



VIETNAM DAILY NEWS

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Market Analysis

1. FTA with EU spurs investor sentiment

On Sunday, Vietnam and the European Union signed the EVTFA and the EU-Vietnam Investment Protection Agreement (EVIPA), paving the way for Vietnamese exports to enjoy low or zero tariffs in the coming years and for EU firms to push up investments in Vietnam.

The news buoyed stock investor sentiment, and drove up the stocks of companies that would benefit from the trade pact, especially in the agriculture, textile, garment and timber sectors.

The EVFTA, the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), and other trade deals will help Vietnamese goods make their way to new markets.

The benchmark VN-Index rose by 15.67 points, or 1.65%, to 965.61 points. The market maintained upward momentum for the entire session with 216 gainers and 100 losers.

More than 166.4 million shares worth over VND3.8 trillion were traded on the southern bourse, down 8.8% in volume but up 15% in value, compared with the previous session. Of these, block deals amounted to 43 million shares valued at nearly VND1.1 trillion.

Given the strong demand, lender CTG went up to its ceiling price of VND20,850 per share, with some 3.6 million shares changing hands. Also, leading fuel firm GAS rose by 6.3% to VND103,700 per share.

Other bank, oil and gas stocks, such as VCB, TCB, BID, VPB, PLX and PLD, also performed well.

Among heavyweights, dairy producer VNM inched up 1.6% at VND125,000 a share. Leading property firm VIC and its housing developer VHM added 1.3% and 2.1% at VND117,200 and VND81,000, respectively.

In contrast, construction firm ROS still led the market by liquidity with more than 12.2 million shares transacted while its value slid a further 0.2% to VND29,750 for the straight seventh losing session.

On the Hanoi Stock Exchange, the HNX-Index gained 0.58 points, or 0.56% to 104.09 points. The market saw more than 21 million shares worth over VND273 billion changing hands.

Among the top 10 stocks by market capitalization on the Hanoi bourse, lender ACB and stone manufacturer VCS inched up 1% and 1.8% at VND29,200 and VND61,200 per share.

Most petroleum-related stocks, such as PVS, PVI, PVC and PVB, were also in positive territory.

Lender SHB was the most actively traded stock with over four million shares traded, followed by petroleum technical service firm PVS with 2.6 million.

Macro & Policies

2. Wind power projects in Binh Thuan call for help due to capacity reductions

After more than 10 years, the country is home to only nine wind power projects with a total capacity of some 350 megawatts (MW), making it challenging to meet the target of 800 MW of wind electricity by 2020, according to the association.

Meanwhile, the last two years have witnessed the introduction of nearly 100 solar power projects with a combined capacity of some 4,000 MW, 10 times higher than that of wind power projects and exceeding the planned capacity in the adjusted National Power Development Plan VII.

The association stated that scores of solar power projects in some provinces, such as Binh Thuan and neighboring Ninh Thuan, coupled with the lack of synchronization between the planning and execution stages of power source and grid projects, have been severely overloading the local power grid system.

The association referenced the Phan Ri-Ninh Phuoc 110kV power transmission line, noting that the capacity of the line is over 100 MW, and that the two wind power projects – 24-MW Phu Lac 1 and 30-MW Binh Thanh 1 – were earlier connected with the grid.

However, more than 10 solar power projects have been linked with the line in recent months, and they have a combined capacity of some 400 MW, exceeding the current-carrying capacity of the grid.

An electricity system regulator under State utility EVN in June asked that all power projects connected with the grid lower their capacity by 38% to 65% of their designed capacity during the daytime.

However, according to the association, the electricity sales contracts of these two wind power projects, compared with those of solar power projects, have no provision to cut their capacity if the grid is overloaded.

Therefore, the association claimed that the reduction in their capacity is unfair and goes against the agreement.

“We suggest EVN not slash the capacity of the wind power projects,” the association said in its petition.

The association added that responsibility lies with the management agencies rather than the wind power investors for the lack of synchronization in planning between power sources and grids.

In case of further capacity reductions, the association stressed these investors would send their petitions to higher management agencies to identify those responsible and demand compensation for their losses.

3. Growth in foreign tourist arrivals cools

Data from the General Statistics Office shows that even though Vietnam remains a tourist destination for international visitors, the growth in foreign holidaymakers to the country is slowing.

Vietnam welcomed some 1.18 million international tourists last month, with the lowest number recorded in June since the beginning of

the year, falling 10.6% against the month earlier. Of the total, the number of tourists traveling to the country by road, air and sea dropped 10.6%, 10.6% and 13.3%, respectively.

Last month, the number of Asian arrivals in Vietnam inched down 0.4% year-on-year, while the country saw a year-on-year decline of 6% in Australian travelers.

In the first half of 2019, the number of international visitors to Vietnam rose by an estimated 7.5% year-on-year, with the number of tourists to Vietnam by road amounting to 1.68 million, growing by 24.9%. Some 6.65 million international travelers came to Vietnam by air, up 4.5%, whereas over 139,000 foreign visitors traveled to Vietnam by sea, tumbling 19.9%.

Asian tourists made up the lion's share of the total international arrivals in Vietnam in the first six months, at 77.4% (6.56 million), up 8.2% year-on-year.

The number of Asian tourists from Vietnam's key source markets rose over the first half of 2019, with South Korean visitors totaling two million, up

21.3%, whereas some 455,700 Japanese travelers and 430,300 Taiwanese holidaymakers visited the country, up 12.8% and 27%, respectively.

China continued to take the lead with 2.48 million travelers to Vietnam in the first six months, down 3.3% year-on-year.

European visitors to Vietnam during the six-month period rose by an estimated 5.5% year-on-year, with increases seen in most of its markets except for Finland.

In particular, the number of tourists from Russia, Great Britain, France and Germany rose 6%, 4.4%, 1.2% and 6.2%, respectively, but their growth rates were not high.

4. Investment from China, Hong Kong in H1 surpasses 2018

Of the total, US\$5.3 billion was pledged by investors from Hong Kong and US\$2.2 billion from mainland China. The two numbers surged and doubled those recorded seen in 2017, respectively, Nguyen Viet Phong, head of the GSO's Construction and Investment Capital Statistics Department, said at a press briefing last week.

The number of newly approved projects of Chinese and Hong Kong firms and their registered capital in the six-month period doubled those in the same period last year.

GSO statistics showed that investors from China and Hong Kong committed to injecting US\$3.15 billion into 437 projects in the period, doubling the figure from the same period last year.

The sectors of textiles and garments, footwear, automobile tires and electronic accessories attracted the most investment, Phong added.

GSO General Director Nguyen Bich Lam said China-U.S. trade tensions have led to a shift of investment to Vietnam but it would also spell trouble for the country.

Chinese goods could be shipped to Vietnam before they are sent on to the United States, putting Vietnamese products of same categories at risk.

The investment has also put pressure on domestic firms. Moreover, Vietnam has signed multiple free trade agreements with other countries. If local enterprises do not make preparations, they will lose opportunities to foreign rivals.

The China-U.S. trade war is also getting more complicated. So Vietnam should keep a close watch on local and global markets and issue appropriate policies, according to GSO.

5. Investor wants to return loss-making BOT road project

The project has reportedly incurred losses of VND99.2 billion (US\$4.3 million) after more than two years of toll collection.

According to Can Tho-An Giang National Highway 91 Investment JSC, which is owned by Sonadezi Corporation and Cuong Thuan IDICO Development Investment JSC, the project cost nearly VND1.7

trillion, including equity of VND277 billion and loans of VND1.4 trillion.

To recover the capital, the investor collects tolls from vehicles passing through the section at T1 and T2 stations in line with the Ministry of Finance's regulations and BOT contract terms.

Since the project was put into operation, many drivers passing through the T2 tollgate have parked their vehicles at the tollgate and refused to pay, causing serious traffic snarls. They argued that they traveled several hundred meters of Highway 91 but were forced to pay for the entire route.

The situation seems to have worsened since the Vam Cong Bridge was put into place on May 19.

Drivers argued that the T2 tollgate was in a poorly chosen location, collecting fees from all vehicles passing through the tollgate though some of them were traveling on only 300 meters of the National Highway 91 section.

As a result, the investor later had to allow vehicles to pass through the tollgate at no charge from May 25, leading to a drop in revenue.

It has asked the Government to help it repay bank loans, stabilize its business activities and ensure the interests of its employees.

If the Government does not take back the project, the investor asked the Government to reimburse part of the site clearance cost of VND400 billion and part of the construction cost of VND480 billion. The investor will continue the toll collection at the T1 station only.

In addition, the investor suggested the Ministry of Transport reduce tolls for drivers living near T1 and T2 tollgates in Dong Thap Province, besides those in Can Tho, An Giang and Kien Giang.

On May 23, the Directorate for Roads of Vietnam met with the Departments of Transport of Can Tho City and the An Giang and Dong Thap provinces, suggesting the removal of the T2 toll station, but many delegates complained that the solution would not work.

6. EU Signs Free Trade Deal With Vietnam Pending Parliament Approval

The free trade deal is a massively important step for the EU in enhancing its trade relationships with other Southeast Asian countries. The signing ceremony for the official EU-Vietnam Free Trade Agreement was held Sunday in Hanoi, Vietnam.

The event was attended by the EU's Commissioner for Trade Cecilia Malmstrom, Romania's Business, Trade and Entrepreneurship Minister Stefan Radu Oprea, and Vietnam's Industry and Trade Minister Tran Tuan Anh.

While the agreement has already been signed by both parties, it will still need the full approval of the European Parliament. There have been some concerns raised by the EU parliament pertaining to Vietnam's previous human rights records.

It is still not yet clear if the agreement would get Parliament approval, but given its progress, it may only be a matter time before it is fully implemented.

The EU currently has a standing free trade agreement with South Korea, Singapore, and Japan. The economic union is also currently in talks to set up a similar agreement with other developing Asian nations, including the Philippines, Malaysia, Indonesia, and Thailand.

According to the EU, the agreement is an ambitious undertaking for the trading bloc.

The signing of the deal in Hanoi is the culmination of three-and-half years of negotiations. When it is officially implemented, it would eliminate 99 percent of the tariffs on Vietnamese imports. Some items, such as agricultural products will be limited by quotas.

The agreement with the EU is expected to trickle down into other procurement and services markets within the country. This could include markets such as baking and maritime industries. The EU is Vietnam's second largest export market, right behind the United States. Last year, Vietnam

exported over \$42.5 billion worth of goods and services to the EU. Meanwhile, the EU exported around \$13.8 billion worth of goods to Vietnam.

Vietnam is currently one of the fastest growing economies in Southeast Asia, with a number of free trade agreements in place. The country currently has a free trade pact with 11 other countries across the Asia-Pacific, under the

Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP).

Vietnam expects the EU-Vietnam Free Trade Agreement to drastically boost EU exports by as much as 15 percent. It is also expected to boost the country's gross domestic product (GDP) by as much as 2 or 3 percent by 2023.

7. Vietnam telecom service revenue hits US\$7 billion

Vietnam generated total telecom service revenues of US\$6.9 billion in 2016 or 3.4% of its nominal GDP with an estimated growth rate of around 1.6%.

Market shares of fixed telephone service providers (by subscribers) in Vietnam in 2012. Photo:MIC

Mobile data services accounted for 78.5% of total service revenue in 2016 and will be the key revenue-contributing segment, according to Ken Research, a market research and consulting company based in India and the US.

The dominance of mobile data services resulted from increasing popularity of OTT services and rising smartphone adoption coupled with availability of attractive data plans, Ken Research said in a recent report.

The consulting firm predicted that Vietnam's telecom service to grow at a compound annual growth rate (CAGR) of 4.2% during 2016-2021.

Vietnam's telecom market will be dominated by Viettel, Vinaphone, and Mobifone. Of the trio, Viettel is estimated to remain the largest player in the telecom market through 2021, owing to investments in 4G service rollout and expansion linked to fixed infrastructure improvement.

In addition, operators will focus on 4G network expansion and fiber deployments to improve broadband infrastructure in the country.

Ken Research's analysis is based on regional context in which it compared Vietnam's telecom market size with other countries in the region, in terms of economic, demographic, and political context in Vietnam.

In addition, it made a review of the regulatory setting and agenda for the next 18-24 months as well as relevant developments pertaining to spectrum licensing, national broadband plans, number portability, and more.

The analysis also covers a demand profile in which figures and forecasts of service revenue from the fixed telephony, broadband, mobile voice, and mobile data had been made.

Furthermore, it pictures the competitive landscape with an examination of key trends in competition and in the performance, market shares, and expected moves of service providers over the next 18-24 months.

In-depth sector analysis of fixed telephony, broadband, mobile voice, and mobile data help result in the near-term opportunities for operators, vendors and investors in Vietnam's telecommunication market.

The report provides an easily digestible market assessment for decision-makers built around in-depth information gathered from local market players, which enables executives to quickly get up to speed with the current and emerging trends in Vietnam's telecommunication market, the company said.

Corporate News

8. CRC: Board approves to divest in Tu Cuong

↑ 0.00%

According to the board resolution dated June 27, 2019, the Board of Directors of Create Capital Viet

Nam Joint Stock Company Limited approved to withdraw its entire stake in Tu Cuong Manufacturing – Trading Co., Ltd. (*), with the initial investment of VND15 billion and the profit at least 10% on the initial investment

9. ACC: Resolution on the dividend payment

↑ 1.51%

The Board of Directors of ACC Binh Duong Investment and Construction Joint Stock Company approved to pay for the 2018 dividend in cash:

- Record date: July 16, 2019
- Payment date: August 08, 2019
- Dividend pay-out ratio: 18%/ par value (VND1,800/ share)

- Exercise ratio: 1:1 (01 share – 01 vote)
- 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: ACC Binh Duong Investment and Construction Joint Stock Company as from August 08, 2019.

10.ACC: Announcement of record date for dividend payment

↑ 1.51%

ACC Binh Duong Investment and Construction Joint Stock Company announces the record date for the 2018 dividend payment as follows:

- Record date: July 16, 2019
- Payment ratio: 18% (or 1,800 dongs for a share)
- Payment date: August 08, 2019

- Place 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: at ACC Binh Duong Investment and Construction Joint Stock Company as from August 08, 2019.

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