VIETNAM DAILY NEWS

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Market Analysis

1. Auto stocks to grow thanks to rising consumption

On the stock market, shares of TMT Motors Corporation (TMT), a prominent importer and assembler in the capital city, closed Friday's trading at VND5,800 (US$0.25) per share, down 37 per cent from the beginning of the year. TMT has experienced a significant decline over the past four years.

TMT recorded an all-time peak of over VND59,300 per share in October 2015, then plunged to its current value. The stock liquidity was also low, with only a few thousand units matched each session.

The slump of the TMT stock price is attributed to negative business results. In the first six months of 2019, TMT recorded revenue of VND734 billion ($31.4 million), up 6.8 per cent.

However, the company suffered a loss of VND5.9 billion due to higher costs of goods sold, up by VND192 billion, equivalent to an increase of 120 per cent. Selling expenses rose by over VND8 billion, equivalent to 106 per cent.

TMT also saw a loss of VND10.6 billion in the same period of 2018.

With GGG stock of Giai Phong Automotive Joint Stock Company, the situation is even worse.

Since early this year, GGG has witnessed few transactions, reaching only some 1,000 units per session, if any. The highest price that GGG achieved this year was VND2,200 per share, in June.

GGG hit the daily limit decline of 7 per cent on Friday, closing at VND1,200 per share.

GGG recorded a loss of VND9.8 billion in 2018 and VND7.2 billion in 2017.

Let alone the poor performers, automobile companies with positive business results have not received much attention from investors either.

For example, at the end of the first half of 2019, Truong Long Auto & Technology Joint Stock Company (HTL) reported a pre-tax profit of VND18.1 billion, up by 11 times over the same period of 2018 thanks to an increase in consumption.

HTL shares lacked resilience, currently fluctuating around the threshold of VND17,000-18,000 per share.

From the beginning of the year, HTL has recorded an increase of about 10 per cent. Liquidity remained very low, with the average matched the volume of 10 sessions being only some 1,000 shares per session.

Hang Xanh Motors Service Joint Stock Company (HAX) closed Friday at VN19,450 per share, up 21.4 per cent compared to the beginning of the year.

However, the liquidity fluctuated and was generally low. The average matched volume in the most recent 10 sessions was about 24,000 shares per session.

In the first 6 months, HAX achieved VND2.4 trillion in revenue, up 9.43 per cent over the same period of 2018. Pre-tax profit was VND38.7 billion, down 16.8 per cent mainly due to increased competition.

In an interview with *Dau Tu Chung Khoan* (Securities Investment) newspaper, a representative of HAX said the number of distributed vehicles had risen sharply since the beginning of September and this is likely to continue until the end of this year, thereby helping the company improve sales and profits.

In a recent report, FPT Securities (FPTS) recommended that investors pay attention to HAX because its Mercedes' sales would rise as the middle and upper classes in Viet Nam are increasing in size.

With the Viet Nam - EU Free Trade Agreement (EVFTA) coming into force, import taxes on cars and car parts from Europe will be reduced, making Mercedes' prices more competitive.

HAX is also expanding the popular Nissan vehicle segment to diversify its products.

The auto market of Viet Nam boasts huge growth potential from now to 2025, according to the Industrial Policy and Strategy Institute (IPSI).

The institute forecast the consumption scale of Viet Nam's automobile market is forecast to reach over 500,000 vehicles per year from 2021 onwards.

The domestic auto manufacturing industry will grow by about 18.5 per cent annually between 2018 and 2025 and 13.8 per cent between 2025 and 2035, raising the car output to nearly 531,600 units by 2025 and 1.76 million units in 2035.

With the growing middle class, car sales are set to respectively rise by 22.6 per cent each year from now to 2025 and 18.5 per cent in the following years.

Accordingly, Viet Nam's population was estimated at over 96 million at the end of 2017. This figure is expected to rise to 98.2 million by 2020, 101.1 million by 2025 and 107.8 million by 2035.

Per capita GDP in the country was VND53.5 million ($2,385) in 2017, which will increase by 6.8 per cent annually to $7,780 by 2035. More than half of the Vietnamese population will enter the global middle class by 2035 with the average daily spending of at least $15.

Expecting huge potential in the automobile market, many firms have moved into this field, such as local Vingroup with the recent launch of automobile brand Vinfast.

Phu Nhuan Service JSC (Maseco) has also participated in the automotive business after exiting the Ariang electronic product distribution channel.

2. Shares make slight gains with VN-Index approaching 990 points

The VN-Index on the Ho Chi Minh Stock Exchange edged up 0.27 per cent at 989.86 points. Viet Nam's benchmark index gained 1.35 per cent last week.

On the Ha Noi Stock Exchange, the HNX-Index closed up 0.02 per cent at 102.21 points. The northern market index was nearly unmoved last week.

More than 225 million shares worth VND6.6 trillion ($282 million) were traded in the two markets.

Market breadth was balanced with 225 stocks gaining, 220 declining and 319 closing flat in the two markets.

PV Gas (GAS), the biggest energy listing by market value, rose 2.4 per cent. PetroVietnam Technical Services (PVS) and PetroVietnam Drilling and Well Services (PVD) climbed 3.6 and 2.6 per cent, respectively. PetroVietnam Coating (PVB) also rose 2.5 per cent.

According to BIDV Securities Company (BSC), in addition to the effective change of the State Bank's operating interest rate, the consequences of the attack on two Saudi oil processing facilities pushed up oil prices, boosting the Oil & Gas industry.

However, the slight decrease in liquidity also showed some investors were still waiting for signals from the US Federal Reserve meeting on September 17-18, BSC said.

Strong gains of oil prices on the global market supported oil and gas stocks.

Brent crude soared 19 per cent on Sunday to US$71.95 per barrel while West Texas Intermediary (WTI) oil increased more than 15 per cent to $63.34 per barrel. These were their highest prices since May.

Oil prices continued to gain early Monday but slowed after US President Donald Trump said he would allow the use of oil from the country's emergency reserves if necessary.

Pillar stocks also attracted cash flow and rallied, including Vinamilk (VNM) (up 1.2 per cent), Masan Group (MSN) (up 1.7 per cent) and Vietjet Air (VJC) (up 1.7 per cent).

On a sector basis, wholesale, retail, real estate, securities, information and technology, energy, rubber production, food and beverage, construction materiel and logistics supported the market.

On HOSE, foreign investors net sold VND 41.17 billion, focusing on Vinamilk (VNM) (VND36.9 billion) and Vincom Retail (VRE) (VND28.7 billion).

On the HNX, they also net sold VND5.76 billion.

Macro & Policies

3. Transport Ministry insists on lit "Taxi" signs for ride-hailing cars

The ministry stated that under the Government's Decree 86/2014/ND-CP on business conditions for road transportation businesses, cars used in transport services must be installed with light boxes with the word "TAXI" on their rooftops.

The decree has been amended 11 times, but the ministry still maintains its viewpoint. It also proposed the minimum size for the boxes being 12 centimeters wide and 30 centimeters long.

The regulation should be applied to all taxis, including traditional and ride-hailing vehicles. These vehicles should also be subject to the same business conditions to ensure fairness.

Moreover, the regulation has been in force for many years and has proven its effectiveness. Many transport associations, taxi associations and taxi firms have agreed that the regulation is necessary to identify ride-hailing cars and prevent the illegal provision of transport services, while contributing to the control of urban traffic.

Earlier, Prime Minister Nguyen Xuan Phuc had asked the Ministers of Public Security, National Defense, Justice, Transport, Information and Communications, and Science and Technology to review the Ministry of Transport's proposal.

4. VSA opposes hike in import duties on HRC steel

The Ministry of Finance has collected feedback for a draft amendment to Decree No.125 to raise the import duties, aiming to increase the State budget collection by over US$130 million and to restrict the import of Chinese steel, reported Nguoi Lao Dong newspaper.

In response, the association said that the tax hike will not limit the supply of Chinese steel but will create chances for the volume of steel exports from China to Vietnam to surge.

As both countries have participated in the ASEAN-China Free Trade Agreement, Chinese HRC steel enjoys a preferential import tariff of 0% in Vietnam under the trade pact.

Accordingly, the import tariff imposed on Chinese steel will stay at 0% if the Most Favored Nations import duty on this product is raised to 5%.

VSA cited data for the first five months of the year as saying that the volume of Chinese HRC steel accounted for 35% of the country's total steel imports, followed by India and other markets.

The tax hike of 5%, in turn, will restrict the supply of steel from India and Brazil.

Further, Vietnam has yet to sign free trade agreements or make any commitments on preferential import duties for steel suppliers from India and Brazil, leaving them to struggle to compete with the Chinese supplier on the local market.

As a result, the volume of HRC steel made in China will make up at least 70% of the steel being shipped to Vietnam, stated the association.

Moreover, the tax hike will create additional obstacles for local manufacturers of cold-rolled steel, galvanized sheet steel and steel rolls. They will face restricted steel supplies while domestic production fails to meet the market demand.

The country's demand for HRC steel ranges from 10 million to 11 million tons annually, but the maximum output that local steel firms can generate is some four million tons per year, or some 30%.

Local steel production currently meets a mere 10%-13% of the country's annual demand.

The association has petitioned the finance ministry not to hike the Most Favored Nations import duties on this metal and the Ministry of

Industry and Trade not to apply safeguard measures to the product.

5. Hue eyes smart, sustainable tourism

The event, co-held by the departments of Tourism and of Information and Communications and the provincial Institute of Research and Development, will be attended by officials of tourism management agencies, businesses and experts in the fields of tourism, information and technology.

The central city wants to develop smart tourism to improve the State management's role in developing the local tourism industry in a more comprehensive and effective manner.

Accordingly, the organizing board expected to collect feedback from participants on issues that will be discussed at the event, including diversifying and improving the quality of tourism products and services offered by travel firms and promoting and offering travel information to tourists and the community via smart tourism activities.

Besides this, the forum will feature discussions on ways to encourage private funding in tour services, particularly smart tourism applications and local supporting policies.

Also, participants will talk about measures to build a safe, tourist-friendly environment for tourists to the city and ways to apply advanced technology to develop smart tourism.

One day before the forum, participants will take part in a sightseeing tour to popular destinations in the city, including Lebadang Memory Space, and will enjoy a Hue royal court art performance.

6. Petrol prices see slight reduction

The retail prices of petrol have been adjusted down as from 15:00 on September 16.

The Ministry of Industry and Trade and the Ministry of Finance review fuel prices every 15 days to adjust domestic prices in accordance with fluctuations in the global market.

This is the fourth consecutive time the petrol prices have been reduced so far, with aggregate reduction of 1,300 VND per litre.

Specifically, the price of E5 RON92 dropped 109 VND to 19,114 VND per litre at the highest, and the price of RON95-III also decreased 92 VND to 20,143 VND per litre.

Meanwhile, the prices of diesel 0.05S and kerosene are capped at 16,200 VND and 15,362 VND per litre, down 139 VND per litre and up 35 VND per litre, respectively. Mazut 180CST 3.5S is sold at no more than 14,090 VND per kilogramme, up 262 VND per kg./.

7. Lee & Man and Hokuetsu looking to invest $3 billion in Vung Ang EZ

On September 10, at a meeting with the representatives of Ha Tinh People's Committee and relevant authorities, Lee & Man Group from Hong Kong and Hokuetsu from Japan drew up their plan to develop a $3 billion industrial complex in Vung Ang Economic Zone.

Accordingly, the complex would include a deep-sea port with the capacity of receiving 300,000 tonne ships as well as a logistics centre to serve the transportation of dry goods between Vietnam, Laos, and Cambodia. Besides, the joint venture would develop a paper complex, including a 1 million tonne tissue paper manufacturing plant and a plant manufacturing supporting equipment for the three other projects.

The industrial complex is expected to cover an area of 6,000 hectares, 1,400ha of which would be taken up by factories and 600ha by the logistics area. The investor will operate the facility for 50 years. The construction will be divided into two phases and last for four years from the time the investors receive the investment registration certificate. The first phase would be implemented in 2019-2021 and the second phase in the 2021-2023 period.

The investors claimed that the project would be one of Southeast Asia's largest industrial complexes related to paper manufacturing and would generate 3,000 jobs as well as contribute approximately $150 million to the state budget each year.

The investors also promised to equip the complex with modern technology lines and that all environmental regulations would be fully met.

Responding to the investors, Duong Tat Thang, deputy chairman of Ha Tinh People's Committee, said, "The land area required for the project and the generated employment are not warranted by the investment scale. Besides, during the presentation, the investors were not clear enough about their plans to develop the seaport and the logistics centre, so it is difficult to formulate a clear picture of the complex."

In addition, according to director of Ha Tinh Department of Planning and Investment Tran Tu Anh, paper production is not a sector which the province is prioritising in investment attraction to in Vung Ang EZ. Instead, Ha Tinh is looking for investors in the supporting industry and developers for its port and bridge system.

Leaders of the province and related authorities also cautioned that Ha Tinh will not trade its environment for economic growth. They directed the investors to prepare more careful studies about the material, technology, and land to be used for the project and submit an official document addressing provincial leaders' concerns.

8. LNGL and DeltaOE agree Vietnam supply deal

The DeltaOE led power project includes the construction and operation of an LNG import terminal, 3200 MW combined-cycle power plant and delivery of power generation to the Bac Lieu Province. The integrated project is expected to commence operations in 2023 pending finalisation of anticipated government approvals.

LNGL's wholly-owned subsidiary, Magnolia LNG LLC, shall deliver 2 million tpy of LNG to DeltaOE pursuant to a supply and purchase agreement (SPA), on a free-on-board (FOB) basis, for a 20-year term with options to extend the term. DeltaOE shall, in turn, deliver gas to the power plant, generate electricity, and sell its output to the province pursuant to a power purchase agreement (PPA). The SPA and PPA are linked on a back-to-back basis providing an integrated LNG-to-power solution for the province.

Specific terms and conditions of both the SPA and PPA, respectively, have been negotiated in term sheet form and the various contracting parties are currently completing the SPA and PPA contracts for execution. Routine conditions precedent apply in both the SPA and PPA documents, and the parties shall make reasonable efforts to complete these contracts expeditiously.

"This agreement is a major achievement for the Magnolia LNG project as we progress our global commercial and marketing push toward a final investment decision," said Greg Vesey, Managing Director and Chief Executive Officer, LNGL. "We are pleased to welcome Delta Offshore Energy, the Government of Vietnam, and the Bac Lieu Provincial Standing Committee to the Magnolia LNG project, as customers that value the advantages Magnolia enjoys. This agreement represents a significant advancement of our long relationships held with DeltaOE, the province, and Vietnamese leadership, including our earlier hosting of the province leadership and DeltaOE at the Magnolia site."

"Delta Offshore Energy's Bac Lieu project addresses Vietnam's need for an LNG import terminal to provide access to growing the LNG industry as a feedstock for electricity generation," said Bobby Quintos, Engineering Managing Director for DeltaOE. "Our alliance with LNG Limited will allow the Government of Vietnam to have a stronger relationship with the US market and the long-term stability of the Henry Hub Index, which fits perfectly with the Vietnamese National Power Development Plan.”.

CORPORATE NEWS

9. DAG: BOD approves the transaction related companies

↑ 1.50%

Dong A Plastic Group Joint – Stock Company announces the following issues:

1. The Board resolution dated December 19, 2017, Dong A Plastic Group Joint – Stock Company approved the signing of transaction contract with related companies (including: subsidiaries and associated companies).
2. The Board resolution dated September 11, 2018, Dong A Plastic Group Joint – Stock Company approved the signing of transaction contract with related companies (including: subsidiaries and associated companies).

10. De Raj Group AG: De Raj Group signs MoU for a huge refinery project in Vietnam

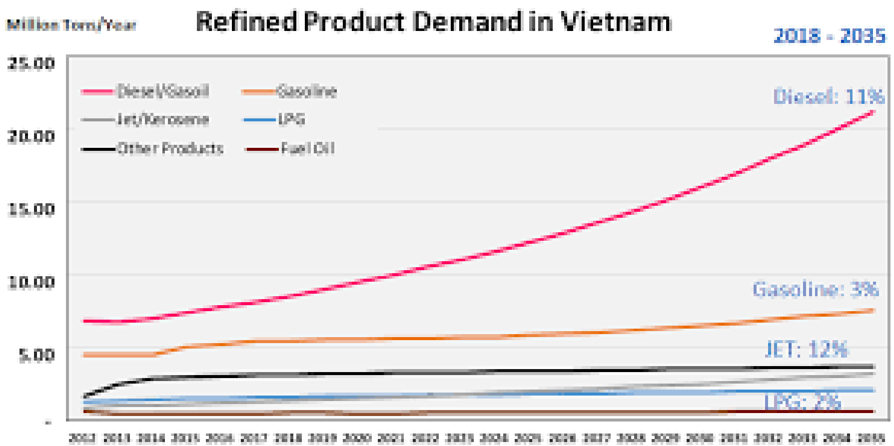
↑ 5.68%

Cologne, 16 September 2019: De Raj Group AG (ISIN: DE000A2GSWR1, Vienna Stock Exchange) announces the signing of a Memorandum of Understanding (MoU) with Binh Son Refining & Petrochemical Company JSC (BSR) to finance and execute the expansion of its Dung Quất Refinery in Quang Ngai Province, Vietnam. This is a highly profitable business with an annual turnover of about USD 4.6 billion and a current market capitalization of USD 1.16 billion with a recorded EBITDA of about USD 290 million in 2018.

The value of the expansion is slated at USD 1.8 billion to USD 2.0 billion. De Raj is mandated to bring in the financing for the project in exchange for equity and trading rights.

BSR's main business includes production and trading of Petrochemical products including Liquefied Petroleum Gas (LPG), Propylene, Gasoline, Jet A1, Diesel, Fuel Oil and Polypropylene. The Refinery is 965 hectares and it currently has 1,543 engineers and technicians employed on site.

The competitiveness of the refinery is strongly supported by Vietnam's high Gross Domestic Product growth forecasted at 6.8% over the next 5 years with a population of roughly 96 million. The infrastructure industry in the country in booming along with double digit growth in motorbikes and automobiles leading to higher consumption of gasolines. There is also strong Government support in Vietnam for this growing industry and, being within close proximity of its biggest consumers (China, India, etc.), there is always potential growth through exportation.



Source: Wood Mackenzie

De Raj Group's scope of work involves upgrading and expansion of the Dung Quất refinery. This includes upgrading two offshore terminals which allow ships of 50,000 Deadweight tonnage (DWT) loading capacity and other terminals that allow ships of 30,000 DWT loading capacity which enhances the stability of product delivery. This also minimizes the cost of importing products.

On top of this, a pre-flasher factory to increasing Crude Distillation Unit (CDU) capacity to 8.5m tonnes per year (130% of existing CDU capacity) is to be added, along with a vacuum distillation plant to further boost capacity and product quality to meet EURO V standards through upgraded process units. Finally, the group will be adding more crude oil storage tanks, immediate tanks and other product storages to allow for the increase in capacity.

Vaidyanathan Nateshan (CEO, De Raj Group AG):

"We are happy to announce this partnership as this is in line with our overall strategy to establish a significant presence in the emerging markets and this will also give us an opportunity to create and grow a Downstream portfolio."

About DE RAJ

De Raj Group provides oil and gas services and renewable energy solutions to companies in Asia and Europe. The company provides various solutions for the monetization of oil and gas fields to national oil companies, oil field owners, and other technology companies. For more information please visit the corporate website: https://www.thederajgroup.com

De Raj Group (ISIN: DE000A2GSWR1) had initial listing at the EU-regulated Vienna Stock Exchange (IPO held in February 2018). De Raj Group shares are traded on the Open Market in Frankfurt / Main and XETRA since 23 March 2018. For further information please contact De Raj Group AG, Investor Relations, mailto: ir@thederajgroup.com

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