

COMPANY UPDATE

**THU DUC HOUSING
DEVELOPMENT JSC - TDH**

NOVEMBER 14, 2008



THU DUC HOUSING DEVELOPMENT JSC. (TDH)

COMPANY OVERVIEW

Thu Duc Housing Development Corporation (TDH) was privatized from Thu Duc Housing Development and Industrial Park Services Company in June 2001 with the initial chartered capital of VND 15 billion. The company was officially listed on HOSE in November 2006. Its main business is to develop and trade real-estate projects, trade center, lease office, market, tourist area and industrial park.

INVESTMENT HIGHLIGHTS

The real-estate industry has a high long term growth. The detonation of the Vietnam real-estate bubble lead to the dramacial drop of property's price and the frozen real-estate market. The core business of real-estate companies tumbled as their revenue and profit decrease significantly compared to that in 2007. Although there is not any sign of the recovery of this market in the near future, the long term prospect of this industry is still bight because the demand will increase along with the Vietnam economy growth. Besides, the price of construction materials slumped due to the recession of the world economy. This is a good chance to start new real-estate projects.

The construction and trading business in Hochiminh City has bright prospect. According to the housing development plan in Hochiminh City, the average housing surface per capita is expected to rise from 11 square meters to 14 square meters in 2010. Then, the total hosing surface will increase about 30 million square meters. Besides, the immigrant population which accounts for 30% of total Hochiminh City population is expected to increase around 18% per year. This phenomenon is also one cause of high housing demand in the future.

TDH's main business is still effective in the context of the frozen real-estate market. In the first 9 months of 2008, the company was successful in selling its Binh Chieu project. Nearly 100% of 600 plots of land were sold. The company recognized 60% of total project's revenue, or VND 252 billion in the first 9 months. The rest 40% is going to be recognized in the fourth quarter (VND 70 billion) and in 2009 (VND 90 billion). Net profit margin of this project is around 40%.

Low interest rate risk. TDH is less negatively effected by the interest rate race and the tightening in lending money for the real-estate investment purpose because of low debt in the company capital structure. The funding source for its project is usually from the prepayment of its customers. Besides, the company earns a significant amount from the banking deposit of VND 130 billion and lending to other institutions of VND 70 billion. This amount is likely going to be enough to compensate for the expected stock devaluation provision of VND 20 billion.

TDH earn large amount from asset revaluation. TDH contribute capital by its land use right which is worth VND 140 billion but the original cost of this right is only VND 30 billion. TDH will contribute 40% total capital of this joint-venture or VND 60 billion.

The rest VND 80 billion will be paid back in cash by the Deawon joint-venture in 2009.

One of the cause of the company's net prot fit in the first 9 months is the corporate income tax. The major part of TDH's revenue in the first 9 months came from Binh Chieu project. According to the Vietnamese income tax law, the favorable income tax rate which is equal a half of the nominal tax rate is not applied for a such income within 2 years after being listed. Therefore, TDH's income tax in the first 3 quarters increased significantly in comparison with that of the same period of 2007.

Despite of the decline of revenue and profit in the first 9 months, it seems that the company will pass its operating plan. In the first two quarters of 2008, the company's net profit was VND 52 billion, or 28.6% of its 2008 profit plan of VND 182 billion. TDH lowered its profit plan to VND 162 billion due to provision for financial investments. The company's net profit in the first 3 quarters of 2007 was only VND 85 billion until 30/09. Therefore, its profit in the last quarter of 2008 must be VND 77 billion in order to accomplish its plan. Actually, a proportion of its revenue in Q4 is included in its unearned revenue of VND 280 billion. Besides, in the rest months, the company will have an additional income of VND 50 billion from the joint-venture with Deawon.

The company's revenue and profit the next few years are assured. TDH's minimum expected profit in the next 2 years is around VND 165 billion. Specifically:

- In 2009, the company can also achieve the net profit of VND 162 billion thanks to the Market B project and the profit from Deawon joint-venture. Actually, TDH rented 85% of total Market B' surface of 3,500 square meters. The company also received a down payment of VND 80 billion or 40% of total revenue. The last 60% will be paid in July 2009. Total revenue of this project is VND 200 billion but its cost is only VND 45 billion. The company will recognize at least VND 100 billion revenue from this project in 2009.
- In 2010, TDH will recognize the rest proportion of the revenue from Market B project and start to have the revenue from Truong Tho apartment building whose total usable surface is 28,000 square meters. The total revenue and profit from this project will be about VND 500 billion and VND 170 billion, respectively. Besides, the Phuoc Long and Phuoc Binh apartment project with the total surface of 20,000 square meters will also contribute to the company's revenue and profit.

COMPANY INFORMATION

Industry	Real-estate
Status	HOSE
Stock Symbol	TDH
Charter Cap (VND Bn)	230,000
52-week lowest price	26,400
52-week highest price	134,980
Avg. Volume in 10 days	192,773

VALUATION MEASURES

Price (VND) (On 14/11/2008)	34,500
Market Cap (VND bn)	7,935
EPS (trailing)	5,882
P/E (trailing)	5.87
P/B	0.9
ROE 2007 (%)	22.15
ROA 2007 (%)	14.82

FINANCIAL HIGHLIGHTS 1H 2008

Revenue (VND bn)	323,530
Net Income (VND bn)	85,278
Gross Margin (%)	47.85
Net margin (%)	26.36
EBITDA margin (%)	37.97
Total Assets (VND bn)	1,452,488
Total Equity (VND bn)	895,146
Debt/Equity (x)	0.61
ROA (%)	6.77
ROE (%)	10.34
EPS (VND)	4,228

OWNERSHIP STRUCTURE

State (%)	0
Foreign (%)	46
Others (%)	54

SHARE PRICE PERFORMANCE



No	Project Name	Total investment capital	Area (sqm)	Usage Area for sales/rent (sqm)	Progress
Current projects					
1	TDH - Truong Tho - HCMC	314 bil VND	6,994	27,130	- Finished the basement. This project will be launched in Q4/2008 - Prepare to construct the storey of the building
2	Cantavil phase 2 - HCMC	60 mil USD	11,170	55,380	Submitting the adjusted master plan (from 25 storey to 35 storey) to HCMC Department of Planning and Architecture
3	La Sapinette Phase 2 - Da Lat City	120 bil VND	7,902	13,300	Finished the construction
4	market B	45 bil VND	9,202	5,340	Currently, 85% stalls have been signed lease contract
5	market C	20 bil VND	6,278	4,395	Submitting basic design
Future projects					
1	TDH - Phuoc Binh - HCMC	101.3 bil VND	25,000	7,300	- The basic design was approved - The project will be started in Q4/2008
2	TDH - Phuoc Long - HCMC	146 bil VND	3,573	12,506	Doing basic design
3	TDH - Hiep Phu - HCMC	60 mil USD	11,582	44,319	Applying the design and waiting for approval of master plan 1/500
4	TDH - Binh Chieu - HCMC	422 bil VND	10,502	36,023	Doing basic design
5	Minh Khai Street - Ha Noi	94.3 mil USD	28,726	46,877	Receiving the certificate of investment
6	Dong Mai Industrial Zone - Ha Noi	1.265 bil VND	2,250,000	n/a	Doing design
7	Gia Kiem - Thong Nhat District - Dong Nai province	n/a	1,000,000	n/a	Doing design of master plan 1/1000
8	Nhon Trach Project - Dong Nai Province	n/a	950,000	n/a	Waiting for receiving the certificate of investment
9	Chan May - Lang Co Project - Hue	150 mil USD	120,000	n/a	The government has issued certificate of investment
10	Ben Luc - Long An (phase 2)	2344 bil VND	267,000	n/a	Doing compensation
11	Tam Tan - Cu Chi	1012 bil VND	200,000	n/a	Signed business corporation contract and doing investment procedure

COMPARISON

	TDH	SJS	NTL	HDC
Market capital (VND mn.)	7,935	29,800	6,396	1,958
Chartered Capital (VND mn.)	230,000	400,000	164,000	81,280
P/E trailing	5.25	9.32	5.26	4.72
P/BV 9M/2008	0.90	2.53	3.07	1.39
Operating income/Sales H1/2008	37.54	52.17	39.83	16.21
ROA 2007 (%)	14.82	28.93	28.93	4.96
ROE 2007 (%)	22.15	39.62	39.62	24.16
Debt/Equity 2007	0.44	0.22	0.22	3.89
Current ratio	2.29	1.01	1.31	1.67
2008 plan (VND mn.)				
Revenue	363,300	1,285,741	945,000	406,000
Profit after tax	165,000	505,500	216,000	52,700
% achievement of the first 9 months 2008				
Net revenue (%)	89.05%	23.93%	13.13%	61.30%
Net profit (%)	51.68%	26.25%	4.15%	53.76%

FORECASTED FINANCIAL STATEMENTS

INCOME STATEMENT (VND Billion)	2006A	2007A	9M 2008A	2008E
Revenue	141,091	129,634	323,530	564,155
Cost of goods sold	96,897	61,416	168,734	287,719
Gross profit	44,193	68,218	154,796	276,436
Operating Profit	31,212	42,549	121,445	203,096
Profit before tax	92,784	161,599	132,751	265,596
Profit after tax	81,262	140,276	85,278	172,637

BALANCE SHEET (VND Billion)	2006A	2007A	9M 2008A	2008E
Cash	59,078	9,062	35,091	28,774
Short term investment	75,398	43,764	190,127	193,930
Short term receivable	90,399	117,304	153,768	184,522
Inventory	398,648	387,283	429,319	472,251
Other current asset	7,865	210	3,118	2,712
Fixed asset	30,361	8,998	56,136	51,645
Long term investment	194,385	441,794	552,198	548,198
Other long term investment	3,568	32,177	32,732	33,059
TOTAL ASSET	859,703	1,040,592	1,452,488	1,515,091
Short term debt	139,314	171,290	354,717	411,117
Long term debt	168,611	145,712	190,765	192,673
Chartered capital	170,000	170,000	230,000	230,000
Other funds	372,870	553,590	665,146	669,204
Minority interest	8,908	-	11,860	12,098
Total Capital	859,703	1,040,592	1,452,488	1,515,091

FINANCIAL RATIOS	2006A	2007A	9M 2008A	2008E
Revenue growth (%)	43.82	(8.12)	42.92	335.19
Gross profit margin (%)	31.32	52.62	47.85	49.00
Operating profit/sales (%)	57.60	108.21	26.36	30.60
ROA (%)	11.06	14.82	6.77	13.51
ROE (%)	21.30	22.15	10.34	21.28
EPS (VND)	7,986	8,252	4,228	7,506
EPS growth (%)		3.33	(28.12)	(9.04)

DISCLAIMER

Copyright 2008 Viet Capital Securities Company. All rights reserved. This report has been prepared on the basis of information believed to be reliable at the time of publication. VCSC makes no representation or warranty regarding the completeness and accuracy of such information. Opinions, estimates and projection expressed in this report represent the current views of the author at the date of publication only. They do not necessarily reflect the opinions of VCSC and are subject to change without notice. This report is provided, for information purposes only, to institutional investor and retail clients of VCSC, and does not constitute an offer or solicitation to buy or sell any securities discussed herein in any jurisdiction. Investors must make their investment decisions based upon independent advice subject to their particular financial situation and investment objectives. This report may not be copied, reproduced, published or redistributed by any person for any purpose without the written permission of an authorized representative of VCSC. Please cite sources when quoting.

Trinh Thanh Can	can.trinh@vcsc.com.vn
Hoang Thi Hoa	hoa.hoang@vcsc.com.vn
Dinh Thi Nhu Hoa	hoa.dinh@vcsc.com.vn
Nguyen Xuan Giao	giao.nguyen@vcsc.com.vn
Vo Phuc Nguyen	nguyen.vo@vcsc.com.vn
Nguyen Ngoc Y Nhi	nhi.nguyen@vcsc.com.vn
Pham Bao Nguyen Anh	anh.pham@vcsc.com.vn

RESEARCH & ANALYSIS DEPARTMENT
VIET CAPITAL SECURITIES JSC

67 Ham Nghi St., District 1, HCMC, Vietnam

Tel: (84 8) 914 3588 Fax: (84 8) 914 3209

<http://www.vcsc.com.vn>