



# VIETNAM DAILY NEWS

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## Market Analysis

### 1. Shares dive on the lack of news

The VN-Index on the Ho Chi Minh Stock Exchange lost 0.18 per cent to close at 977.63 points.

The index fell 0.26 per cent to close Tuesday at 979.36 points.

Some 157.4 million shares were traded on the southern bourse on Wednesday, worth more than VND5.1 trillion (US\$218 million).

The large-cap VN30-Index dropped 0.40 per cent to end at 888.97 points with 18 of the 30 largest stocks by market capitalisation declining.

According to Sai Gon-Ha Noi Securities JSC (SHS), investors seemed to still be cautious as the market was in lack of supportive information, resulted in weak buying power.

Real estate, information, rubber production, construction materials were the sectors that weighed down the stock market.

Pillar stocks were under selling pressure and most ended down such as Sabeco (SAB) (-3,3 per cent), Vingroup (VIC) (-0,5 per cent), Vietcombank (VCB) (-0,6 per cent), VPBank (VPB) (-2,5 per cent), Vietjet Air (VJC) (-1,2 per cent), Vincom Retail (VRE) (-0,7 per cent) and Vinamilk (VNM) (-0,2 per cent).

Industrial zone real estate also faced profit taking and dropped sharply, including Sonadezi Corporation (SNZ) (-8.6 per cent), Nam Tan Uyen Joint Stock Corporation (NTC) (-4.6 per cent), Song Da Urban & Industrial Zone Investment and Development (SJS) (-4,4 per cent), The Phu My 3

Specialised Industrial Park (SIP) (-2,4 per cent), Industrial zone developer Kinh Bac City Development Share Holding Corporation (KBC) (-1,3 per cent), Industrial Urban Development JSC No 2 (D2D) (-0,5 per cent).

In the opposite direction, some pillars increased, helping narrow the market decline, such as Vinhomes (VHM) (+1,6 per cent), PetroVietnam Gas JSC (GAS) (+0,6 per cent), Masan Group (MSN) (+1,4 per cent), Techcombank (TCB) (+1,4 per cent), Military Bank (MBB) (+0,9 per cent), Bao Viet Holdings (BVH) (+0,7 per cent), Vietinbank (CTG) (+0,3 per cent) and Novaland (NVL) (+0,3 per cent).

The HN-Index on the Ha Noi Stock Exchange declined 0.45 per cent to 100.95 points on Wednesday.

Nearly 32.7 million shares were traded on the northern bourse, worth VND699 billion.

Foreign investors net bought VND34.1 billion on the HOSE, including Hoa Phat Group (HPG) (VND42.7 billion), Vietcombank (VCB) (VND15.2 billion) and Vincom Retail (VRE) (VND11.5 billion). Foreigners were net sellers on the HNX with a value of VND17.8 billion.

According to BIDV Securities Company (BSC), the market dropped in contrast to the general trend of the regional market along with a slight increase in liquidity, though still at a low level. Given the lack of supportive information, the same corrections may continue this week and it is likely that the VN-Index will test 975 points again.

## Macro & Policies

### 2. Hanoi hosts 2nd Vietbuild International Exhibition in 2019

A total of 243 domestic firms, 125 joint ventures companies, and 101 foreign businesses and groups from 18 countries and territories such as Australia, China, France, Germany, India, Italy and Japan are joining the Vietnam's largest construction exhibition.

Speaking at the opening ceremony, Deputy Minister of Construction Nguyen Van Sinh said the Vietnamese Government has issued a wide range of policies to improve the business climate, stabilise the domestic real estate market, and better the national economy's competitive capacity.

Vietbuild is an important event of the construction sector, which is expected to concretise the Government's policies on property market and trade promotion, he said, stressing this is a good opportunity for Vietnamese companies to boost cooperation and promote technology transfer towards sustainable development of the country.

Conferences and business networking events will be held in the framework of the exhibition, which are expected to help managers, experts and businesses discuss new technologies in the field while encouraging companies to study and create new products that fit requirements of green building construction.

### 3. Binh Phuoc province draws Japanese investors' interest

At a working session with local officials on September 4, Hisai Shinji, a representative of the JETRO Office, said JETRO is surveying the investment climate in 22 southern provinces and cities of Vietnam, including Binh Phuoc.

Initial results show that with a favourable geographical location in the southern key economic region, Binh Phuoc is emerging as a magnet for Japanese investors, he noted.

The JETRO representative added while investing in Vietnam, many Japanese companies pay attention to the local transportation system, power supply network and trained manpower.

Valuing Japanese projects in Binh Phuoc, Vice Chairwoman of the provincial People's Committee Huynh Thi Hang said the province is awaiting a new investment inflow since it is currently home to 13 industrial parks covering thousands of ha of land that are ready to serve investors.

It encourages Japanese enterprises to invest in agricultural product processing, hi-tech farming and supporting industries, she said.

To create the best possible investment climate, Binh Phuoc has been pushing ahead with administrative reforms, the official noted, elaborating that the time needed to license one project is being cut down to just one day, and the online handling of administrative procedures will swiftly assist businesses if necessary.

Regarding issues Japanese firms are concerned about, Director of the provincial Centre for Investment, Trade and Tourism Promotion Vo Dang Khoa said Binh Phuoc is calling for investment to many fields, including those of their concern, which in turn will facilitate the implementation of investment projects.

According to the Binh Phuoc Economic Zones Authority, the province is accommodating 242 foreign-invested projects, including 174 in industrial parks. The Republic of Korea and China are the biggest investors while Japanese investment here remains modest.

#### 4. Vietnam's 2019 GDP growth target of 6.8% within reach: PM

Vietnam is highly likely to reach the upper range of the GDP growth target of 6.6 – 6.8% for set by the National Assembly for 2019, according to Prime Minister Nguyen Xuan Phuc.

Despite growing global uncertainties, Vietnam's economy has been maintaining rapid growth in all sectors, Phuc said at a monthly government meeting on September 4.

Phuc said the macro-economic conditions have been stable as consumer prices in the first eight months increased 2.57% year-on-year, the lowest eight-month rate over the last three years.

Notably, the exchange rate policy remained mostly unchanged while currencies of regional peers weakened against the US dollar. Meanwhile, Vietnam's trade surplus reached a record high of US\$3.4 billion in the January – August period.

Phuc also referred to various positive forecasts on Vietnam's economy from international organizations. The Asian Development Bank (ADB) estimated the country's growth rate at 6.8% while HSBC's figure is 6.7%.

Additionally, the National Center for Socio-Economic Information and Forecast (NCIF)'s projection on Vietnam's GDP growth in 2019 is similar to that of the Central Institute for Economic Management (CIEM), which put the indicator at 6.82%.

The Vietnam Institute for Economic and Policy Research (VEPR) on July 11 released its forecast on Vietnam's economy with GDP growth of 6.96%,

coming on the back of strong GDP growth of over 7% in the remaining two quarters.

According to Phuc, state budget revenue is growing at a high rate, indicating strong capability of the economy, and noted the revenue of the central government has exceeded the estimates for three consecutive years.

Phuc requested government agencies to put strong efforts in over-fulfilling the economic targets in the remaining four months of 2019, particularly in attracting investment capital for development and raising the people's living standards.

Minister of Planning and Investment Nguyen Chi Dung in his recent remark said Vietnam's GDP growth remains on track to reach 6.78% in 2019, in line with the target of 6.6-6.8% set by the National Assembly.

Meanwhile, the World Bank in its latest “Managing Headwinds” report forecast Vietnam's economic growth to moderate to 6.6% in 2019, driven by tightening and slower private consumption and weaker external demand.

Alex Mourmouras, division chief at International Monetary Fund (IMF), said in a statement that “a soft landing of growth is expected, to 6.5% in 2019 and over the medium term, reflecting weak external conditions. Inflation is expected to pick up slightly in 2019 on the back of administered price increases but should remain below the authorities' 4%-target.”

#### 5. Investment in startups up 48 pct

The capital was raised in 56 deals, according to a recent report by Ho Chi Minh City-based venture capital ESP Capital and Singapore's Cento Ventures.

Researchers estimate the investment in startups to reach \$800 million this year, almost double that of last year's \$444 million.



The first six months of this year saw South Korea become the top investor participating in almost 30 percent of all deals, while the corresponding top spot for the last two years were taken by Singapore and Japan respectively.

The country is seeing a growth in large-size deals, the report said, noting that both last year and this year, Vietnamese startups raised between \$50-100 million per round.

If this trend continues, there could be more Vietnamese companies approaching \$500 million and eventually \$1 billion valuation mark in the years to come, it added.

E-payment app Momo pulled in about \$100 million from American private equity company Warburg Pincus in January, one of the largest single round investments ever raised by a Vietnamese startup.

E-commerce company Tiki reportedly raised \$75 million in March from investors led by Singaporean private equity company Northstar Group.

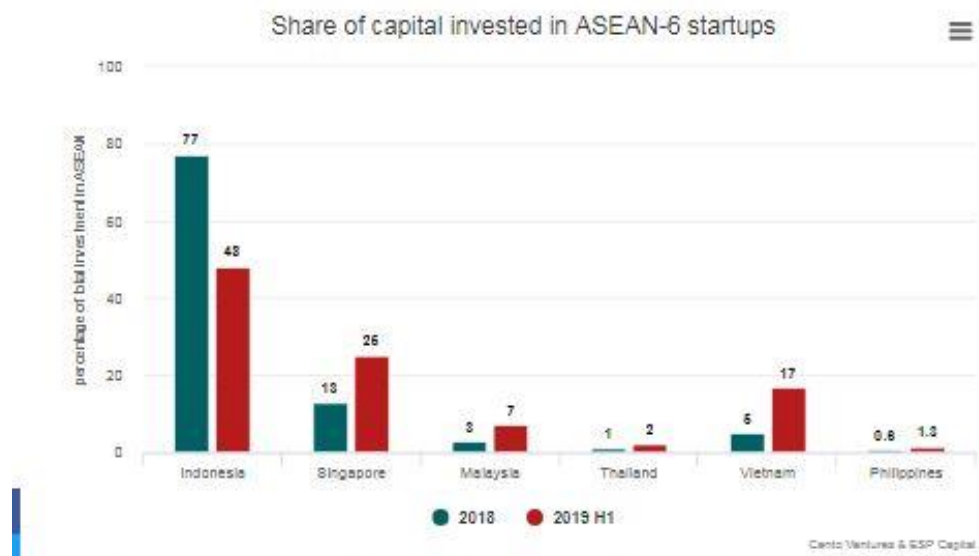
Prominent among the smaller deals were \$4.5 million raised by room sharing startup Luxstay, and \$6 million last month by point-of-sale system operator KiotViet.

The report said that the amount of invested capital and the number of technology deals done have grown six-fold from the first half of 2017.

The reason for the increasing interest in Vietnam is that the country is in an "important period when key components of a strong digital economy are beginning to shape up," the report said.

The fact that 60 percent Vietnam's population is aged under 35 with a growing mobile and internet penetration rate are factors that will benefit the digital economy, the report said, adding that over 10 million more consumers will go online by 2023.

Investment in Vietnam accounted for 17 percent of the \$5.9 billion invested in the ASEAN-6 (Indonesia, Singapore, Malaysia, Thailand, the Philippines and Vietnam) in the first half of this year, threefold that of five percent for the whole of last year, Cento Ventures said in another report on ASEAN investment.



In only two years, Vietnam jumped from the second least active startup ecosystem among the

six largest ASEAN countries into third place, only behind Indonesia and Singapore, it added.

## 6. Việt Nam keen to modernise the shipping industry

The statement was made by Director of the Transport Ministry's International Cooperation Department Lê Tuấn Anh at a seminar on the industry jointly held by the Association of Asian Classification Societies (ACS) and Register Vietnam in the northern province of Quảng Ninh last week.

"Việt Nam wanted to improve the industry's quality and enhance competitiveness to actively integrate in the region and the world," Anh said.

At the seminar experts from ACS, Active Shipbuilding Experts' Federation, Asian Ship owners' Association and research institutes and businesses, shared experience on building and implementing regulations on safety and environment protection for vessels, offshore petroleum works, and accessing to advanced

shipbuilding and shipping technologies in the world.

According to head of the ACS's Technology Management Team Phạm Hải Bằng, the ACS will organise the seminar annually, sharing the global development trend of environmental issues, safety and ACS activities in this area.

"We will announce reports and statistics of the ACS ship fleets' shortcomings, helping ship-owners minimize shortcomings in the operation," Bằng said.

The ACS was officially established on February 1, 2010, with seven members including Indonesia Register (BKI), China Register (CCS), Japan Register (NK), Indian Register (IRS), Korean Register (KR), Malaysia Register (SCM) and Vietnam Register (VR).

## 7. FDI disbursement up despite a decline in capital inflow

More than 2,400 new foreign-invested projects were granted investment licences with a total registered capital of \$9.13 billion in the period, up

25 per cent in terms of number of projects but down 32 per cent in level of capital over the same period last year.



Meanwhile, nearly 910 existing projects adjusted their investment capital with a total additional sum of \$4 billion in the eight months, representing a yearly increase of 24 per cent in the project number but equivalent to 72 per cent of capital seen in last year's corresponding period.

Notably, foreign capital flow to buy stakes in Vietnamese companies rose by 80 per cent year-on-year to total \$9.51 billion, according to the data.

Foreign investors poured most into the manufacturing and processing sector totalling \$15.7 billion, or 70 per cent of the nation's total FDI. It was followed by real estate with \$2.32 billion or 10 per cent and the wholesale and retail industry with \$1.2 billion or 5.2 per cent.

Among 103 countries and territories investing in Việt Nam, statistics showed that Hong Kong remained to be the largest in the eight-month period, pouring in nearly \$5.63 billion, accounting for 25 per cent of the total FDI pledged in the country.

South Korea came next with \$3.48 billion, making up 16 per cent of the total FDI and Singapore ranked third with \$3.27 billion or equivalent to 15 per cent. Mainland China and Japan were the runners-up with \$2.78 billion and \$2.34 billion, respectively.

The capital city retained its crown as the top destination for FDI flow which attracted \$5.66 billion in the first eight months, accounting for 25 per cent of the total registered capital. HCM City ranked second with \$3.86 billion or 17 per cent, then the southern province of Bình Dương with \$1.95 billion or 9 per cent.

As per the data, foreign-invested businesses gained an eight-month export turnover of \$117.9 billion while their imports hit \$96 billion. That resulted in a trade surplus of \$21.8 billion.

So far, there were more than 25,530 operating foreign-invested projects in Việt Nam with capital totalling \$353.7 billion. The country's major sources of FDI were South Korea, Japan, Singapore and Taiwan.

In the next 10 years, Việt Nam will place greater emphasis on selecting investments which employ modern and environmentally friendly technologies, pursuant to the first decision on foreign direct investment (FDI) issued by the Politburo this month.

Investments which introduce efficient technologies that produce greater added-value and help integrate the country's industries into the global supply chain will receive priority.

## CORPORATE NEWS

### 8. Crisis of Rang Dong may not give Dien Quang new lease on life

↓ -4.12%

While RAL fell from VND88,000 (\$3.8) to VND77,500 (\$3.37) during the weekend, DQC rose nearly 7 per cent.

“The fire not only caused Rang Dong VND150 billion (\$6.52 million) in damages, but also blew off many investors' expectations,” said Le Hang, investment consultant partner at a security company in Hanoi. “Rang Dong slipped, it is understandable that Dien Quang is in the limelight.”

However, Dien Quang's weak performance over the past two years makes a potential revival a far prospect. Since late 2016, securities companies have been gloomy about the bulb company's prospects. Accordingly, despite the growth in revenue, which remains above hundreds of millions of US dollars per annum, its profit has been falling since 2014.

In 2018, Dien Quang's pre-tax profit was more than VND110 billion (\$4.78 million), down nearly 65 per cent against the peak in 2014. The gross margin also dropped from 35 to 20 per cent due to its inability to liquidate stockpiles at a low price.

As a result, Dien Quang lost the crown to Rang Dong in the local stock market. Before 2014, the company's capitalisation was about twice as much as Rang Dong's thanks to their higher scale of the market capitalisation. However, the tables have turned since then. Specifically, Dien Quang's capitalisation was only half of Rang Dong's in 2016. The RAL stock closed the latest trading session four times higher than DQC.

Dien Quang's exports have also been finding it difficult to compete with Chinese companies, which offer LED products at a more reasonable price. To add salt to injury, the General Department of Tax in April issued the decision to collect nearly VND38 billion (\$1.65 million) in tax

from the company, equalling 63 per cent of its expected pre-tax profit in 2019.

In the face of these mounting difficulties, Rang Dong having its legs swept from under it may not be enough to put Dien Quang back on track.

On the other hand, Rang Dong's performance is unpredictable, according to information published at its 2019 shareholders' meeting. In 2015, its key products contributed 69 per cent of its total revenue, which by 2018 fell to 16.6 per cent. “Rang Dong targeted achieving a profit growth of 25.6 per cent in 2018, but only reached 21.1 per cent – a sign of tough operations in years ahead,” said Nguyen Doan Thang, chairman of Rang Dong.

The recent fire has put Rang Dong into a corner. The company estimated that the damage is equal to VND150 billion (\$6.52 million), but analysts speculate it could be even higher than that. As of the end of the second quarter of 2019, its total debts accounted for nearly 70 per cent of its total capital. Relating to its first-half performance, Rang Dong's revenue was four times as much as Dien Quang, but their gross margins were similar.

This shows that Rang Dong has been using huge loans to improve its operations and has been running lower profit margins to increase its market share. Specifically, its interest expenses and sales costs were ten and six times as much as Dien Quang's.

While this strategy has helped Rang Dong get ahead of Dien Quang in recent years, it is a double-edged sword that can have severe repercussions if the company runs into trouble.

The RAL stock's recent fall made investors concerned about the company's prospects. “RAL's market price shrank by 12 per cent in only two sessions, everybody is worried,” said Hang from a security company in Hanoi.



## 9. ACV to come back 100 per cent state-owned enterprise?

↓ -1.84%

The Ministry of Transport (MoT) has recently tabled a proposal for the prime minister on the re-acquisition of the foreign-owned stake in ACV to make it once again a wholly state-owned company in order to ensure national security.

At present, MoT is currently the largest shareholder of ACV with 95.4 per cent. With the market cap of VND180 trillion (\$7.82 billion) as of September 3, ACV is the sixth largest enterprise on the Vietnamese stock market. It is also an attractive stock in the eyes of a number of foreign investment funds, including Dragon Capital and VinaCapital.

According to the MoT, after the equitisation of ACV, the ministry was left in charge of the assets relating to aviation infrastructure and airports. Thus, the arrangement of capital for maintaining runways, parking bays, and terminals, as well as machines and equipment directly serving flight operations such as ILS precision takeoff systems are the responsibility of the state – and ACV does not have the competence to deal with them.

To date, numerous infrastructure elements, including runways and parking bays at Tan Son Nhat and Noi Bai International Airports are overloaded and are falling into disrepair. The MoT reported this problem to the prime minister and proposed the government to arrange VND4.2

trillion (\$182.6 million) from the mid-term public investment fund. However, there is no regulation for using the mid-term investment fund, especially the one for 2016-2020, for the maintenance of the aviation segment.

The MoT also proposed that it is necessary to link ACV's responsibility in managing and exploiting aviation infrastructure with the responsibility to invest, upgrade, and expand aviation projects. Thus, in the proposal, the ministry also wants all public aviation infrastructure transferred to ACV until 2025, after which it would review and return them to the government.

This would allow ACV to invest in upgrades or the maintenance of aviation infrastructure, which it normally could not do because these assets are being managed by the state.

ACV has expressed interest in becoming the investor of numerous aviation projects, including building Terminal T3 at Tan Son Nhat International Airport, rebuilding the old Na San Airport in Son La with the investment capital of VND2.3 trillion (\$100 million), as well as joining key items at Long Thanh International Airport in the southern province of Dong Nai. Besides, most recently, ACV is racing Vietjet to become the investor of the expansion project of Dien Bien Phu Airport.

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