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VIETNAM BUSINESS REVIEW

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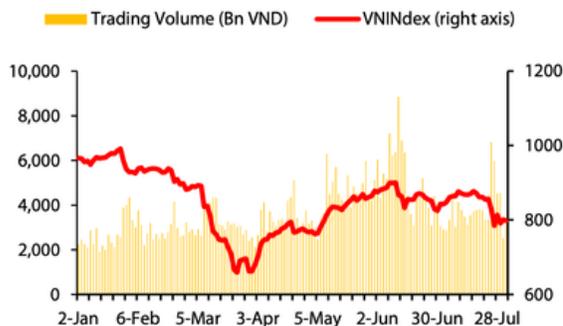
FINANCE

Vietnam stock market predicted to be resilient amid Covid-19 resurgence

The stock market still proves to be quite attractive in the context of redundant liquidity and other investment channels having not fully recovered.

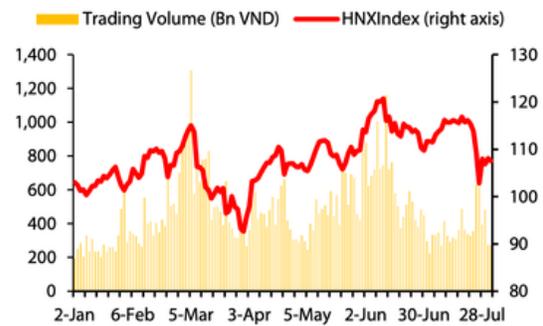
It is unlikely that Vietnam's stock benchmark VN-Index would return to its March bottom with a 25% slump, given that investors now have sense of Covid-19 impacts instead of the panic sentiment in the first outbreak, according to Viet Dragon Securities Company (VDSC).

Figure 12: VNIndex in 2020



Source: Fiipro, Rong Viet Securities

Figure 13: HNXIndex in 2020

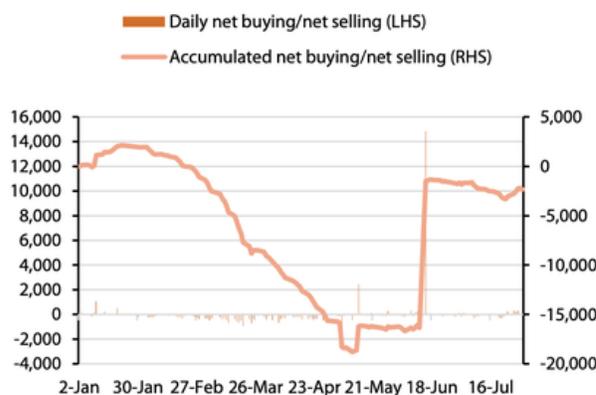


Source: Fiipro, Rong Viet Securities

The VN-Index hit its lowest level since December 2016 on March 24 at around 660 points. Since recovering and peaking at 900 in mid-June, the index has continuously corrected and currently trades at 800 points.

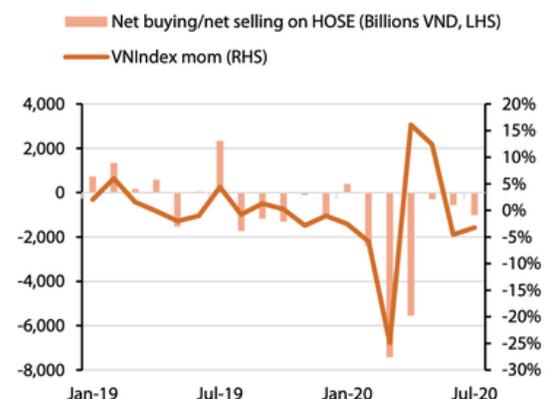
VDSC said the market correction is entirely reasonable when macroeconomic data showed the economy did not recover as quickly as had been expected. Besides, the Covid-19 resurgence in Danang and other localities made the fast recovery unlikely.

Figure 17: Total daily net buying/selling values by foreigners (Billion VND)



Source: Fiipro, Rong Viet Securities

Figure 18: Net buying/selling on HOSE via matching-order transaction versus VNIndex MoM



Source: Fiipro, Rong Viet Securities

Foreign investors' net selling pressure not too strong

One of the reasons for the sharp decline of the market in March was the continuous net selling from foreigners via matching orders.

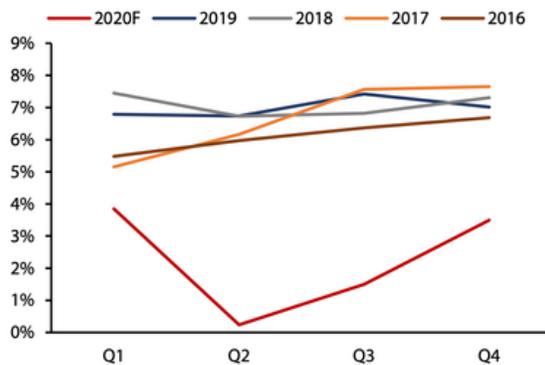
The net selling value reached a record high in March. Even when the market rebounded strongly in April, foreigners' net selling value was still high. However, VDSC expected this is not likely to repeat this time, due to (1) dollar liquidity is guaranteed by the Federal Reserves (Fed), (2) the Vietnamese dong (VND) has not fluctuated much against USD and the State Bank of Vietnam (SBV), the country's central bank, is willing to stabilize the foreign exchange market.

In addition, although exports and FDI disbursement were negatively affected by the pandemic, the sharp increase in trade surplus compared to the same period last year, plus the minimal decrease in FDI, had helped the SBV increase USD reserves. Foreigner investors even net bought over VND600 billion (US\$25.81 million) in the last few sessions of July since the second outbreak was announced in Danang.

Cash flow remains abundant

The similarity between the first Covid-19 wave and this time is that the domestic cash flow remains abundant. Indeed, when businesses and people were still reluctant to invest and expand businesses, the pandemic has returned. This makes the ability to absorb credit which is already weak (only rising by 3.26% after six months) will even be more limited, asserted VDSC.

Figure 8: GDP growth²



Source: GSO, Rong Viet Securities

² Forecast on 2020's GDP growth

Figure 9: Exports and GDP, % yoy



Source: GSO, Rong Viet Securities

In that context, banks will not rush on raising capital when the liquidity in the system is still quite redundant. Therefore, the possibility of low deposit interest rates will maintain at least until a strong credit recovery signals emerge.

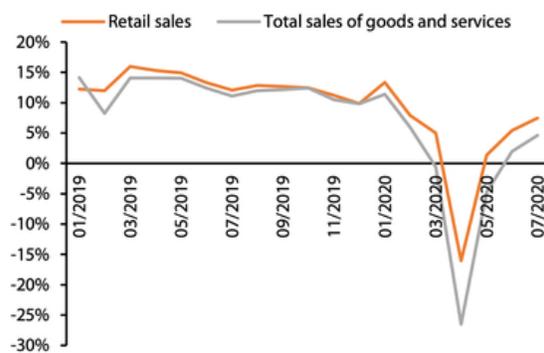
While the demand for credit for production activities is limited, the possibility of a surge in real estate roadshows is not high when the government suggests limited crowded events. In this context, the stock market, despite strong fluctuations in recent months, continues to be a potential investment channel.

According to Bloomberg statistics, 139 out of 386 stocks have gained year-to-date, in which the stock prices of 83 ticker increased by more than 11% year-to-date.

As a result, Vietnam’s stock markets and others in the world have witnessed a rapid recovery after a sharp decline in March. Besides the participation of new cash flow, there is an expectation that the economy will recover quickly after the epidemic is contained. There were times the government sets a target of 5% GDP growth for 2020 before adjusting the figure to 3-4%.

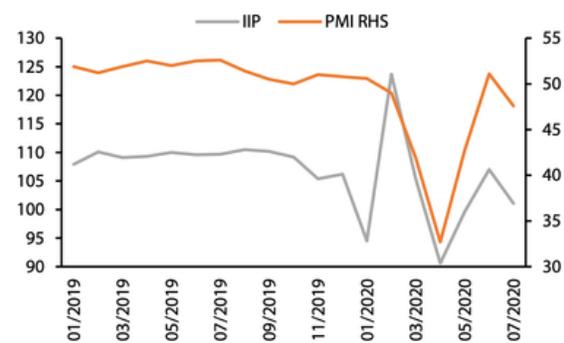
However, economic data shows that the pace of recovery is not as expected when production figures rose by only 1% year-on-year in July, while total retail sales of goods and services only increased by 4.6% year-on-year compared to a two-digit growth in normal period.

Figure 6: Retail sales of goods and services, % yoy



Source: GSO, Rong Viet Securities

Figure 7: IIP and PMI, points



Source: GSO, Rong Viet Securities

Vietnam’s Manufacturing Purchasing Managers’ Index (PMI) figures were even more negative when it dropped to less than 50 in July (the boundary between expansion and recession) due to lower production and lower new orders compared to June.

Moreover, expectations of opening international flights may need to be revised because of the pandemic can comeback anytime.

Therefore, the expectation that the economy will recover quickly in Vietnam in the second half of this year may not be realized, VDSC stated.

However, VDSC also predicted the VN-Index could fall to 720 in case the government announce social distancing in two major cities of Hanoi and Ho Chi Minh City.

CIMB tie-up with Toss brings first-of-its-kind fintech product to Vietnam

CIMB Bank Vietnam and Toss, Korea’s first fintech unicorn, have joined hands to launch a co-branded virtual card aimed at building an active community for the young generation and bringing fintech closer to everyday life.

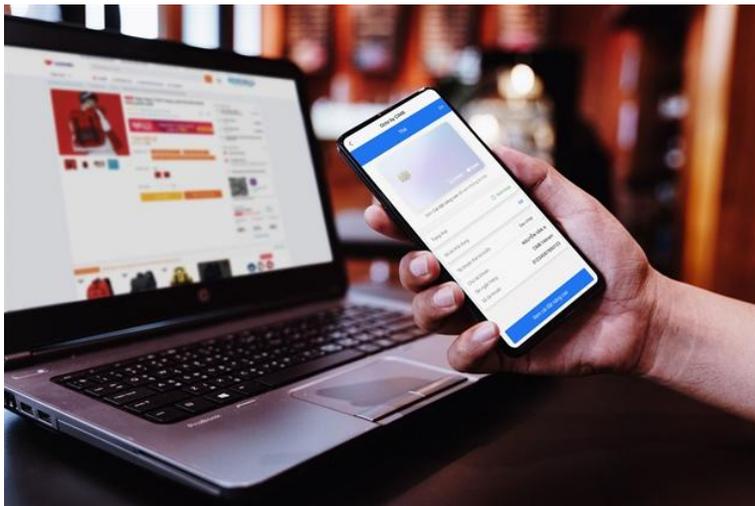
“Toss Card powered by CIMB” is the country’s first-ever bank account that can be opened and maintained straight from the non-bank app.

Toss users in Vietnam will be able to apply for and get a virtual card on the Toss app with eKYC solutions from CIMB, and enjoy their daily activities with rewards on a single platform.

The integration of various utilities on the same platform makes things very convenient for users.

This is a case study for a bank-tech partnership, a successful combination of banking expertise and technology platform plays, and the opportunities that both parties can access.

Through this partnership, CIMB and Toss can access established customer segments that are loyal to financial institutions, and lean on the former's experience of working in a highly regulated environment, leading to sustained growth and relevancy in a crowded, competitive market.



Thomson Fam Siew Kat, CEO of CIMB Bank Vietnam, said: "FinTech collaboration is even more essential for banks.

Most banks understand that a positive last-mile experience and an engaging front end are critical to keeping customers happy and loyal.

"Bringing back-end operations up to speed can be an extended journey. That's why we decided to join forces with a mature fintech like Toss to

map, prioritise, and innovatively enhance our most critical comprehensive digital financial eco-system."

Toss is operated by start-up Viva Republica. Navigating away from its core business in Korea as a peer-to-peer payment service to effectively penetrate the Vietnamese market, Toss launched the Step Counter app in September 2019 and has since signed up one million users.

CIMB Bank is one of Asia's leading lenders with extensive experience and expertise in the region. With its new digital bank business model and financial technology, CIMB has brought a 'wind of change' in Vietnam's banking market.

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E-COMMERCE

Vietnam's e-commerce sites using live streaming to sell goods

Selling goods through live streaming, which has exploded in the Chinese market, has become popular in Southeast Asia, including in Vietnam, reported Nhip Cau Dau Tu (nhipcaudautu.vn).

Appearing in Vietnam in late 2018, selling goods through live streaming promises to become a leading sales platform for online retailers.



Many livestream accounts have seen record high numbers of viewers which bring high revenue to sellers. Many e-commerce sites, including Shopee, Lazada, Sendo and Tiki, have applied this method.

Two years ago, Tiki tried the new sales method by playing live videos on its fanpage. In June 2019, it set fixed livestream schedules every month.

Since early 2020, Tiki has expanded live streaming to sell products to many different targeted clients – celebrities, community of buyers and KOLs (key opinion leaders).

Lazada, Sendo and Shopee have also jumped on the bandwagon. On the first days of the social distancing campaign, Shopee launched the program ‘o nha khong kho – co Shopee lo’ (it’s not difficult to stay at home, let Shopee take care of you). Livestreams are organized two days every week, with up to three each day.

Meanwhile, Lazada ran ‘An tam mua sam tai nha’ (enjoy shopping at home). The e-commerce site has only a few livestreams within one day, but organizes livestreams on many days a week with many different topics.

Each topic has a hashtag attached, which allows viewers to easily find and watch favorite topics, such as LazCook, LazMusic, LazGetfit, LazLearn, LazHome and LazPlay.

As for Sendo, it joined forces with OTA Network, which brings game-focused content creators together to organize Livestream Showmatch.

Sales through live streaming, or social e-commerce, is well known. In 2015, Kohl’s in the US applied livestream for its fashion shows. Buyers can order products while they are watching videos about the shows.

In 2016, Facebook joined the market when it announced a live video streaming platform. Tiffany Wan, CEO of VS Media, said to attract viewers, livestream videos need to have attractive informative content. The biggest challenge for video streamers is retaining viewers as long as possible, thereby creating interactions through comments, likes, and deal finalization.

Le Huu Nhan from Tiki said the content of videos must be prepared thoroughly. Some sellers report revenue from TikiLive, accounting for 70 percent of their total revenue

Revenue on the days when they organize live streaming is much higher than ordinary days. Livestream in combination with games can increase the number of interactions.

First-ever ASEAN Online Sale Day kicks off

The first-ever ASEAN Online Sale Day (AOSD) was launched on Saturday at aseanlinesaleday.com, gathering some 150 regional firms who offer goods and services at promotional prices.

Initiated by Vietnam as Chair of ASEAN in 2020, the event marks the founding anniversary of the bloc (August 8) and aims to promote cross-border e-commerce within the grouping, according to the Ministry of Industry and Trade (MoIT)'s E-Commerce and Digital Economy Department.



This is a good chance for businesses from ASEAN member countries to introduce their products and increase sales through e-commerce amidst the COVID-19 pandemic.

This is also an opportunity for consumers in ASEAN to experience online shopping in an open, safe and quality market under the supervision of governments. Experts have predicted

that ASEAN's e-commerce sector will triple its scale to \$300b in 2025.

In the context of the pandemic, e-commerce is a bright spot of growth as more consumers and businesses are switching to online transactions.

The AOSD aims to encourage the trend and increase interaction between consumers and businesses for more transactions in a safe manner, while assisting efforts of member countries to create optimal conditions for trade and e-commerce, and increase the digital integration as well as the confidence of ASEAN businesses, including small and medium-sized enterprises (SMEs).

According to a survey by Bain&Company in 2017, ASEAN's digital economy will make up 8.5% of regional GDP in 2025, much higher than 1.3% in 2015. AOSD will be held annually on August 8 as a chance to promote digital trade in the region and strengthen co-operation among relevant parties.

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START-UP

Startups' IPO plans may be delayed for several years because of COVID-19

For startups, growing enough to become a public company through an IPO (initial public offering) is an important goal, reported Saigon Economic Times



This can help them raise funds to make a breakthrough and become a unicorn with capitalization value of \$1 billion or higher. However, with Covid-19, the fulfilment of the dream may be delayed for several years.

Of the Vietnamese startups with capitalization value of over \$100 million, only Yeah 1 lists its shares on the bourse. VNG unofficially lists shares on OTC.

A representative of Yeah 1 said it took the firm 12 years to prepare for an IPO. The Covid-19 epidemic may make the process even longer.

Before the IPO period, Yeah 1 had to hire an auditing firm to prepare financial and legal documents to ensure the process would go smoothly, according to Nguyen Anh Nhuong Tong, chair of Yeah 1 Group.

Asked about the possibility of startup IPOs in the time to come, Tong said small and medium businesses have been facing difficulties that have worsened during COVID-19.

However, he thinks this is the great opportunity for startups to find breakthrough solutions, especially businesses in the healthcare sector.

Under current regulations, businesses must make a profit in the last two years to be eligible to list shares.

They must have minimum capital of VND120 billion if they want to list shares at the HCM City Stock Exchange (HOSE), and VND30 billion to list shares at the Hanoi Stock Exchange (HNX).

Analysts commented that the requirements are very difficult even for enterprises in normal conditions, let alone in the Covid-19 crisis, when they face problems with cash flow.

In the e-commerce sector, Tiki still cannot satisfy the requirements for an IPO because it has incurred a loss of trillions of dong.

In the case of Yeah 1, YEG share was a 'star' with a reference price of VND250,000 per share when it hit the bourse and increased to ceiling levels in the next trading sessions to VND340,000 per share.

However, YEG fell dramatically when local newspapers reported that YouTube had stopped cooperating with Yeah 1. The shares are traded at under VND50,000 per share.

Analysts believe that investment funds are focusing on settling startups' existing core problems instead of thinking of IPOs, which are considered impractical for now.

Tens of Vietnamese startups have announced they have successfully called for capital this year, despite the Covid-19 epidemic, which is good news for the community of startups.

Asia is Emerging as a Paytech Powerhouse

Fueled by surging mobile and Internet penetration rates, rising fintech adoption and the huge amounts of funding being injected into the sector, Asia is rapidly emerging as a paytech powerhouse.

What is paytech

Like other financial verticals, the payment industry has undergone tremendous transformation over the past couple of years, fueled by new regulations, advances in technology and changing consumer habits.

Today, the burgeoning paytech (payment technology) industry counts startups and firms operating in all kinds of fields and for all sorts of purposes ranging from consumer mobile payments and e-commerce payments, to cross-border remittances and blockchain-based peer-to-peer (P2P) transactions.

One emerging trend that's worth following closely, according to a Research and Markets, is artificial intelligence (AI)-powered payments using voice command, a sector that's projected to see rapid growth over the next three years.

Internet-of-Things (IoT) payments too are set to be becoming more commonplace in the near future, the research found.

Asia's burgeoning paytech startups

In 2019, investors poured more than US\$110 billion into nearly 8,500 deals to tech startups based in Asia Pacific (APAC), which included large sums going towards paytech firms and startups including payment giant Ant Financial in China, Indonesian on-demand logistics unicorn and Go-Pay operator Gojek, and Airwallex, a fintech unicorn headquartered in Hong Kong originally from Australia.

Investors' infatuation with Asia's paytech industry has led to the emergence of a burgeoning sector that now counts some of the region's most well-funded and most valuable tech startups.

In China, Singapore, India, Indonesia and Vietnam, the most well-funded tech startups for each locations are either paytech startups or are active in the payment sector, showcasing investors' eagerness to participate in the region's surging digital payment industry.

STARTUP CONTINENT

THE MOST WELL-FUNDED TECH STARTUPS IN ASIA AND THE PACIFIC

The most well-funded VC-backed tech companies in the Asia Pacific region. Our analysis ranks companies based on total disclosed equity funding, and only includes companies that have raised since 2015. We exclude startups that have raised <\$1M. Data as of 4/28/20.



Most well-funded tech startups in Asia Pacific, Source: CB Insights, April 2020

With a valuation of US\$150 billion and over US\$19 billion in total disclosed equity funding, Ant Financial is Asia's most well-funded startup across the whole APAC region and the most valuable fintech in the world.

Ant Financial started out in paytech with the widely popular digital payment platform Alipay before expanding into digital banking, lending, credit scoring, wealth management, and more.

APAC's second most-well funded tech startup at nearly US\$9 billion is Grab, an on-demand ride-hailing company originally from Malaysia but which later moved to Singapore. Grab offers a range of services including transport, on-demand delivery, consumer and financial services on a single mobile platform. The super-app is Southeast Asia's first decacorn with a valuation of US\$14 billion, as of March 2019.

APAC's third most well-funded tech startup is mobile Internet company One97 Communications, which operates Paytm, an e-commerce payment system and fintech company in India that has raised US\$4.7 billion. One97 Communications is valued at US\$16 billion.

In Indonesia, Gojek is the most well-funded startup with US\$4.6 billion raised so far. Gojek, which offers an on-demand multi-service platform and digital paytech services, is valued at US\$10 billion. It operates Indonesia's fourth biggest e-wallet service Go-Pay.

Finally, in Vietnam, M_Service, the company behind mobile payment app MoMo, has raised a total of US\$134 million, the most that's ever been raised by a tech startup in the country. MoMo counts more than 13 million users in Vietnam, and is backed by the likes of Warburg Pincus, Standard Chartered, and Goldman Sachs.

Recent paytech developments

Besides these APAC tech leaders, the region is also home to a variety of younger paytech startups, which, despite their smaller sizes, have been making significant strides this year.

In Thailand, Synqa, formerly known as Omise, raised a US\$80 million Series C funding round in June from Thai lender Siam Commercial Bank and other companies including Japan's Sumitomo Mitsui and Toyota. Founded in 2013 as a payment gateway, Synqa has attracted a host of big-name clients in Thailand including McDonald's and Allianz Ayudhya.

In Hong Kong, Airwallex recently teamed up with Deutsche Bank to help it provide virtual account collections and API-enabled foreign exchange services in Japan and Hong Kong, respectively. Airwallex closed a massive US\$160 million Series D round in April this year, which it said it would use to launch more cross-border financial products.

And in India, point-of-sale (POS) services provider Pine Labs raised a new round of funding earlier this year from global card network MasterCard. Though the transaction details were not disclosed, the deal was estimated to be in the US\$100-150 million range, turning Pine Labs into the first Indian tech unicorn to reach unicorn status this year with a valuation of US\$1.5-1.6 billion.

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RETAIL

HCM City: supermarkets slash food prices amid Covid-19

Many supermarkets in HCM City have reduced prices of essential goods to share with customers during the pandemic.

The representative of Saigon Co.op said their supermarket chains which include Co.opmart, Co.opXtra, and Co.op Food will all reduce food prices in August as an effort to help their customers. Meat, fish, cooking oil, instant noodles and spices will all have prices deeply cut.

At the Co.opmart Nhieu Loc in District 3, the prices of pork and beef were reduced by 10-20%. A kilo of grounded pork is sold at VND153,000 and the Australian pork sold at VND259,000 (USD11) to VND280,000 a kilo. Many fish prices had price cut by 15%.

A litre of cooking oil costs VND24,000 (USD1) to VND25,000 and instant noodles cost just VND1,000-2,000 a pack.

Pham Quynh Trang from District 10 said since June, her salary has dropped by 20-30% so every expense must be tightened. "Seeing discount prices for meat and fish makes me relieved. We want to save as much as we can no matter what," she said.

Do Quoc Huy, marketing director of Saigon Co.op said they had prepared a large number of goods for the retail system so customers don't have to worry about food shortage for their daily meals.

"We have worked with hundreds of suppliers and partners on the discount plan for August. The top priority for discount programme is fresh food," he said.

Go! and BigC supermarket chains also offer discount programmes for customers in August. At BigC Market, bacon is VND179,000 (USD7.7) a kilo and the grounded pork price is VND152,000 a kilo. The pork prices, in general, dropped by VND25,000-VND30,000 a kilo.

Customers at BigC To Hien Thanh said they had bought more pork since the discount programme started.

"Usually, I'd buy 1kg of pork belly but today I bought 3kg. I think this programme is very practical and helpful since the incomes of many people have been affected," said Tran Thi Bay from District 10.

The representatives of Go! and BigC supermarkets said pork sales had grown 70%. However, due to a shortage of live pigs, many suppliers haven't lowered the pork prices yet. That's why they started programmes to sell pork at breakeven prices to help customers overcome this difficult time.

High-end brands target mid, low-end market to offset revenue losses

The low-cost market segment is a strategy for luxury brands to offset revenue decreases and diversify sources of revenue.

Ong Bau, a coffee chain established by a group of businessmen, had opened 100 shops in 15 cities and provinces as of early July.

The three founders of the chain said they have 600 applications for franchising and hope to have 10,000 shops by 2022.

The outstanding feature of the chain is the strategy in competing with rivals in pricing. One cup of iced milk coffee costs VND18,000, lower than the prices of any other chains.

At Highlands Coffee, Guta Café, My Life Coffee, Coffee House and Passio, a similar cup of coffee is sold at VND29,000-39,000.

Meanwhile, the coffee chains in higher-end market segment such as Trung Nguyen, Starbucks, Coffee Bean & Tea Leaf and Paris Baguette, the price is around VND75,000. At luxury Runam, a cup of coffee is sold at VND115,000 or higher.

The appearance of Ong Bau, with shops on streets, is a 'wake-up call' for high-end coffee chains.

The chains, in an effort to seek new sources of revenue, have tried to approach middle and low income earners. The number of such chains increased after social distancing in April and May.

According to Euromonitor, tea and coffee chains in Vietnam have revenue of \$1 billion a year, but mid- and high-end chains only make up 15-20 percent

The remaining is reserved for many different service providers, from street vendors to coffee booths to cafés on pavements.

On the streets of Nguyen Oanh in Go Vap district and Truong Son in Tan Binh and crowded streets in the central area of HCM City, street vendors appear at 7-9 am every day. Tens of cups of take-away coffee are sold during the two hours at VND29,000 per cup.

On Tran Huy Lieu street in Phu Nhuan district, coffee from Vinacafe's vendor sells at VND12,000-14,000 per cup.

"The appearance of street coffee chains is arousing businesspeople," said Nguyen Ba Ngoc from NBN Media, a consultancy firm. "As the mid- and high-end market segments have become narrow, the low-cost market segment appears very attractive."

"The market is very large, easy to please and doesn't require high investment capital," he said, explaining why it deserves investment.

"As income has decreased, consumers have tightened their purse strings. That is what F&B chains have learned," he said, adding that it would be unwise to ignore the low-cost market segment.

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LOGISTICS

IFC supports development of Vietnam's logistics sector

IFC, a member of the World Bank Group, is providing a financing package of \$70 million to Indo Trans Logistics Corporation of Vietnam. The aim is to support the development of the logistics sector, thus facilitating trade and enhancing competitiveness of the country's economy in the time of COVID-19.



Vietnam's logistics sector has enjoyed strong growth over the past few years. This can be attributed to the record-high foreign investment mainly in manufacturing and processing industries—both require a strong logistics function—and booming local consumption.

However, the logistics sector is fragmented with more than 95 percent of service providers being local small and medium enterprises with modest operations and lower

competitiveness. Consequently, a few players with foreign investment lead the market, providing high value-added services. In view of this, the government is implementing a comprehensive plan to boost competitiveness of the domestic logistic segment.

IFC's investment—first in the Vietnamese logistics sector—is especially timely when long-term funding is not readily available due to the COVID-19 situation. This funding will help ITL, one of the leading domestic logistic companies in Vietnam, transform and grow by acquiring new assets, developing new warehouses and facilities, and deploying advanced information technology systems.

Further, this will enable ITL to provide higher quality and sophisticated logistics services to its customers including local manufacturers and small and medium enterprises.

“IFC's long-term funding and international expertise, especially in the context of the current pandemic, is a highly valuable support which will certainly enable us to improve the efficiency of ITL's existing logistic assets and to expand our network and business portfolio to serve our customers better,” said Ben Anh, ITL Chief Executive Officer.

In addition, IFC will also help the company improve its environmental, social, and corporate governance standards for sustainable development.

High logistics costs impact the overall cost of doing business and negatively affect Vietnam's competitiveness both globally and domestically. “This is why, despite uncertainties amid the ongoing pandemic, IFC is steadfast in its commitment to support essential investment in Vietnam's logistics

supply chain to help facilitate more efficient and competitive trade,” said Kyle Kelhofer, IFC Country Manager for Vietnam, Cambodia, and Lao PDR.

He added, “IFC’s investment in companies like ITL aims to support the growth of domestic private logistics firms capable of providing comprehensive and efficient logistics services. This will help improve the sector’s capacity to serve the growing higher value-added manufacturing and processing industries, which require a more sophisticated, efficient, and lower-cost logistic function.”

LOGOS eyes raising \$1.2b for logistics ventures in Vietnam, South Korea

ARA Asset Management-backed logistics real estate group LOGOS Property is raising \$1.2b for a foray into Vietnam and South Korea, according to a top executive of the firm.

The Sydney-headquartered firm is seeking \$400m for a Vietnam vehicle and another \$800m for South Korea for its build-to-core strategy.

The development was first reported by PERE on Thursday. Trent Iliffe, managing director and co-CEO of LOGOS, confirmed the plan.

In the past, the firm has secured capital from strategic investors such as the Canada Pension Plan Investment Board (CPPIB), Ivanhoe Cambridge and Dutch property fund manager Bouwinvest in raising funds for its ventures in China, Indonesia and Singapore.

“Vietnam came on the global stage about two years ago. We were first asked to come to Vietnam to support one of our major customer’s interest in Ho Chi Minh City. As we opened the door with other customers, our commitment to set up in Vietnam was resolute as the needs of these companies became evident,” Iliffe said.

The growth potential of the Southeast Asian country is also driven by market fundamentals, including the trade war, the decentralization of the global supply chain, as well as growth in the e-commerce market.

In Vietnam, BW Industrial, a joint venture between private equity firm Warburg Pincus and local property developer Becamex IDC, claims to be the largest industrial platform in the country with about \$215m in capital.

Meanwhile, global logistics GLP set up shop in Vietnam earlier this year, with Kent Yang, its former China president, and Chih Cheung, a Li & Fung board member, as its founding members.

Older players in Vietnam’s industrial real estate scene include VSIP, a joint venture between Becamex and Singapore’s Sembcorp Development, and overseas conglomerates who have massive investments in the country.

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INVESTMENT

Real estate market: big investors prefer M&A deals

The real estate market is facing difficulties because of both Covid-19 and legal problems. Businesses with powerful financial capability are now hunting for land and projects, reported Doanh Nhan Sai Gon.

Mitsubishi Corporation and Nomura Real Estate last January announced a deal to acquire 80 percent of shares of a project covering an area of 26 hectares in HCM City

In March 2020, Sai Gon Real Estate JSC confirmed the acquisition of 20 percent of capital contribution to the housing project in the southern part of the Xuyen A Road from Real Estate 9 JSC

Besides, the company is also planning buy more land plots, while hurrying up to wrap up the transfer of Gem Premium project in HCM City to Dat Xanh Group.

Most recently, at the annual shareholders' meeting, LDG Group received 99.99 percent of shares of Hiep Phuc Real Estate JSC, becoming the investor of Song Da Riverside in Thuc Duc district, an apartment complex.

A 'blockbuster' deal was made in June: a group of investors headed by KKR, including Temasek, invested VND15.1 trillion, or \$650 million, in Vinhomes to acquire 6 percent of shares.

After the deal, Vingroup remains the controlling stakeholder in Vinhomes. KKR made the deal through Asian Fund III.

The real estate market in other provinces has heated up with a series of M&A deals. Hung Think Group has wrapped up an M&A to acquire a 1,000 hectare land plot in Lam Dong province.

Prior to that, the realtor spent trillions of dong to buy a series of projects in Quy Nhon City in Binh Dinh province, including one project in Nhon Hoi covering an area of 1,000 hectares.

Danh Khoi Group is following a deal of acquiring 'golden land' in Da Nang City. Meanwhile, Danh Viet Group is negotiating for buying an apartment project in Binh Duong province.

Analysts said the M&A real estate market is bustling because there are many sellers and buyers.

The State Bank of Vietnam's Circular 22/2019 on funding real estate projects which took effect in early 2020 has caused a capital shortage for real estate developers. Realtors find it difficult to sell products because of low demand in Covid-19. Therefore, investors with limited financial capability tend to sell their projects or seek partners to develop projects.

Nguyen Hoai An from CBRE Vietnam said the real estate market grew slowly in the first months of 2020, but foreign investors are still seeking opportunities with M&As.

Many individual investors and investment funds seek offices, small- and medium-size hotels, resorts, and townhouse projects capitalized at around VND8-10 trillion.

Strategies for new FDI trends in Vietnam

The 'new normal' is accelerating the trend of foreign investors relocating production lines to Vietnam, according to Bizlive.

Alex Feldman, chair of USABC (US-ASEAN Business Council), said that US businesses believe that in the time to come, investors will pay more attention to the ability of governments to cope with external shocks when considering their investments.



Vietnam's success in fighting against the epidemic has created positive influence on foreign investors' decisions.

USABC, a representative of 160 member businesses, praised the investment opportunities in ASEAN & VN, emphasizing the important position of ASEAN in the Indo-Pacific region, and ASEAN becoming the 4th largest trading partner and No 1 investment destination in the region for the US.

A report of VNDirect Securities released recently cited foreign sources as showing that Google and Microsoft are relocating some production lines from China to Vietnam and Thailand. The two giant technology firms are considering selling Pixel4A, Pixel5 and Surface computers in Vietnam.

Regarding Japanese investors, a JETRO survey found that 63 percent of Japanese operational businesses want to scale up investments in Vietnam.

Meanwhile, the Japanese government has started its program on supporting Japanese enterprises to relocate their factories out of China. The Japanese Ministry of Economy, Trade and Industry (METI) on July 17 announced that 57 enterprises would receive support to move to Vietnam, Myanmar, Thailand and other Southeast Asian countries.

Praising Vietnam's achievements in fighting Covid-19, Okabe Daisuke from the Japanese Embassy in Vietnam said with the high risk management capability, Vietnam's economy has begun recovering while other countries are still busy struggling with Covid-19.

Nikkei reported that the Japanese government would prop up 70 billion yen to Japanese enterprises in this campaign. Prior to that, it also provided grants of 243.5 billion last April to help Japanese enterprises ease the reliance on China.

As the US-China relationship has become worse and the trade war escalated, there have been many discussions in the US and other countries on how to ease reliance on Chinese economy and the companies from China.

Heavy Singapore investment rolls on through new normal

With Vietnam boasting great potential for investment, Singaporean businesses and individuals are rolling out projects across the country, channelling massive capital flows into diverse sectors.

On July 15, Crown Beverage Cans Vung Tau Co., Ltd. from Singapore received an investment certificate for its \$130m project. With this, Crown Beverage Cans aims to become the leading supplier of beverage cans to major producers in Vietnam.

Direct investment from Singapore in Vietnam over the last 10 years



As a developing country with a sizeable population that lies very close to Singapore, Vietnam has been approached by hundreds of Singaporean enterprises like Crown Beverage Cans which have left their major footprints here, earning strong confidence of locals.

Commenting on Singaporean investments in Vietnam, Tan Soon Kim, assistant CEO of

Enterprise Singapore, which is the government agency championing enterprise development, told media that Vietnam has a fast-growing middle class and has attracted many Singaporean firms, including caterers and retailers in recent years.

Deeper investment schemes

In late June, JR22 Vina Singco Pte., Ltd. from Singapore signed an MoU with Hanoian authorities to build a smart city with a hotel and office complex in Tay Ho district. Accordingly, JR22 would invest an additional VND220 billion (\$9.57 million) to develop smart infrastructure there.

Besides this, JR22 has also just attained an investment certificate for a complex of luxury apartments, commercial centre, and hotels in the city with the total investment capital of VND4.2 trillion (\$182.35 million).

With these two projects, JR22 officially entered the Vietnamese real estate market, along with compatriots VNSL Holdings Pte., Ltd. which plans to invest VND4.2 billion (\$182.35 million) into a complex of mall, office, and cultural area; Twin Peaks, which is expanding investment by \$246 million in its office project in Ba Dinh district; and a dozen other Singaporean investors.

Roland Ng, president of the Singapore Chinese Chamber of Commerce and Industry, told media that more Singaporean enterprises, especially small- and medium-sized ones (SMEs), tend to expand their businesses into neighbouring countries like Vietnam.

He also said that the abundance of young and skilled workers and the rise of the middle class has helped Vietnam's consumer economy strongly flourish, which has accelerated urbanisation and the development of infrastructure.

According to data from the Ministry of Planning and Investment (MPI), in the first seven months of 2020, Singapore had one major project in the country valued at \$4 billion of registered capital. This is the Bac Lieu liquefied natural gas (LNG) power plant under the Bac Lieu LNG thermal power centre.

Meanwhile, Sunseap International – the global arm of clean energy provider Sunseap Group in Singapore – last year also reached a new milestone by commissioning one of the largest solar farms in Vietnam with the scale of 168ha, capacity of 168MW peak, and the total investment capital of more than VND4.4 trillion (\$191.3 million) in the south-central province of Ninh Thuan. The project generates electricity for 200,000 households in Vietnam.

Another highlight of Singaporean investment in Vietnam are the four water treatment plants carried out by Darco Water Technologies and InfraCo Asia Development, which provides funding, leadership, and experience in designing, building, owning, and operating deal structuring.

This project helps take feed water from rivers and treat it to potable standards to serve 15,000 households in Vietnam. The project is valued at \$50 million.

Singaporean groups have also been expanding operations in Vietnam in the field of finance. Major names include Syngience or United Overseas Bank (UOB), which last year opened a new branch in Hanoi, and has been promoting digital banking to improve the customer experience.

E-commerce consultancy Innovative Hub also entered Vietnam's e-commerce market last year by signing an MoU with Alibaba Group. Particularly, the outbreak of the COVID-19 pandemic has been beneficial to the company's operations and it is now thinking of widening its profile by introducing digital solutions for SMEs in Vietnam and the wider region.

Preferred funding destination

According to the latest Singapore Business Federation survey, Vietnam is among the most preferred destinations for Singaporean companies thinking of going regional. Along with education, manufacturing and processing, and healthcare, these companies are also keen on investing in startups and innovation.

Meanwhile, data from the MPI shows that as of July 20, Singapore was Vietnam's third-largest foreign investor, with the total registered investment capital of \$55 billion for 2,544 projects, operating in numerous types of projects such as property, energy, finance, banking, IT, and tourism.

Studying the Southeast Asian and Vietnamese economies for over two decades, Suan Tek Kin, head of research and executive director of Global Economics and Markets Research at UOB Singapore, said that Vietnam will likely attract further foreign investment in high-tech industries with the operation of smart factories.

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