



VIETNAM DAILY NEWS

November 06th, 2019



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Market Analysis

1. Market grows slower despite good global news

Vietnamese shares made slight gains Tuesday despite good signals from the global markets as investors looked to lock in stocks' recent profits.

The benchmark VN-Index on the Ho Chi Minh Stock Exchange rose 0.19 per cent to close at 1,024.34 points after gaining as much as 0.40 per cent during the day.

The benchmark index rose by a total of 2.36 per cent in the previous two trading days to beat the landmark of 1,011 points, which was last breached in mid-March.

The market breadth was negative with 170 declining stocks and 161 gainers while nearly 200 million shares were traded on the southern bourse, worth VND4.56 trillion (US\$196 million).

The movement of the Vietnamese market did not comply with Asian stocks, which continued growing Tuesday after both the US and China showed willingness to resolve their trade war.

Large-cap stocks were still the main driving factor for the market as the large-cap VN30-Index was up 0.22 per cent.

But large-cap companies, which had boosted the market in the previous two days, declined on Tuesday.

Among those stocks were Vietcombank (VCB), Vingroup (VIC), Vinamilk (VNM), Masan Group (MSN), Military Bank (MBB), Vietinbank (CTG), FPT Corporation (FPT) and Mobile World Investment (MWG).

Leading the market up were Vincom Retail (VRE), Vinhomes (VHM), Bank for Investment and Development of Vietnam (BID), Techcombank

(TCB), VPBank (VPB), PetroVietnam Gas (GAS) and Vietjet (VJC).

The banking, insurance, and mining and energy sector indices were the strongest-growing, data on vietstock.vn showed.

Mid-cap and small-cap indices also recorded good gains of 0.34 per cent and 0.36 per cent, signalling the capital beginning to seek opportunities in other companies rather than large-caps.

The benchmark VN-Index had approached the resistance of 1,025 points after having rallied in the last three trading days, MB Securities Co (MBS) said in its daily report.

The slower growth of the market indicated selling got stronger when the index was near the 1,025 points, especially when it reached 1,026 points, the company said.

The movement was expected as the VN-Index needed to struggle for some time so it can settle down at the 1,000 points, MBS said.

If the VN-Index was able to move beyond the 1,025 point level, it would head to 1,040-1,045 zone – which was the previous peak in June last year, Sai Gon-Ha Noi Securities Co (SHS) said in a note.

On the Ha Noi Stock Exchange, the HNX-Index inched up 0.10 per cent to end at 106.71 points.

The northern market index increased by a total of 1.34 per cent in the previous two days.

More than 26 million shares were traded on the northern market, worth VND408 billion.

Macro & Policies

2. Vietnam urged to stop building new coal-fired power plants

The report, released on Monday by the Ministry of Industry and Trade in collaboration with Denmark's Energy Agency, said the country needs early action to reduce future coal demand, which could include taxation on the use of coal or limits on new coal-based power generation.

Vietnam's coal imports could triple between now and 2030 as demand for power rises in lockstep with a rapidly growing economy, Jakob Stenby Lundsager, adviser in Vietnam to the Danish Energy Partnership, said at the release of the Vietnam Energy Outlook Report 2019.

The figure would rise eight times by 2050, meaning three fourths of Vietnam's energy needs would depend on imports, he said.

Renewable energy could account for 10 percent of total supply by 2030 and 20 percent by 2050, but the country needs to invest in expanding its grid and transmission to absorb the new supply, he said.

The report said liquefied natural gas could be used instead of coal in the power sector though at a higher cost, but it would cause less pollution.

Vietnam became a net importer of coal in 2015 and imports have been rising to meet electricity needs.

Imports cost \$2.27 billion last year, up 71.6 percent year-on-year, with coal bought mostly from Indonesia, Australia and Russia, according to the Ministry of Industry and Trade.

Since power shortages are expected from 2021, the country might need to import 3.6 billion kilowatt-hours of power in 2021 and 9 billion kWh in 2023 from Laos and China to meet demand, the ministry had said in July.

The World Bank has estimated that Vietnam needs \$150 billion for energy sector development by 2030, with electricity demand growing by 8 percent a year in the next decade.

3. Korea actively seeks Vietnamese IT talent

What is the IT and startup scene like in Korea these days?

JHL: The IT sector has grown tremendously in Korea over the past two decades. Unlike many other Asian markets, domestic players lead in both search (Naver) and messenger (Kakao). Gaming is another major growth engine in Korean tech, while the newest engines seem to be e-commerce and fintech.

I think Korea is now entering a phase of exponential growth in the startup space. Startups have been tremendously successful with their software and service-leaning business models. The conglomerates in Korea Samsung, Hyundai, and LG support the manufacturing arm, but when it comes to services, startups are quickly addressing specific consumer needs and emerging as real forces in the economy. The government has been actively supporting startups for quite a few

years now, and we're now beginning to see results.

This growth is fueled by technical talent, so the demand for technical talent continues to grow.

Is Korea's domestic talent pool with new technological expertise sufficient in the market?

JHL: Sadly, it's not. I think the biggest reason is that schools have been slow to adapt. The computer science (CS) departments in Korea's leading universities have not accepted more students. Seoul National University, Korea's top public university, has the same quota for the CS department today as it did in 2011. Yonsei, another top school, has a smaller CS class today at roughly 60% of the 2011 size. The issue here is complicated, and will require a comprehensive

approach from the government and academic institutions.

Meanwhile, Korea's startup ecosystem is in hypergrowth mode. Therefore, the gap between supply and demand is likely to widen. Hence, Korean companies are going to be looking for foreign talent even more.

Which country is Korea is looking to for IT workers?

JHL: Countries in Southeast Asia, for sure. Southeast Asia is popular because a lot of Koreans feel a sense of cultural proximity. Vietnam is especially popular, and you see various Korean companies expanding into Vietnam. Koreans feel that the cultural barrier is low, and the geographic proximity also helps.

Let's focus on Vietnamese talent. Many companies I met and worked with in Korea have either hired a Southeast Asian developer or wanted to, and Vietnam is often pointed to as a leading source of excellent technical talent. I think Vietnam has a well-educated, disciplined, and highly motivated workforce. As I mentioned, the demand is there, so I would suggest that interested talent reach out to these companies, attend events, and begin a process to find the right match.

What are the benefits for IT talent from other countries to relocate to Korea?

JHL: Two things global access and fast growth potential. Korea is now home to talent from around the world and Seoul is a competitive

cosmopolitan city. I think getting to work in such a setting has benefits beyond just the compensation package. Second, as Korean companies seek to expand to other markets, those who come with relevant market exposure will likely be given important roles. That's a growth opportunity there.

Korea is a great place to work because you can learn faster, receive great compensation, and potentially help expand the company to Southeast Asia, where you can take a greater leadership position. Entry level developers can expect to make between US\$3,000 and US\$6,000 monthly depending on skill level and employer type.

Thank you for your take. Lastly, what are the opportunities for collaboration between Vietnam and Korea in the technology space?

JHL: If I had to sum it up, it would be this—add Korean technology to Vietnamese sectoral expertise to develop local models that can be scaled across Southeast Asia. The possibilities are endless, and I speak on behalf of all the entrepreneurs and investors I work with when I say Korea is open to partnering with Vietnamese talent and Vietnamese companies for mutual benefit.

Jae Hyun Lee is an investor at Northern Light Venture Capital (NLVC), an Asia-focused tech VC with over US\$4.5 billion in AUM. NLVC invests in promising early-stage companies across Asia in TMT, Healthcare, and Advanced Technology.

4. Boom in solar power projects puts pressure on transmission lines

Statistics released by Vietnam Electricity Group (EVN) on November 4 indicated that the power capacity of the renewable power projects approved in the energy development plans of Ninh Thuan and Binh Thuan provinces totaled 4,600 megawatts (MW). To date, 41 power plants, with a total capacity of 2,140 MW, have been commissioned.

Since solar power facilities started operations, EVN has enhanced its investment in transmission line projects in the two provinces.

Many new transformer station and transmission line projects have been put into service, including a project to increase the capacity of the 220-kV Thap Cham transformer station, install a second transformer at the 220-kV Ham Tan station and build the 220-kV Phan Ri and Ninh Phuoc stations and transmission lines.

The construction of these projects is reportedly on schedule and even finishes ahead of time, easing the burden on the national grid.

In October, the National Power Transmission Corporation, under EVN, completed the project to raise the capacity of the 220-kV Thap Cham station, one year ahead of schedule, and the construction of the second transformer at the 220-kV Ham Tan station was completed two months earlier than planned.

The development of these transformer station and transmission line projects was set to match the schedule of solar and wind power plants, approved in August last year. However, from August to December 2018, another renewable power facility was added to the energy development plan, piling pressure on some

transmission lines and transformer stations in Ninh Thuan and Binh Thuan provinces.

To reduce this pressure and ensure that renewable energy projects in the two provinces operate at full capacity next year, EVN proposed adjusting the project to raise the capacity of the 220-kV Phuoc Thai transformer station and the project to upgrade the Vinh Hao station as well as adding them to the energy development plan.

Besides this, EVN proposed the Ministry of Industry and Trade approve the projects to develop the 110-kV Phuoc Thai-Phuoc Huu and Phuoc Thai-Phuoc Huu DL 1 transmission lines.

5. Water supply market continues to attract investors

In August, Thailand's WHA Utilities and Power PLC announced its acquisition of a 34% stake in Duong River Surface Water JSC in Hanoi for some 2,800 billion baht (US\$92.7 million).

The first phase of the Duong River Surface Water plant project, which requires an investment of VND5 trillion and has the capacity to produce 300,000 cubic meters of water per day, has been in operation for two months.

Besides the investment in this water plant, the Thai firm also spent 31.9 million baht buying 47.31% of the shares in Cua Lo Water Plant in Nghe An.

In the province, WHA Utilities and Power PLC's parent company developed the WHA industrial zone 1 with an investment of some VND22 trillion, equivalent to nearly US\$1 billion. The industrial zone covers some 3,200 hectares of land.

Prior to that, the Philippines' Manila Water Company, Inc., a subsidiary of Ayala Corporation, penetrated the Vietnamese water supply market in 2011.

In addition to foreign firms, domestic enterprises' investments have boosted the local water supply market.

Specifically, Saigon Water Infrastructure Corporation owns eight subsidiaries and an affiliated company in the water supply sector. Meanwhile, Refrigeration Electrical Engineering Corporation has eight affiliated companies in the sector, including a 35.95% stake in Vinaconex Water Supply JSC.

Dong Nai Plastic JSC has also invested in 14 companies in the sector.

Under the Government's Decision 1232, released in 2017, the State intends to divest from 57 water supply companies nationwide in the 2017-2019 period, including 24 companies with State ownership below 50%, opening up multiple opportunities for investors.

Despite these companies' poor business performances and high investment in water supply infrastructure, the sector remains attractive as water is an essential item. In addition, the water selling prices are on the rise.

In HCMC, the retail water prices will increase by 5%-7% every year in the 2019-2022 period. Late last month, the Hanoi government also drew up a plan to raise the retail water prices.

6. Vietnam approves US\$1.56 billion power projects using ExxonMobil-exploited gas

Vietnam's Prime Minister Nguyen Xuan Phuc has approved the investment plan of two power projects which will use gas from the ExxonMobil-exploited Ca Voi Xanh (Blue Whale) field off the country's coast.

Vietnam Electricity (EVN) will be the investor of Dung Quat 1 and Dung Quat 3 power plants with a capacity of 750 MW each and cost a total investment of VND36.2 trillion (US\$1.56 billion).

The investor ensures 20% of the total investment and the rest will be funded with commercial loans, local media reported.

EVN plans to kick off Dung Quat 1 in January 2021 and put it into operation in December 2023 while the schedule for Dung Quat 3 will be in January 2021 and December 2024, respectively.

The PM asks the Ministry of Industry and Trade to supervise the projects which are important for the rising power demand in Vietnam in the next 10 years.

Ca Voi Xanh (Blue Whale) is Vietnam's largest offshore gas project under the jurisdiction of the

central city of Danang discovered in 2011 with reserves of 150 billion cubic meters (cu.m).

Vietnam Oil and Gas Group (PetroVietnam), PetroVietnam Exploration Production Corporation (PVEP) and ExxonMobil in 2017 signed agreement frameworks for project development and selling gas from the Ca Voi Xanh gas field.

The gas field, about 88 km to the east of central Vietnam's shores, is operated by ExxonMobil. Between 9 and 10 billion cu.m of gas are extracted every year.

PetroVietnam has invested around US\$4.6 billion in the gas field project and expects revenues of US\$30 billion from gas and another US\$30 billion from electricity.

"If the [Blue Whale] project goes forward, it is estimated to generate \$20 billion in revenue to the Vietnamese government, thousands of local jobs and improved energy security from domestic gas development," foreign media quoted President of ExxonMobil Development Company Liam Mallon as saying.

7. Asia Beautopia Expo 2019 attracts 150 local and foreign businesses

Asia Beautopia Expo 2019, which took place in Vietnam on November 2 and 3, attracted 150 local and foreign businesses from different countries in Asia.

Speaking at the opening ceremony, Chairman of the Vietnam - Korea Business & Investment Association (VKBIA) Tran Hai Linh emphasized that Asia Beautopia Expo 2019 creates an ideal rendezvous and forum to connect local and international businesses.

Moreover, the event contributes to fostering cooperation between Vietnam and South Korea, as well as between the two countries with other markets in Asian and around the world, Linh added.

General Director Mai Thu Huyen of Tincom Media - a member of the organizing board, said that Asia

Beautopia Expo 2019 not only creates opportunities for trading cooperation between Vietnamese businesses and Asian ones, but also offers numerous unique events to attract visitors and update the latest trends, technology, products and services related to the beauty industry.

Many other interesting activities also took place in Asia Beautopia Expo 2019 such as "Body Painting", a special show called "The Art of Color Beauty" with performances of international models from 25 countries around the world such as South Korea, Japan, Taiwan, Russia, Malaysia, the Philippines, Cambodia, Mongolia, Iran, and Iraq.

Besides, a performance of hair dyeing by "Fantasy" makeup with the theme "Spring - Summer - Autumn - Winter" was directly displayed on four models showing four seasons.

Asia Beautopia Expo 2019 is an annual exhibition which has accompanied the beauty and health industry in many Asian countries over the years.

This is the first holding of the expo in Vietnam where the beauty industry is constantly growing.

Corporate News

8. Stock market briefs Nov 5, 2019

↑ 0.71%

HCMC – Thailand-based WHA Utilities and Power PLC (WHAUP) has acquired a 34% stake in the Duong River Surface Water Plant. The sale of shares in the biggest water treatment plant in northern Vietnam was worth VND2.07 trillion. The acquisition is part of the Thai investor's strategic plan to expand its utilities business beyond the industrial estates of WHA Group, a leading Thai industrial property developer and WHAUP's holding company.

HCMC – The Bank for Investment and Development of Vietnam (BIDV) has issued 603.3 million shares to South Korea's KEB Hana Bank. The shares issued via a private placement with a price of VND33,640 per share have been restricted from transfers for the next five years. Total proceeds from the deal reached more than VND20.3 trillion. Having deducted nearly VND27 billion of issuance costs, BIDV collected more than VND20.27 trillion, thereby raising its charter capital to more than VND40.2 trillion from the previous VND34.2 trillion.

HCMC – Development Investment Construction JSC (DIG) said its consolidated net profit soared 38.63% year-on-year to VND62.31 billion in the third quarter of this year. DIG's net revenue fell 5.77% from a year earlier to VND596.93 billion while its gross profit rose 2.1% year-on-year to VND171.72 billion in the three-month period. DIG made a consolidated net profit of VND92.93 billion on net revenue of VND1.29 trillion between January and September, down 25.52% and 21.04% year-on-year, respectively.

HCMC – Phan Tan Dat, board chairman of DRH Holdings JSC (DRH), will be purchasing two million DRH shares through order-matching transactions from November 7 to December 12. If successful, he would raise his stake in DRH to over 2.3 million shares, or 3.8%.

HANOI – Construction JSC No.3 (VC3) plans to issue more than 4.25 million shares to pay dividend for its shareholders at 15%. The record date is scheduled for November 11.

9. CII: Negotiating 4,780 billion dong deals

↓ -0.21%

Hochiminh City Infrastructure Investment Joint Stock Company has started the negotiation with investors in order to implement deals with the total estimated value of 4,780 billion dongs.

In the first stage, investors will pay CII 3,600 billion dongs. Of which, 1,050 billion dongs will be paid in cash at the time of agreement signing, and

2,550 billion dongs will be invested by buying the bonds issued by CII. In the second stage, investors will pay CII 3,730 billion dongs in cash or equivalent.

The deals are expected to be completed in December 2019 or maybe in early January 2020.

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