VIETNAM DAILY NEWS

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Market Analysis

1. VN-Index gains for 5th day

Viet Nam's benchmark VN-Index rallied for a fourth straight day with growth momentum provided by the banking sector.

The VN-Index on the Ho Chi Minh Stock Exchange was up 0.48 per cent to close at 978.96 points.

The benchmark index has gained a total of 1.36 per cent in the last four trading days.

The rally also helped the index total a weekly growth of 1.07 per cent.

More than 164 million shares were traded on the southern bourse, worth VND3.3 trillion (US$141.8 million).

Banking was the most active and best-performing sector on Friday as the index rose 2.2 per cent, statistics on vietstock.vn showed.

Three of the 10 most-active stocks on the southern market were banks – Vietinbank (CTG), Military Bank (MBB) and Sacombank (STB).

A total of 17.28 million shares in the three banks were traded.

But MBB ended flat while CTG and STB advanced 0.1 per cent and 1.9 per cent, respectively.

The banking sector was mostly lifted by Vietcombank (VCB), which jumped 5.6 per cent.

On the opposite side, Bank for Investment and Development of Vietnam (BID) suffered from profit-taking activity, falling 0.9 per cent on Friday.

Other sectors that also saw shares increase were retail, healthcare and pharmaceuticals, as well as building contractors.

Meanwhile, technology, food and beverage, rubber, aquaculture, and building material production weighed down the market.

The market breadth continued being negative with 162 declining stocks and 148 gainers.

Large-cap VN30-Index advanced 0.32 per cent while mid-cap VNMID-Index and small-cap VNSML-Index were down 0.25 per cent and 0.35 per cent.

According to VNDirect Securities, the market's short-term outlook remains positive after the VN-Index successfully overcame 970-point level.

But it should be noticed the market was boosted Friday mostly by the strong performance of Vietcombank shares (VCB) while other large-cap stocks were divided, VNDirect said in its daily report.

It proved investors were still unwilling to jump into the market at the moment and it made some groups of stocks halt their growth, the brokerage firm said.

That meant the stock market may fall and settle at the 970 points when the local economy was in short of good news, VNDirect added.

On the Ha Noi Stock Exchange, the HNX-Index lost 0.42 per cent to close at 103.88 points.

The northern market index retreated after gaining 1.09 per cent on Thursday.

More than 25 million shares were traded on the northern bourse, worth VND278.4 billion.

Macro & Policies

2. Vivid M&A picture ahead due to legal fine-tuning

Thanks to favourable policies on improving the business environment, along with the potential coming from bilateral and multilateral free trade agreements, Vietnam in 2019 reported huge M&A transactions involving overseas investors, creating momentum for business development as well as attracting more foreign financing to Vietnam.

Leading the largest M&A deals in the country last year were investors from South Korea, Hong Kong (China), Singapore, and Japan, with activities continuing to develop in sectors such as consumer goods, retail, real estate, telecommunications, energy, infrastructure, pharmaceuticals, and education.

The top M&A deals in this period included SK Group which, through its investment arm SK Southeast Asia Investment decided to invest $1 billion to acquire 6.1 per cent of Vietnam's leading conglomerate Vingroup, while becoming the largest foreign shareholder of Masan Group in accordance with an agreement worth $470 million. In addition, Hanwha Asset Management also paid $400 million for 84 million preferential shares in Vingroup.

Among countries taking on transactions in Vietnam during the 2018-2019 period, Singapore ranked third with total value of deals being worth $1.6 billion. In the first 10 months of 2019, Singapore's M&A transactions doubled compared to the same period in the previous year.

Singaporean groups have invested in almost every sector in Vietnam, especially in the processing industry with 574 projects and total registered capital of $20.17 billion, accounting for 40 per cent of total capital. Moreover, the fields of household electronics, apparel, food production, and auxiliary services such as automation and logistics, have also drawn quite a large investment from Singapore.

GIC Pte, Singapore's sovereign wealth fund, tops the list of Singaporean investors with a series of M&A deals worth hundreds of millions of US dollars. GIC named itself among major investors in the initial public offering of Vietnam's giants Vietjet Air, Vinhomes, The PAN Group, Vinasun, Techcombank, Vietcombank, and FPT. Recently, the fund has continued to buy Vinhomes shares and provided it with a loan-like debt instrument, while spending $101 million on acquiring 27.4 million more shares in Masan.

Although the Vietnamese M&A market has been signalling a bright future, Vietnam is still in need of revising its legal framework to eliminate obstacles to attract more quality investors.

The market is governed by different laws on enterprises, foreign investment law, land, and competition, among others. In addition, M&A is also subject to commitments of the World Trade Organization and various trade agreements. In order for activities to be accomplished smoothly, foreign investors to Vietnam should pay attention to several issues.

Under previous regulations, foreign investors can hold up to 49 per cent of the shares in public companies, including all listed companies. However, this limit was removed in 2015. Accordingly, public companies operating in unconditional businesses can increase the foreign ownership limit to 100 per cent.

Though the ownership limit has been removed, there are barely any specific instructions to follow these regulations, especially the legal status of the company after raising the ownership rate to over 49 per cent. This ratio may change daily, depending on the investor's decision to buy and sell shares and make foreign investors hesitant to increase their ownership to more than 49 per cent.

Within the first three years after being granted a business registration certificate, founding shareholders in a joint-stock company may only transfer their shares to a party other than the other founding shareholders, when the transfer was passed by the general meeting of shareholders.

In some fields, such as securities, only foreign securities companies can buy shares or contribute capital to a domestic securities company. Other cases are also limited regarding the form of investment, ownership or the right to use specific assets to keep foreign investors from owning 100 per cent of a company's capital.

Meanwhile, M&A activities in the active and thriving international market are carried out flexibly under many different structures. However, the current legal framework for such transactions in Vietnam has not completely kept up with these advanced structures and concepts, causing many investors to be confused and uncertain.

According to current regulations, most M&A transactions in Vietnam need to be approved by authorised agencies, which can take up to several months. Especially when the deal involves conditional business, the time of waiting will even be longer as it is carried out by many different agencies.

Furthermore, under the provisions of the Law on Competition, M&A transactions that lead to a market share acquisition of 30-50 per cent in a "relevant market" must be notified to the Vietnam Competition Authority. Transactions leading to a combined market share of over 50 per cent are prohibited, except in certain cases.

In fact, the implementation of these regulations is challenging for both businesses and authorities because it is difficult to determine what constitutes a relevant market according to the law. Due to this ambiguity, investors must make their own decisions and determine if they have to go through a merger control process before proceeding.

This creates a potential risk that the parties involved might get penalties for violation, or that the transaction might be cancelled.

3. Flurry of activity upcoming in M&A

Source: Standard Chartered, Thomson Reuters

According to a source from Ingrid International, which is active in Singapore, China, Vietnam, Japan, and Indonesia in design branding and investment, its Singaporean client is seeking to expand to Vietnam by acquiring a stake in a Vietnamese firm.

"The client is looking for stake acquisition in wastewater, and is monitoring the situation," said the representative.

Elsewhere, another Singaporean company is said to have completed a stake sale in a Vietnamese logistics services provider. These new movements have intensified M&A interest among Singaporean investors in Vietnam, where growth is expected to be robust in 2020, bringing further potential for such transactions.

In a move to provide its members with increased access to the Vietnamese market in the future, the

Singapore Business Association Vietnam last week held a discussion about M&A trends in Vietnam in 2020 amid growing interest and new possible movements in the market.

Yoong Nim Chor, advocate and solicitor at Unilegal LLC, told VIR, "More Singaporean investors are looking to expand in and to Vietnam by stake acquisition. Real estate and finance are their traditional areas of interest, with the addition of fintech amid the growing impact of Industry 4.0."

Sci-tech is one of the most attractive sectors to international ventures in Vietnam, and the country's future prospects are expected to be even more promising in 2020 when a number of the government's supporting policies will take effect.

Nirukt Sapru, CEO for Vietnam and ASEAN and South Asia Cluster Markets at Standard Chartered Bank, said that Vietnam has strong growth potential for M&A transactions. "Vietnam is emerging as an attractive destination for investors looking for high growth," Sapru said. "There is substantial interest across sectors, with the majority of transactions focusing on real estate and financial services."

According to Sapru, three key factors of M&A growth in Vietnam are strong economic growth, foreign direct investment (FDI), and equitisation of state-owned enterprises (SOEs).

Vietnam's GDP grew by 7.02 per cent in 2019, and is forecast to stay the same in 2020, before falling to 6.8 per cent in 2021. Standard Chartered Bank projected Vietnam's GDP to grow at 6.5 per cent on-year for the next five years. Vietnam has other advantages such as the third-largest population in Southeast Asia, a dynamic and young society, increasing affluence and consumer spending, and ease of doing business.

Importantly, FDI continues to grow. After recording disbursed FDI of $19.1 billion in 2018, an increase of 9 per cent over 2017, Vietnam saw $20.4 billion in 2019. The manufacturing and processing sector received the most interest from foreign investors, followed by real estate and retail.

Looking forward, international financiers are exploring opportunities resulting from SOE equitisation, a course which has been delayed thus far. However, there is a renewed push from the government to accelerate the process. For SOE equitisation, foreign investors may partake either as normal funders during a public auction or as strategic ones.

Industry insiders are forecasting strong inbound activity and domestic transactions in key sectors. Experts predicted that M&A activity will be dominated by inbound activity, with Singapore, South Korea, Japan, and Thailand expected to remain the major foreign financiers.

Real estate will continue to draw a major share of investment interest, and other industries to watch include industrial goods and services and construction and materials.

"The trend is led by the shifting of foreign manufacturing to Vietnam due to free trade agreements and trade disputes, supported by strong domestic demand amid a growing population and rapid urbanisation," said Sapru.

Other opportunities will come from banking and financial institutions, aviation and logistics, pharmaceuticals, and others. Vietnamese banks are in dire need of foreign capital to meet Basel II standards as required by the central bank. For example, Military Bank aims to raise $240 million from the sale of a 7.5 per cent stake to foreign investors.

Foreign ownership limits (currently at 30 per cent) are likely to prove a roadblock if kept unchanged. However, there are plans to allow European investors to purchase up to 49 per cent of two local banks, an offer which will be valid for five years after the Europe-Vietnam Free Trade Agreement takes effect. Vietnam is on the radar of international investors. There are a number of potential deals in the pipeline including Bamboo Airways' proposal to launch an initial public offering in 2020 and FV Hospital's plan to renew its strategic options, according to Standard Chartered Bank.

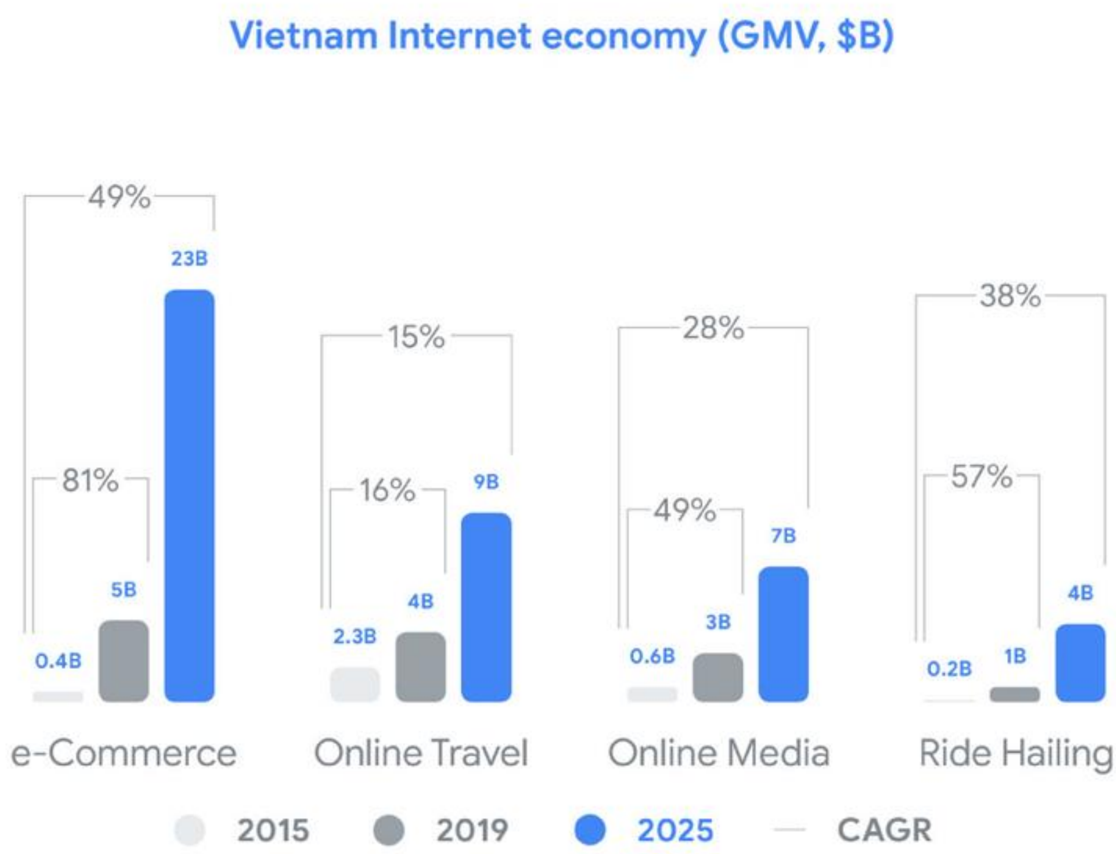
According to statistics from the Ministry of Planning and Investment, Vietnam wooed $15.5 billion worth of stake acquisitions from foreign investors in 2019 ($2.7 billion from Singapore), up 56.4 per cent on-year, and accounting for 40.7 per cent of the country's total registered FDI.

4. Vietnam targets to have 100,000 digital firms by 2030

Vietnam targets to have 100,000 digital firms by 2030, double the current 50,000, while the digital economy would account for 30% of the country's GDP, the governmental portal reported.

The target is set in the prime minister's Directive No.01, the first of its kind in 2020, aiming to promote the development of digital firms in Vietnam, build smart cities, e-government and expand technological advances in every socio-economic aspect towards national digital transformation.

"The move would help realize Vietnam's desire to become a prosperous nation with a 100-million population market, laying a strong foundation for Vietnamese digital firms to compete globally," said PM Nguyen Xuan Phuc in the directive.



Statistics from the Ministry of Information and Communications (MIC) said the IT sector is maintaining an annual growth rate of 10%, thanks to great contributions of digital firms.

As of the fourth quarter of 2019, Vietnam's average broadband download speed was 29.08 megabytes per second (Mbps), fast approaching the world's average of 30.93 Mbps.

The MIC is submitting to the PM plans to phase out the obsolete 2G network by 2022.

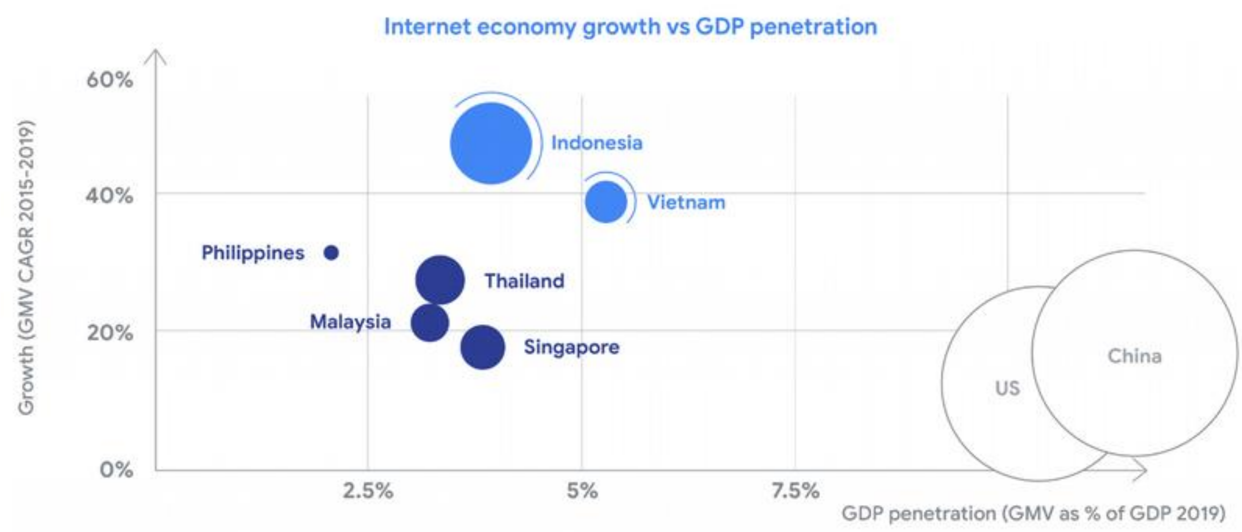
A research report by Google, Temasek and Bain said Vietnam's Internet economy is booming, as it reached US$12 billion in 2019 on a 38% annualized growth rate since 2015, and is projected to increase to US$43 billion by 2025 across the online travel, e-Commerce, online media and ride hailing sectors.

With the gross merchandise value (GMV) of internet economy set to account for over 5% of the country's GDP in 2019, Vietnam is emerging as the most digital of all economies in ASEAN, the report stated.

In the Southeast Asian region, Vietnam and Indonesia are the two pacesetters in the region in terms of internet economy growth, standing in excess of 40% per year against the regional average of 33%.

Hanoi and Ho Chi Minh City are among seven major cities with high growth rate of internet economy in the region.

These dynamics are unlocking opportunities for entrepreneurial Vietnamese small and medium-sized ventures, which have jumped onboard the Internet economy to do business.



According to the report, investor confidence in Vietnam, the third most-funded economy in the region after Indonesia and Singapore, is on the rise. Over the last four years, Vietnam's Internet economy has attracted almost US$1 billion in funding, with 2019 in line to be a record year.

Additionally, Vietnam's Global Innovation Index (GII) has been increasing over the last few years, ranking 42nd out of 129 countries and territories in 2019, up three places against the previous year, and third in ASEAN, behind Singapore and Malaysia.

Under the government's resolution No.2 on improving the business environment and national competitiveness, the Vietnamese government also focuses on facilitating e-payment, promoting online public services and innovation startups, which are considered key measures to help Vietnam speed up the process of digital transformation, according to the Vietnam Chamber of Commerce and Industry (VCCI).

Under Directive No.01, PM Phuc said digital switchover would help create a new room for the development of digital economy and society, as well as e-government.

More importantly, this would open up opportunities for Vietnam to catch up with developed countries, especially those which are just at the start of digital transformation process.

Phuc requested Vietnamese digital firms to take the pioneering role and create breakthroughs in realizing the “Make in Vietnam” strategy, meaning all processes from creation, design and production would take place right in Vietnam.

This would be the way forward to turn Vietnam into an advanced industrial nation and become a high-income country by 2045, Phuc said.

In 2020, Vietnam would announce the strategy of national digital transformation, marking the beginning of a comprehensive and inclusive switchover process.

A study suggested by 2030, Vietnam's participation in the Fourth Industrial Revolution is projected to boost economic growth by an additional US$28.5 – 62.1 billion.

5. Vietnam increases coal, ore and mineral imports

Vietnam had a **trade deficit** of more than 1 billion USD with Australia last year, one year after the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) came into effect.

Of which, coal was the imported commodity with the highest value of 1.45 billion USD in the first 11 months of last year, rocketing by 96.8 percent over the previous year, accounting for 35 percent of total import turnover of goods from this market.

Ore and minerals ranked second, valued at 517 million USD, accounting for 12.5 percent of the total **import turnover** from Australia.

Metal products ranked third in turnover, followed by wheat and iron and steel scrap.

Two-way trade between Vietnam and Australia has changed significantly a year after the CPTPP came into effect, said the Import-Export Department under the Ministry of Industry and Trade.

Accordingly, the trade balance has shifted from a trade surplus to a trade deficit.

Vietnam had a trade surplus with Australia of 215 million USD in 2018.

Two-way trade reached nearly 8.1 billion USD last year.

Vietnam's export turnover to Australia was 3.5 billion USD last year, down sharply from nearly 4 billion USD in 2018.

On the opposite side, Vietnam's imports from Australia increased to 4.56 billion USD from 3.75 billion USD in 2018./.

6. Vietnam to develop 10-yeat seaport master plan

Vietnam will develop a seaport master plan for 2021-30, with an aim to enhance infrastructure connectivity, reduce logistics costs and promote marine economic development.

Deputy Prime Minister Trinh Dinh Dung early this week approved the development of the seaport master plan, which is part of efforts to implement the strategy for the sustainable development of Vietnam's marine economy to 2030.

The plan will include solutions to improve the efficiency of investment in developing seaports in Vietnam and ensure synchronous development between seaports and other transport infrastructure.

The seaport master plan must also help improve regional linkage to enhance investment efficiency and reduce logistics costs, Dung asked.

He also asked the plan to be made based on the current natural condition, resources and existing seaports, as well as forecast transportation demand with regard to climate change.

The impacts of science and technology on seaport development must also be taken into account.

Most importantly, seaport development planning must be based on the evaluation of the connectivity of seaports throughout the country, with seaports in other countries, with other transport infrastructure (road, railway, airport and in-land waterway system), with urban areas, economic zones, tourism zones, industrial zones and logistics centre.

Ensuring connectivity was of critical importance, Dung stressed.

He asked that the seaport development must take environmental protection into account.

Focus must be placed on developing seaports which played important roles in promoting the country's socio-economic development.

According to the Vietnam Marine Administration, Vietnam now has 44 seaports.

Corporate News

7. BIDV in top four largest firms by market value

↓ -0.93%

BIDV shares (HoSE: BID) have gained a total of 82 per cent since early June 2019 to end Friday at VND53,900 (US$2.32) per share.

Since the beginning of the year, BIDV shares have advanced a total of 16.8 per cent.

The bank's market capitalisation on Friday was nearly VND215.18 trillion ($9.27 billion), making it the fourth largest firm on the Ho Chi Minh Stock Exchange by market value.

The top three are real estate and industrials firm Vingroup (VIC), Vietcombank (VCB) and property developer Vinhomes (VHM).

In 2019, BIDV recorded VND10.77 trillion in total pre-tax profit, up 14 per cent on-year. The bank eyes this year's profit to increase by 17 per cent on-year to VND12.6 trillion.

The previous fourth largest firm on HoSE was the Vietnam Dairy Products JSC (Vinamilk, HoSE: VNM).

The dairy firm's shares on Friday edged up 0.3 per cent to end at VND118,600 per share.

At that price, Vinamilk's market value was more than VND206.5 trillion.

8. TCM: BOD resolution on holding AGM 2020 & dividend payment for 2019

↓ -1.18%

BOD resolution on holding AGM 2020 & dividend payment for 2019 of Thanh Cong Textile Garment Investment Trading Joint Stock Company as follows:

File Attachment

153546_payment-for-2019.pdf

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