

Horizon Securities

Research team

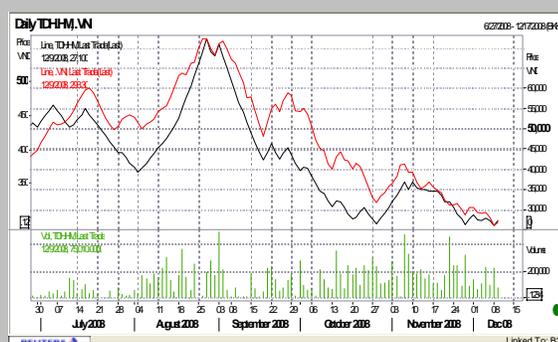
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Stock Profile/Statistics	9-Dec-08
Reuters Ticker	TDH.HM
Sector	Construction & Housing
Price (VND)	35,500
USD/VND	16,977
Shares Outstanding	25,250,000
Par (VND)	10,000
Market Capitalisation (VNDmln)	656,500
Foreign Room/ limit (%)	09.58 / 49.00
52 week High/ Low (VND)	133,067 / 25700
3-mth average daily T/O	153,037
Estimated free float	60%

Stock Performance (%)	1M	3M	6M
Absolute (%)	(25.50)	(58.06)	(57.31)
Relative (%)	(4.38)	(12.26)	(32.45)

Ownership Structure	Shares	%
Government (HIFU)		7%
Insiders and strategic investors		33%
Public		60%



Company Visit Note

Thu Duc House Development Corporation (TDH): Established in 1990 in Ho Chi Minh City, TDH was privatized and listed on HOSE at the end of 2006. The company is engaged primarily in development of residential, commercial and industrial real estate. In recent years, the company also made financial investments in securities. Thu Duc House main market was in the surrounding area of Thu Duc, District 9 and District 2 of Ho Chi Minh City. As of 29 October 2008, the government held 7% in the company, insiders and strategic investors kept 33% and the rest remained in free float.

Key takeaways from the meeting:

- In October 2008, Thu Duc House reported three-quarters revenue of VND323bln, up by 202% year-on-year. Revenue this year came mainly from the sales of Binh Chieu Project. Total revenue from this project is expected around VND420bln, of which 60% has been recorded in the first three quarters.
- The company expects to generate a total of VND160bln turnover for the fourth quarter of 2008, in which VND96bln from Binh Chieu Project, VND11bln from financial investments and VND55bln gain from revaluation of its land value.
- As outlooks for 2009, revenues will come mainly from the Agriculture Market B and Thanh Duc-Industrial Projects. Total revenue from the Agriculture Market B is expected to be around VND200bln, which has been collected in the prepayment account already. Total revenue from Thanh Duc Industrial Projects is estimated around 116bln to be completed in 2009.
- Net profit in the first three quarters reached VND86bln (US\$5.21mln), archiving 51% of the target. Net profit was under-performed because the company has made VND17.9bln provision for its financial investment.
- This year marked a significant slow down in the number of real estate transactions in Ho Chi Minh City as compared to the previous year. Since the beginning of the year, there were approximately 8,000 units being launched, but only 2,000 units has been successfully transacted.
- Prices have been affected by the downward spiral in the Vietnamese stock market and government restrictions on mortgage lending. According to local realty agencies, prices of apartments in Ho Chi Minh City have gone down by 30%-60% from the peak in 2007.
- At the end of September, long-term investments were worth VND552bln (US\$32.86mln) on its book value. In which, about VND115bln was investment in joint ventures and associates. Total provision made for this long-term investment was recorded at VND17.9bln, taking the net value down to VND552bln.

Key takeaways from the meeting

The Company

Established in 1990 in Ho Chi Minh City, TDH was privatized and listed on HOSE at the end of 2006. The company is engaged primarily in development of residential, commercial and industrial real estate. In recent years, the company also made financial investments in securities. Thu Duc House main market was in the surrounding area of Thu Duc, District 9 and District 2 of Ho Chi Minh City. As of 29 October 2008, the government held 7% in the company, insiders and strategic investors kept 33% and the rest remained in free float.

Revenue

Thu Duc House has recently revised its revenue target for 2008 down 11% from VND472bln to VND419.2bln. In the first three quarters of 2008, the company reported cumulative revenue of VND323bln, reaching 77.05% of the new target. Revenue this year came mainly from the sales of Binh Chieu Project. Total revenue from this project is expected around VND420bln, of which 60% has been recorded in the first three quarters. In addition, the company also made VND22bln (US\$1.31mln) from its financial activities, mainly interests received from bank deposits.

In the fourth quarter 2008, management expects to generate a total of VND95.7bln in revenue from its core businesses, in which VND96bln from the Binh Chieu Project. In addition, the company anticipates VND11bln from financial investments and VND55bln gain from revaluation of its land value, which is a non-cash item.

As outlooks for 2009, revenues are expected to come mainly from the Agriculture Market B and Thanh Duc-Industrial Projects. Total revenue from the Agriculture Market B is expected to be around VND200bln, which has been collected in the prepayment account already. Total revenue from Thanh Duc Industrial Projects is estimated around 116bln to be completed in 2009. Management further advised that they will have around VND 40-50 billion revenues from other projects, which has been completed but yet recorded in the financial statements. In addition, there will be VND80bln received from the revaluation of the land contributed into TDH-Daewon Joint Venture. The La Sapinette Hotel, which TDH contributed 68%, will also be completed and generate return for TDH in 2009. However, the company is still considering whether to sell this project or hold it for operation.

As for the medium and long-term prospects, there are several key projects as followed:

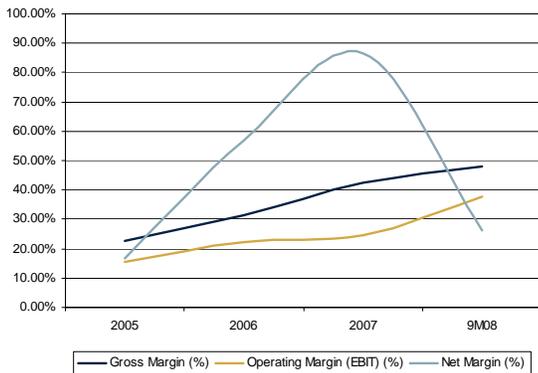
Future projects	Total Investment	Est. Prices	Land Area	Net Floor Area	Start	Complete Status
Truong Tho Apartment	VND314bln	US\$1,000/sqm	6,994 sqm	27,139 sqm	2008	2010 Construction in progress
Agri-market C	VND20bln	VND20mln/kiosk	6,278 sqm	4,4395 sqm	2009	2010 Designing stage
Binh Chieu Apartment (51%)	VND422bln	US\$1,000/sqm	10,52 sqm	51,462 sqm	2009	2011 Designing stage
TDH-Hiep Phu Apartment	US\$60mln	US\$1,600/sqm	11,582 sqm	44,319 sqm	2009	2011 Awaiting for cons'n licence
TDH-Phuoc Binh Apartment	VND101bln	US\$700–800/sqm	2,500 sqm	7,300 sqm	2010	2012 Designing stage
TDH-Phuoc Long Apartment	VND146bln	US\$700–800/sqm	3,573 sqm	12,506 sqm	2010	2012 Designing stage
Cantavil 2 Apartment (40%)	US\$60mln	US\$2,500/sqm	11,170 sqm	55,380 sqm	2010	2012 Awaiting for cons'n licence
Ha Noi Complex	US\$94.3mln	N/A	28,726 sqm	46,877 sqm	N/A	N/A Investment licence approved
Dong Mai Industrial Zone	VND1,265bln	N/A	2,250,000 sqm	N/A	N/A	N/A Designing stage
Gia Kiem-Dong Nai	N/A	N/A	1,000,000 sqm	N/A	N/A	N/A Designing stage
Nhon Trach-Dong Nai	N/A	N/A	950,000 sqm	N/A	N/A	N/A Designing stage
Chan May-Hue	US\$150mln	N/A	120,000 sqm	N/A	N/A	N/A Designing stage
Ben Luc-Long An	VND\$234bln	N/A	267,000 sqm	N/A	N/A	N/A Compensation stage
Tam Tan-Cu Chi	VND1,012bln	N/A	200,000 sqm	N/A	N/A	N/A Feasibility study stage

Source: Company report

Company Visit Note – Thu Duc House Development Corp.

Profitability

TDH's Profit margins



Source: Company report

From 2005 to 2008, gross margin has increased significantly from 23% to 48%, thanks to the housing boom in the region. Net margin however, are much more volatile since the company has sizable amount of income from financial and other activities. It went from 17% in 2005 to 87% in 2007 and recently dropped back to the 26% level, as the company made VND17.9bln of financial loss provision in the first 9 months 2008. Net profit in the

first three quarters reached VND86bln (US\$5.21mln), archiving 51% of the new target.

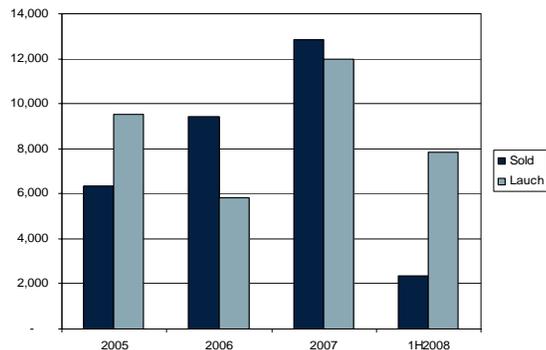
Pricing and segmentation

The company had been focused on the medium-to-high housing market in Thu Duc District, which prices range from US\$1,000 and higher. The joint-developed projects like An Phu Cantavil and Hiep Phu Apartment are priced up to US\$2,500. Target customers are mainly the working professionals from Ho Chi Minh City. A majority is its land-bank and projects are located in the surrounding areas of Thu Duc District, which are around 10-15km away from downtown Ho Chi Minh City. As for its future development, Thu Duc House is seeking to develop projects in other provinces such as Long An, Hue, Ha Noi as well as overseas like the US.

Industry

This year marked a significant slow down in the number of real estate transactions in Ho Chi Minh City as compared to the previous year. Since the beginning of the year, there were approximately 8,000 units being launched, but only 2,000 units has been successfully transacted. The real estate market has suffered severely lack of capital and high interest rate as banks shut off credit flows to the industry. The credit crunch is not only having a negative affect on property investors but also individuals as banks are also refusing to lend to private individuals. Prices have been affected by the downward spiral in the Vietnamese stock market and government restrictions on mortgage lending. According to local realty agencies, prices of apartments in Ho Chi Minh City have gone down by 30%-60% from the peak in 2007.

Number of new apartment units in HCMC



Source: CBRE

Real Estate Index for HCMC



Source: Met Vuong

Company Visit Note – Thu Duc House Development Corp.

Recently, the State Bank of Vietnam has reduced basic interest rate for the fourth time this year from 14% to 10% in order to ease the credit market. However, commercial and state-owned banks are still reluctant to make loan to private individuals. We believe that the residential market in Vietnam will likely be stagnant for the coming year given concerns over economic slowdown. The prime minister of Vietnam has recently reduced GDP growth target for 2009 from 6.7% to 6.5%. Slow sales together with high level of unsold inventories might prompt developers to reduce asking prices in the near term.

Balance Sheet

As of 30 September 2008, TDH posted around VND35bln (US\$2.08mln) cash and cash equivalents. The company also has VND103bln (US\$6.25mln) cash deposit in banks, classified as short-term investments. Short-term stock investment totaled VND11bln (US\$654,760).

At the end of September, long-term investments were worth VND552bln (US\$32.86mln) on its book value. In which, about VND115bln was investment in joint ventures and associates. Total provision made for this long-term investment was recorded at VND17.9bln, taking the net value down to VND552bln.

As of 30 September 2008, total debt amounted to VND545bln (US\$32.44mln). Debt level is relatively low as the company received pre-payments from customers to finance for its projects. Advances from customer in the third quarter of 2008 amounted to VND280bln (US\$16.6bln).

TDH currently has 500,000 treasury shares in its balance sheet. By the end of this year, the company expects to buy another 750,000 treasury shares in order to increase its earning per share.

Financing

Total capital needed for their projects in the coming year is expected to be around VND165bln. Management expressed that they have no plan to issued additional equity. Financing for upcoming projects will be deployed from its own cash and contribution from partners. Management also advised their plan to buy back 750,000 treasury shares taking its total treasury shares from 500,000 to 1,250,000 shares.

Dividend

The company expected to pay 2008 cash dividend of VND1,500 per share (US\$9 cent).

Valuation

As of 09 December 2008, TDH stock was trading at 4.12x FY08 earnings and 0.7x book value.

9-Dec-08	VND27,100				
Valuation	Unit	2005	2006	2007	2008E
Share outstandings	shares	4,095,752	10,794,491	18,906,787	24,700,000
Net Profits	VND'mln	40,535	79,859	163,449	162,300
EPS	VND	9,897	7,398	8,645	6,571
P/E	x	2.74	3.66	3.13	4.12
Book Value	VND'mln	220,299	542,870	755,811	895,145
BVPS	VND	53,787	50,291	39,976	36,241
P/B	x	0.5	0.5	0.7	0.7

Company Visit Note – Thu Duc House Development Corp.

Financial Highlights

Income Statement	2005	2006	2007	9M08
	VND/mln	VND/mln	VND/mln	VND/mln
Sales	242,504	141,091	188,512	323,530
COGS (incl. depreciation)	(187,468)	(96,897)	(108,346)	(168,734)
Gross profit	55,036	44,194	80,166	154,796
Sales and admin. expenses	(17,155)	(12,981)	(33,809)	(33,351)
EBIT	37,881	31,213	46,357	121,445
Income from financial activities	7,179	11,563	62,484	22,206
Expense from financial activities	(9,731)	(758)	(2,269)	(15,749)
In which: Interest expenses	(6,268)	(443)	-	-
Income from JVs & associates	-	620	64,234	-
Other profits	12,274	50,147	16,198	4,849
Taxes	(7,068)	(11,523)	(22,493)	(47,473)
Earnings to minority	-	(1,403)	(1,062)	(1,162)
Net income	40,535	79,859	163,449	84,116
Depreciation and amortization	1,626	3,552	3,994	4,130
EBITDA	39,507	34,765	50,351	125,575

Ratio Analysis	2005	2006	2007	9M08
Revenue Growth (%)	24.53%	-41.82%	33.61%	71.62%
Gross Margin (%)	22.69%	31.32%	42.53%	47.85%
Operating Margin (EBIT) (%)	15.62%	22.12%	24.59%	37.54%
Net Margin (%)	16.72%	56.60%	86.70%	26.00%
Net Income Growth (%)	(36.88%)	97.01%	104.67%	(48.54%)
Receivable turnover (months)	6.46	7.69	8.11	5.70
Payable turnover (months)	0.53	1.10	1.07	0.61
Inventory Turnover (months)	19.84	43.88	46.85	31.18
Current Ratio (x)	4.26	4.53	3.15	2.29
Cash to Current Debt (%)	19.25%	42.41%	7.27%	9.89%
Debt to Equity (%)	179.03%	56.72%	44.79%	60.94%
Net Debt Per Share (VND)	91,165	23,053	17,166	20,664
Book Value Per Share (VND)	53,787	50,291	39,976	36,241
Return on Assets (%)	6.56%	9.29%	14.73%	5.79%
Return on Equity (%)	18.40%	14.71%	21.63%	9.40%

Balance Sheet	2005	2006	2007	9M08
	VND/mln	VND/mln	VND/mln	VND/mln
Cash & equivalents	21,009	59,078	13,994	35,090
Short-term investments	-	75,398	14,464	190,127
Account receivables	130,487	90,398	127,468	153,768
Inventories	309,992	398,648	447,430	429,319
Others	3,386	7,865	2,627	3,117
Current assets	464,874	631,387	605,983	811,421
Long-term receivables	-	-	-	-
Fixed assets	12,895	30,361	49,685	56,136
Investment in property	-	-	31,629	30,669
Long-term investments	139,861	194,386	421,352	552,198
Other long-term assets	20	3,569	1,233	2,064
Non-current assets	152,776	228,316	503,899	641,067
Total assets	617,650	859,703	1,109,882	1,452,488
Trade payables	8,330	9,460	9,844	7,220
Short term borrowings	16,000	32,000	4,000	1,000
Advances from customers	47,986	46,706	113,364	280,808
Others	36,828	51,147	65,184	65,690
Current liabilities	109,144	139,313	192,392	354,718
Long-term loan & debt	80,560	16,374	8,374	55,188
Other long-term liabilities	204,695	152,238	137,784	135,577
Deferred tax liabilities	-	-	-	-
Non-current liabilities	285,255	168,612	146,158	190,765
Total liabilities	394,399	307,925	338,550	545,483
Paid in capital	30,000	170,000	170,000	230,000
Retained earnings	3,289	48,918	141,286	56,851
Other funds	187,010	323,952	444,525	608,294
Owners' equity	220,299	542,870	755,811	895,145
Minority interest	2,952	8,908	15,521	11,860
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Cash flow	2005	2006	2007	9M08
	VND/mln	VND/mln	VND/mln	VND/mln
Cash flows from operating				
Collections from AR	272,860	187,177	489,524	655,074
Payment for AP	(97,089)	(142,003)	(329,201)	(194,586)
Payment for employees salaries	(24,410)	(33,761)	(42,338)	(37,595)
Payment for interest expense	(8,703)	(443)	(126)	(15)
Payment for enterprise tax	(14,404)	(8,815)	(12,950)	(64,617)
Other cash inflows	12,849	53,464	213,347	318,398
Other cash outflows	(101,748)	(116,539)	(294,773)	(443,006)
Net cash flows from operating	39,355	(60,920)	23,483	233,653
Cash flows from investing				
Payment for fixed assets	(316)	(2,581)	(64,400)	(768)
Receive from disposals	79	171	147	28
Loans to other entities	-	(107,157)	(67,893)	(1,319,169)
Collections from borrowers	(70)	1,900	130,012	1,177,241
Investments in other entities	(38,637)	(84,507)	(239,905)	(177,935)
Sale of investments	-	8,250	30,000	4,600
Interest and dividends received	4,375	11,561	72,259	22,395
Net cash flows from investing	(34,569)	(172,363)	(139,780)	(293,608)
Cash flows from financing				
Capital contribution	30,391	338,989	126,958	180,993
Capital redemption	(21,129)	(42,593)	-	(38,804)
Borrowings received	57,968	58,041	-	46,814
Borrowings repaid	(50,400)	(76,227)	(36,000)	(40,000)
Finance lease principal paid	-	-	-	-
Dividends paid	(13,243)	(6,858)	(19,747)	(67,562)
Net cash flows from financing	3,587	271,352	71,211	81,441
Net increase (decrease) in cash	8,373	38,069	(45,084)	21,486
Cash at beginning of year	12,636	21,009	59,078	13,604
Exchange rate fluctuation				
Cash at end of year	21,009	59,078	13,992	35,090

Source: Company report

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