

Overall demand for mid-range products remains high.

Demand for mid-range residential housing products remains healthy as there are still a great number of people purchasing apartments for residential purpose thanks to the large working-age population, rapid urbanization and middle-class expansion. This segment is also the development focus of the Company's medium and long-term strategies.

The vast land bank in the West of Ha Noi creates a great competitive advantage.

Hai Phat Invest possesses 158ha of clean land bank, mostly located in the West of Ha Noi and Khanh Hoa coastal area which is a great competitive advantage of the Company. The location of this land bank fits the Company's business strategy to develop the mid-range segment in the West of Ha Noi, where synchronous traffic infrastructure and services are heavily invested, leading to an increase in housing demand.

Net profit 2018 fails to meet its target, yet improvement may be seen in 2019.

In 2018, estimated revenue of the Company is VND 3456bn, up by 220% yoy; however, estimated net profit is only VND 257bn, down by 21% yoy, lower than the Company's plan of VND 450bn. The decrease in estimated net profit in 2018 results from the great portion of financial services contributing in net profit in 2017. The Company's performance in 2019, however, is projected to greatly improve with estimated revenue of VND 5261bn, up by 52% and net profit of VND 721bn, up by 180% yoy as Roman Plaza, a key project of the Company will be completed and handed over.

Risk does exist.

Even though statistics indicate a positive market outlook in the coming time, HPX may encounter risks that impact the Company's performance, including sector risk and the 10 – year- cycle of real estate business.

Hold

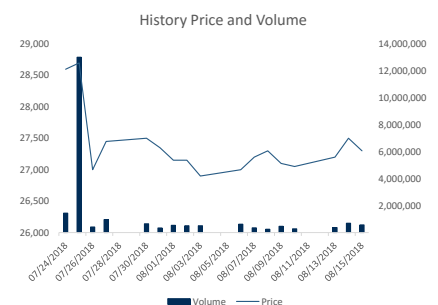
Target price	25,492VND
Upside/Downside	-7%
Current price (15/08/2018)	VND 27,300
Target price	VND 25,492
Market cap	VND 4095bn (USD 175.4mn)

Trading data

Outstanding share	150,000,000
Avg. Daily volume (10 sessions)	462,477
% Foreign owned	15%

Forecast earnings & valuation

	2017A	2018F	2019F
Revenue (VNDbn)	1080	3456	5261
Growth rate (%)	-40%	220%	52%
Gross profit (VNDbn)	361	404	1350
Gross margin (%)	33%	12%	25.6
Net profit (VNDbn)	325	257	721
Growth rate (%)	93%	-21%	180%
EPS (VND)	2214	1713	4800
EPS growth	0%	-29%	180%
P/E		15.9	5.68



Source: KBSV

16/08/2018: 1USD = 23,350VND

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MARKET OVERVIEW

Robust growth in 1H2017, highest Q2 rate of real estate sector in 6 years.

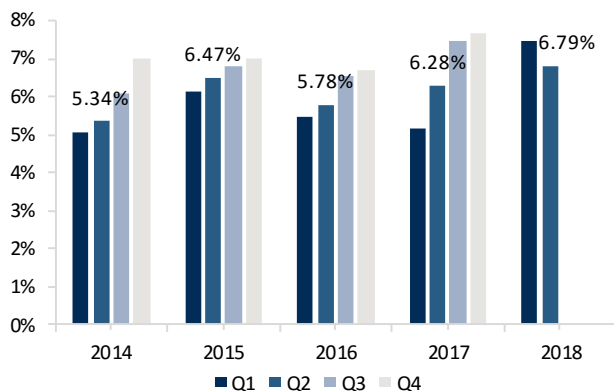
Real estate sector has attracted the second largest FDI injection in 1H2018.

1. Vietnam Economy

GSO statistics suggests Vietnam’s economy grew by 7.08% in first half of 2018, its best first-half performance since 2011. The robust growth of GDP in Q1 at 7.45% was mainly driven by the manufacturing and processing sector. Vietnam’s economy maintained its strong expansion by 6.79% yoy in Q2. Though not as strong as that of the previous quarters, this was the best second-quarter performance over the last 10 years (Figure 1). Services sector grew rapidly by 6.9% yoy in the first two quarters, posting its best result since 2012. Real estate, 2nd rank in services sector after whole sales and retails expanded by 4.21% in Q2, its best result over the last 6 years.

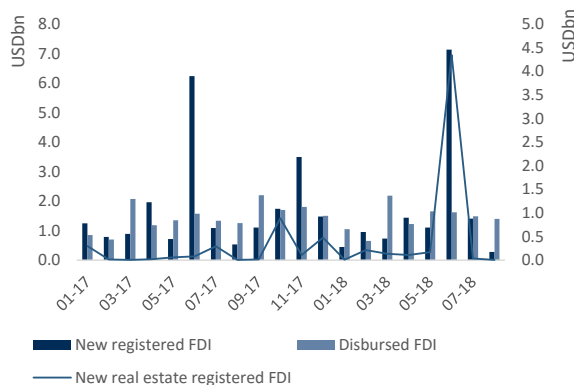
By the end of 2017, total registered foreign direct investment (FDI) to Vietnam reached USD 318.72bn in which real estate contributed USD 53.2bn, equivalent to 16.7% of total investment, mostly coming from Asian countries like Japan, Korea, Singapore, etc. However, recently, with the aim to expand investment to Vietnam, the European and American enterprises also spent money on Vietnamese real estates through the acquisition of office buildings or capital injection for hotels and industrial property. Within 1H2018, Vietnam received a total FDI (including newly, additionally registered capital, capital contributed and shares bought by foreign investors) of USD 20.33bn, up by 5.7% yoy, contributing 27.3% of total investment (Figure 2). Vietnamese real estate remains a great development potential to foreign investors with high profitability compare to that of other markets in the region.

Figure 1: GDP Growth by quarters



Source: GSO, KBSV

Figure 2: FDI



Source: GSO, Bloomberg, KBSV

2. Vietnamese real estate market

Vietnamese real estate market sustains tremendous growth thanks to high population growth, rapid urbanization, young population and fast rise of middle-income class.

Vietnam has been experiencing a rapid population growth over the past 17 years.

According to GSO, Vietnam has been experiencing a rapid population growth over the past years at average rate of 1 million people a year. Vietnamese population is expected to reach 95 million people in 2018. Hanoi and Ho Chi Minh City are the two fastest growing cities in population. By 2017, the two cities have a population of 15.6 million people, contributing 16.5% of total Vietnam's population. Mechanical population growth is directly proportional with housing demand, the increase in population leads to the increase in housing demand. (Figure 3)

Urbanization rate in 2039 is projected at 50.7%.

GSO statistics indicate that urbanization rate in 2017 was 33%, this figure is quite low, however, is expected to expand each year and might reach 50.7% by 2039 (Figure 4). Structural change in labor market resulting in the migration of rural workers to cities makes the housing demand increase, especially the affordable and mid-end segment.

Half of the Vietnamese population will join the global middle class by 2035.

Sustainable growth of GDP leads to the increase in GDP per capita and growth of middle income class. According to a World Bank's report, there has been 1.5 million people to join the global middle class each year since 2014, which is expected to reach 33 million people in 2020. If the annual growth rate of average consumption is 4%, in 2035, more than half of the Vietnamese population will join the global middle class with average GDP per capita of USD 15,000 (Figure 5). Rapid rise of middle income class might promote real estate market thanks to the increase of demand, purchasing power and better affordability for residential housing products.

Vietnam is still in "golden population structure" period.

According to GSO, Vietnam is still in a period known as "golden population structure", meaning for every 2 people or more working, there is only one dependent person. In 2017, 63 million Vietnamese people aged from 15 to 64, accounting for 70% of total population, while those who were over 65 years old only accounted for 15%. This ratio is maintained until 2044 (Figure 6). The growth of young population and working-age population helps expand consumption market, and especially boosts housing demand.

Sector and macroeconomy factors suggest a robust growth of real estate market.

Real estate inventory continues to drop.

According the Ministry of Construction, by 20/06/2018, total value of inventory was VND 24,072bn, down by 81% from the peak in 2013 (VND 128,548bn) and down by 4.29% compared to that at the end of 2017 (VND 25,382bn). These are the positive signals to the real estate market which present the bounce back of demand as developers become more experienced in implementing projects and balancing market's need.

10-year-cycle of recession will not happen in 2019.

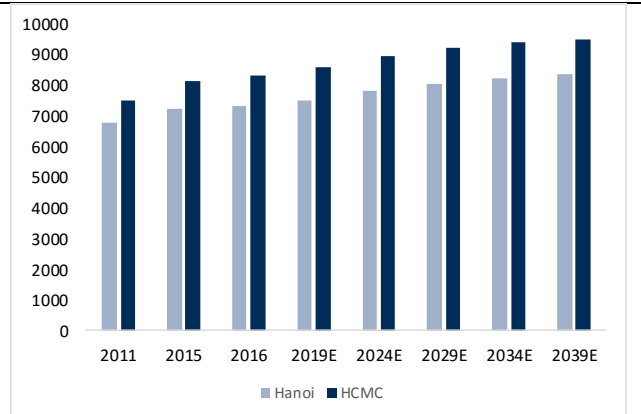
Vietnam real estate market cycle consists of 4 phases: recovery, growth, recession and crisis, based on actual events, Vietnam real estate market faces recession every 10 years. As the timeline, 2018 will be the end point of

the growth phase and a recession will take place in 2019. There has been a widespread concern about real estate bubble, however, in our opinion, based on the current positive signals, real estate market is developing steadily without risk of real estate bubble in the end of 2018 and 2019. Reality shows that one of the major reasons for bubbles in 2007 and 2010 was the over-loosening of credit policy that drove real estate market out of control and freeze. However, in earlier 2018, SBV issued a document requiring banks and financial institutions to tighten their lending for property and buildings, which minimize speculation and market bubbles. This also helped to eliminate the incompetent developers whose bank borrowings contribute largely in the capital structure.

This is the time for developers to transform in order to catch up with market development and opportunity for prestigious developers.

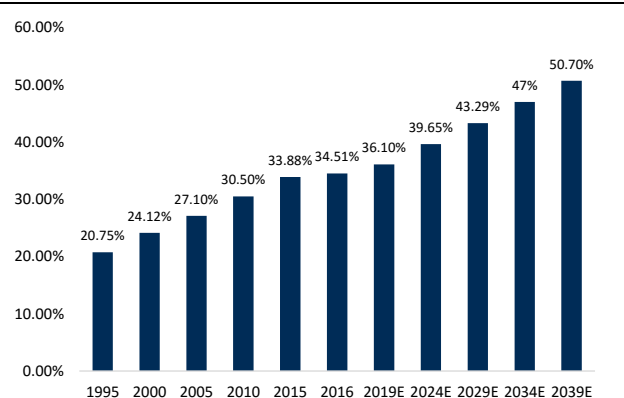
Between 2018 and 2020, it is expected that real estate market will experience a major restructuring especially in products in order to tackle the imbalance between supply and demand. Market will switch its focus on affordable segment in order to meet customers' needs. Additionally, in our opinion, real estate market share in this period would be more concentrated as the low cost projects and incompetent developers will find it hard to compete and get eliminated soon. This will be the time of prestigious and high quality developers with great financial ability and clear business strategy; therefore, it is necessary for developers to undergo internal changes in order to seize the opportunities and catch up with market development.

Figure 3: Population in Hanoi and Ho Chi Minh City (Unit: Thousand)



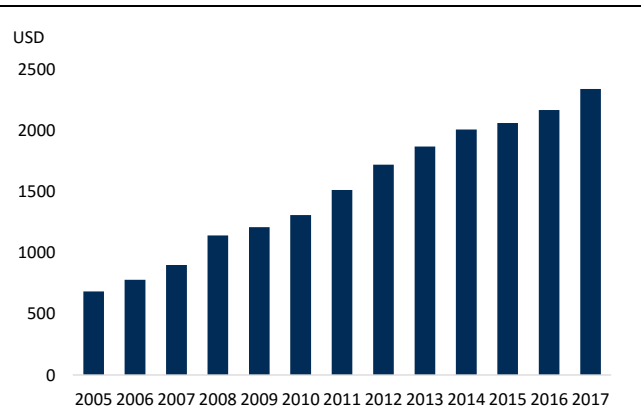
Source: Bloomberg

Figure 4: Urbanization rate



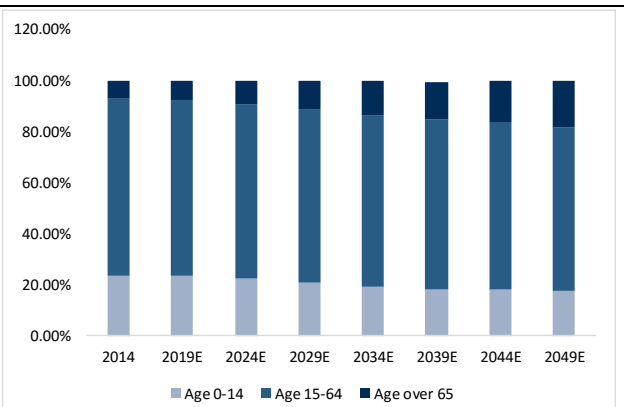
Source: GSO

Figure 5: Average GDP per capita



Source: GSO

Figure 6: Vietnam's population structure by age



Source: GSO

Supply for condominium in Hanoi grew quickly between 2015 and 2017, market absorption rate remained high.

Supply for condominium is expected to slightly reduce in 2018.

In general, number of units sold remained high yet showed sign of slowing down in Q2. Buyers become more selective.

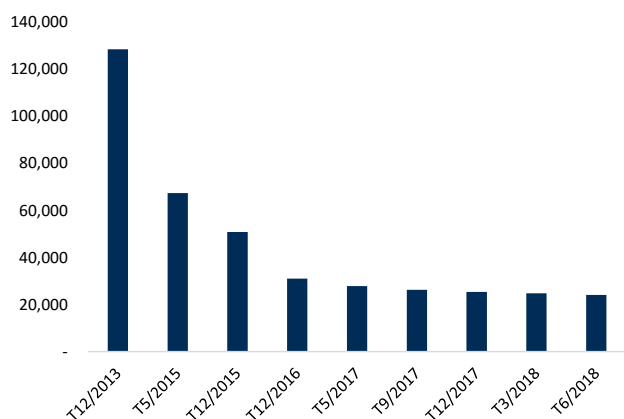
Hanoi Market

In 2015, total supply for condominium reached 34,000 units, double the figures in 2014 and remained high until 2017 with 35,000 units, up by 12% yoy. Mid-end segment usually accounted for a large proportion of total supply, contributing 65% of total supply in 2017 and over 50% in 2015 and 2016. Absorption rate was over 70% over the last 3 years thanks to the synchronous improvements of infrastructure in the neighboring areas (Figure 8).

According to CBRE, in 2018, there will be around 32,000 units launched in Hanoi, down by 10% compared to that in 2017, however, sales is expected to reach 28,000 units, up by 9% yoy and will focus on the mid-end segment. CBRE statistics indicate that in the first half of 2018, 15,334 units were launched in Hanoi, from 23 projects in which there were 6534 unit launched in Q1, down by 20% y-o-y and 8800 unit launched in Q2. Most of launched projects in this period are situated in the West of the city which has the most dynamic development in the real estate market owing to the synchronous infrastructure improvements including various key projects under careful construction, especially the traffic network. The roads such as the upper ring road 3, To Huu, Le Trong Tan, Thang Long - Khat Duy Tien, Van Phuc Le Van Luong generate smooth traffic flow for this area. The number of apartments in the low-end and middle-end segments accounts for the majority of units sold. Apartment selling price in the first half of 2018 were USD 1,332/m², down by 0.4% qoq, but up by 0.4% yoy.

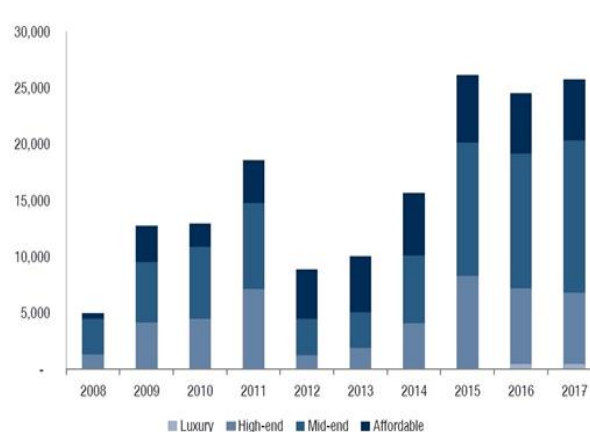
There were 5,091 units sold in Q1/2018 while 5900 units sold in Q2/2018, down by 22% yoy, according to a report of CBRE. The slowing down of the market was caused by **multiple** factors influencing customers' sentiment such as Carina fire incident, projects' legality, public land, etc. which, however, opened up opportunities for prestigious and high quality developers. In addition, developers typically review current products in the second quarter of the year and prepare for new products launched in the second half of the year, therefore, supply decreased, market has time to absorb unsold units before welcoming a large number of newly launched units in Q3 & Q4. Therefore, market absorption remained positive.

Figure 7: Real estate inventory value (unit: VND bn)



Source: CBRE

Figure 8: Number of units sold in Hanoi



Source: CBRE

Recent news

The CPTPP is expected to promote investment and boost exports.

The CPTPP brings huge economic benefits to Vietnam economy in general and real estate market in particular. Trade liberalization and economic integration via CPTPP help Vietnam become an attractive destination for greater value FDI. Capital injection is seen in almost all areas of real estate sector including industrial zone, office buildings, commercial households and retails.

BIM Group cooperated with Aeon to build the second Aeon Mall in Ha Dong district.

In March 2018, BIM Group and the Aeon Mall Vietnam have signed a co-operation agreement to build a new shopping mall in Ha Dong district, Hanoi. The mall will be the second Aeon Mall in Hanoi and the biggest mall in Vietnam with a total floor area of over 200,000sqm. Construction started in 2017 and is expected to be completed in April, 2019. The mall contributes a huge part to the infrastructure in the West of Hanoi and also pushes the price of property in this area.

SBV tightened credit flow into Real estate market to prevent overheating market.

In 2018, The State Bank of Vietnam (SBV) issued Circular No. 563/NHNN-TTGSNH requiring credit institutions and foreign bank branches to reduce lending for real estate and construction sector. Not only strictly control over credit limit but banks also increased lending rates for house purchase and maintenance by 1-2%/year, to 12%/year and for developers by 0.5%. By the end of May 2018, credit for real estate grew modestly by 2.19% yoy. It can be seen that the Government has attempted to closely monitor and control capital flows from real estate investment; as a result, developers are expected to look for other sources of funding besides bank loans and housing demand is also likely to suffer.

Fire safety becomes a hot issue at apartment projects.

Home buyer sentiment changed significantly after Carina fire incident. Home buyers become more cautious and put more effort in studying and inspecting the projects and pay special attention on fire safety issue when choosing apartments. The alteration in buyers' behavior forced developers to change, concentrate more on building a complete fire protection system in order to attract buyers.

Ministry of Finance proposed to temporarily stop using land to pay for BT projects.

Ministry of Finance issued an Official letter no. 3515/BTC-QLCs dated 28/03/2018 suspending the consideration and decision on the use of public assets for payment to investors from 1/1/2018. The Ministry of Finance has asked the Hanoi People's Committee to review the approval of the policy to use land funds to pay for investors to implement BT projects. The direction was made after Hanoi People's Committee decided to approve the investment policy and issue investment certificates for 5 projects on transport infrastructure in the form of BT, payment by land fund for investors, in which there is a road construction project to connect residential areas in Ha Dong district implemented by Van Phu Invest JSC and Hai Phat Investment JSC.

HAI PHAT INVEST JSC.

1. Company profile

Hai Phat Investment JSC is operating mainly real estate sector, design consultancy, construction supervision and construction.

After 15 years of operation, Hai Phat Invest JSC is well-known for its ownership of real estate projects in neighboring areas of Hanoi and other provinces.

Company history

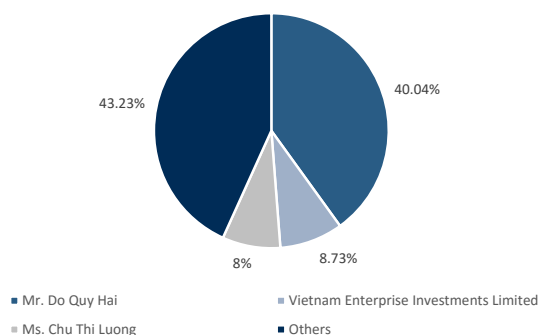
- 2003**
 - Established on Dec 15th 2003 as Hai Phat Construction - Tourism JSC with the the charter capital of VND 8bn
- 2007**
 - Increased charter capital from VND8 bn to VND17bn
- 2008**
 - Increased charter capital to VND300bn
 - Renamed to Hai Phat Investment JSC
 - Launched Van Phu urban area and The Pride project
- 2011**
 - Increased charter capital to VND750bn
 - Launched Tan Tay Do, Phu Lam Social Housing, Tay Nam An Khanh Urban Area project,
- 2017**
 - 24/11: Increased charter capital to VND1200bn
 - 29/12: Increased charter capital to VND1500bn
 - Expanded to other cities: Bac Ninh, Thanh Hoa, Da Nang, Nha Trang, Binh Thuan.
- 2018**
 - 24/07: Listed 150 million share on HOSE with a price of VND26,800/share.

Company structure and ownership

Hai Phat Invest JSC has three major shareholders holding 56.77% of total shares, who are 2 local investors and VEIL fund under Dragon Capital. Apart from VEIL, there are three other foreign organizations that hold 6.26% of total shares of Hai Phat Invest.

Currently, Hai Phat Invest JSC possesses 03 subsidiaries, 03 affiliates, and 03 other affiliates.

Figure 9: Ownership structure



Source: HPX

Figure 10: Subsidiaries and affiliates

Subsidiaries	Affiliates
Binh Minh Real Estate Trading Jsc 77.2%	S.E.A Thuan Phuoc Real Estate Jsc 21%
HP Hospitality Nha Trang Ltd 75%	Civil Engineering Constructuon Corporation No5 - JSC 38.68%
Chau Son Real Estate Ltd 100%	Dai Dong A Investment JSC 35%
	Hai Phong Real Estate Development Ltd 10%
	Hai Phat Thu Do Investment JSC 13.76%
	Railway Urban and Infrastructure Development Investment JSC 10%

Source: HPX

List of Foreign Investors

Amersham Industries Limited
 Aquila SPC LTD
 Idris LTD
 Dragon Capital

Source: HPX

Van Phu Urban Area Project (completed in 2010)

Completed projects

HPX is the secondary investor, implementing projects on land with infrastructure thereon. The project has a total square of 5ha, including 516 villas and row houses. The Company's total investment was VND 650bn and profit was VND 100bn.

Tan Tay Do Urban Area Project (completed in 2014)

HPX is the secondary investor, implementing projects on land with infrastructure thereon. The project has a total square of 5.24ha including villas, row houses and a building complex consisting of three 25-storey-buildings and 944 apartments. Total investment was VND 1590bn and profit was VND 250bn. However, Tan Tay Do was the most controversial project of HPX regarding construction and operation of the building and especially clean water system.

Trade and Service Complex The Pride Project (Completed in 2015)

The Pride is a Trade and Service Complex consisting of four 35 and 45-storey-buildings located in An Hung New Urban Area, La Khe Ward, Ha Dong District, Hanoi. This is a project developed by Hai Phat Invest JSC, with a total investment of VND 3,260 bn VND to bring a profit of VND 500bn. The project has been completed and handed over to the buyers. During construction, the project had to deal with delay issues; after completion and handing over to buyers, the building continues to suffer from many problems related to service quality as well as the management operation of the building.

24h Van Phuc Shophouse Project (Completed in 2017)

This is the biggest commercial shophouse project in the West of Hanoi, located on To Huu Street including 124 50-60m² shophouses. Total investment was VND 710bn. In October 2017, the project had handed over 98% of the shophouses to buyers and earned a profit of VND 120bn.

2. Business Model

Ongoing projects and Land bank

Buiding roads connecting urban areas and residential areas in Ha Dong district in exchange of 6 areas of land bank.

People's Committee of Hanoi has just selected a joint venture of Van Phu Invest JSC and Hai Phat Invest JSC to develop the road construction project to connect urban areas and residential areas in Ha Dong district under the BT scheme. In return, they will receive a 68ha land bank including 6 areas: Bac Lam Urban Area, Kien Hung Functional Urban Area, residential areas in Phu Lam, Ha Cau and Duong Noi, and Kien Hung apartments. Van Phu Invest JSC and Hai Phat Invest JSC have established BT Ha Dong Limited Inc. with a charter capital of VND 350bn (USD 15mn) to deploy this project. Each side contributed 50% of the capital, equivalent to VND 175bn (USD 7.5mn).

Low and mid-end segments remain the focus for development of HPX.

The majority of Hai Phat Invest's projects focus mainly on the mid and low-end segment, mostly located in the suburban areas in the West and East

of Hanoi. The Company suggests these locations fit the real estate market in Hanoi thanks to high residential housing demand and high liquidity. In addition, the projects are situated in areas of which infrastructure are heavily invested. According to the city planning of Hanoi by 2030 with a vision to 2050, the west and southwest of Hanoi will become a new administrative, service and trading centre. The development of infrastructure and transportation network will strongly enhance the value of HPX's projects. Especially, Kien Hung, Bac Lam and Phu Lam project might benefit from the completion of Chu Van Street connecting from Nguyen Xien Street to Xa La Urban Area.

In 2018, the Company is focusing on land clearance in order to start the BT projects that have been signed and issued Investment Registration Certificate. The Company set a target to collect a total of 10,000 ha of land by 2020 via the BT projects, investment cooperation and M&A the existing projects. However, in our opinion, it will be difficult for the Company to complete this plan as the Ministry of Finance has just issued an Official Letter to suspend using land fund to pay for BT projects.

In the future, HPX's direction is to concentrate on houses, low-rise buildings in the suburb of Hanoi, other provinces and cities, and develop resorts in coastal cities.

Figure 11: Ongoing projects

Project	Project scale	Product	Launched date
The Vesta Social Housing	4.41ha	08 18-floor-buildings with 1092 apartments	Q1/2016 - Q4/2018
Roman Plaza	3.59ha	buildings with 804 apartments	Q3/2016 - Q2/2019
Dai Dong A - Bea Sky Building	5000m2	26-floor-building with 441 apartments	Q 3/2017 - Q 4/2019
Phu Lương Urban Area	4.19ha	278 row-houses and villas	Q 2/2017 - Q 3/2019
Hanoi Homeland	1.7ha	4 18-floor-buildings with 1224 apartments	Q 4/2017 - Q 4/2019

Source: HPX

(Detailed information on progress and sales will be analyzed later in the report - Earnings forecast for 2018 & 2019)

Financial analysis

Revenue rose significantly in 2016 before a steep decline in 2017.

The Company's businesses include: Real estate business, managing and deploying post-investment real estate and others, in which real estate business is the greatest contributor in the revenue structure of the Company with over 90%, followed by managing and deploying real estate. After a remarkable revenue growth of 74.6% in 2016 thanks to The Pride Project, HPX's revenue in 2017 dropped by 40.23% due to inefficient core business and the only source of income from 24h Shop House project.

After-tax-profit in 2017 and 1H2018 soared because of an abnormal financial revenue.

Despite a sharp decline in revenue and significant increase in expenses, after-tax-profit in 2017 rose by 93.6%, reaching VND 325.2bn. This was mainly contributed by the abnormal financial revenue of VND 307bn as a result of transferring 49% of share at Hai Phong Land Development Limited Co. (Charter capital was VND 300bn). If we exclude this amount from total revenue, HPX's gross profit in 2017 is only about VND 134bn, considerably decreasing by 50.4% yoy (Figure 12).

In 1H2018, the transferring of the rest 21% of share at Hai Phong Land

Development Limited Co. continue to bring HPX a major financial revenue of VND 240bn. It is noticeable that this company used to be HPX's subsidiary and its current board of management also HPX's affiliates. In the following year, revenue and profit of the Company might significantly be affected as there is no longer any abnormal revenue.

Many abnormal items in capital structure needs closely monitoring.

Total assets went up considerably by 34.2% in 2017, contributed mostly from prepayment of VND 350bn (for Trung Viet Jsc. and Samcons Vietnam Construction and Investment Jsc.; long-term assets in progress (double to VND 2,221bn) were NOXH Phu Lam and Hai Phat Plaza project and other receivables from individuals of the transferring shares in subsidiaries (Figure 13).

In addition, there was another abnormal item arising which was goodwill worth of VND 430bn, in which VND 393bn was from reacquiring 75% of share at Hospitality Nha Trang Limited Co. founded in Feb 2017 (actual charter capital was VND 79.2bn) from Song Da Thang Long Construction Consultant Jsc. this item should be closely monitored due to the potential to increase expenses in the following years if its fair value drops.

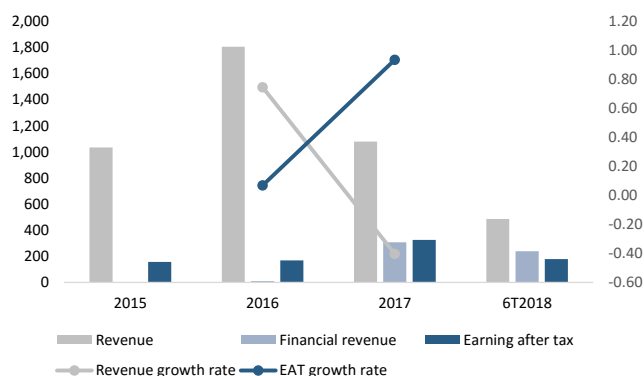
Company's equity was average, so it had to search for funding for projects

In the capital structure at the end of 2017, total liabilities accounted for 68.2% slightly down from 74% in 2016, in which non-current liability took 25.4% (most of the loans were to finance current projects) and payables accounted for 17.3% (many transactions with affiliates including payable to Song Da Thang Long from transferring HP Hospitality Nha Trang) (Figure 14). In 2017, HPX had two issuances to increase charter capital, in which the first one was to raise capital from VND 750bn to VND 1,200bn via paying dividend with shares and the second one was to issue VND 300bn for strategic partners including VEIL of Dragon Capital. The Company is currently planning to increase its capital to VND 2,500bn in 2018.

The Company encountered liquidity risk due to project implementation fell behind schedule.

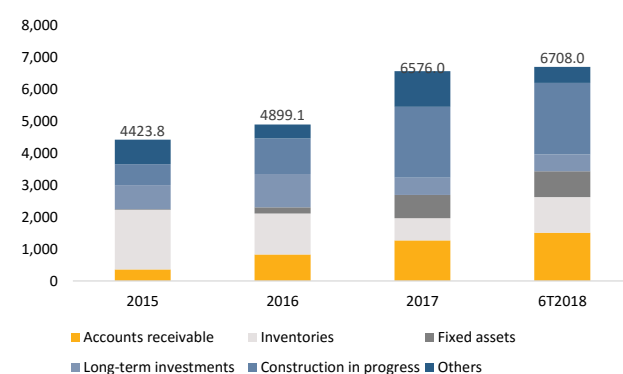
Operating cash flow in 2017 decreased steeply to -VND 277bn compared to VND 265bn in 2016, in which receivables from customers accounted for only a small portion against revenue (about 30%). This was a result of abnormal increase in receivables by over VND 1000bn despite a small number of projects sold (mainly include prepayment for building constructors suspended due to poor performance and receivables from affiliated individuals with unclear purposes). Payables for building contractor rose by VND 500bn in the past year. Moreover, enormous investment on developing various projects behind schedule made the Company to pay high loan interest each year (more than VND 1,600bn in 2017. This causes a great burden on the Company to pay for interest in the future, and also poses liquidity risk if there is no improvement in projects' progress.

Figure 12 : Financial performance (VND bn)



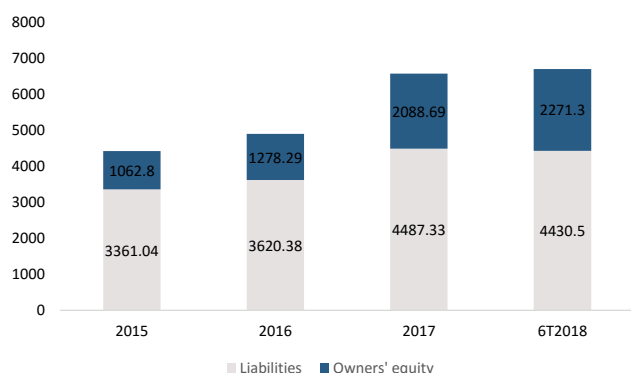
Source: HPX, KBSV

Figure 13: Assets structure (VND bn)



Source: HPX, KBSV

Figure 14 : Capital structure (VND bn)



Source: HPX, KBSV

Risks

Sector and macroeconomy risk

HPX’s revenue is dominated by revenue from residential and commercial sales, therefore the ups and downs of the industry might directly impact the earnings of VPI.

The risk of fluctuations in macroeconomic variables including growth, inflation, interest rates, exchange rates and government policies to adjust macroeconomic variables will have a direct or indirect impact on the performance of the all businesses.

Legal risk: legal issues regarding Condotel and pink book for foreigners.

Along with the traditional segments new products would be introduced by HPX including condotels at resorts. However, condotel investors are not currently granted land use right certificate which causes a great concern about the legal framework of this project. Therefore, there is likely a decline in public interest in recent times.

With the current trend of integration, the number of foreigners coming for living and working in Vietnam increases rapidly. Although the authorities have made efforts to issue guidelines and allows foreigners to own the right to property, there are still many conflicts that make it difficult to implement legal procedures for foreigners to obtain red books.

Competition risk

HPX’s products focus mainly in the low and mid-end segment which is also the target of many other companies. Therefore, HPX might face intense

competition in this segment.

VALUATION & RECOMMENDATION

Revenue from real estate business in 2018 is expected to increase significantly compared to that in 2017, but net project drops.

2019 revenue is projected to soar sharply thanks to earnings from the key project Roman Plaza

1. Earning forecast 2018 và 2019

Forecast viewpoint

+ Revenue from Real estate business: In 2018, HPX's estimated revenue is VND 3456bn, up by 12% yoy. This is because in 2018, the Company expects to hand over and record revenue from 3 projects including: The Vesta, Phu Luong and Hanoi Homeland Project.

- (1) The Vesta has been nearly sold out (900/1100 units), and handed over 488 units, and is expected to hand over the rest in 2018. The selling price of this project ranges from VND 13-15mn/m².
- (2) The low-rise of Roman Plaza project with 59 low-rise apartments has been sold out. Revenue from this will be recorded in 2018 at average price of VND 70mn/m².
- (3) Hanoi Homeland Project includes 4 buildings. We have been told that Hai Phat Capital Jsc. (Hai Phat Invest is a shareholder) has sold a two-block-building to Dat Xanh Mien Bac, therefore, in 2018, the Company is expecting an abnormal revenue from this transfer.

+ Management fee: Apart from earnings from residential sales, the Company has other income from leasing malls and parking fee. However, based on our assumption, the whole square of mall will be sold at market price in the region, and revenue from management will be deducted from cost of sales.

Gross profit margin drops from 26% to 12% due to moderate margin of projects which might be handed over in 2018.

+ Revenue from Real estate business: In 2019, revenue is estimated to reach VND 5261bn, up by 52.2% yoy, estimated profit is VND 721bn, up by 180% yoy. This comes from:

- (1) Phu Luong project is under construction, completing infrastructure and civil work to hand over to buyers. The project has been sold out, total revenue of this project might be recorded in 2019. Selling price of a semi-detached house is VND 34mn/m² and that of a villa is VND 24mn/m².
- (2) The high-rise of Roman Plaza project has 400 units sold out of total 804 units. We expect this project to be sold out in 2019 when it is eligible for handing over to buyers and can be recorded in 2019 revenue. Selling price of this project is VND 28mn/m².
- (3) Hanoi Homeland with two remaining buildings has nearly been sold out, and can be recorded in 2019 revenue. Selling price of this project range from VND 19-21mn/m².
- (4) Beasky project has begun constructing and is expected to be

handed over and recorded in 2019. Expected selling price is VND 24mn/m2.

Figure 15: The Vesta Project Cashflow (unit: VND mn)

	Area (m2)	Unit price	2018	2019
Apartments	171,106			
- Quantity	1,902		50%	50%
- Sold area (m2)			68,442	68,442
- Price		14		
- 1st Period (50%)			40%	60%
+ Area	68,442			
+ Unit price		13		
+ 1st period money in			355,900	533,851
- 2nd Period (50%)				100%
+ Area	68,442			
+ Unit price		14		
+ 2nd period money in				958,194

Figure 16: Roman Plaza Project cashflow (unit: VND mn)

	Area (m2)	Unit price	2018	2019
Low-rise Building			690,930	
- Construction Area	7,679			
- Price		60		
-GFA	23,019			
-Price		10		
- Shopping centre and office			294,700	294,700
+ Area	29,470		11,788	11,788
+ % usage	80%			
+ Unit price		25		
Apartments	117,880			
- Quantity	804		50%	50%
- Sold area			44,205	44,205
- Price		28		
- 1st Period (50%)			40%	60%
+ Area	44,205			
+ Unit price		27		
+ 1st period money in			477,414	716,121
- 2nd Period (50%)				100%
+ Area	44,205			
+ Unit price		28		
+ 2nd period money in				1,237,740

Figure 17: Hanoi Homeland Project Cashflow (VND mn)

	Area	Unit	2018	2019
- Shopping centre and office			35,168,466,667	35,168,466,667
+ GFA	3996.42		1598.566667	1598.566667
+ % usage	0.8			
+ Unit price		22,000,000		
Apartments	67939.08			
- Quantity	612		50%	50%
- Area			25477.15625	25477.15625
- Price		20,000,000		
- 1st period (50%)			40%	60%
+ Area	25477.15625			
+ Unit price		19,000,000		
+ 1st period money in			193,626,387,500	290,439,581,250
- 2nd period (50%)				100%
+ Area	25477.15625			
+ Unit price		20,000,000		
+ 2nd period money in				509,543,125,000
- Sold - units to DXG				
- Quantity	612			

2. Valuation and recommendation

Analysis are applied as valuation methodologies to utilize in deriving a target price for HPX. As a real estate enterprise, the value of HPX greatly depends on the value of the land fund and future projects. The use of the RNAV valuation method is necessary to properly assess the quality of the firm's assets. Relative Multiple Valuation is applied to reflex marketability. In our opinion, the ratio of the two methods RNAV:P/E is 70:30.

RNAV method

S: KBSV

We had conducted revaluation for projects with sufficient information including The Vesta, Roman Plaza, Dai Dong A – Bea Sky, Phu Luong, Hanoi Homeland. We could not revalue projects without land use right certificate and based on fair value of land to revalue projects without sufficient information about development plan or those which are currently unused.

Discount rate RE is 12.6%.

Based on RNAV method, fair price of HPX is VND 26,333/share.

Relative multiple valuation

Average P/E of real estate sector is 13.84x so fair price of HPX based on this

method is VND 23,528/share.

Recommendation

HPX is a real estate company, developing a great number of projects in suburban area of Hanoi. Although the Company currently owns large land bank in the West of Hanoi and Nam Dinh, Thanh Hoa, Khanh Hoa and Binh Thuan; the capability to implement project is still limited and completed projects are facing issues and there is a shortage of fund for future projects. Based on valuation results and prospects for business in the coming time, KBSV recommends HOLD for HPX with a target price of VND25,492/share, 7% lower than current market price.

Figure 18: Valuation

Method	Estimated price	Weight	Target price
P/E	23,528	30%	7,058
RNAV	26,333	70%	18,433
Target price			25,492

Source: KBSV

Figure 19: Revaluation of projects (unit: VND bn)

Project	%owned by HPX	Revaluation (VND bn)
Roman Plaza Project	100%	692
Dai Dong A - Beasky Building	21%	20.58
Hanoi Homeland	100%	178
Phu Luong	100%	148
Phu Lam	100%	341
Kien Hung Building	50%	294
Kien Hung Urban Area	50%	284
Bac Lam Urban Area	50%	1046
Duong Noi Project	50%	319
Ha Cau Project	50%	173
TT1-TT4 Trau Quy Project	100%	105
TM1 Nha Trang	75%	227.25
SEA Thuan Phuoc Complex	21%	170
		3997.83

Source: KBSV

Figure 20: Earning forecast 2018 - 2019

(VNDbn)	2017	2018F	2019F
Net sale	1,080	3,456	5,261
The Vesta		1,848	
Roman Plaza		691	3,020
KĐT Phú Lương			974
Bea Sky			203
Hanoi Homeland		917	1,064
COGS	797	3,052	4,064
The Vesta		1,758	
Roman Plaza		441	2,249
KĐT Phú Lương			800
Bea Sky			162
Hanoi Homeland		853	853
Gross profit	283	404	1,197
Earning after tax	325	257	721
EPS (thousand dong)	4	1.7	4.8

Source: KBSV

Figure 21: Relative multiple valuation

	Ticker	Dilluted trailing P/E	Charter Capital	Weight	P/E weight
Dat Xanh Real Estate Service & Construction Corporation	DXG	9.44	3,425,714,120,000	16.2%	1.52
Nam Long Investment Cooperation	NLG	13.69	1,886,716,900,000	8.9%	1.22
HDG Construction JSC	HDG	9.91	759,680,800,000	3.6%	0.36
Phat Dat Real Estate Development Joint Stock Company	PDR	12.20	2,663,890,070,000	12.6%	1.53
Sai Gon Thuong Tin Real Estate JSC	SCR	6.41	3,170,337,940,000	15.0%	0.96
DIC Corp	DIG	24.40	2,381,948,190,000	11.2%	2.74
Khang Dien House Trading and Investment JSC	KDH	18.49	3,878,323,170,000	18.3%	3.38
LDG Investment JSC	LDG	14.47	1,887,494,540,000	8.9%	1.29
Song Da Urban & Industrial Zone Investment & Development JSC	SJS	15.47	1,148,555,400,000	5.4%	0.84
Average P/E					13.84

Source: KBSV

APPENDIXES

Financial indicators

Income statement

VNDbn	2015	2016	2017
Sales	1,035.36	1,807.87	1,080.47
Sales deductions	0.00	-0.04	0.00
Net sales	1,035.36	1,807.84	1,080.47
Cost of sales	-776.10	-1,446.72	-797.25
Gross Profit	259.25	361.12	283.22
Financial income	1.30	10.12	306.95
Financial expenses	-10.09	-73.06	-28.88
of which: interest expenses	-10.09	-32.56	-28.87
Gain/(loss) from joint ventures (from 2015)	-0.22	5.36	0.16
Selling expenses	-0.62	-35.41	-59.73
General and admin expenses	-52.47	-56.09	-89.49
Operating profit/(loss)	197.15	212.04	412.23
Other incomes	6.88	8.31	1.24
Other expenses	-1.80	-8.05	-10.58
Net other income/(expenses)	5.08	0.26	-9.34
Net accounting profit/(loss) before tax	202.23	212.30	402.89
Corporate income tax - current	-45.27	-41.24	-80.32
Corporate income tax - deferred	0.00	0.00	2.60
Corporate income tax expenses	-45.27	-41.24	-77.72
Net profit/(loss) after tax	156.96	171.06	325.17
Minority interests	1.23	1.95	-0.01
Attributable to parent company	155.74	169.11	325.18

Cashflow statement

VNDbn	2015	2016	2017
Net profit/(loss) before tax	202.23	212.30	402.89
Depreciation and amortisation	2.96	4.96	11.31
Provisions	-1.00	-11.39	-10.00
Unrealised foreign exchange gain/loss	0.00	0.01	0.00
Profit/loss from investing activities	20.54	14.98	-37.45
Interest expense	10.09	31.82	28.87
Operating profit/(loss) before changes in Working Capital	234.82	252.67	395.61
(Increase)/decrease in receivables	428.70	-389.23	-1,319.76
(Increase)/decrease in inventories	-275.61	550.94	205.65
Increase/(decrease) in payables	-205.08	-127.27	544.63
(Increase)/decrease in prepaid expenses	-21.62	23.38	-9.80
(Increase)/decrease in trading securities	0.00	0.39	0.00
Interest paid	-29.84	-31.62	-27.85
Corporate Income Tax paid	-10.09	-7.01	-65.47
Other receipts from operating activities	0.05	0.00	0.00
Other payments on operating activities	0.00	-0.11	0.00
Net cash inflows/(outflows) from operating activities	121.34	272.14	-277.00
Purchases of fixed assets and other long term assets	-144.12	-442.36	-1,705.04
Proceeds from disposal of fixed assets	1.55	0.99	0.00
Loans granted, purchases of debt instruments	-0.65	-4.35	0.00
Collection of loans, proceeds from sales of debts instruments	60.25	5.75	0.00
Investments in other entities	-172.44	-285.65	-186.51
Proceeds from divestment in other entities	82.00	14.74	712.36
Dividends and interest received	1.14	10.12	315.34
Net cash inflows/(outflows) from investing activities	-172.27	-700.77	-863.85
Proceeds from issue of shares	2.00	141.45	635.95
Proceeds from borrowings	259.16	783.11	1,884.15
Repayment of borrowings	-60.00	-481.32	-1,084.28
Net cash inflows/(outflows) from financing activities	201.16	443.25	1,435.82
Net increase in cash and cash equivalents	150.23	14.62	294.97
Cash and cash equivalents at the beginning of period	98.34	248.57	263.18
Cash and cash equivalents at the end of period	248.57	263.18	558.15

Các chỉ số tài chính

	2015	2016	2017	
Current Ratio		1.03	1.04	1.49
Total Liabilities/Total Assets		0.76	0.74	0.68
EBIT	VND bn	206.17	269.62	134.00
EBITDA	VND bn	209.12	274.58	145.30
Gross profit margin	%	25.04%	19.98%	26.21%
Net profit margin	%	15.16%	9.46%	30.10%
Asset Turnover Ratio		0.23	0.39	0.19
Equity Turnover Ratio		0.97	1.54	0.64
ROE %	%	14.65%	14.43%	19.30%
ROA %	%	3.52%	3.63%	5.67%
Account Receivable Turnover		35.65	34.32	9.56
Inventory Turnover		0.42	0.96	0.87
Account Payable Turnover		3.19	6.26	3.65
P/E		13.05	12.02	12.50
P/B		2.00	1.72	1.96

Source: KBSV

Balance sheet

VNDbn	2015	2016	2017
CURRENT ASSETS	2,519.45	2,272.26	2,598.89
Cash and cash equivalents	248.57	263.18	558.15
Cash	248.57	261.78	221.15
Cash equivalents	0.00	1.40	337.00
Short-term investments	1.40	0.00	0.00
Held-to-maturity investment	1.40	0.00	0.00
Accounts receivable	361.66	830.43	1,269.91
Trade accounts receivable	29.04	76.32	149.69
Prepayments to suppliers	144.36	465.09	703.18
Other receivables	248.65	338.03	456.03
Provision for doubtful debts	-60.39	-49.00	-39.00
Inventories	1,863.43	1,137.28	697.23
Inventories	1,863.43	1,137.28	697.23
Other current assets	44.39	41.36	73.60
Short-term prepaid expenses	0.03	0.01	0.07
VAT to be claimed	2.86	32.58	52.68
Other taxes receivable	41.50	8.78	20.85
LONG-TERM ASSETS	1,904.40	2,629.05	3,977.13
Long-term trade receivables	399.16	82.36	52.06
Other long-term receivables	399.16	82.36	52.06
Fixed assets	20.74	194.51	727.97
Tangible fixed assets	9.88	125.30	665.53
Cost	23.89	134.88	682.86
Accumulated depreciation	-14.01	-9.58	-17.32
Intangible fixed assets	10.86	69.21	62.44
Cost	11.67	69.25	62.47
Accumulated depreciation	-0.81	-0.04	-0.03
Long-term incomplete assets	660.76	1,262.99	2,220.60
Long-term cost of work in progress	205.25	381.20	0.00
Construction in progress	455.51	881.79	2,220.60
Long-term investments	754.25	1,045.23	540.00
Investments in associates	559.02	833.91	387.92
Other long-term investments	195.23	211.33	152.08
Other long-term assets	69.49	43.96	436.50
Long-term prepayments	55.54	31.56	40.00
Deferred income tax assets	0.00	0.00	2.60
Good will	13.95	12.40	393.90
TOTAL ASSETS	4,423.84	4,901.31	6,576.02
LIABILITIES	3,361.04	3,620.82	4,487.33
Current liabilities	2,435.10	2,177.77	1,744.15
Trade accounts payable	243.05	219.21	217.29
Advances from customers	1,535.05	100.74	4.43
Taxes and other payable to State Budget	55.63	51.57	66.87
Payable to employees	2.36	2.03	2.67
Accrued expenses	61.58	83.45	112.60
Short-term unrealized revenue	0.01	1.20	0.00
Other payables	116.72	1,298.42	1,140.08
Short-term borrowings	419.20	420.17	194.63
Bonus and welfare funds	1.51	1.00	5.57
Long-term liabilities	925.94	1,443.05	2,743.18
Long-term trade payables	0.00	0.00	0.00
Long-term advances from customers	0.00	0.00	531.48
Other long-term payables	500.22	690.30	543.91
Long-term borrowings	425.72	752.75	1,667.79
OWNER'S EQUITY	1,062.80	1,280.48	2,088.69
Capital and reserves	1,062.80	1,280.48	2,088.69
Paid-in capital	750.00	750.00	1,500.00
Common shares	750.00	750.00	1,500.00
Share premium	0.00	0.00	335.95
Undistributed earnings	265.04	433.99	238.53
Beginning accumulated undistributed earnings	109.68	264.33	3.21
Current period undistributed earnings	155.37	169.66	235.32
Minority interests	47.76	96.49	14.22
TOTAL RESOURCES	4,423.84	4,901.31	6,576.02

List of projects to be deployed in Hanoi

Project	Project scale	Products	Legal status	Estimated completed time	% owned by HPX	Hai Phat's investment (VNDbn)
Connection roads from urban areas and residential areas in Ha Dong		05 connection roads with total length up to 6.2km	Signed BT contract and established project company	2020	50%	980
Phu Lam Project	13,64 ha	567 low-rise buildings and 21-floor building	Approved detailed planning (1/500 planning)	2020	50%	1281
Kien Hung High-rise building	2.55ha	1271 apartments	Approved detailed planning (1/500 planning)	2020	50%	907.5
Kien Hung New Urban Area	7.57ha	387 row-houses	Approved detailed planning (1/500 planning)	2019	50%	524
Bac Lam Project	41ha	2351 apartments và 604 row-houses	Approved detailed planning (1/500 planning)	2022	50%	4583
Duong Noi project	2.55ha	128 shophouses	Approved detailed planning (1/500 planning)	2019	50%	219.5
Ha Cau Project	2.44ha	801 apartments và 81 row-houses	Approved detailed planning (1/500 planning)	2021	50%	866.5
My Hung New Urban Area	182ha		Approved detailed planning (1/500 planning) and completed land clearance	2022		17075
Main road in the South of Ha Tay province	25.6km					6283
TT14-TT19 Trau Quy Project	1.75ha	140 3-floor-row-houses	Completed infrastructure	2018	100%	345
Tay Nam An Khanh New Urban Area	101ha	Row-houses and villa	Approved detailed planning (1/500 planning) and completed land clearance	2023	100%	3500
High-tech Eco-garden house	30ha	140 villas		2020	100%	1000

Source: HPX

List of projects to be deployed in other cities

Project	City	Project Scale	Legal status	Estimated completed time	HPX's Investment (VND bn)
Old building Renovation in Nam Dinh	Nam Dinh	29 old buidings	Having investment policy		
Hai Phat Tourism and Industrial Urban Area	Nam Dinh	4228ha	Having investment policy	2021	
TM1 Nha Trang	Khanh Hoa	8111m2 including 2 40-floor buildings	Had land use right	2022	3945
Golden Beach Villa	Khanh Hoa	54.18ha including 600 villas	Land clearance completion	2024	750
SEA Thuan Phuoc Complex	Da Nang	1.16ha including 2 Condotel buildings, 2 Commercial buildings	Had land use right	2021	3000
Nam Bim Son New Urban Area	Thanh Hoa	129.25ha	Proposing Detailed Planning	2021	1800
Ham Tien - Mui Ne Tourism Service Center	Binh Thuan	198ha	Launching land clearance	2024	9831

Source: HPX

Investment Rating for Company**Buy:** +15% or beyond**Hold:** between +15% and -15%**Sell:** -15% or beyond**DISCLAIMER**

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