



# VIETNAM DAILY NEWS

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## Market Analysis

### 1. VN-Index moves flat on sluggish trade

Trading value on the southern bourse stood at around VND3.4 trillion for the third consecutive day while volume inched down around 4% against the session earlier at 145.3 million shares. Of the figures, there were 25 million shares worth VND737.8 billion traded in block deals.

Large cap stocks closed the day mixed, in which property giant VIC gained 1% at VND115,200 and beverage firm SAB and lender VCB added less than 0.5% each. In contrast, lender BID fell 0.9% at VND32,000, making the most negative contribution to the main index.

Besides, BHN, a beverage company, plunged to the floor price of VND99,000. Construction firm ROS turned the most actively traded stock on the southern market with over 10 million shares exchanged, closing down 1.3% at VND30,000.

ITA, an industrial zone operator, and plastic enterprise AAA ranked next by liquidity with matching volumes of over seven million shares and 6.7 million shares, respectively. While AAA jumped 3.6% at VND18,350, ITA closed at the reference level of VND3,280.

VGC, a building material group that had traded shares on the Hanoi market previously, floated 448.35 million shares on the southern bourse today. The group ended up 3% at VND20,500 on matching volume of over two million shares.

The HNX-Index of the Hanoi Stock Exchange increased 0.3 points, or 0.28%, at 105.32. Trading volume on the northern market fell 8% compared to Tuesday to 26.6 million shares and value slid 17% at VND307 billion.

Bao Viet Securities Company in a report said the VN-Index was forecast to move sideways in the upcoming sessions. After last week's decline, the index might swing between 960 and 993 points in the short run, before sending signals of its next movements.

Investors should continue to monitor global economic developments, especially Brexit and the G20 summit, which is expected to take place at the end of June. As the market was expected to run flat in the short term, investors with large amounts of cash should look at supporting zones of the main index, the firm said.

## Macro & Policies

### 2. Vietnam extends global reach through G7 coffee

G7, a brand from Vietnam's leading coffee group Trung Nguyen Legend, has been shooting ahead in export markets, overtaking global rivals to dominate the world's leading markets and helping to drive Vietnam's total export value.

Neighbouring China has emerged as a location full of potential for global coffee brands, including the G7 product. The coffee firm's ceaseless efforts for business promotion and design innovations, along with the distinct aroma and taste of the products themselves, have thus far helped the products win the hearts of many Chinese consumers, especially from the younger generations.

#### Global interest

According to Chnbrand, China's leading brand rating agency, the G7 product is the most popular and trusted coffee brand in the country, - surpassing other leading coffee brands from Japan, the US, Malaysia, and Taiwan.

Simultaneously, eyeing phenomenal growth of - approximately 200 per cent, G7 has carved out a solid spot at major supermarket chains, trade centres, convenience stores, e-commerce channels, and drug store chains across Asia.

For instance, in South Korea, G7 coffee products are now available at leading supermarkets, such as LotteMart, Homeplus, and Emart, marking the impressive development of the Vietnamese brand.

Parallel to its success in China, Trung Nguyen Legend has scaled up exports of G7 coffee products to the US market. In April 2019, the product overcame strict quality inspections and officially appeared on the shelves of leading US supermarket chain Costco, a testament to G7's and Trung Nguyen's global competitiveness.

The US is the world's largest consumer market, - accounting for more than one-fifth of global retail sales. Getting a spot in Costco's network of nearly 800 outlets provides Trung Nguyen with a firm

foundation for G7 to quickly penetrate and develop in other countries around the world.

Between 2017 and 2018, G7 and Trung Nguyen - Legend's distinct products such as Trung Nguyen - Legend Ca phe sua da, Trung Nguyen Legend Capsule, and their roasted coffee line-ups have constantly surfaced at diverse international exhibitions across Europe, such as the WorldFood Moscow 2018 in Russia, and For Gastro & Hotel 2017 in the Czech Republic.

G7's taste and aroma are increasingly being favoured by many European consumers.

At the recent Garden 2019 Trade Fair in the Czech Republic, Trung Nguyen Legend's booth courted more than 5,500 visitors to taste authentic Vietnamese coffee products. In addition, the image of G7 coffee was widely seen at the most stunning natural attractions across Russia.

#### Taking over the world

With creative spirit and non-stop efforts, Trung Nguyen Legend's G7 and other coffee products have witnessed impressive growth and gradually materialised the aspiration of boosting - Vietnamese brands' exposure in global markets.

Trung Nguyen Legend's commitment provides motivation, inspiring other local firms to step ahead and boost production and exports, - enhancing the status of Vietnamese coffee around the world.

Coming into being in 2003 under the name G7 - short for the Group of Seven, which represents the world's major industrialised countries, the coffee line-up attests to the aspiration of Trung Nguyen Legend founder and chairman Dang Le Nguyen Vu to bring Vietnamese coffee to the rest of the world.

### 3. Herbal cultivation for sustainability

Emerging drugmaker CVI Cosmetic & Pharmaceutical JSC (CVI Pharma) is preparing to open its hi-tech factory costing nearly VND300 billion (\$13 million) on an area of 1.1 hectare in Hanoi's Hoa Lac Hi-tech Park early next year.

“When the facility is in place, we will develop herbal cultivation areas to ensure the supply of clean and quality materials for our manufacturing, thus increasing the value chain in the time to come,” said Phan Van Hieu, chairman of CVI Pharma. “At present, we rely much on partners to supply materials for production.”

CVI Pharma is only one of a number of Vietnamese pharmaceutical companies heading towards an inclusive business model, in which drugmakers partner with local farmers to develop cultivation areas to ensure sustainable material supply, while creating jobs.

Nguyen Quang Vinh, vice chairman of the Vietnam Business Council for Sustainable Development, told VIR, “There are many models for sustainable business development like the inclusive business model. This model is now a trend among pharmaceuticals in Vietnam, and has proved successful in many countries in helping businesses develop sustainably.”

Back in 2002, Vietnam's second-largest publicly-traded drugmaker Traphaco began a herbal cultivation area in Sapa district of the northern province of Lao Cai, where the majority of the population are ethnic minorities with out-of-date cultivation techniques. Traphaco has provided training on the cultivation of artichokes, which has helped improve local people's lives.

38-year-old Thao A Tu, who is living in Sapa, is an example of how planting artichokes have improved the lives of hundreds of locals. Before

2011, his family was struggling to get by, but he has a better life now.

Before 2011, his family members had no stable job, but relied on vegetable cultivation with a low output. Thus, after the harvest season, they struggled to find jobs. He joined Traphaco's artichoke cultivation and his family's life has changed for the better.

At present, Traphaco has five herbal cultivation areas meeting GACP-WHO standards, all aligned with the principles of environment protection from seeds, cultivation techniques, harvest and processing; to water, green fertiliser, and green land.

Other pharma firms, such as Vietnam's third-largest domestic drugmaker Domesco (DMC), Hau Giang Pharmaceutical JSC (DHG), and Imexpharm Pharmaceutical JSC, have been making similar moves. They were all named on the 2016 list of 100 businesses honoured in the programme of benchmarking and ranking sustainable companies in Vietnam.

DMC and DHG have so far been focusing on developing herbal cultivation areas, and have plans to expand an additional 1,000ha of herbal trees nationwide.

Doan Dinh Duy Khuong, CEO of DHG, said, “The company plans to increase the proportion of products made from natural materials to develop its value chain, thus growing sustainably and helping to improve the lives of farmers.”

According to the Ministry of Health's Drug Administration of Vietnam, manufacturing and production of traditional medicines needs around 500 kinds of herbal trees. However, due to the weak development of cultivation areas, Vietnam has to import the majority of herbs.

#### 4. Long Thanh International Airport may be kicked off in late 2020

There are a number of important milestones from now until the construction is implemented. Notably, the State Appraisal Council will study the feasibility study for two months from June to August, after which it will be submitted to the National assembly for approval in November and then to the government for approval in December.

Between August 2021 and February 2022, the investor will organise a bid to select the contractor of the terminal segment.

Previously, in June 2018 ACV and the joint venture JFV (Japan, France, and Vietnam) signed a contract on consultancy and conducting a feasibility study for the first phase of the Long Thanh International

*After the third phase, the airport will be able to serve 100 million passengers and handle five million tonnes of cargo a year.*

Airport project.

JFV includes Japan Airport Consultants (JAC – Japan), Nippon Koei (NK – Japan), Oriental Consultants Global (OCG – Japan), ADP Ingenierie

(ADPi – France), Airport Design and Construction Consultancy (ADCC – Vietnam), and Transport Engineering Design Inc. Company (TEDI – Vietnam).

Covering a total area of more than 5,580 hectares, Long Thanh International Airport will be located in six communes in Long Thanh district, Dong Nai province.

The construction of the airport will cost VND336.63 trillion (\$14.64 billion) and will be divided into three phases.

In the first phase, a runway and one passenger terminal, along with other supporting works, will be built to serve 25 million passengers and 1.2 million tonnes of cargo each year. This phase is expected to be completed by 2025.

In the second phase, one more runway and another passenger terminal will be built to serve around 50 million passengers and 1.5 million tonnes of cargo a year.

After the third phase, the airport will be able to serve 100 million passengers and handle five million tonnes of cargo a year.

#### 5. Dak Lak eyes \$66 million hi-tech farming complex

The complex's construction follows a Memorandum of Understanding signed on Tuesday in Buon Ma Thuot City between the provincial People's Committee and Hung Nhon Group from the southern province of Binh Phuoc and the De Heus Group from the Netherlands.

Construction on the project, spanning 200ha, will extend from the third quarter this year to the fourth quarter of 2025.

The complex includes an 80ha farm for 2,400 breeding pigs selected and imported from the Netherlands; a 30ha chicken breeding area; and a 15ha plant for pork slaughtering and organic fertiliser production.

Once completed, the complex will become a leading centre for hi-tech application in animal husbandry, creation of chained products, animal feed, organic fertiliser, and commercial livestock products with the best quality in Viet Nam, according to the company.

It aims for exports to the Southeast Asian region, Vu Manh Hung, chairman of the Hung Nhon Group, said.

While providing safe breeding stocks for Central Highlands and southern provinces, the complex will also generate up to 300 local jobs, Hung said, adding that he hoped to receive support from local authorities to develop the project.

The chairman of the provincial People's Committee, Pham Ngoc Nghi, said the province has huge potential to develop agriculture, especially farmland. The agricultural park complex is in line

with the province's strategy to develop its agricultural economy, he said.

Nghi pledged to create all possible conditions for investors to complete the project.

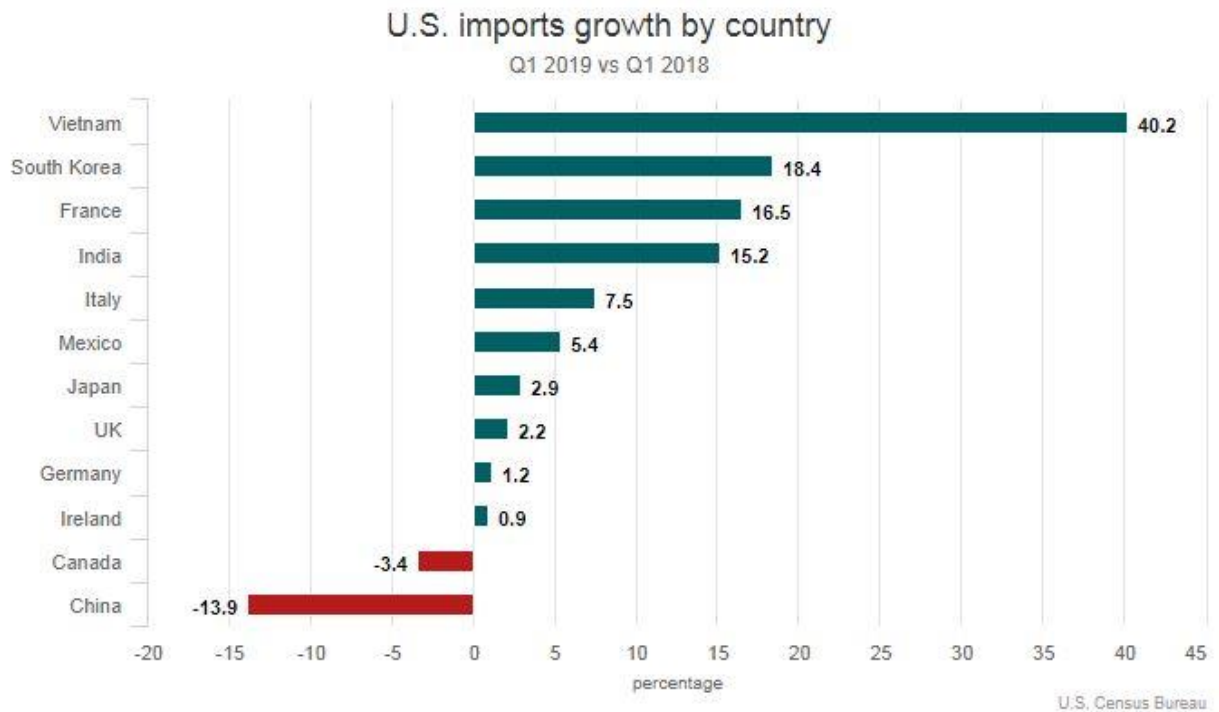
## 6. Vietnam exports to US rise 28 pct as China-US trade war intensifies

The U.S. was Vietnam's largest export market in the first five months with a value of \$22.6 billion, up 28 percent year-on-year. China came second with \$13.4 billion, down 2.6 percent, according to Vietnam's General Statistics Office.

Vietnam was the U.S.'s 12th largest supplier last year, but if this pace of growth is sustained for a full year, it could leapfrog Italy, France, the U.K., and India in the ranks of top exporters to the U.S, *Bloomberg* said in a new report.

The country has become a standout in a region where the world's export engines are largely hurting amid trade-war tensions and a slowing electronics cycle, the report added.

U.S. Census Bureau data shows Japan, South Korea, Singapore, and Taiwan all saw export contractions in April, while in the same month Vietnam's exports gained 7.5 percent from a year earlier.



Experts have called Vietnam a "winner" of the trade war as it has received increasing investment as major manufacturers leave China to avoid the high tariffs.

U.S. footwear maker Brooks Running announced earlier this month that it would shift the majority

of its shoe production from China to Vietnam this year.

Apple's iPhone assembler Foxconn has acquired the right to use property in an industrial park in northern Vietnam, while Chinese GoerTek last year asked all suppliers involved in its AirPods

production to ship all necessary materials to Vietnam.

Industry insiders have said that Vietnam's low production costs have made it an attractive new home for foreign companies in China. A factory worker in Vietnam is paid half the remuneration of his counterpart in China. The geographical proximity between the two countries has made transitions easier and cheaper.

But there could also be negative fallout, according to analysts.

Economist Nguyen Tri Hieu told *VnExpress International* that the U.S.'s aggressive tariff raise means China has to depreciate its currency to mitigate the damage.

This would lead to a surge in cheaper imports from China, making it difficult for Vietnam's domestic products to compete, he said.

The trade war between the world's two largest economies intensified this month when U.S. President Donald Trump on May 10 raised tariffs on \$200 billion worth of Chinese imports from 10 percent to 25 percent.

A day later he ordered a tariff hike on almost all the remaining imports worth \$300 billion.

In response, China is set to impose higher tariffs on some \$60 billion worth of U.S goods starting June 1.

## 7. Vietnam likely to benefit from worldwide shift in production capacity: HSBC

Countries where existing infrastructure and production networks are already in place such as Vietnam are likely to be the main beneficiaries of a shift in production capacity as businesses look to Southeast Asia as an emerging manufacturing hub, but there is much to be done to fully capture a large-scale move, HSBC has said in a note.

### Shift in supply chains

There have been supply chains shifting to Southeast Asia because of the region's growing economies and consumer markets, especially with trade tensions and rising production costs affecting other markets.

Rather than see a wide-scale shift to ASEAN, due to trade tensions, multinationals are diverging in their supply chain strategies with a mixture of localization, offshoring and re-shoring activity emerging.

As China moves up the technological curve, its lower-value production is shifting to lower-cost markets. For example, China-based Guizhou Tyres has expanded plans for its previously announced tyre plant in Vietnam increasing the budget investment to nearly \$500 million. Similarly,

Samsung has shifted more of their electronic equipment production to Vietnam as now the Korean conglomerate assembles about half of its phones in the country.

Meanwhile, across Europe, firms like British manufacturer, Dyson, are forging ahead with South-east Asian investment to cater for the local consumer market whilst retaining existing production facilities for exports elsewhere.

### Changes needed

"Shifts in supply chains have been a multi-year phenomenon due to structural changes in production technology, labor costs and emerging consumer markets. Over the past decade, ASEAN and Vietnam have been perceived as a strong production option for multinationals given its role within existing supply chains, growing consumer base, and strong trade and investment ties," said CEO of HSBC Vietnam Pham Hong Ha.

However, Southeast Asia, and particularly Vietnam, can only expect to see a wide-scale divergence of supply chains coming its way when there are improvements in production technology

and capacity, and regional integration, according to HSBC.

Businesses from China, Europe and the US want to see ASEAN and Vietnam further position itself as a viable alternative for lower-end production. However, to convert its much-touted supply chain potential, Vietnam needs to build more visibility and credibility amongst international firms, particularly in their ability to handle and deliver production orders, Hai noted.

“The changes in global trade are causing businesses to re-visit their supply chain investment and capacity strategies, but we are yet to see this convert into wide-scale shifts to Southeast Asia, South Asia or other parts of the world. The changes cannot happen overnight. Businesses that consider shifting supply chains have to ask themselves many questions about local capacity available, skilled employees and consideration of building new facilities or start partnerships with existing local players,” Hai added.

The hot buttons that will matter for both large and small firms include how ASEAN and Vietnam can deliver competitive production costs, and how technology and innovation are being introduced to improve productivity. It will also come down to the relationship factor and whether businesses feel confident that orders will be serviced on time and on budget.

At a government level, this will require educating international firms about the regulatory frameworks, tax incentives, and free trade zones,

along with demonstrating the improvements in ports and rail and other transport infrastructure.

It will also require ASEAN governments to demonstrate a pathway to longer-term initiatives to remove the non-tariff barriers around the flow of goods across ASEAN, the development of skilled labor; and the protection of intellectual property, cybersecurity, and movement of commercial data across borders.

HSBC suggest a number of areas of specific focus to improve intra-ASEAN trade flow, including improvement in ASEAN's transport infrastructure including roads, rail and ports; policies that raise the level of technological adoption; increasing skilled labor and the flow of skilled labor; establishing automation of customs clearance across all ASEAN member states, among others.

Reducing supply chain barriers of this nature could increase Southeast Asia's gross domestic product by 9.3% and exports by 12.1%, according to the World Economic Forum.

“While trade relations between ASEAN including Vietnam and the world's major economies, like US and China, have generally been positive and steadily growing, there is a lot of ground still to cover within ASEAN's backyard to further improve the intra-regional flow of trade and investment. Agility and responsiveness to these challenges by ASEAN governments and corporates will determine whether the region's supply chain potential can be realized amongst international firms who are re-examining their options,” Hai concluded.

## Corporate News

### 8. Stock market briefs May 29, 2019

↑ 0.00%

HCMC – Nam Kim Group (NKG) has approved the transfer of all the company's stake in Nam Kim Corea to China-based Chinasia Textile Ltd, said *Dau Tu Chung Khoan* website. The move took place as the parent company suffered VND173 billion and VND101 billion in losses in the fourth quarter of 2018 and the first quarter of 2019, respectively. These losses also caused the firm to shed more than VND1 trillion of its total assets. To resolve its ailing performance, NKG plans to restructure its manufacturing and investment activities.

HANOI – Viettel Post Corporation (VTP) will pay a dividend at a combined ratio of 56.4% for 2018 on the record date of June 5. Of the amount, VTP will spend VND62 billion paying a dividend of VND1,500 each between July 1 and August 31. The company will issue 17 million shares to pay a

dividend at a 41.4-for-100 ratio. The issuance will help VTP raise its registered capital to VND585 billion.

HANOI – Ha Giang Mineral and Mechanics Company (HGM) will pay a dividend of VND5,500 each share for 2018 on the record date of June 7. The company will make the payment on June 19. HGM made a net profit of VND4.58 billion on revenue of VND22.9 billion in the first quarter of this year, down 63% and 33.7% year-on-year, respectively.

HANOI – Investment and Industrial Development Corporation (BCM) targets a net profit of VND2.6 trillion in 2019, up 10% against last year. Its revenue is expected to soar 38% to VND9 trillion. BCM also plans to move its share listing to the Hochiminh Stock Exchange from the market for unlisted public enterprises, or UPCoM, and maintain the foreign ownership limit at 49% this year.

### 9. Samsung SDS to acquire 25 pct stake in Vietnam's CMC

↑ 5.60%

The acquisition comes around a year after the two companies sealed an agreement to cooperate in businesses related to smart factories and cybersecurity.

The purchase is part of a strategic partnership agreement, which it hopes would accelerate its forays into Vietnam's fledgling cloud market and other markets in Southeast Asia, Samsung SDS announced early this week without disclosing the price.

It would combine its expertise in AI, big data and the Internet of Things with CMC's business network in a country that is emerging as a manufacturing powerhouse, said Samsung

SDS, the system integration arm of South Korea's electronics conglomerate Samsung.

The two would also look to collaborate on blockchain and big data in future, it added.

"CMC is now partnering with Samsung SDS, following AT&T, Oracle, SAP and Microsoft," CMC chairman and general director Nguyen Trung Chinh said in a statement.

"The strategic ties will hugely contribute to advancing the digital economy globally."

Founded in 1993, CMC is one of Vietnam's largest IT services companies with revenues of VND5.23 trillion (\$223 million) in 2018. The Hanoi-based company has eight affiliates and 3,000 employees, and focuses on system integration, software

development, cloud computing and IT infrastructure management.

The strategic partnership would also help advance CMC's goal of reaching the \$1 billion sales mark by 2023, Chinh added.

## **10.BMI: Notice of the record date for the 2018 dividend payment**

**↓ -1.45%**

Bao Minh Insurance Corporation announces the record date for the 2018 dividend payment:

Record date: June 11, 2019

Purpose for the payment for the 2018 dividend in cash

Dividend pay-out ratio: 12%/ par value (VND1,200/ share)

Payment date: June 21, 2019

Place & procedure of payment:

-Shareholders whose shares have been deposited: at the securities firms where the shares have been deposited.

-Shareholders whose shares have not been deposited: Bao Minh Insurance Corporation as from June 21, 2019.

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