



VIETNAM DAILY NEWS

July 24th, 2019



Table of content

Table of content

- 1. Shares recover thanks to 'Vin' stocks**
- 2. 500 representatives to join Vietnam M&A Forum 2019**
- 3. FE Credit and CMC TSSG host Vietnam's largest contact centre project**
- 4. Vietnam PM suggests no light-box sign needed for Grab cars**
- 5. Chinese investment wave raises concerns**
- 6. Vietnam seeks ways to develop oil, gas industry amid China's harassment in South China Sea**
- 7. BIDV to issue more than 603 million shares to Korea's KEB Hana Bank**
- 8. CII: CII receives VND764 billion**

Market Analysis

1. Shares recover thanks to 'Vin' stocks

The benchmark VN-Index on the Ho Chi Minh Stock Exchange rose 0.76 per cent to close at 989.46 points.

Nearly 185 million shares were traded on the southern bourse, worth VND4.7 trillion (US\$201 million).

The index had slipped 0.03 per cent to close Monday at 982.04 points.

The large-cap VN30-Index was up 0.98 per cent to 888.26 points. Nineteen of the 30 largest stocks by market capitalisation ended the morning on a positive note.

Three 'Vin' shares, namely Vingroup (VIC), Vinhomes (VHM) and Vincom Retail (VRE), all extended their rallies. VIC increased by 2.8 per cent to VND119,800 per share, VHM rose by 1.4 per cent to VND85,800 per share and VRE climbed 1.6 per cent to VND37,300 per share.

Other large-cap stocks such as PetroVietnam Gas JSC (GAS), steel maker Hoa Phat Group (HPG), Military Bank (MBB), Mobile World Group (MWG) also performed well and solidified the rise of VN-Index. GAS increased by 1.5 per cent to VND107,100 per share, MWG rose 2.3 per cent to VND108,900 per share. MBB climbed 2.3 per cent to VND22,700 per share.

Sectors saw a wide divergence today. Real estate stocks went up 1.86 per cent thanks to Vingroup's gains, while retail stocks increased by 2.03 per cent, owing to Phu Nhuan Jewelry PNJ (1.7 per cent), Mobile World Group MWG (2.3 per cent), and Digiworld JSC (DGW) (2.4 per cent).

Adversely, bank stocks fell 0.12 per cent, due to Bank for Investment and Development (BID), Asia Commercial Bank (ACB) and Vietcombank (VCB).

Foreign investors were net buyers for a sixth consecutive session on HoSE at almost VND46 billion.

According to Bao Viet Securities Company (BVSC), the VN-Index is forecast to improve in the next few sessions.

“The VN-Index will head toward the resistance zone of 992-993 points next session with the support from foreign investors' net buying activities. In this resistance zone, the index may face volatility pressure before heading toward stronger resistance zone around 1,000 points in the short run,” BVSC said.

“Q2 financial reports being published will possibly continue to cause a wide divergence among sectors. Bank stocks are expected to maintain its uptrend in the short run. Large-cap stocks, including VIC, VHM, VRE, FPT and MWG will increase and dominate the index in the remaining sessions of the week,” it said.

Oil and gas stocks were sending positive signals, it added.

Stock exposure should be maintained at 50-60 per cent of the portfolio and investors with high stock proportion might consider selling stocks at 992-993 points.

They should take advantage of the market's corrections to raise the proportion of short-term positions, focusing on blue-chip and large-cap stocks and shares with positive second quarter business results, BVSC said.

On the Ha Noi Stock Exchange, the HNX-Index lost 0.05 per cent to end at 106.71 points on Tuesday.

More than 28.4 million shares were exchanged on the northern bourse, worth VND416 billion.

The index had lost 0.29 per cent to end at 106.76 points on Monday.

Macro & Policies

2. 500 representatives to join Vietnam M&A Forum 2019

This was announced by the organising board at the July 23 Hanoi press conference announcing Vietnam M&A Forum 2019. The 11th annual Vietnam M&A Forum held by *Vietnam Investment Review* and AVM Vietnam under the theme "Going for breakthrough" will take place at GEM Convention Center, Ho Chi Minh City on Tuesday, August 6, 2019.

Accordingly, the M&A Forum will have three main sessions, namely policy dialogue, identifying breakthrough fields, and brand issue in M&A activities.

Notably, in Session 1, managers and experts from the Ministry of Planning and Investment, the Ministry of Finance, the State Securities Commission, the State Bank of Vietnam, the Commission for the Management of State Capital at Enterprises (CMSC), and leaders of domestic and foreign enterprises will pool their knowledge to answer questions like "What changes do the Vietnamese government and authorised agencies need to make to create a breakthrough in M&A?" or "How do investors and businesses need to react to upcoming changes?"

Besides, managers and experts will clarify new policy incentives which can facilitate M&A in the fields that require motivation for development such as high-tech industries, high-tech agriculture, renewable energy, and smart infrastructure. Additionally, they will issue incentives to facilitate special M&A deals where local firms buy into foreign partners (particularly cross-border transactions) to expand globally or to facilitate the emergence of startup unicorns which can team up with global groups to grow more powerful.

In addition, experts will explain the differences that the establishment of the CMSC will bring to the SOE equitisation and state capital divestment cause, as well as outline the specific opportunities in businesses under the management of the CMSC in 2019-2020.

In Session 2, speakers from big domestic and foreign corporations and investment funds will work together to find solutions to pressing

questions about business in fields which need large medium-term capital like real estate, especially as the ratio of short-term capital for medium and long-term loans is being gradually reduced to 30 per cent in the next year or two. This is putting pressure on both banks and businesses, but is also creating an opportunity for M&A activities.

Besides, experts will discuss the opportunities left for investors who arrive late to the market, highlighting opportunities in the retail, consumer goods, manufacturing, and service sectors – while warning of tough competition in these areas.

In Session 3, leading Vietnamese and international CEOs will share their experiences and lessons about protecting and developing Vietnamese brands via cross-border M&A activities as foreign businesses are arriving en masse to Vietnam.

Besides, participants will have the opportunity to listen to ideas about the issue of brand valuation in M&A. Is the brand valued too high or low? How can the proper valuation be found to avoid causing losses to Vietnamese SOEs and the state via M&A transactions and SOE equitisation.

Furthermore, the CEOs will clarify the role of advisory firms in brand and intellectual property (IP) protection and valuation in M&A deals, discussing in detail matters that the buyer and the seller should pay attention to in branding when it comes to M&A negotiations and transactions.

On the sidelines of the seminar "Going for breakthrough", the Organising Board will also provide space and time for activities for investment connection between domestic and foreign enterprises to share information.

In particular, the organising board will nominate and honour the best M&A deals and advisory firms of 2018-2019. The purpose of the nomination is to assess and honour businesses conducting the best M&A deals, as well as to recognise the best M&A advisory firms of the past year.

“During the preparation for the Vietnam M&A Forum 2019, the organising board has received the attention of government agencies and ministries such as the Ministry of Planning and Investment, the Central Propaganda Department, the Ministry of Information and Communication, as well as received dedicated help from many experts, businesses, and professional organisations,” said Le Trong Minh, editor-in-chief of *Vietnam Investment Review* and head of the Organising Board of Vietnam M&A Forum.

According to Vo Thanh Thong, Deputy Minister of Planning and Investment, “The annual Vietnam M&A Forum has attracted the participation of more and more investors, especially foreign investors. It is now a bridge to connect foreign and local enterprises with each other, while simultaneously contributing to luring foreign investment in Vietnam and making proposals to complete the policy to attract M&A investment.”.

3. FE Credit and CMC TSSG host Vietnam’s largest contact centre project

An advanced call centre model, the contact centre regarded as one of the world’s most advanced technologies in the field of customer care.

This project is part of FE Credit’s strategy to enhance the quality of service delivery across multiple channels and thus optimise the cost, shorten information processing time, increase the productivity of front-end and back-end teams and improve customer experience.

This is also the largest contact centre project in Vietnam to date, with 3.5 million calls handled a day by 4,500 consultants (agents) and multi-channel integration within various systems of the organisation.

Modern technology to optimise operations

CMC Saigon Technology and Solutions Co., Ltd. (CMC TSSG) started the project to upgrade infrastructure design based on Genesys solutions, and system administration for FE Credit from a manual to a fully automated platform.

This solution replaces the old contact centre system, which had a limited capacity, to meet the speed and need of business expansion, thus helping FE Credit to unify the platform and integrate its five departments “end-to-end”.

The project has been divided into two phases, with Phase 1 running from December 2016 to November 2017 and Phase 2 from February 2019 until September 2019.

In Phase 1, CMC TSSG successfully deployed omnichannel technology for FE Credit with capabilities

including voice, email, web chat, Facebook and mobile application on this platform.

The voice channel focuses on automating the process and operations to help FE Credit optimise resources during peak periods, thereby improving the contact centre’s operational efficiency. In addition, the system also supports screen recording and call recording to improve service quality and risk control.

Thanks to the success of Phase 1, FE Credit continued to invest in expanding the platform from 2,000 agents to 4,500 agents in phase 2. Currently, CMC TSSG is preparing to complete

FE Credit and CMC TSSG commit to join synergies to ensure the successful implementation of Phase 2 of the project to achieve their shared objectives.

phase 2.

Tiet Kim Hai, chief information officer (CIO) at FE Credit, said, “As a pioneer of the consumer finance industry, our focus has always been to implement the best technology solutions, which not only keep pace with the growing demand but also provide seamless experience to all users, while at the same time meet the challenge of tight deadlines.”

“With a highly qualified team and professional project management capabilities, CMC TSSG has met the highest standards of a complex project with multi-technology and multi-functionality needs, while involving expert teams from different countries in the project,” Tiet added.

In Hai's words, after the successful implementation of Phase 1, the timely and successful completion of Phase 2 is crucial for FE Credit to build an international-standard contact centre system.

Building up contact centre capacity a key step in digital transformation strategy

As a leader in providing comprehensive IT solutions for the Vietnamese banking and finance sector, CMC TSSG aims to be the leader in consulting solutions on digital transformation, and the investment in building contact centre capacity is a key and strategic step for CMC TSSG.

Bui Thanh Phong, Business Solutions Sector director at CMC TSSG, said, "In the past three years, CMC TSSG has mapped out the needs of

businesses in the field of customer care and has built a research and development department to optimise the product packages –developing solutions for various customer segments and usage cases for businesses in the field of customer experience."

"At the same time, the organisation has invested in hiring experienced experts and continuously enhancing the technological capacity of the contact centre. In addition, we also co-ordinate with the world's leading technology firms to meet the deployment and post-deployment needs of projects."

FE Credit and CMC TSSG commit to join synergies to ensure the successful implementation of Phase 2 of the project to achieve their shared objectives.

4. Vietnam PM suggests no light-box sign needed for Grab cars

Vietnamese Prime Minister Nguyen Xuan Phuc has requested the Ministry of Transport (MoT) to cancel the proposal requiring electronic contract-based vehicles to have roof sign, local media reported.

The MoT should consider using technologies as instruments for management, instead of traditional methods such as light-box, Phuc said in a meeting on July 22.

Additionally, Phuc expected the MoT to remove obsolete and inefficient business conditions.

In June, the MoT released the draft decree in replacement of Decree No.86 setting out conditions for transportation business. Under the new regulation, under-nine seat cars operating under electronic contract must have light-box clearly stating "Electronic taxi" installed on their roof.

Meanwhile, electronic taxis will have software connecting drivers and passengers, providing them with information on the company, driver, car, general fare and fares for specific routes, among others, and receive payments via electronic channels.

According to the MoT, the requirement would help better differentiate between private cars and taxis, preventing the case of the latter disguise as private cars.

Moreover, the agency expected these requirements will create favorable conditions to develop the model of passenger transport cooperation between ride-hailing apps and taxi firms, encouraging the application of technology in the transport sector, while simultaneously creating a more transparent and level playing ground for the two sides.

Previously local taxi associations have recommended to categorize all less-than-nine-seats vehicle for transport service as taxi, however, the MoT raised concern that it would cause inconvenience for passengers, as a rented under nine seat car is not necessarily a taxi.

According to the Hanoi Taxi Association, Grab should be considered a taxi firm, proposing to change the color of license plate of all such cars to yellow, making it more convenient for transportation management and operation.

5. Chinese investment wave raises concerns

According to the General Statistics Office, Hong Kong and China were Vietnam's biggest investors in the first six months of 2019. During the period, the country attracted a total of US\$7.5 billion in fresh investments from China and Hong Kong.

Of the total investments, US\$5.3 billion was pledged by investors from Hong Kong and US\$2.2 billion from mainland China.

At a seminar to announce the findings of a study on Chinese investment in Vietnam, held in Hanoi on July 22, Associate Professor Dr. Nguyen Duc Thanh, director of the Vietnam Institute for Economic and Policy Research (VEPR), said Chinese firms do not invest heavily in certain sectors in Vietnam, like those from northeast countries, such as South Korea and Japan. For instance, South Korean firms have invested heavily in Vietnam's production and real estate sectors.

The total investment from China is not higher than other ASEAN countries, Thanh added.

Dr. Pham Sy Thanh, director of VEPR's Chinese Economic Studies Program, said that Chinese investment in Vietnam has increased annually, but remains lower than that from Japan and South Korea.

However, Chinese investments have a bearing on Vietnam's environment, society, and labor market, Thanh noted.

He cited the Cat Linh-Ha Dong urban railway project in Hanoi as an example, saying that the

investment capital for the project, whose contractor is China-based Bureau 6 China Railway Corporation, had been estimated at US\$522.86 million.

However, the project has yet to become operational, and construction costs have surged to US\$868.04 million, which is US\$315.24 million higher than estimated.

Moreover, multiple violations of the Labor Law were found at the project. According to findings of investigators from the Ministry of Labor, Invalids, and Social Affairs, announced in 2015, the Chinese contractor had set a minimum wage of VND3 million, which is VND100,000 lower than the minimum regional wage.

The contractor did not check the safety of eight kinds of equipment as required.

In addition, the project is behind schedule. The project should have been completed within 48 months from 2010.

However, in November last year, it was still incomplete, which makes it four years behind schedule.

Multiple labor accidents have occurred at the construction site, including one fatal scaffolding collapse in late 2014, which left three people injured and one person dead.

Experts participating in the seminar proposed increasing the supervision of Chinese enterprises' investment activities in Vietnam.

6. Vietnam seeks ways to develop oil, gas industry amid China's harassment in South China Sea

Vietnam's senior officials last week gathered in Hanoi to discuss measures to develop oil and gas industry in the course of escalating Chinese harassment in the South China Sea (SCS).

Different measures including changes in policies, investment incentives, and tolerance in regulations were recommended in the conference titled "Ensuring national energy security" held in Hanoi last week, local media reported.

Nguyen Hong Minh, vice head of Vietnam Petroleum Institute (VPI), said the country needs roughly US\$13-US\$14 billion to finance projects and increase reserves in the 2019-2025 period but no certain financial source has been found.

Truong Dinh Tuyen, former minister of Industry and Trade, said an urgent task is to amend the Law on Petroleum to facilitate the investment in a risk-laden industry.

“Energy security is one of three pillars (food – finance – energy) of the economy, affecting two others,” Tuyen attributed the importance of the legal amendment to drawing foreign investment into oil and gas exploration and exploitation.

Meanwhile, Tran Sy Thanh, chairman of Vietnam Oil and Gas Group (PetroVietnam-PVN), said regulations on petroleum exploration remain tight with high fees for water surface and cumbersome administration procedures for business license, capital hike, and oil exploration and drilling.

Vietnam posts average energy demand growth of 10% annually, of which petroleum accounts for 35% of the total consumption.

So far, Vietnam's oil and gas industry has exploited nearly 400 million tons of crude oil and 150 billion cubic meters of natural gas, generating 170 billion kWh of electricity which accounts for 30% of the country's total electricity volume, and providing 55 million tons of petroleum which meet 33% of the country's consumption, according to PVN's Chairman Tran Sy Thanh.

As of end-2018, PVN made revenues of more than US\$374 billion and contributed US\$105 billion to state coffers.

Vietnam raised the energy security issues in the context that China has interfered with Vietnam's oil and gas exploitation activities within the Vietnamese exclusive economic zone (EEZ) in SCS.

Secretary of State Mike Pompeo said in March this year that China, by blocking development in the South China Sea through coercive measures, was preventing ASEAN members from accessing more than US\$2.5 trillion in recoverable energy reserves.

Chinese harassment of Vietnam's oil and gas operations within Vietnamese EEZ

The US-based Center for Strategic & International Studies (CSIS) said that twice in the last six weeks, the same China Coast Guard (CCG) vessel has harassed oil and gas operations by its neighbors namely Vietnam and Malaysia. Meanwhile, a Chinese state-owned vessel has been conducting a seismic survey of oil and gas blocks off the Vietnamese coast.

Since June 16, Chinese Haijing 35111 has been patrolling an area of the seabed about 190 nautical miles off the coast of southeastern Vietnam. The patrols centered on oil and gas Block 06-01, which is situated northwest of Vietnam's Bai Tu Chinh (Vanguard Bank) on the Vietnamese continental shelf, CSIS reported.

Today, natural gas from Block 06-01's Lan Do field provides up to 10% of Vietnam's total energy needs. Russia's Rosneft took over as operator of the block in 2013 when it acquired TNK-BP. In May 2018, Rosneft contracted the Hakuryu-5, a semi-submersible rig owned by Japan Drilling Company, to drill a new production well in 06-01 at a second gas field called Lan Do.

Corporate News

7. BIDV to issue more than 603 million shares to Korea's KEB Hana Bank

↓ -1.40%

Under Resolution No.696/NQ-BIDV issued by the bank's board of directors, the total value of the deal is more than VND20.29 trillion (US\$873.6 million). With the stock purchase, KEB Hana Bank will hold a 15 per cent stake in BIDV.

According to regulations, the foreign ownership ratio at Vietnamese banks is capped at 30 per cent of charter capital.

BIDV and KEB Hana Bank will carry out necessary procedures in accordance with the laws of the two countries to finalise the deal soon, BIDV said in the resolution.

The private placement is designed to increase BIDV's charter capital to meet the minimum capital adequacy requirement of 8 per cent set by the State Bank of Viet Nam for 2020, which is in line with the Basel II international banking standards.

The move is also expected to help the bank improve the credit ratings of international institutions, enhance the prestige of its business operations and improve its capacity and competitiveness in domestic and international markets.

8. CII: CII receives VND764 billion

↑ 0.00%

Until July 22, 2019, Ho Chi Minh City Infrastructure Investment Joint Stock Company (CII) and/or member firms (NBB company, etc.) already received VND764 billion (investment

The bank has committed to ensuring the added capital is used efficiently to maximise the benefits for shareholders.

BIDV, which had total assets of more than VND1.37 quadrillion by the end of June this year and a network of more than 1,000 branches and transaction offices, has targeted achieving pre-tax profit of VND10.3 trillion this year with a bad debt ratio under 2 per cent of all loans.

Meanwhile, KEB Hana Bank is a member of Hana Financial Group – one of the largest financial groups in Asia. KEB Hana Bank boasts a wide network in South Korea and 144 transaction points in 24 countries. As of June 30, it had total assets of \$308,303 million. In 2018, it was honoured as the best retail bank in South Korea.

Acquiring the BIDV shares will help the Korean bank expand its presence in Viet Nam. The country's economic performance has been stellar for years and many Korean companies have invested in the nation.

BIDV's shares closed at VND35,750 apiece on Monday, up 13 per cent from early this month.

expense and profit) in the total signed amount of VND1,120 billion.

The remaining amount of VND356 billion, Ho Chi Minh City Infrastructure Investment Joint Stock Company (CII) and/or member firms (NBB company, etc.) will fulfill procedures to receive in this quarter.

Research Team: Tsugami Shoji *Researcher* jsi@japan-sec.vn

Disclaimer:

Copyright 2015 Japan Securities Incorporated (JSI). All rights reserved. This report has been prepared on the basis of the information believed to be reliable at the time of publication as provided by StoxPlus (www.stoxplus.com) - An associate company of Nikkei Inc. and QUICK Corp. JSI makes no representation or warranty regarding the completeness and accuracy of such information. This report is provided, for information purposes only and does not constitute an offer or solicitation to buy or sell any securities discussed herein any jurisdiction. Investors must make their investment decisions based upon independent advice subject to their particular financial situation and investment objectives. This report may not be copied, reproduced, published or redistributed by any person for any purpose without the written permission of an authorized representative of JSI.

Japan Securities Incorporated – JSI

Address: 14F, TNR Tower, 54A Nguyen Chi Thanh, Lang Thuong, Dong Da, Hanoi

Tel: (024) 3791 1818

Fax: (024) 3791 5805

Email: info@japan-sec.vn

Website: www.japan-sec.vn