



# VIETNAM DAILY NEWS

July 16<sup>th</sup>, 2019



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## Market Analysis

### 1. 80% of State-owned groups earn profit in H1, says CMSC

This will be part of the CMSC's task to fulfil its goals and plans this year, Hung said.

"The committee will consolidate organisational structure and personnel and tighten its co-operation with these relevant agencies and corporations to assess operational efficiency and financial disclosure as well as restructuring, equitisation, divestment and listing on the stock market," he added.

After receiving 19 corporations and groups from the Government and a number of ministries last year, the CMSC worked with each corporation to understand difficulties and proposals, thereby accompanying enterprises to ensure economic efficiency, preserve and develop the State capital.

Evaluating the results of production and business performance of corporations and their affiliated companies, Hung said there were 16, or 80 per cent, of 19 corporations and groups which made profits in the first half of this year, completing over 50 per cent of the annual plan. Four of the total achieved or exceeded 50 per cent of the annual plan for the State budget.

Regarding the process of restructuring, equitisation and State divestment, Hung said the committee has collaborated with relevant agencies to deal with difficulties and problems.

"This process has been implemented in accordance with legal regulations and transparency, however it is still slow compared to the plan."

According to Chairman of CMSC Nguyen Hoang Anh, the committee has defined its role not only with the task of monitoring, controlling and exercising ownership rights of the State capital, but is also responsible for bridging State-owned enterprises and legislative bodies, drafting and promulgating development policies and strategies.

"The committee will build a transparent, creative and effective business environment in order to promote the overall strength and role of State-owned enterprises as economic leaders contributing to regulating, directing and developing sectors in each period, gaining the objectives of socio-economic and enterprise development," Anh said.

Under a 2018 decree establishing the CMSC, the committee is responsible for managing State capital in corporations and groups that are entirely owned by the State, in joint stock companies and in limited liability businesses with State investment and multiple members.

These corporations and groups were previously run by five ministries, including the ministries of Finance, Industry and Trade, Transport, Agriculture and Rural Development, and Information and Communications. They are now under the management of the CMSC.

The 19 groups include the Viet Nam National Oil and Gas Group (PetroVietnam), Vietnam Electricity (EVN), Viet Nam National Coal and Minerals Holding Group (Vinacomin), Viet Nam National Petroleum Group (Petrolimex), Viet Nam National Chemical Group (Vinachem), Viet Nam National Tobacco Corporation (Vinataba), Viet Nam Post and Telecommunication Group (VNPT), MobiFone, Vietnam Airlines, Airport Corporation of Viet Nam (ACV), Viet Nam Railway, Viet Nam Expressway Corporation (VEC), Viet Nam National Shipping Lines (Vinalines), Viet Nam Forest Corporation (Vinafor), Viet Nam Northern Food Corporation (Vinafood 1), Viet Nam Southern Food Corporation (Vinafood 2) and State Capital Investment Corporation (SCIC), Viet Nam Rubber Group (VRG), Viet Nam National Coffee Corporation (Vinacafe).

## 2. Shares move against regional trend on low liquidity

On the Ho Chi Minh Stock Exchange (HOSE), the VN-Index edged down 0.29 per cent to close Monday at 972.53 points.

On the Ha Noi Stock Exchange, the HNX-Index also inched down 0.23 per cent to end the session at 105.61 points.

Both markets increased marginally last week.

Liquidity was below the average of the last 20 sessions, totalling 174 million shares worth VND3.9 trillion (US\$168 million) on the two exchanges, down 7 per cent in volume and 3 per cent in value compared to Friday's figures.

Widening declines of some heavyweight stocks drove the market down.

Vingroup (VIC) and its property arm Vinhomes (VHM) decreased by more than 1 per cent each. Food and beverage firms such as Vinamilk (VNM), Sabeco (SAB) and Masan Group (MSN) slipped between 0.7 per cent and 2.4 per cent.

Viet Nam's biggest listed steel company Hoa Phat Group also gave up more than 2 per cent.

Bank for Investment and Development of Vietnam (BID) and insurer Bao Viet Holdings (BVH) also declined despite news that the two shares will be

added to the VN30 basket (which tracks the top 30 biggest shares by market value and liquidity on HOSE) in July.

The market was cushioned by growth of some banks, including Vietcombank (VCB), up 1.8 per cent, Techcombank (TCB), up 2.2 per cent, and Vietnam Prosperity Bank (VPB), up 0.5 per cent.

Mobile World Investment JSC (MWG) also rose by more than 3 per cent.

The US stock market continued to set a historic peak last week but this did not have a positive impact on the Vietnamese securities market as the cash flow in the market was weak, according to analysts at Sai Gon-Ha Noi Securities JSC.

Banking stocks rallied in recent sessions, with shares of Vietcombank surpassing its 2008 peak and continuing to climb. This is expected to support the market in the near future, they wrote in a daily report.

Foreign investors continued to be net buyers on Monday but their net buy value decreased sharply to just VND6.2 billion, down 98 per cent compared to Friday's value.

## Macro & Policies

### 3. FDI firms to be listed soon: Ministry of Finance

According to the ministry's six-month report on the equities market, there will be a framework to supervise the FDI firms when they are listed.

Some FDI firms have transformed into joint-stock companies from limited-liability ones, but there is no policy to make them list shares on the stock market.

At the end of May, the Ministry of Finance and the State Securities Commission asked for opinions from the ministries of Planning and Investment, Justice and Public Security about the proposal.

The Ministry of Finance and the Ministry of Planning and Investment will also work together to develop a mechanism to closely monitor the trading of FDI firms' shares.

In other markets such as South Korea, Japan, Singapore and Thailand, a number of FDI firms are listed on the stock markets and there is no difference or discrimination between foreign-invested firms and domestic firms.

### 4. Aviation quandary as airlines wait to enter Vietnamese market

Leading tour company Vietravel said in April that it had applied for a license to launch Vietravel Airlines, based in the central province of Thua Thien – Hue Province. It said the initiative seeks to complete its ecosystem, taking advantage of its large customer base.

Vietstar Airlines, a military-run aviation company, has been pursuing a commercial license for years, and the government has said it can grant it only when the Tan Son Nhat International Airport finishes a new terminal and parking lot.

Tran Trong Kien, chairman of local resort and seaplane operator Thien Minh Group, last month established an aviation company, two months after a joint venture plan with AirAsia collapsed.

Anticipating aviation market growth, Vietnam's largest private business conglomerate, Vingroup, plans to cooperate with a Canadian group to train 400 pilots and mechanics a year.

Experts have expressed concerns over the country's infrastructural capacity to serve the increasing number of aircraft.

Nguyen Thien Tong, former faculty head of aeronautical engineering at the Ho Chi Minh City University of Technology, said: "Existing airports

are overloaded so another airline might be redundant."

The nation's biggest airport, Tan Son Nhat International Airport in Ho Chi Minh City, served 38 million passengers last year against a designed capacity of 25 million, while the Noi Bai International Airport in Hanoi needs two runways repaired because they have been overused.

Major airports in the country have reported capacity overreach. Data from the Civil Aviation Authority of Vietnam (CAAV) shows that the Da Nang International Airport is exceeding its capacity by 13 percent, despite going through an upgrade and the the Cam Ranh International Airport in Nha Trang Town is doing so by 20 percent.

It is estimated that the country would need \$2.4 billion to upgrade all civilian airports, but most of the new terminals are still in the planning process.

Another issue with approving new airlines is the limited capability of authorities to manage aircraft. In April, a request by the fifth Vietnamese carrier, Bamboo Airways, for permission to expand its fleet was met with overreach concerns.

The CAAV, which was not confident the carrier could manage the expansion also said that the

authority itself could only manage a maximum of 256 aircraft, while Bamboo Airways's new jets would bring this number to 277.

"New airlines mean more aircraft, while infrastructure is already overloaded. Authorities will face difficulties in managing new aircraft and ensuring their safety," Tong said.

Other experts proposed that the addition of airlines should happen in tandem with needed improvements in infrastructure. Economist Pham Chi Lan said that the government should allow private investors to pour money into constructing and upgrading new terminals and airport services.

#### Cheaper fares unlikely

Aeronautical engineer Tong also said that more carriers in the market might not see the expected benefit for passengers in terms of cheaper ticket prices. He said prices are unlikely to go lower than what is being offered by low-cost airlines like Vietjet Air and Jetstar Pacific.

In the initial period, the new airlines might be willing to accept losses to attract customers, but in the long-term, "new airlines must keep their prices at a certain level to earn profit and cannot go down more than that," he told VnExpress International.

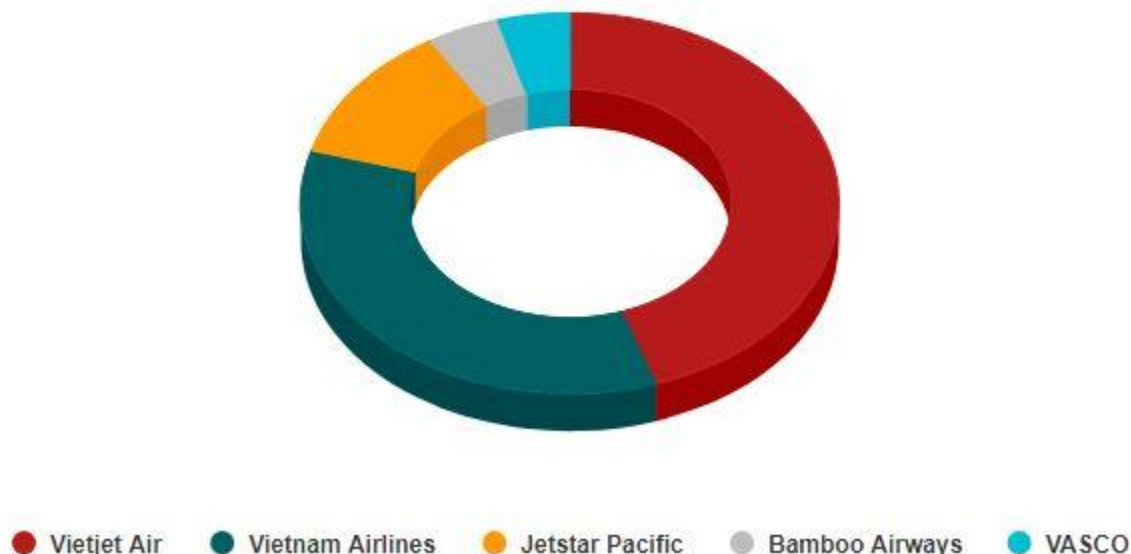
Economist Le Dang Doanh also said that new airlines will struggle to gain market share initially, as Vietjet and Vietnam Airlines have spent years to establish their presence.

"New airlines will be unprofitable for years as they try to win the trust and confidence of customers. There is no guarantee that they can offer lower costs than existing airlines."

Competition is going to be tough for the newcomers, experts say. Vietjet accounted for 44.8 percent of the market in terms of number of flights in the first six months this year, and Vietnam Airlines followed with 34.7 percent, according to the CAAV. New player Bamboo Airways has just 4.4 percent of the market since it began operations earlier this year.

Airline share by number of flights

Jan-Jun 2019



CAAV

Last year, Vietnam's 21 state-run airports served 103.5 million passengers, up 11 percent year-on-year, and the figure is set to rise to 112 million this year, according to the Airports Corporation of Vietnam.

The number of visitors travelling by air in Vietnam is estimated to grow 17.4 percent in the 2016-2021 period, the fastest in Southeast Asia where average growth is estimated at 6 percent, according to the World Bank.

## 5. Three Vietnamese firms among Asia's top 100 power performers

Vietnam's oil and gas giant PetroVietnam, leading dairy company Vinamilk, Vietcombank, tech company FPT and real estate conglomerate Vingroup make an appearance in the fourth annual Asia 300 Power Performers Ranking compiled by the Nikkei Asian Review.

In the top 100 power performers list, Vinamilk ranked 25th while Vietcombank, one of the country's leading banks, came in 54th and state-run PetroVietnam was in 84th place.

The Japan-based publication ranked 325 companies from 11 economies across the continent by analyzing the growth, profitability, efficiency and financial soundness of the companies based on their earnings for the most recent fiscal year.

The picks were based on the firms' five-year average growth in revenue and net profit, return-on-equity (ROE) ratio, net profit margin and shareholder equity (to-asset) ratio.

Last year, Vinamilk reported pre-tax profits of VND11.52 trillion (\$499.26 million), up 12.05

percent from the previous year, on revenues of VND52.63 trillion (\$2.28 billion), down 2.93 percent.

Meanwhile, Vietcombank gained its consolidated profits of VND18.27 trillion (\$784 million), surging 61 percent over 2017.

PetroVietnam reported revenues of VND626.8 trillion (\$26.92 billion) in 2018, 18 percent higher than the target and a year-on-year rise of 26 percent.

On top this year is South Korean firm SK Hynix, the world's second largest memory chipmaker, followed by Nanya Technology Corp, a major Taiwanese maker of dynamic random-access memory (DRAM) chips, mainly used in computers and Anhui Conch Cement Co., Ltd. in mainland China.

Of the top 300 companies in Asia, Chinese firms dominated the list with 81, followed by India (44), South Korea (42), Taiwan (40), Indonesia and Thailand (25 each), Malaysia (22) and Singapore (21).

## 6. Vietnam 5-star hotels revenues rise on strong demand

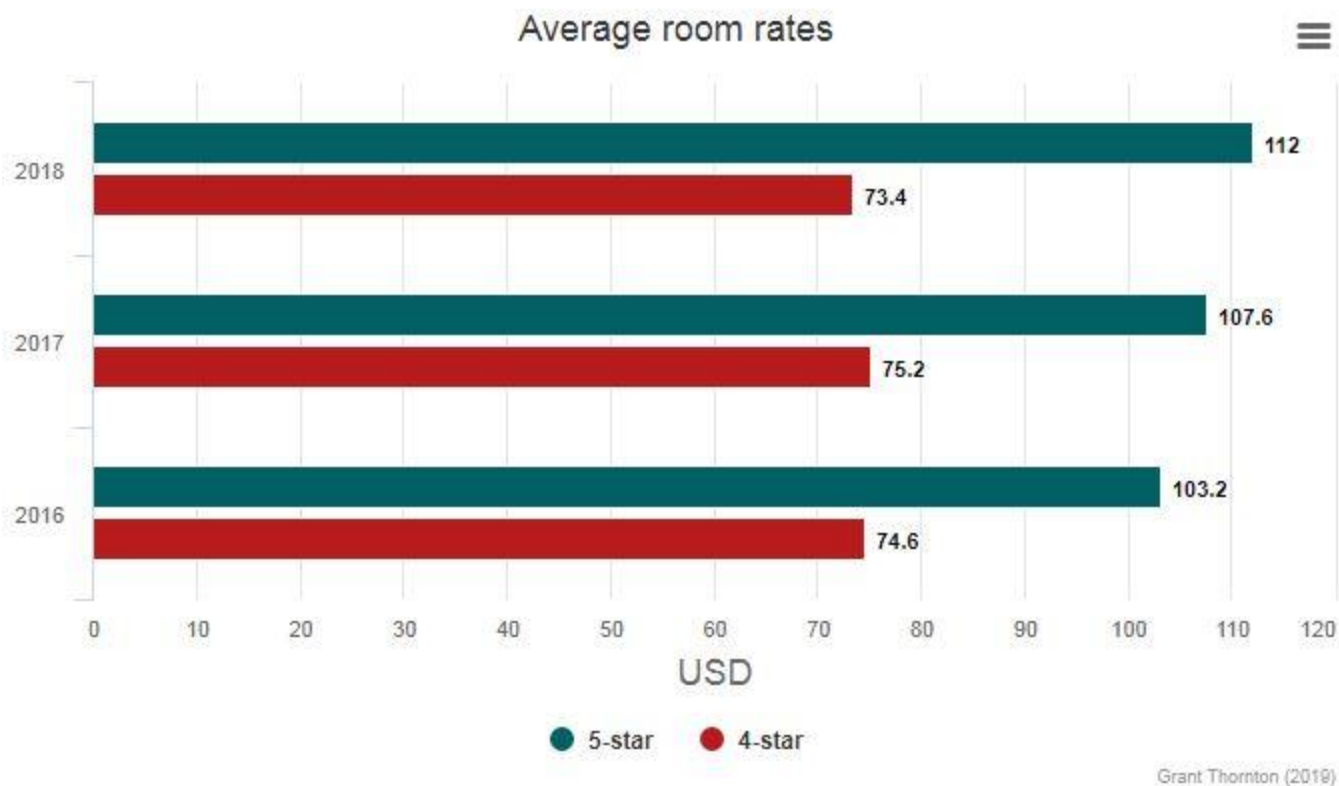
Their revenue per room available grew by 5.4 percent from 2017 to \$83.4, according the newly-released Hotel Survey 2019 by global consulting firm Grant Thornton.

Kenneth Atkinson, senior board adviser of Grant Thornton Vietnam, said the average occupancy

rate at five-star hotels continued to be high at 75.6 percent, up 0.5 percentage point.

With demand increasing, hotels raised their tariffs by 4.1 percent to \$112 per day, he added.



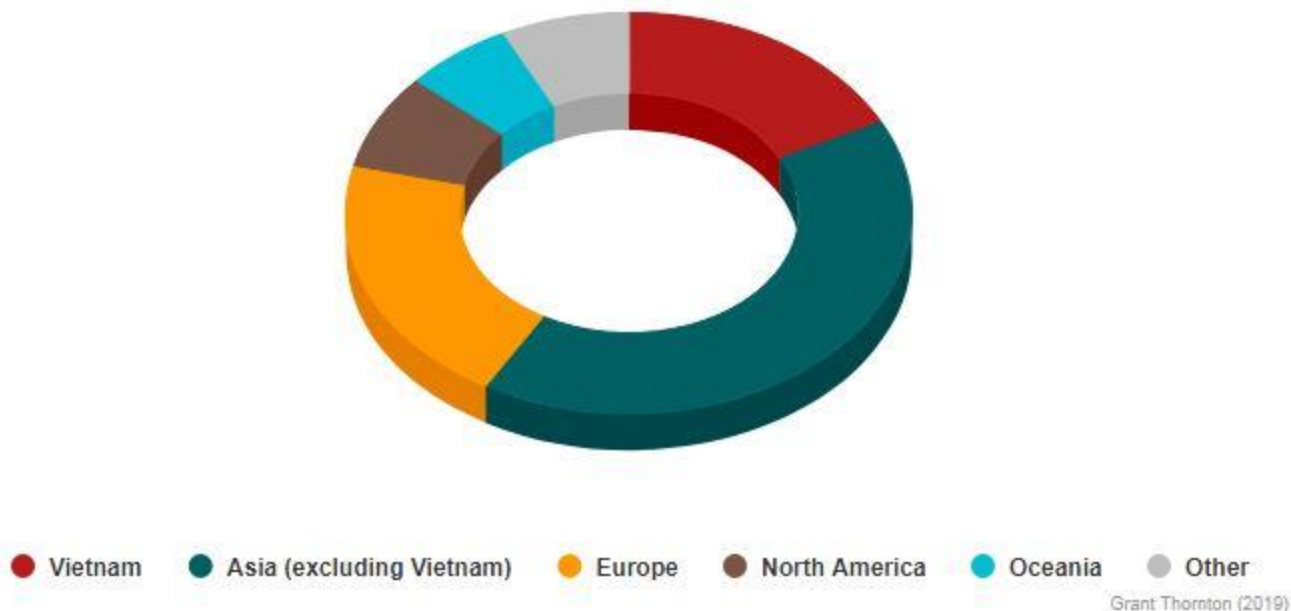


The report said leisure travelers, tour groups and corporate travelers continued to be the three largest categories of guests, together accounting for 76 percent.

But the rate of MICE guests (meetings, incentives, conference and exhibits) decreased from 7.6 percent in 2017 to 6.8 percent last year.

The majority of customers, 82.5 percent, were foreign tourists from Asia, Europe and North America. But the number of Vietnamese guests declined by 1.7 percentage points after increasing briefly in 2014-16.

## Sources of upscale hotel guests 2018



There were 152 five-star hotels last year, a year-on-year increase by 34, with 51,800 rooms, up 50 percent, according to the Vietnam National Administration of Tourism.

International arrivals were up 19.9 percent to 15.5 million in 2018, while the number of domestic tourists rose by 9.3 percent to 80 million, it added.

## 7. Aviation market slows down

Statistics from the Air Transport Department of the Civil Aviation Authority of Vietnam show that the local air transport market grew by 15.2% in the first half of 2018, much higher than in the six-month period this year.

The slowdown had earlier been predicted by experts as the local airlines, such as Vietnam Airlines, Jetstar Pacific and Vietjet, have constantly expanded their aircraft fleets and opened more air routes.

On domestic air routes linking major cities such as Hanoi, HCMC and Danang, flights are arranged to cover all time slots each day. Vietnam Airlines and Jetstar Pacific operate flights with 30-minute intervals on the Hanoi-HCMC air routes.

The domestic aviation market currently has five carriers: Vietnam Airlines, Jetstar Pacific, Vietjet Air, Vietnam Air Services Company or Vasco (a subsidiary of Vietnam Airlines) and Bamboo Airways.

In spite of its recent entry into the aviation market, Bamboo Airways holds 4.2% market share and is planning to expand its aircraft fleet.

Besides this, major local conglomerate Vingroup has established its own air carrier, called Vinpearl Air, and is registering for a business license. In addition, procedures to establish Vietravel Airlines, Vietstar Airlines and Thien Minh are being completed.



Some newcomers to the domestic aviation market are expected to stoke the competition of the market and provide customers with more choices.

Currently, Vietnam's carriers are operating a combined 48 domestic air routes linked to 22 airports. Vietnam Airlines operates 33 domestic and international air routes, while Vietjet has 35 air routes connecting major cities in Vietnam and international destinations, Jetstar Pacific offers 23 domestic and international air routes and Bamboo Airways and Vasco fly on 24 and nine domestic and international air routes, respectively.

The number of passengers transported by the airlines in the first six months of 2019 totaled 18.3 million, up 6.2% year-on-year.

Apart from this, the number of aircraft is rising strongly. As of June 31, the airlines operated 197 planes, up 30 aircraft year-on-year, according to statistics.

Under the plan to develop air transportation until 2020 with a vision toward 2030, approved by the prime minister, the aviation market is targeted to grow 16% per year on average in the 2015-2020 period and an average of 8% in the 2020-2030 period.

## Corporate News

### 8. CMG: Change of the plan for the use of proceeds from the bond issuance

↓ -0.65%

CMC Corporation announces the adjustment of the use of proceeds from the private placement of VND300 billion bonds as follows:

- The issuer will use VND100 billion from the private placement to finance the issuer's business operations and raise capital to the wholly-owned limited companies as follows:

- The issuer will contribute an additional amount of VND40 billion to CMC Technology and Solutions Co., Ltd.; and
- The issuer will contribute an additional amount of VND60 billion to CMC Global Co., Ltd. Of which, the bond capital will be used to refund a part of contributed capital and the capital expected to be invested in 2019.

### 9. TPBank and UnionPay to expand card and QR Code payment in Viet Nam

↑ 0.66%

The signing ceremony marks the official collaboration between TPBank and UnionPay, creating the best conditions for millions of UnionPay customers to expand their payments by card and QR Code in Viet Nam and through TPBank's acquiring points from July 2019.

According to the report of Viet Nam General Statistics Office and the National Administration of Tourism, in the first quarter of 2019, there were more than 3.2 million Chinese and South Korean visitors coming to Viet Nam, of which many used UnionPay cards with purchase volume exceeding trillions of Vietnamese dong.

The co-operation between TPBank and UnionPay will help travellers easily process payments in Viet Nam as well as help Vietnamese retailers expand their sales capabilities to increase revenue and profits. Currently, TPBank has developed over 30,000 QR code acceptance points, hundreds of thousands of mPOS terminals, which will help UnionPay cardholders easily process payments using UnionPay cards and QR codes at thousands of stores in Viet Nam as well as easily withdraw cash from TPBank's ATM, LiveBank.

Speaking at the event, TPBank's CEO Nguyen Hung said the partnership between TPBank and UnionPay marks an important step for both firms to expand payment networks in the international market, contributing to the growing trend of cashless payments in Viet Nam.

UPI has been actively deploying contactless terminals and QR Code for payment, as well as developing other innovative payment solutions with other partners in Viet Nam, in line with the State Bank of Viet Nam's vision to become cashless by 2020.

"We believe that innovative payment solutions will better meet the fast changing payment needs of the Vietnamese people, and to better serve the nation's fast growing and vibrant economy," said Larry Wang, Vice President of UnionPay International.

UnionPay is one of the fastest-growing payment networks in the world, with over 7.5 billion UnionPay cards issued in 52 countries and regions, over 55 million merchants and 2.9 million ATMs accepting our cards in 174 countries and regions.

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