US\$9mln (up 81% y-o-y). Coteccons plans on broadening its core business to include real estate investments and development in the future.

Key points:

- At a price of VND114,000 (US\$6.2) per share, CTD will be valued at 9.5x FY09 P/E and 2.0x FY09 P/B, a 48% and 3.3% discount, respectively, to its local peers.
- From 2006-2008, the company has achieved revenue CAGR of 30%, twice as high as the growth rate for the construction industry during the period. CTD is the 9th largest construction contractor in Vietnam based on revenues in 2008.
- CTD's better than market revenue growth in the past 3 years can be attributed to the rise in FDI disbursements during that the period.
- Gross profit margins improved from 9% in 2008 to 14% through 9M2009, driven by the decline in raw material inputs. We expect a return to normalized gross margins of between 9%-11% in 2010 as raw material prices pick up from a recovering economy.
- CTD has a strong balance sheet and manages its cash more efficiently (54-day cash conversion cycle) compared to its competitors.
- CTD has built up a large back-log for 2010 and 2011, securing 79% of its targeted revenues for the respective years. The Company projects revenues of VND2,150bln (US\$116mln) and net income of VND200bln (US\$11mln) in 2010 and revenues of VND2,400bln (US\$130mln) and net income of VND225bln (US\$12mln) in 2011. EPS is expected to be VND10,840 and VND12,195 for 2010 and 2011, respectively.
- CTD plans to expand its core construction business into real estate investing and development. At the end of 3Q09, CTD had invested VND129bln (US\$7mln) in 7 real estate joint-ventures (20%-50% ownership). These projects include the Botanic II luxury apartments and Saigon Airport Plaza.

Valuation

At a price of VND114,000 (US\$6.2) per share, CTD will be valued at 9.5x FY09 P/E and 2.0x FY09 P/B, a 48% and 3.3% discount, respectively, to its local peers.

Figure 1. Quick valuation

Quick Valuation

As of January 21, 2010

| | | | | |
|-------------------|------------|---------|------------|---------|
| Market Price | 114,000 | VND | 6.4 | US\$ |
| Share Outstanding | 18,450,000 | shares | 18,450,000 | shares |
| Market Cap | 2,103 | VND'bln | 118,163 | US\$m'n |

| | | 2006 | 2007 | 2008 | 2009E | 2010E | 2011E |
|----------------------|---------|----------|-----------|-----------|-----------|-----------|-----------|
| Chartered Capital | VND'mln | \$35,000 | \$120,000 | \$120,000 | \$184,500 | \$184,500 | \$184,500 |
| Net revenue | VND'mln | 823,960 | 1,344,701 | 1,823,189 | 1,950,000 | 2,150,000 | 2,400,000 |
| % growth | | | 63% | 36% | 7% | 10% | 12% |
| Pre-tax profits | VND'mln | 55,575 | 143,203 | 167,402 | 254,725 | 270,000 | 305,000 |
| % growth | | | 158% | 17% | 52% | 6% | 13% |
| Net profits | VND'mln | 55,575 | 125,385 | 144,187 | 220,739 | 200,000 | 225,000 |
| % growth | | | 126% | 15% | 53% | (9%) | 13% |
| EPS | VND | 275,809 | 14,442 | 12,016 | 11,964 | 10,840 | 12,195 |
| Book Value per share | VND | 27,145 | 66,592 | 74,674 | 55,853 | 64,231 | 71,939 |
| Dividend per share | VND | N/A | N/A | N/A | 2,000 | 2,000 | 2,000 |
| ROE | % | 58% | 16% | 16% | 21% | 17% | 17% |
| P/E | x | | | | 9.5x | 10.5x | 9.3x |
| P/B | x | | | | 2.0x | 1.8x | 1.6x |
| EV/EBITDA | x | | | | 7.1x | 6.1x | 5.4x |

Source: HRS research, Coteccons

Figure 2. Peers Comparison

| Name | Country | US\$/share | TSO (mm) | Market cap | TEV | Beta | 2008 | | | | | Valuation Metric | | | | | |
|-------------------------------------------------|----------------|--------------|-----------|--------------|-------------|------------|--------------|------------|------------|------------|---------------|------------------|--------------|-------------|-------------|-------------|-------------|
| | | | | | | | Gross margin | Net Margin | ROA | ROE | EPS | P/E | | EV/EBITDA | | P/B | |
| | | | | | | | | | | | | 2009E | 2010E | 2009E | 2010E | 2009E | 2010E |
| Local | | US\$ | | US\$m'n | US\$m'n | | % | % | % | % | US\$ | x | x | x | x | x | x |
| PETROVIETNAM CONSTRUCTION CONSTRUCTION JSC NO 5 | VIETNAM | \$1.4 | 150 | \$203 | \$340 | N/A | 9% | 5% | 2% | 5% | \$0.03 | 19.7x | 9.9x | N/A | N/A | 2.2x | N/A |
| HOA BINH CONSTRUCTION | VIETNAM | 3.2 | 10 | 33 | 58 | 1.2 | 8 | 4 | 3 | 18 | 0.18 | 18.2 | 9.3 | 10.3 | 5.3 | 3.2 | 3.0 |
| DESCON CONSTRUCTION CORP | VIETNAM | 1.9 | 15 | 29 | 38 | 1.1 | 10 | 1 | 1 | 1 | 0.03 | 23.8 | 8.7 | 11.8 | 7.4 | 0.9 | 1.0 |
| Average | | | | | | 1.1 | 9% | 3% | 2% | 8% | \$0.08 | 18.2x | 9.3x | 11.0x | 6.3x | 1.9x | 1.7x |
| Median | | | | | | 1.1 | 9 | 3 | 3 | 6 | 0.05 | 18.9 | 9.3 | 11.0 | 6.3 | 1.8 | 1.3 |
| Regional | | | | | | | | | | | | | | | | | |
| TODA CORP | JAPAN | \$3.6 | 323 | \$1,152 | \$1,367 | 1.0 | 7% | 1% | 1% | 2% | \$0.13 | N/A | 23.7x | 18.1x | 15.0x | 0.5x | 0.6x |
| ITALIAN-THAI DEVELOPMENT PCL | THAILAND | 0.1 | 4,194 | 391 | 972 | 1.7 | 2 | (6) | (5) | (21) | (0.02) | N/A | 40.8 | 9.9 | 9.0 | 1.0 | 1.0 |
| PENTA-OCEAN CONSTRUCTION CO | JAPAN | 1.1 | 246 | 262 | 995 | 1.0 | 8 | 1 | 1 | 5 | 0.11 | N/A | 19.8 | 6.2 | 7.6 | 0.4 | 0.4 |
| SINO THAI ENGR & CONSTR PCL | THAILAND | 0.2 | 1,186 | 231 | 232 | 1.4 | 4 | 1 | 1 | 4 | 0.00 | 33.7 | 21.5 | 8.4 | 7.0 | 1.7 | 1.8 |
| EKOVEST BHD | MALAYSIA | 0.4 | 142 | 64 | 79 | 1.3 | 9 | 4 | 3 | 5 | 0.04 | 24.2 | 27.8 | 6.7 | 7.1 | 0.7 | 0.7 |
| TOTAL BANGUN PERSADA | INDONESIA | 0.0 | 2,750 | 56 | 27 | 1.4 | 6 | 1 | 1 | 4 | 0.00 | 9.7 | 9.3 | 2.3 | 2.3 | 1.2 | 1.1 |
| SYNTEC CONSTRUCTION PCL | THAILAND | 0.0 | 1,600 | 42 | 47 | 2.1 | 7 | 5 | 7 | 16 | 0.01 | 8.1 | 5.7 | 4.2 | 3.6 | 0.8 | 0.7 |
| NAWARAT PATANAKARN PUB CO LT | THAILAND | 0.0 | 2,485 | 31 | 37 | 1.6 | 7 | 6 | 7 | 15 | 0.00 | 10.3 | 20.5 | 5.9 | 6.2 | 0.7 | 0.7 |
| Average | | | | | | 1.4 | 6% | 1% | 2% | 4% | \$0.03 | 17.2x | 21.1x | 7.7x | 7.2x | 0.9x | 0.9x |
| Median | | | | | | 1.4 | 7 | 1 | 1 | 4 | 0.00 | 10.3 | 21.0 | 6.5 | 7.1 | 0.8 | 0.7 |
| COTEC CONSTRUCTION JSC | VIETNAM | \$6.2 | 18 | \$114 | \$90 | N/A | 9% | 8% | 12% | 16% | \$0.42 | 9.5x | 10.5x | 7.1x | 6.1x | 2.0x | 1.8x |

Source: HRS research

The Company

Established as a division of Technical Construction and Building Material Company (part of Building Material Corporation No.1), Cotec Construction (Coteccons) was equitized in 2004 and will list 18.45mln shares on HOSE with a reference price of VND95,000 (US\$5.3) on 20 Jan 2010. The free float is around 11.27mln shares (61.1% of total listed shares)

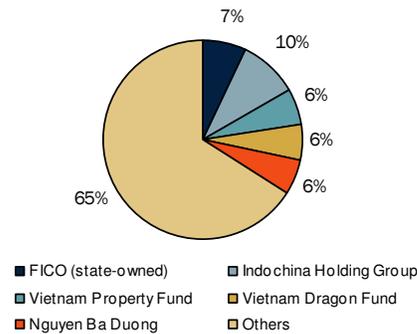
The Company provides construction services for the industrial, office, residential and hotel sectors. As of 9M2009, the Company has generated revenues of US\$76mln (up 18% y-o-y) and net income of US\$9mln (up 81% y-o-y). Coteccons plans on broadening its core business to include real estate investments and development in the future.

Ownership

Indochina Holding group has the largest ownership position with 9.8%, followed by Building Material Corporation No.1 (Fico) with 6.9%, Vietnam Property Fund Ltd (5.9%), Vietnam Dragon Fund Ltd (5.7%) and Mr. Nguyen Ba Duong – Chairman and CEO of Coteccons (5.7%).

Figure 3. Shareholder Structure as of 30 September 2009

| | No. of shares | Pct. |
|-------------------------|-------------------|-------------|
| Local | 13,399,230 | 73% |
| Foreigner | 5,050,770 | 27% |
| Institutional | 8,149,815 | 44% |
| Individual | 10,300,185 | 56% |
| Total | 18,450,000 | 100% |
| Major Owners | | |
| FICO (state-owned) | 1,266,000 | 6.86% |
| Indochina Holding Group | 1,800,000 | 9.76% |
| Vietnam Property Fund | 1,089,090 | 5.90% |
| Vietnam Dragon Fund | 1,050,000 | 5.69% |
| Nguyen Ba Duong | 1,058,800 | 5.74% |
| Others | 12,186,110 | 66.05% |
| Total | 18,450,000 | 100% |



Source: Coteccons

Business Overview

Coteccons (CTD) provides construction services in four main areas, namely industrial, office, residential and hotels. From 2006-2008, the company has achieved revenue CAGR of 30%, twice as high as the growth rate for the construction industry during the period. CTD is the 9th largest construction contractor in Vietnam based on revenues in 2008 (according to Vietnam report and Vietnamnet ranking).

Figure 4. Growth in past 3 years

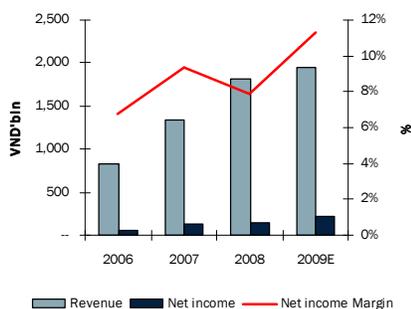
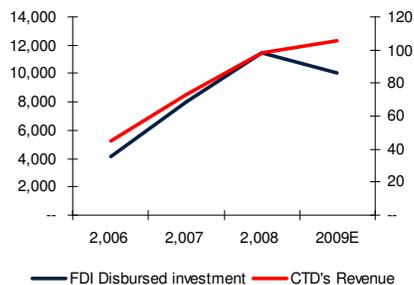


Figure 5. Correlation between FDI disbursement and CTD's Revenue



Source: HRS research, Coteccons

CTD's better than market revenue growth in the past 3 years can be attributed to the rise in FDI disbursements during that period. From 2006-2008, FDI disbursements grew from US\$4,100bln to US\$11,500bln, a CAGR of 41% and this was the main capital driver behind many industrial projects. As a result, the industrial segment became CTD's largest segment and made up 51% of total revenues and 57% of gross profits in 2008. In 2009, revenues from the industrial segment declined due to a reduction in FDI inflows stemming from the economic crisis. Consequently, CTD shifted its resources to office buildings, hotel & resorts and luxury apartments in order to utilize its top-down construction technique. CTD is the first construction company in Vietnam to apply this technique, which reduces construction time (by 20-30%) and ultimately labor costs and interest expense on the project. Projects such as the Saigon Happiness Square (completed in 18 months vs 24-month target) and Everich (completed in 13 months vs. 14-month target) are examples of CTD's efficiency. Through 9M2009, revenues have been more evenly distributed with residential (22% of revenues), office (30% of revenues) and hotels (21% of revenues) making up a larger percentage of total revenues.

Figure 6. Revenue Structure

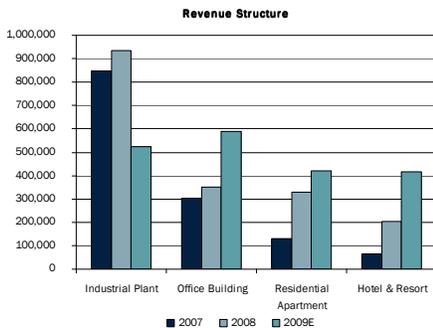
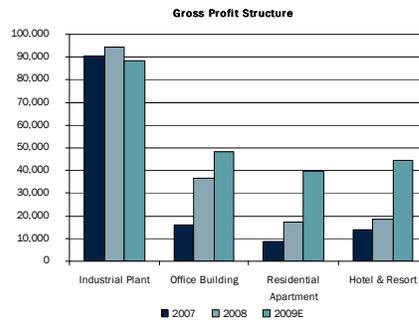


Figure 7. Gross Profit Structure



Source: HRS research, Coteccons

Profitability

Gross profit margins improved from 9% in 2008 to 14% through 9M2009, driven by the decline in raw material inputs. According to the Ministry of Construction, the Construction COGS Index decreased 8.7% in the first nine months of 2009 while revenues (Construction Price Index) decreased by only 6.4%. We expect a return to normalized gross margins of between 9%-11% in 2010 as raw material prices pick up from a recovering economy.

Figure 8. Gross Margin

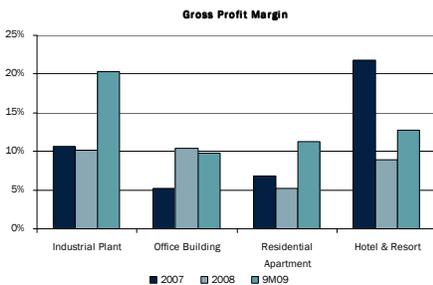
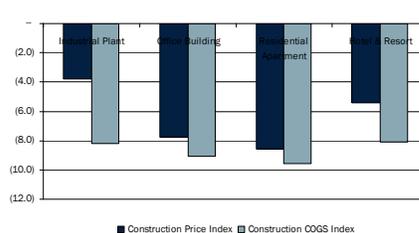


Figure 9. % change of Construction Price Index and Construction COGS Index 2008-3Q09



Source: HRS research, Coteccons, Ministry of Construction

Company Note - Coteccons (HOSE: CTD)

Balance Sheet

CTD has a strong balance sheet and manages its cash more efficiently (54-day cash conversion cycle) compared to its competitors. We believe that CTD's strong brand name, accelerated construction process and high standard of quality have given the company increased negotiating leverage when transacting with suppliers and customers.

Figure 10. Balance Sheet Analysis

| 9M09 | CTD | HBC | SC5 | DCC |
|-------------------------|------|------|------|------|
| Accts Receivable days | 37 | 84 | 59 | 75 |
| Accts Payables days | 14 | 35 | 27 | 36 |
| Inventory Turnover days | 30 | 61 | 288 | 88 |
| Cash Conversion Cycle | 54 | 109 | 320 | 127 |
| Current Ratio (x) | 1.9x | 1.2x | 0.1x | 1.4x |
| Cash to Debt (x) | 1.3x | 0.2x | 0.1x | 0.8x |
| Debt to Equity (%) | 0.3% | 1.4% | 5.3% | 0.8% |

Source: HRS research, Companies Financial Report

As of the end of September 2009, CTD had VND415bln (US\$22mln) cash on hand, providing the company with financial flexibility to invest in potential real estate projects.

2010-2011 Outlook

CTD had built up a large back-log for 2010 and 2011, securing 79% of its targeted revenues for the respective years. The Company projects revenues of VND2,150bln (US\$116mln) and net income of VND200bln (US\$11mln) in 2010 and revenues of VND2,400bln (US\$130mln) and net income of VND225bln (US\$12mln) in 2011. EPS is expected to be VND10,840 and VND12,195 for 2010 and 2011, respectively.

Figure 11. Major Contracts Pipeline in 2010-2011

| No. Name | Investor | Value VND'bln | 2009 | | | | 2010 | | | | 2011 | | | | |
|------------------------------------------|---------------------------|----------------|------|----|----|----|------|----|----|----|------|----|----|----|-------|
| | | | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | 4Q | |
| A/ Industrial Plant | | | | | | | | | | | | | | | |
| Tan Son Nhat International Airport Cargo | SCSC | \$450 | | | | | | | | | | | | | |
| A Chau Sai Gon Food Material Plant | A Chau JSC | N/A | | | | | | | | | | | | | |
| B/ Office Building | | | | | | | | | | | | | | | |
| Coteccons Office Center | Coteccons Group | 200 | | | | | | | | | | | | | |
| Nam A Bank Office Building | Nam A Bank | 97 | | | | | | | | | | | | | |
| C/ Luxury Apartment | | | | | | | | | | | | | | | |
| Kenton Residence | Tai Nguyen Co. Consultant | 475 | | | | | | | | | | | | | |
| H18 Riverpark Residence | Phu My Hung | 350 | | | | | | | | | | | | | |
| Carina | Hung Thanh | 355 | | | | | | | | | | | | | |
| VRG River View | Vietnam Rubber Group | 77 | | | | | | | | | | | | | |
| Diamond Island | Binh Thien An | N/A | | | | | | | | | | | | | |
| The Everich II | Phat Dat | N/A | | | | | | | | | | | | | |
| Lan Phuung MHBR Tower | Lan Phuung & MHB | N/A | | | | | | | | | | | | | -2014 |
| D/ Hotel & Resorts | | | | | | | | | | | | | | | |
| Marble Mountain | Indochina Land | 1,172 | | | | | | | | | | | | | |
| Ocean Villas | VinaCapital | 350 | | | | | | | | | | | | | |
| Liberty 6 Hotel | Liberty Que Huang | 31 | | | | | | | | | | | | | |
| Total | | \$3,557 | | | | | | | | | | | | | |

Source: HRS research

CTD plans to expand its core construction business into real estate investing and development. At the end of 3Q09, CTD had invested VND129bln (US\$7mln) in 7 real estate joint-ventures (20%-50% ownership). These projects include the Botanic II luxury apartments and Saigon Airport Plaza. CTD had also invested VND200bln (US\$11mln) in the Coteccons Office Tower, its first 100% owned office and residential building. The 10,000 sqm office is expected to open in Dec 2010, generating an estimated US\$2.4mln of annual revenue. We will continue monitoring the progress of these projects and provide an update as it becomes available.

Financial Highlights

| Income Statement | 2006 | 2007 | 2008 | 3Q09 | Cashflow Statement | 2006 | 2007 | 2008 | 3Q09 |
|-----------------------------------|------------------|--------------------|--------------------|--------------------|------------------------------------|-----------------|------------------|----------------|-----------------|
| | VND'mln | VND'mln | VND'mln | VND'mln | | Direct | VND'mln | VND'mln | VND'mln |
| Sales | \$823,960 | \$1,344,556 | \$1,823,189 | \$1,447,681 | Collections from AR | \$817,476 | \$1,453,059 | \$2,175,086 | \$1,369,062 |
| COGS (incl. depreciation) | (761,893) | (1,215,601) | (1,656,424) | (1,251,227) | Payment for AP | (454,575) | (886,478) | (1,312,000) | (857,949) |
| Gross profit | 62,067 | 128,955 | 166,765 | 196,454 | Payment for employees salaries | (13,717) | (26,946) | (36,775) | (47,538) |
| Sales and admin. expenses | (13,811) | (22,878) | (33,890) | (20,525) | Payment for interest expense | (885) | (88) | (81) | 0 |
| EBIT | 48,256 | 106,077 | 132,875 | 175,929 | Payment for enterprise tax | (56) | (5,628) | (26,723) | (12,556) |
| Income from financial activities | 5,873 | 35,520 | 35,619 | 33,795 | Other cash inflows from operating | 28,478 | 47,291 | 110,738 | 31,651 |
| Expense from financial activities | (885) | (111) | (4,118) | (22,243) | Other cash outflows from operating | (371,066) | (708,197) | (913,042) | (422,384) |
| In which: Interest expenses | (852) | (88) | (81) | 0 | Net CF from operating | 5,655 | (126,987) | (2,797) | 60,286 |
| Income from JVs & associates | 0 | 0 | 0 | 0 | Net CF from investing | (3,811) | (128,564) | 12,274 | (16,272) |
| Other profits | 2,331 | 1,717 | 3,026 | 1,241 | Net CF from financing | (17,996) | 597,285 | 0 | 9,000 |
| Taxes | 0 | (17,818) | (23,215) | (30,901) | Net change in cash | (16,152) | 341,734 | 9,477 | 53,014 |
| Net income | 55,575 | 125,385 | 144,187 | 157,821 | Cash at beginning of year | 26,843 | 10,691 | 352,430 | 361,909 |
| Depreciation and amortization | N/A | 5,017 | 9,611 | 9,941 | Exchange rate fluctuation | 0 | 5 | 3 | 0 |
| EBITDA | N/A | 111,094 | 142,486 | 185,870 | Cash at end of year | 10,691 | 352,430 | 361,910 | 414,923 |

| Balance Sheet | 2006 | 2007 | 2008 | 3Q09 | Ratio Analysis | 2006 | 2007 | 2008 | 3Q09 |
|---------------------------|----------------|----------------|------------------|------------------|-------------------------|---------|--------|-------|-------|
| | VND'mln | VND'mln | VND'mln | VND'mln | | VND'mln | | | |
| Cash & equivalents | \$10,691 | \$352,430 | \$361,910 | \$414,923 | Revenue Growth (%) | N/A | 63.2% | 35.6% | 18.2% |
| Short-term investments | 0 | 80,000 | 77,638 | 119,624 | Gross Margin (%) | 7.5% | 9.6% | 9.1% | 13.6% |
| Account receivables | 119,029 | 173,192 | 154,408 | 237,352 | Operating Margin (%) | 5.9% | 7.9% | 7.3% | 13.0% |
| Inventories | 47,002 | 100,476 | 149,512 | 128,005 | Net Margin (%) | 6.7% | 9.3% | 7.9% | 10.9% |
| Others | 7,456 | 10,416 | 15,386 | 37,621 | Net Income Growth (%) | N/A | 125.6% | 15.0% | 70.7% |
| Current assets | 184,178 | 716,514 | 758,854 | 937,525 | Accts Receivable days | 50.0 | 37.9 | 29.8 | 37.1 |
| Non-current assets | 39,674 | 252,121 | 397,224 | 415,077 | Accts Payables days | 18.2 | 15.0 | 13.0 | 13.7 |
| Total assets | 223,852 | 968,635 | 1,156,078 | 1,352,602 | Inventory Turnover days | 11.3 | 22.1 | 27.5 | 30.4 |
| Trade payables | 38,061 | 61,745 | 56,656 | 82,891 | Current Ratio (x) | 1.4x | 4.2x | 2.9x | 1.9x |
| Short term borrowings | 0 | 0 | 0 | 0 | Cash to Debt (X) | 0.1x | 2.6x | 1.7x | 1.3x |
| Others | 90,446 | 105,778 | 198,883 | 257,543 | Debt to Equity (%) | 1.4% | 0.2% | 0.3% | 0.3% |
| Current liabilities | 128,507 | 167,523 | 255,539 | 325,846 | Return on Assets (%) | 43.1% | 17.8% | 12.5% | 12.6% |
| Non-current liabilities | 0 | 0 | 47 | 28 | Return on Equity (%) | 101.6% | 23.7% | 15.7% | 16.4% |
| Total liabilities | 128,507 | 167,523 | 255,586 | 325,874 | | | | | |
| Paid in capital | 35,000 | 120,000 | 120,000 | 184,500 | | | | | |
| Retained earnings | 21,070 | 93,988 | 96,631 | 143,854 | | | | | |
| Other funds | 38,937 | 585,115 | 679,452 | 698,374 | | | | | |
| Owners' equity | 95,007 | 799,103 | 896,083 | 1,352,602 | | | | | |
| Minority interest | 0 | 0 | 0 | 0 | | | | | |

Source: HRS research, Coteccons

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194 Nguyen Cong Tru Street, 5th Floor
District 1, Ho Chi Minh City
Vietnam

Tel: +848 3914 7027 Fax: +848 3914 7020
Email: info@horizonsecurities.com