July 17, 2019

Special report

Vietnam's Trade and FDI Outlook

We notice some essential changes in Vietnam trade and an attractiveness of foreign direct investment to Vietnam. In recent situation that global trade is hard to predict, impact on each countries, regions is complicated and divergent.

However, we suppose that this is the opportunities for developing countries to catch up with developed countries in the headwind environment. Vietnam has a rare opportunitie to boost economic growth via investment, exports, and deeply joining into global supply chain. Below is our assessment of trade outlook and Vietnam FDI and impacts of protectionism on ASEAN in general.

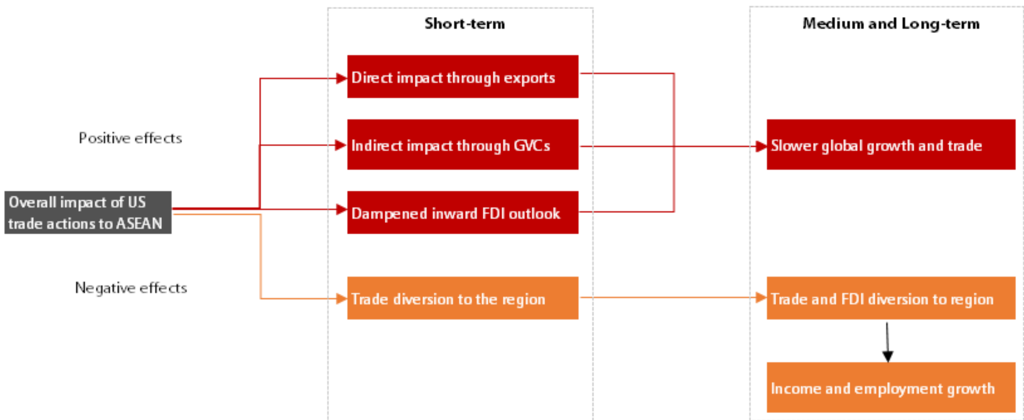
Vu Anh Tu

tu.va@vdsc.com.vn

	Trade	*FDI*
Opportunities	*1. Impacts US tarriffs on USD 300 bn Chinese goods, if applied, will create opportunities for Vietnam's essential export sectors such as Machinery and Textile.* *2. Free trade agreements make Vietnam become one of the most favored location for investors.* *3. Short term export opportunities is related to economic changes in countries in the region like Cambodia and Philippines.*	*1. Registered FDI increased sharply, mainly on manufacturing sector. Sectors can benefit including labor intensive sectors (textiles and wooden and furniture), regional processing sectors (food, paper, plastic and rubber, bastic metals, and building materials) and global innovation (computer, phones and parts)* *2. Outlook for disbursed FDI is positive because the number of medium-size project in range of USD 100 -500 mn, rose.*
Threats	*1. Tarriffs evading can spark an investigation from the US.* *Vietnam production's ability is limited and still depends on raw materials from China.* *2. The global economic slowdown causes low demand for goods.*	*1. Imports of degraded technology and pollution are the real problems.* *2. The global supply chain has changed and advantage of low labor costs decreases. Corporates concern more on labor skills, infrastructure and proximity to the comsumption market.*

Source: Rong Viet Securities

Figure 1: Key Transmission Channels of Trade Protectionism in ASEAN



Source: AMRO, Rong Viet Securities

Content

Vietnam’s Trade Picture 3

- ✓ Export growth and nominal GDP growth: “Divergence" 3
- ✓ Vietnam’s trade outlook........ 4

Trade Relationship: US – Vietnam - China 7

- ✓ Vietnam: The highest growth of export to the US in Asia-Pacific........ 7
- ✓ Vietnam’s higher import from China in some key industries 9

FDI Flows into Vietnam 11

- ✓ Registered FDI soaring but being sparsely allocated 11
- ✓ Vietnam’s FDI outlook........ 12

Vietnam's Trade Picture

- Export growth and nominal GDP growth: "Divergence"
- Export's momentum in 5M2019

Export growth and nominal GDP growth: "Divergence"

Over the past decades, the global trade has encouraged the deeply shift of production to emerging market and developing economies (EMDEs). This is the main motive for these countries to escape from "Vicious Circle of Poverty". We notice a relationship between export growth and income growth in those countries, espescially in China, Korea, and Thailand (Figure 19).

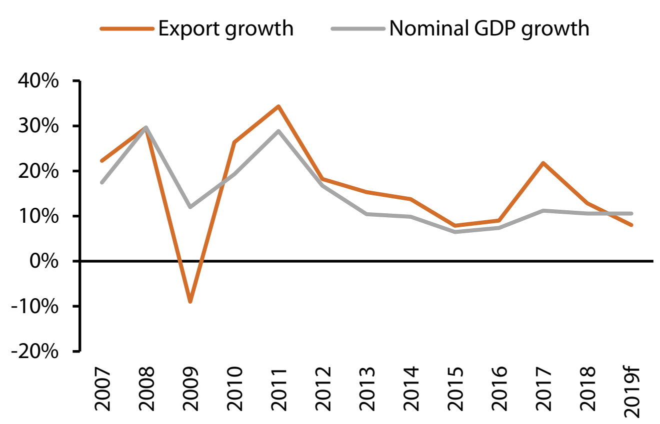
However, EMDEs has faced headwinds as global trade has been on a downtrend for the past two years. Global trade growth started to down sharply in the beginning of 2018. Things have gotten even worse as big traders such as Germany, Japan, and China recorded negative growth rate of trade in the beginning of 2019.

Vietnam is in that trend as Vietnam's export growth rate reached only 7.1% after 6M2019, which is quite low compared to the same period of recent years, accroding to Vietnam Customs. We expect Vietnam's export grwoth rate will reach only 8% YoY in 2019, which is lower than nominal GDP growth for the first time in a decade.

Even though there is no quantitative measurement of how much GDP growth rate will decline due to the slow growth of export, we have no doubts the slow export's growth will weigh on Vietnam economy. With developing countries like Vietnam, high import demand for machineries (CAGR: +40-50% per annual), along with the weakness export, will impact negatively to national trade balance.

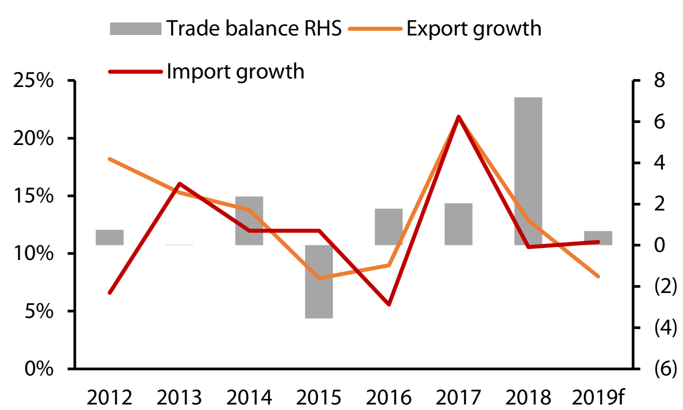
Vietnam merchandise trade balance has turned to deficit after the first five months of 2019, which is completely opposite with the same period last year, a surplus of USD 3 bn. Although we expect the deficit only occurs in short term and the merchandise trade balance will be surplus, the result will drop sharply from a USD 7 bn of surplus of 2018.

Figure 2: Export growth vs Nominal GDP growth (%, YoY)



Source: GSO, Rong Viet Securities

Figure 3: Trade Balance (USD Billion)



Source: Customs, Rong Viet Securities

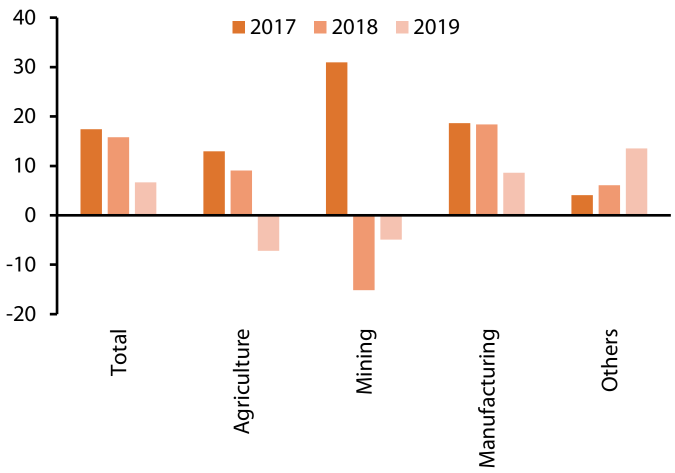
Regarding to export merchandise after 5M2019, we recorded a spread of downtrend. Export of essential manufacturing products and of favored agricultural products dropped sharply. The increase in exports of textile, footwear, wooden and furniture, and computer and parts was not enough to offset for the loss.

Regarding to imports, controlled import products such as automobiles, fruits, and cameras increased sharply. Besides that, demand for machineries and crude oil for energy sector skyrocketed. In details, crude oil and coal was imported for oil refinery manufacturers and coal-fired thermal power. Solar projects imported about USD 1 bn of machineries.

Regarding to exports by country, we recorded a strong increase in export to the North America (more details on second part). Vietnam has, also, benefited from recent Free Trade Agreements. CPTPP, the most notable one, has helped to boost exports to Canada and Mexico. Besides that, exports to Eurasian Economic union increased by 20% YoY.

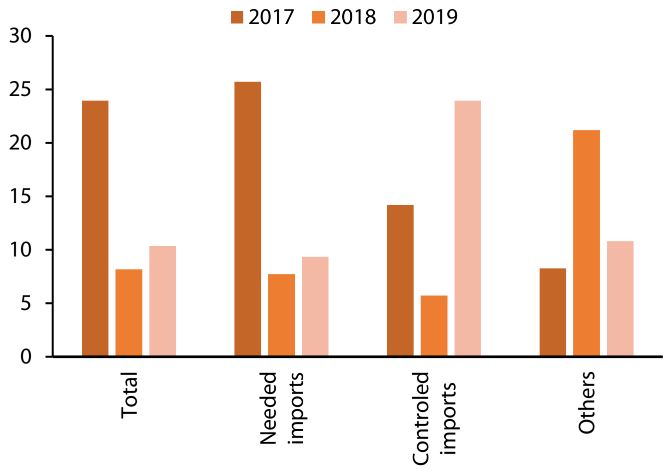
However, Vietnam's exports to other essential markets declined. The second largest market of Vietnam's export, the Western Europe, declined sharply except Italy. Meanwhile, growth of export to China was negative due to China's restriction and China economic slowdown.

Figure 4: Export growth in first 5 months



Source: MOIT, Rong Viet Securities

Figure 5: Import growth in first 5 months



Source: MOIT, Rong Viet Securities

Vietnam's trade outlook

Even though the recent decline in exports, we are positive about Vietnam trade activities compared to other countries' in the region. We suppose opportunities outweigh challenges.

Positively, Vietnam that is the mid point between China plus one strategy and South Korea's new Southern policy, has a rare opportunity to deeply join the global supply chain (more details on 2019 Rong Viet Strategy report). The shift of production and orders in some specific sectors from China to Vietnam has moved faster due to US and China trade disputes.

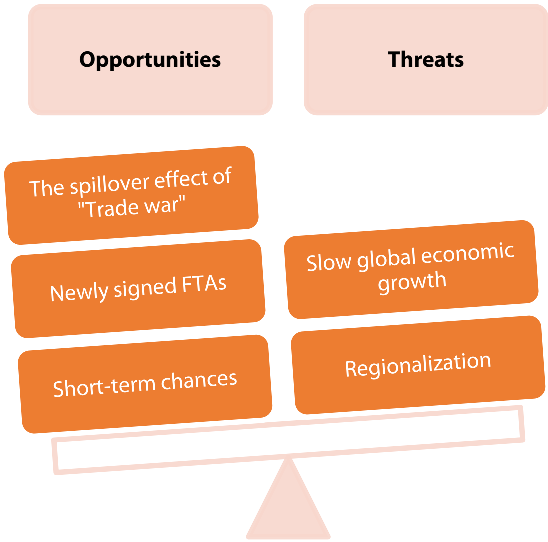
Moreover, Vietnam is about to sign a free trade agreement with Europe (EVFTA), which is the second largest markets of Vietnam exports, after the US. The government has showed efforts to boost the signing process. The Vietnam Assembly has passed revised labor law in which Vietnam agrees to join the Covention 98 of the Internaltional Labour Organization (ILO), helping to boost the negotiate process of EVFTA. The Covention 98 is defined as a concern the application of the principles of the right to organise and to bargain collectively by ILO. EVFTA will add Vietnam's export to EU by 20% in 2020 and Vietnam GDP will be added to 2.2-3.3% during 2019-2023, according to the Minitry of Planning and Investment. The new FTAs, CPTPP and EAEU, wil bring more opportunities for Vietnam merchandises in new markets.

Additionally, we notice some short term export opportunities in the South East Asia region such as basic metals export to Cambodia and rice to Philippines. Indonesia imported a significant amount of rice, helping to boost Vietnam's rice export to USD 3 bn in 2018.

However, until the EVFTA comes into effect, Vietnam needs solutions for challenges including global economic slowdown and regionalized supply chain trend. IMF, WB, and ADB predict global economy growth will decelerate in 2019. The main driver recently, China, has showed some weakneses and they are trying hard to keep its growth rate at 6% a year. The slowdown has reflected through negative trade growth data in the big manufacture countries such as Germany, Japan, and Korea.

Regionalized supply chain trend is, also, another reason (more details on Box 1). Export value inside a region has increased by 2.7% since 2013, especially, in Asia and EU-28. Corporates request for just-on-time delivery to match with its production process. Activities of textitle production in Turkey and Mexico to serve European and North America markets will rise sharply in the next decades, according McKinsey.

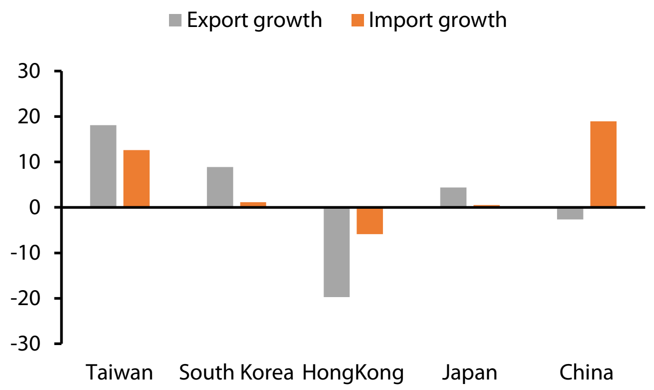
Figure 6: Factors on export growth



Source: Rong Viet Securities

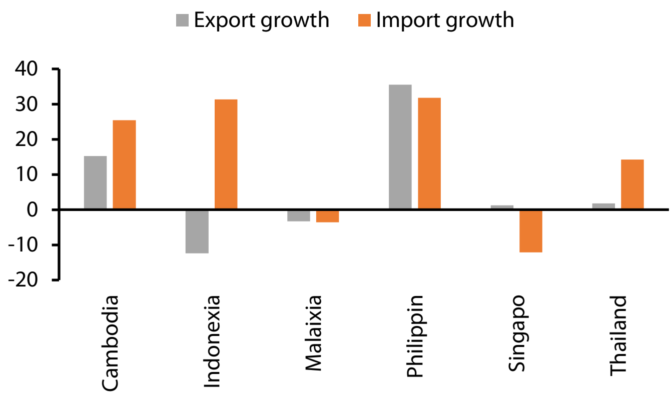
Vietnam in Trade Relationship with Countries/Territories in 5M2019

Vietnam – Notheast Asia



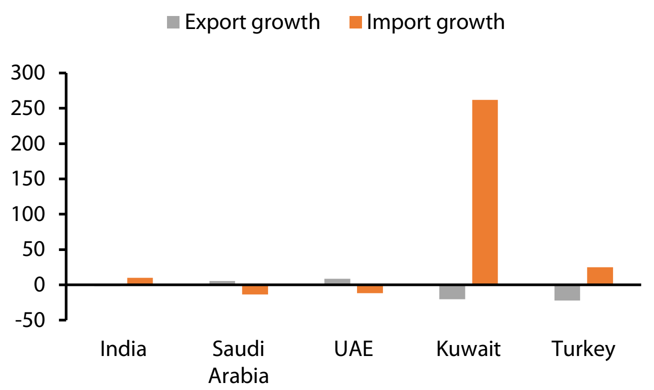
Source: MOIT, Rong Viet Securities

Vietnam – Southeast Asia



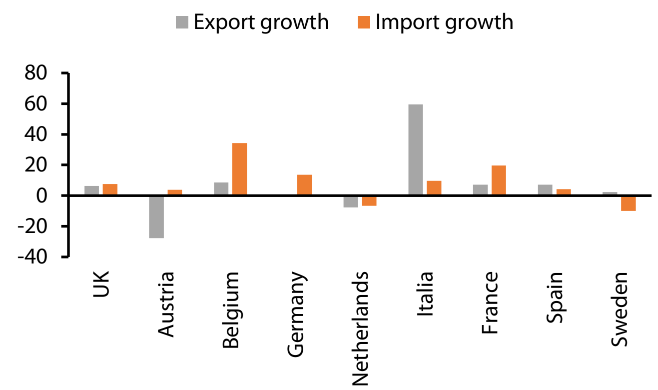
Source: MOIT, Rong Viet Securities

Vietnam – Americas – Oceanian



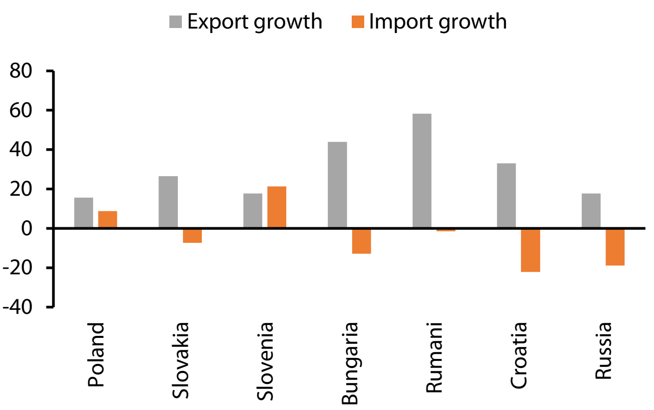
Source: MOIT, Rong Viet Securities

Vietnam - EU



Source: MOIT, Rong Viet Securities

Vietnam - EAEU



Source: MOIT, Rong Viet Securities

Vietnam – South Asia – Middle East

Source: MOIT, Rong Viet Securities

Trade Relationship: US – Vietnam - China

- Vietnam: The highest growth of export to the US in Asia-Pacific
- Vietnam's higher import from China in some key industries

Vietnam: The highest growth of export to the US in Asia-Pacific

Vietnam export to the US skyrocketed at 40% YoY in the first quarter of 2019, the highest level in Asia-Pacific, according to ITC's data. It is followed by Cambodia, South Korea and Taiwan. In contrast, China, Japan, Thailand and Malaysia saw a negative growth.

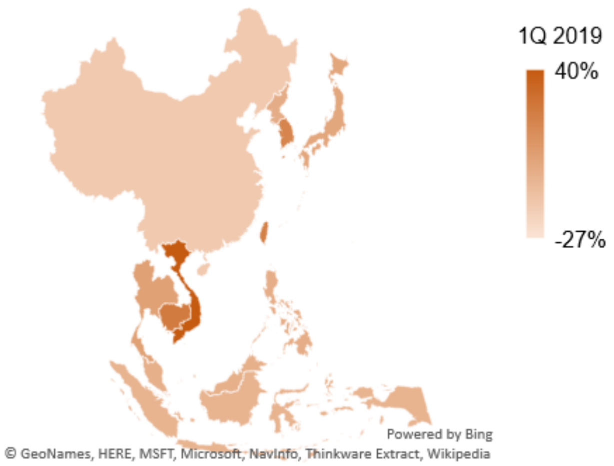
Vietnam's performance was abnormal in compared with the same period in 2018. In 1Q 2018, Vietnam's export to the US was only at 18% YoY, equivalence to the average number of Asia – Pacific. Filtering China and Vietnam's exported goods based on the HS code and the US's USD 250 billion tariff on China, we got some highlights.

About Vietnam, lots of sectors grew at a significantly higher pace than the 3-year average ones (Figure 9). On the front of growth rate, plastics and textile materials were the top. Meanwhile, furnitures and machineries made the biggest contribution due to its scale. According to data from Ministry of Agriculture and Rural Development, the export revenue of wood and furnitures reached USD 3.1 billion, up 17.8% YoY. In which, the US market accounted for USD 1.4 billion, up 34.7% YoY, followed by Japan (+18.2% YoY).

Notably, the scale of Vietnamese goods benefiting from the US's USD 250 billion tariff on Chinese goods accounts for 25% of total export to the US. Hence, the spillover effect is still limited as the goods package consists of material ones instead of consumption goods. In the case of textile industry, for examples, Vietnamese companies have been importing lots of Chinese material and immediate goods which are taxed by the US.

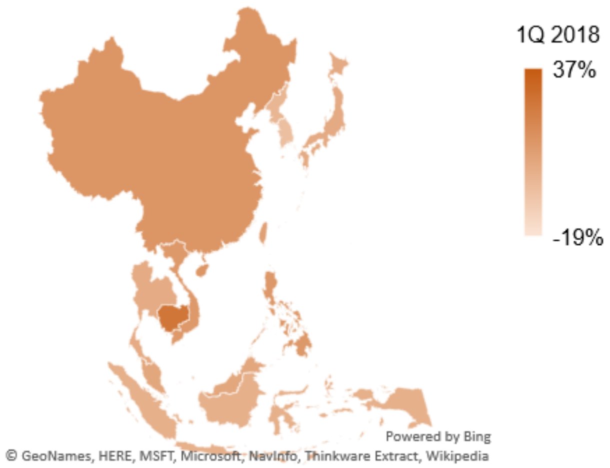
However, the effect will be more significant if the USD 300 billion tariff gets effective. That directly affect variety of consumption goods. Vietnam's important exported textile products whose HS codes ara numbered 61, 62 and 63 likely benefit a lot.

Figure 7: Export growth to the US in 1Q 2019 (%, YoY)



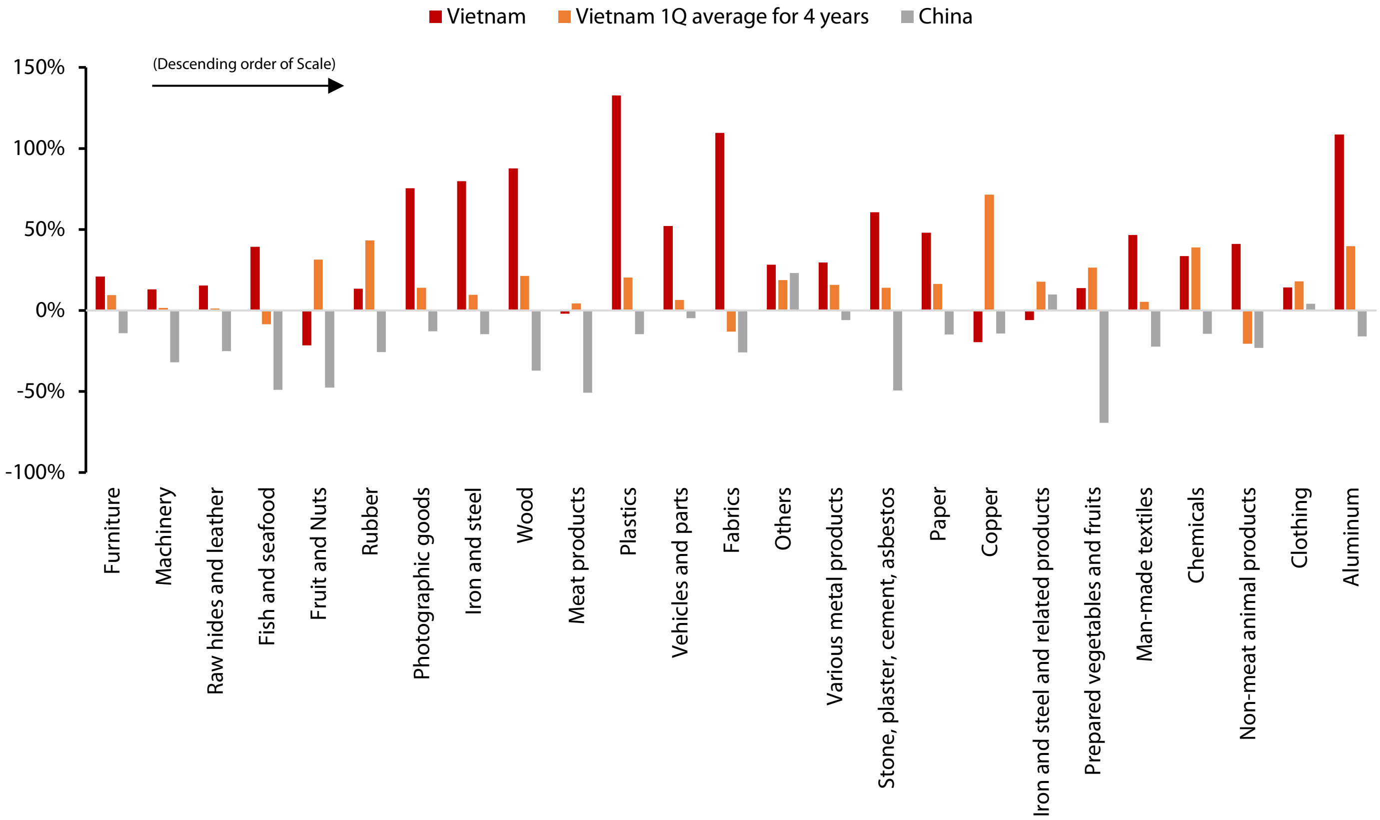
Source: ITC, Rong Viet Securities

Figure 8: Export growth to the US in 1Q 2018 (%, YoY)



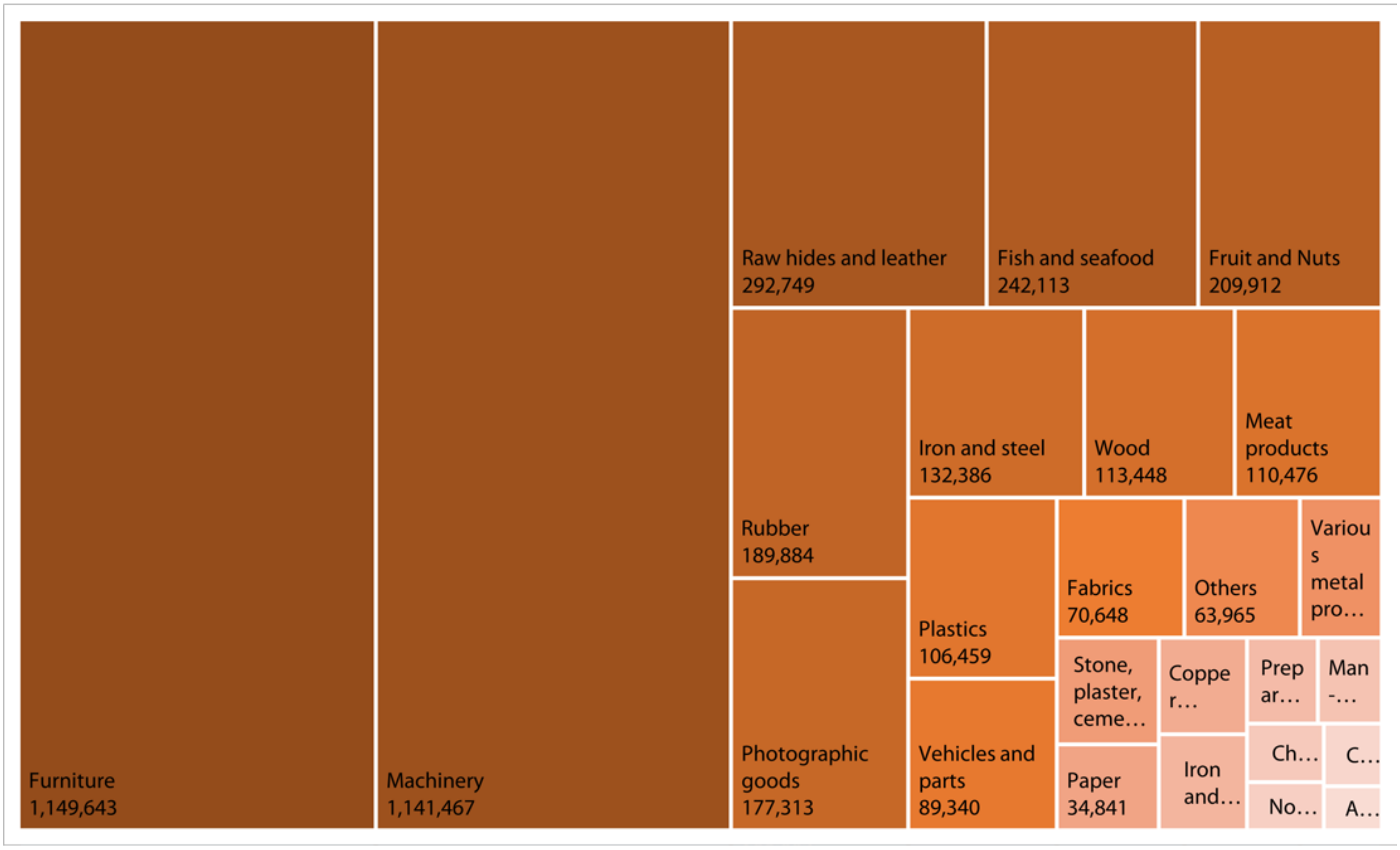
Source: ITC, Rong Viet Securities

Figure 9: Export growth to the US in 1Q 2019, filtered by the US's USD 250 billion tariff on Chinese goods



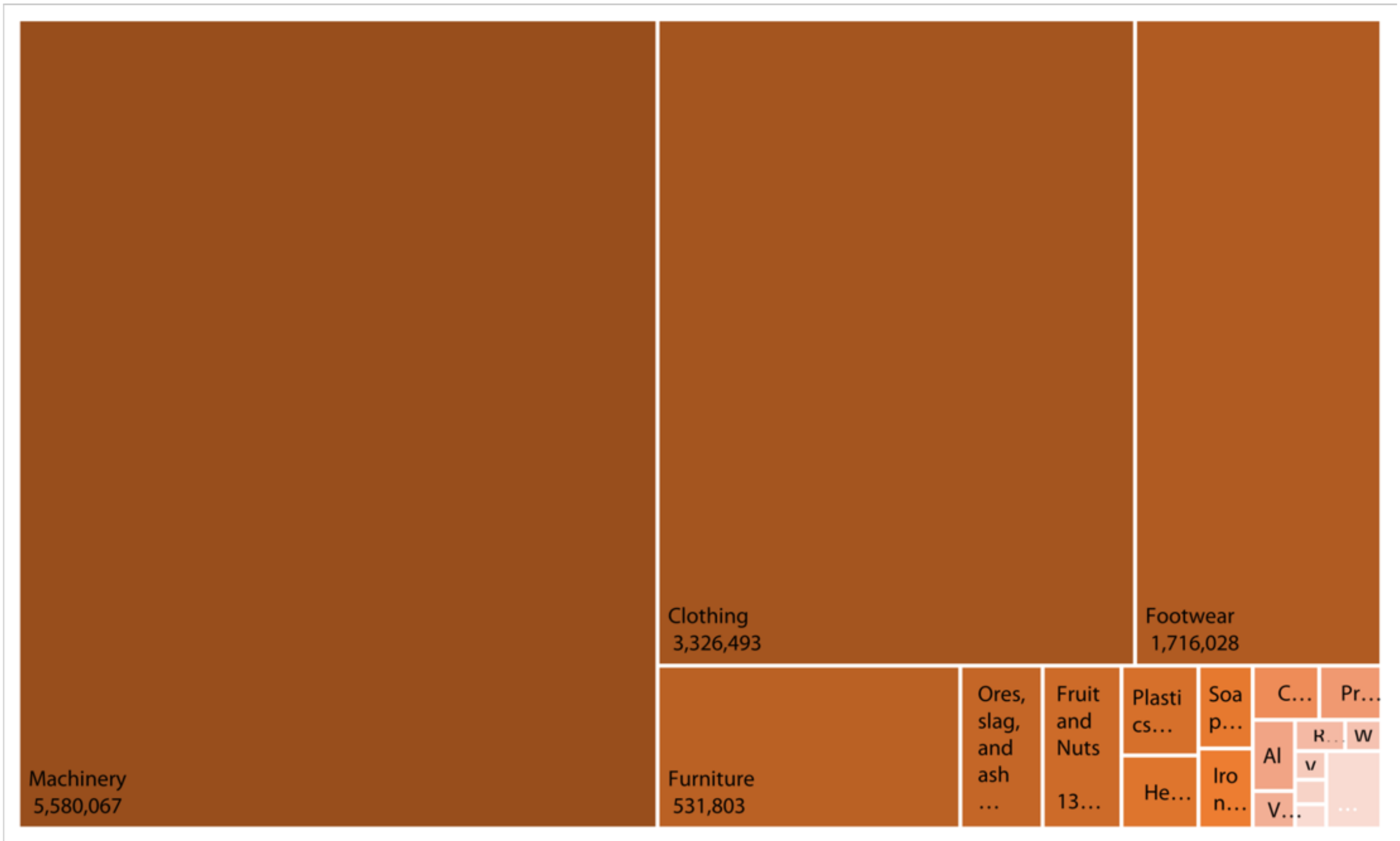
Source: ITC, Rong Viet Securities

Figure 10: Vietnamese goods likely benefiting from the US's USD 250 billion tariff on Chinese goods



Source: ITC, Rong Viet Securities

Figure 11: Vietnamese goods likely benefiting from the US's USD 300 billion tariff on Chinese goods



Source: ITC, Rong Viet Securities

Vietnam's higher import from China in some key industries

Nevertheless, we concerns about the fake "Made in Vietnam" label used to dodge the US tariff. We clearly saw that Chinese furniture and wood factories moved into Vietnam. In Binh Duong provice, accounting for 40% of total furniture and wood export, the industry's export growth reached 16.3% YoY in 5M2019. On the front of import, total expenditure on imported furniture and wood paced at 13.1% YoY, led by China (+35.5% YoY), the US (+15.4% YoY) and Thailand (+12.5% YoY). The Ministry of Industry and Trade has warned of evading duties on products destined for export to the US.

Based on the table 1, we focus on some key sectors which include labor-intensive sector (textile and furniture), regional processing (F&B, paper, plastic and rubber, metal products, and construction materials) and global innovation (computer, telephone and electronics). It is clear that their import from China has grown at a critically higher pace in compared with the past. Given the current manufacturing level, it's not unusal for Vietnamese companies to import material and immediate goods from China. However, how to label it and how much Vietnam's added-value amount are key questions.

Figure 12: Vietnam imports from China

Sector	2018 import value (USD Mln)	1Q 2016	1Q 2017	1Q 2018	1Q 2019
Machinery	31,640,196	-17%	36%	31%	18%
Photographic goods	2,349,635	-13%	4%	-1%	34%
Vehicles and parts	1,269,408	-31%	-28%	-13%	25%
Plastics	3,052,487	20%	22%	23%	21%
Fabrics	4,962,485	18%	4%	34%	11%
Cotton	2,136,383	-14%	-1%	6%	24%
Other textile products, rope, twine	446,001	8%	-26%	31%	19%
Furniture	1,341,388	-40%	12%	36%	26%
Wood	473,566	8%	45%	7%	45%
Paper	808,570	3%	18%	-7%	14%
Ceramics	1,051,663	-55%	2%	14%	28%
Iron and steel	1,759,941	-32%	-2%	32%	50%
Aluminum	952,705	9%	-58%	-23%	61%
Copper	443,627	-48%	18%	99%	60%
Iron and steel and products derived from the metals	22,901	-40%	66%	93%	137%

Source: ITC, Rong Viet Securities

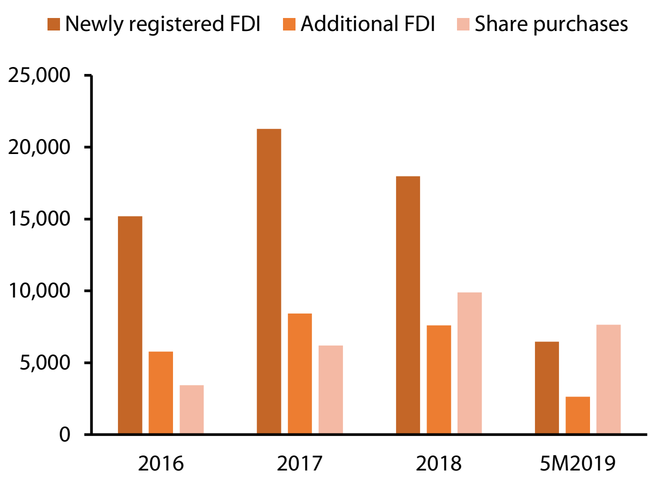
FDI Flows into Vietnam

- Registered FDI soaring but being sparsely allocated
- Vietnam's FDI outlook

Registered FDI soaring but being sparsely allocated

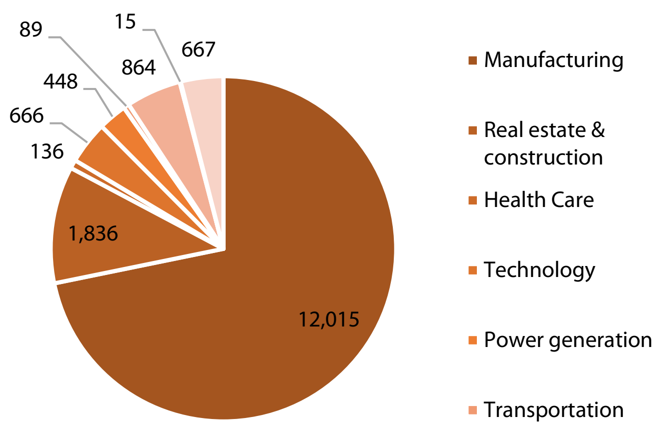
About FDI flows into Vietnam, we keep optimistic views. In the best case of EVFTA getting effective in 2020, Vietnam gains competitive advantages among Southeast Asia. In 5M2019, newly registered FDI amount reached USD 6.5 billion, up 38.7% YoY, while the number of new licences was at 1,363 units, up 26.7% YoY. The amount of shares buying was aproximately at USD 7.7 billion, 2.8 times as high as 5M2018.

Figure 13: FDI flow



Source: MOIT, Rong Viet Securities

Figure 14: FDI's structure



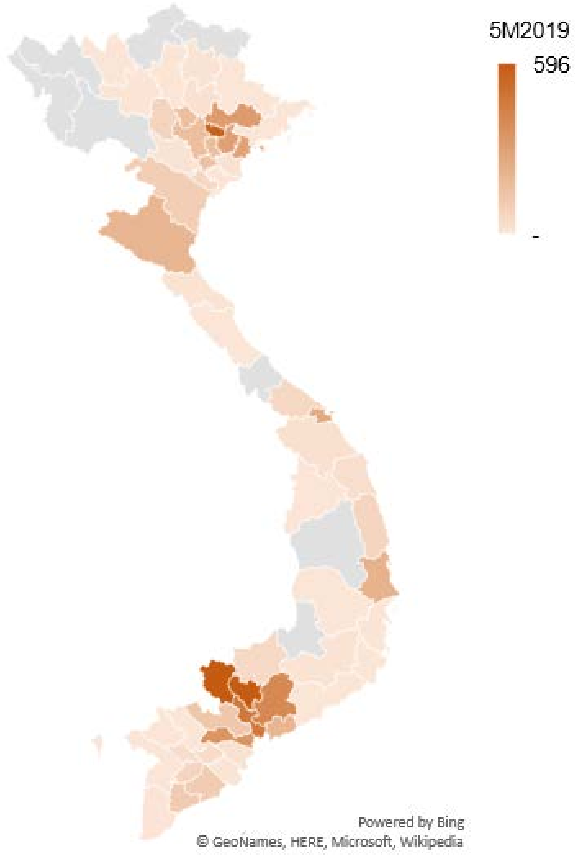
Source: MOIT, Rong Viet Securities

Liscensed FDI projects were mostly in the manufacturing sector which recorded some key ones like tire, electronics and textiles. Notably, the number of medium-scale projects, USD 100 million - USD500 million rose remarkably. In spite of no large-scale projects, we are positive about the disbursement of the projects.

In the past, large-scale thermal power projects, registered in 2017, have not started due to the issues of capital raising as well as evaluation on environment effects. For example, Sumitomo's thermal power project, called Van Phong 1, was suggested in 2006, got its liscense at the end of 2017 and the approval of Ministy of Natural Resource and Environment. In the best case, it can start building at the end of 2019.

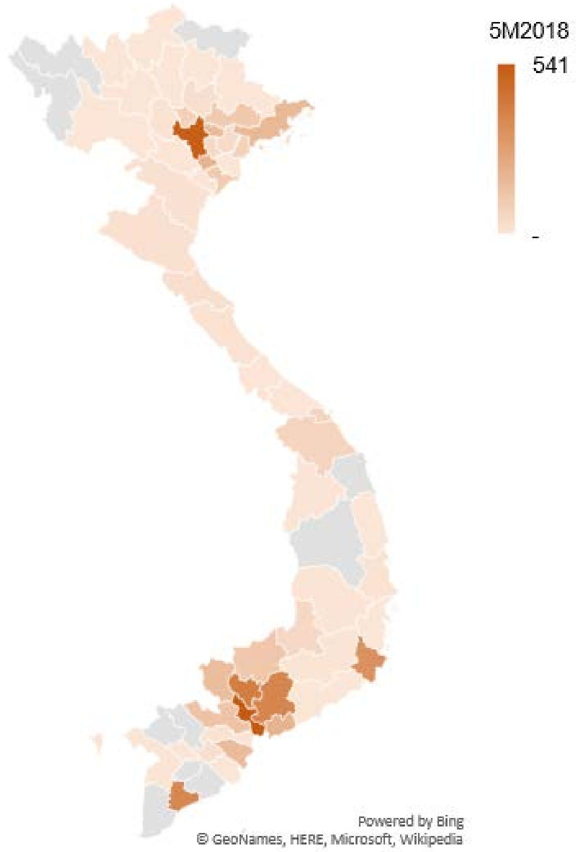
Based on the heat map, we saw a sparse allocation of newly registered FDI projects, diffenrent to the concentration seen last year. For examples, two biggest tire-manufacturing projects of Chinese investors are in Tay Ninh and Tien Giang while a textile project is in Nghe An province. In our point of view, low labor cost, favourable environment policy and attractive incentives play a decisive role. The Government is asking for limiting unfriendly environment projects. However, there is a big gap among the environment policies of provinces/cities.

Figure 15: Newly registered FDI by provinces/cities in 5M2019



Source: GSO, Rong Viet Securities

Hình 2: Newly registered FDI by provinces/cities in 5M2018



Source: GSO, Rong Viet Securities

Vietnam's FDI outlook

In upcoming years, Vietnam's FDI outlook is bright. As being mentioned above, the sign of new generation FTA gives Vietnam a big chance to take off. Given the current conditions and Vietnam's position in global value chains, there are three key sectors, including labor-intensive sector (textile and furniture), regional processing (F&B, paper, plastic and rubber, metal products, and construction materials) and global innovation (computer, telephone and electronics). The last one is supported by the value chain of current multinational companies.

While there is no doubt of Vietnam's opportunity, how to realise it is dependent on the Government's supportive policies as well as companies' own approaches and strategies. Under the circumstance of erased role of low labor cost, labor skills, natural resources, proximity to the comsumption market as well as infrastructure get more attention. Hence, it's better for companies which understand the international trade concept and make suitable investment to improve their competitive capacity.

Table 1: Global value chains are grouped into six archetypes based on their inputs, trade intensity, and country participation

Low / High

Archetype	Global value chain	**Labor intensity** Labor compensation/Gross value added (%)	**Knowledge intensity** % of highly skilled labor	**Commodity intensity** Commodity inputs as % of gross output	**Regional trade** % of total trade	**Trade intensity** Gross exports/Gross output (%)	**Country participation** (Number of countries representing 75% of total exports)	**Developing economy share of exports (%)**
Global innovations	Chemicals	43	33	14	49	29	14	25
	Auto	58	28	7	59	29	13	30
	Computer and electronics	52	50	3	54	48	8	48
	Machinery and equipment	61	26	12	46	32	13	29
	Electrical machinery	60	31	18	52	30	14	45
	Transport equipment	61	28	8	35	38	12	26
	Average	**56**	**33**	**10**	**49**	**34**	**12**	**34**
Labor-intensive goods	Textiles and apparel	68	15	9	41	31	13	66
	Furniture and other manufacturing	65	23	10	42	25	17	58
	Average	67	19	9	41	28	15	62
Regional processing	Food and beverage	52	13	29	55	13	22	43
	Fabricated metal products	65	16	24	53	18	16	45
	Paper and printing	60	37	4	59	16	17	34
	Glass, cement, ceramics	59	15	18	56	10	16	51
	Rubber and plastics	60	16	6	57	23	16	42
	Average	**59**	**19**	**16**	**56**	**16**	**17**	**43**
Resource intensive goods	Mining	40	22	72	31	30	16	73
	Agriculture	63	9	74	43	8	24	50
	Basic metals	57	15	70	46	20	21	42
	Energy	37	25	81	51	23	16	42
	Average	**49**	**18**	**74**	**43**	**20**	**19**	**52**
Labor intensive services	Wholesale and retail trade	61	23	1	41	10	13	28
	Transport and storage	56	16	10	35	15	13	31
	Healthcare	83	36	1	41	1	8	49
	Average	**67**	**25**	**4**	**39**	**9**	**11**	**36**
Knowledge intensive services	Professional services	68	56	1	38	10	13	18
	Financial intermediation	47	51	0.2	32	8	9	8
	IT services	67	56	0.3	26	18	13	37
	Average	**61**	**54**	**1**	**32**	**12**	**12**	**21**
Global average		**58**	**28**	**21**	**45**	**21**	**15**	**40**

Source: McKinsey, Rong Viet Securities

Box 1: Trends in global value chains

It's admitted that trade tensions affect strongly and deeply into global value chains as well as global trade. However, we likely missed that global value chains are changing with or without such tension. Here, we named three trends in global value chain, mentioned in McKinsey's report, named *Globalization in transition: The future of trade and value chains.*

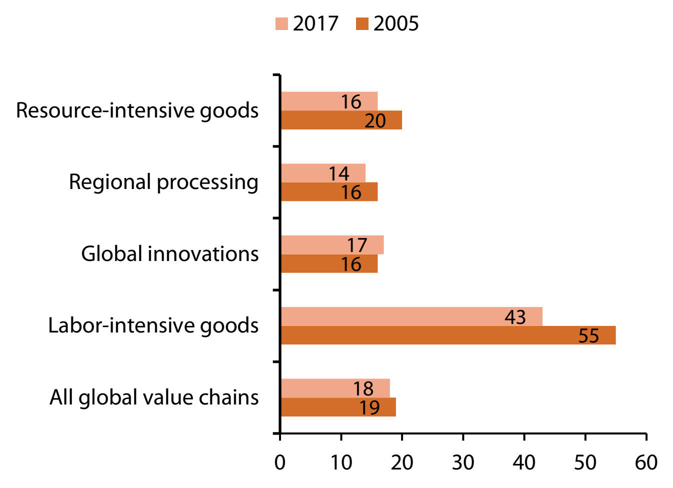
1. Goods-producing value chains have grown less trade-intensive.
2. Trade based on labor-cost arbitrage is declining in some value chains.
3. Value chains are becoming more regional and less global.

In general, technology development and household income rising are among the biggest players urging the changes in global value chains. First of all, international trade are slowing down. Emerging Markets and Developing Countries (EMDCs) have been heavely invested in their own domestic value chain on vertical axis to lessen the expenditure on imported immediate goods. Besides, the domestic consumption is stepping up; and more and more in-land manufacturers concentrate on such domestic markets than international ones. For instances, China succeeds in large-scale manufacturing of electronics and accessories; and targets at the semiconductor industry, a higher position in the global value chain.

In addition, labor-cost arbitrage's role is declining. According to McKinsey's statistic, only 18% of goods trade is based on the arbitrage. Automation and AI may amplify this trend, transforming labor-intensive manufacturing into capital-intensive manufacturing. Companies's decisions are affected more by access to skilled labors, natural resources, proximity to consumers as well as the quality of infrastructure.

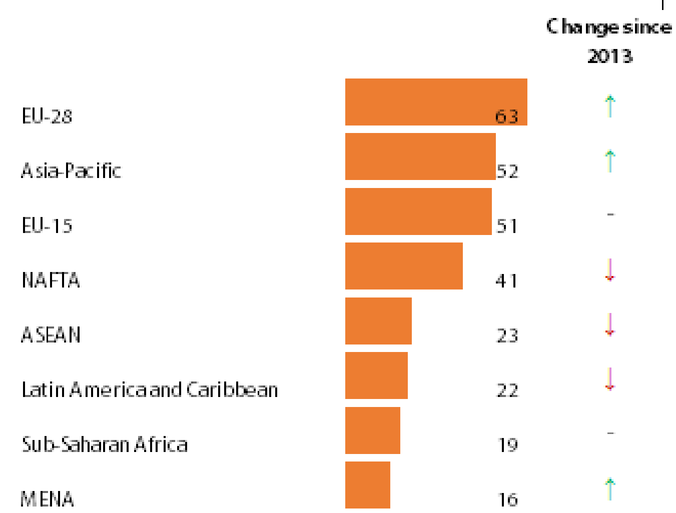
The third trend is related to regionalization's rise as the intraregional share of global goods trade has increased by 2.7 percentage points since 2013, in Asia and EU-28. Companies asked for just-on-time deliveries. Activities of textitle production in Turkey and Mexico to serve European and North America markets will rise sharply in the next decades, according McKinsey.

Figure 17: Share of global goods trade based on labor arbitrage by type of global value chain



Source: McKinsey, Rong Viet Securities

Figure 18: Share of intraregional goods trade by region (including primary resources), 2017



Source: McKinsey, Rong Viet Securities

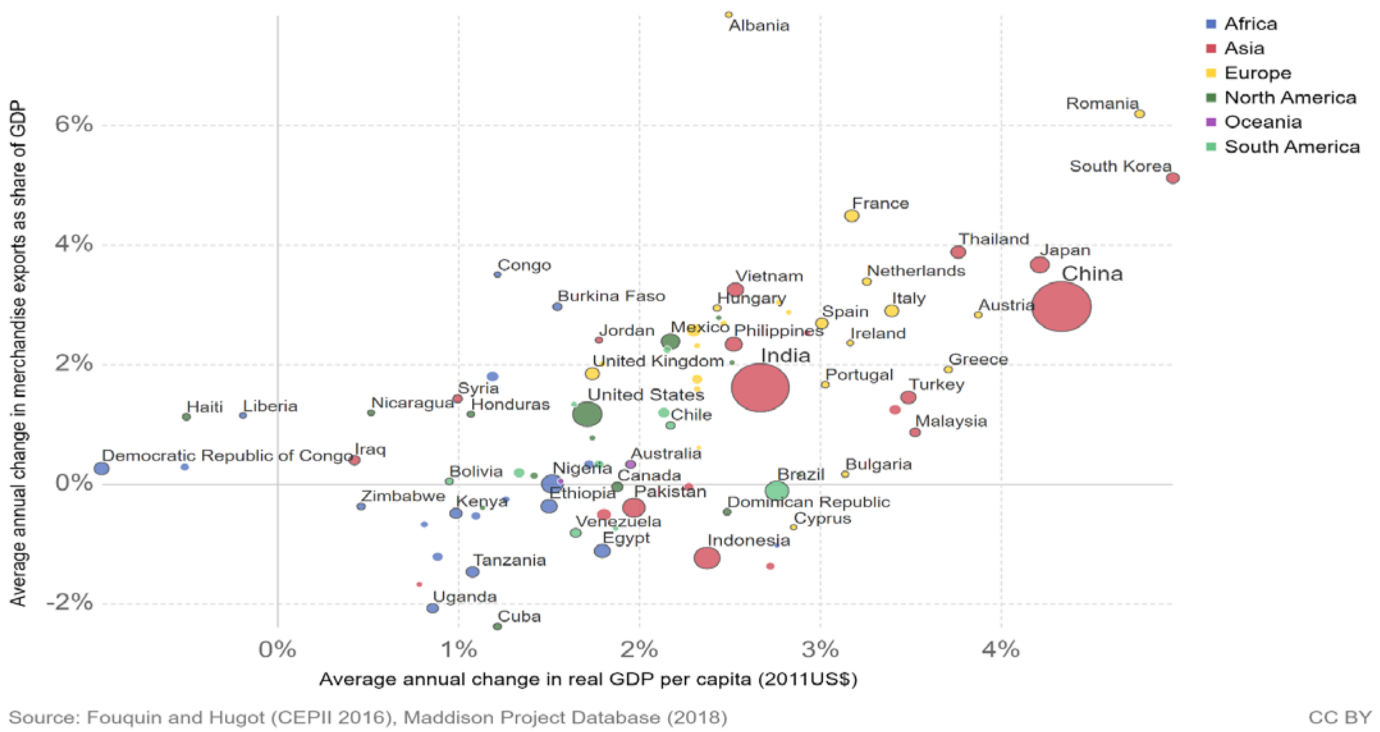
Table 2: After increasing prior to 2007, trade intensity has since declined in almost all goods-producing global value chains

Archetype	Global value chain	Trade intensity*, 2017	Change in trade intensity, Percentage points: 2000-07	2007
Global innovations	Chemicals	27.4	7.8	-
	Auto	29.1	8.9	-
	Computer and electronics	43.8	13	-1
	Machinery and equipment	29.5	7.3	-
	Electrical machinery	27.9	6.2	-
	Transport equipment	38	11	-
Labor-intensive goods	Textiles and apparel	27.3	8.2	-1
	Furniture and other manufacturing	24.2	7.3	-
Regional processing	Food and beverage	12.7	2.4	-
	Fabricated metal products	17.8	5.5	-
	Paper and printing	15.6	3.7	
	Glass, cement, ceramics	8.7	2.2	-
	Rubber and plastics	22.8	7.6	-
Resource intensive goods	Mining	25	11.4	-1
	Agriculture	8.4	0.6	-
	Basic metals	19.6	5.1	-
	Energy	20.6	7.4	-
Labor intensive services	Wholesale and retail trade	10.7	3.5	
	Transport and storage	14.6	1.7	-
	Healthcare	0.5	0	
Knowledge intensive services	Professional services	9.8	2.3	
	Financial intermediation	8	3.6	-
	IT services	18.4	5.6	

*Trade intensity defined as gross exports as a percentage of gross output.

Source: McKinsey, Rong Viet Securities

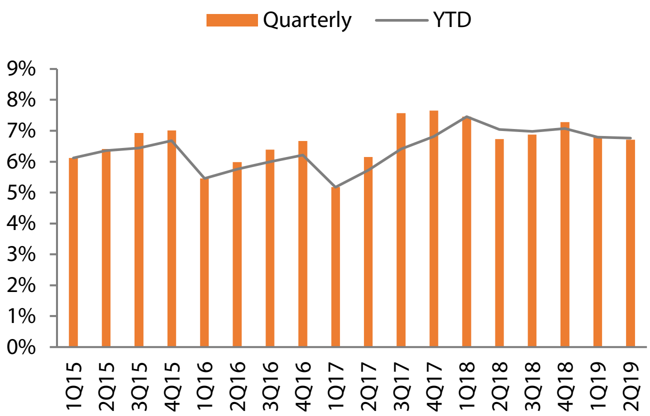
Figure 19: Growth of income and trade, 1945 to 2014



Source: Fouquin and Hugot (CEPII 2016), Maddision Project Database (2018)

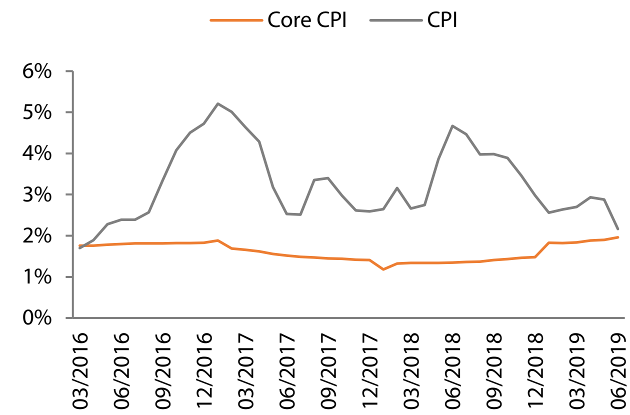
Vietnam Economic Indicators

GDP growth YoY



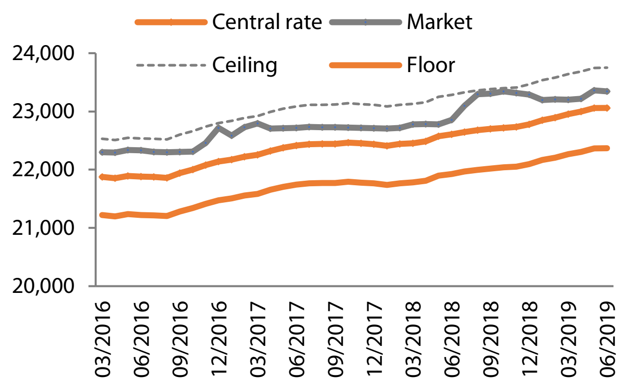
Source: GSO, Rong Viet Securites

CPI YoY



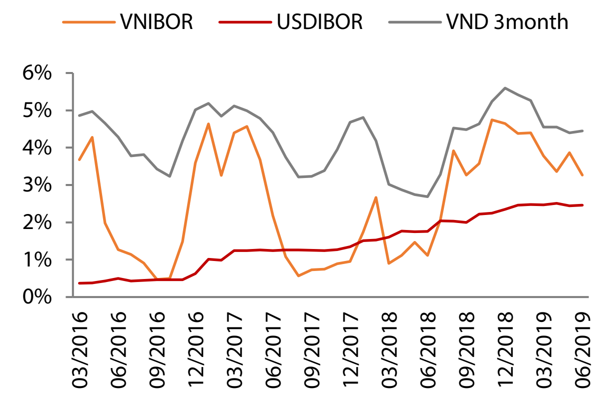
Source: GSO, Rong Viet Securities

Exchange rate (USD/VND)



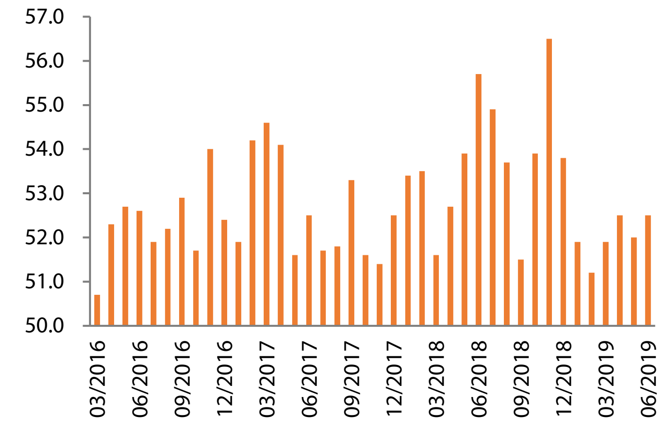
Source: SBV, Rong Viet Securities

Interbank interest rates of VND and USD



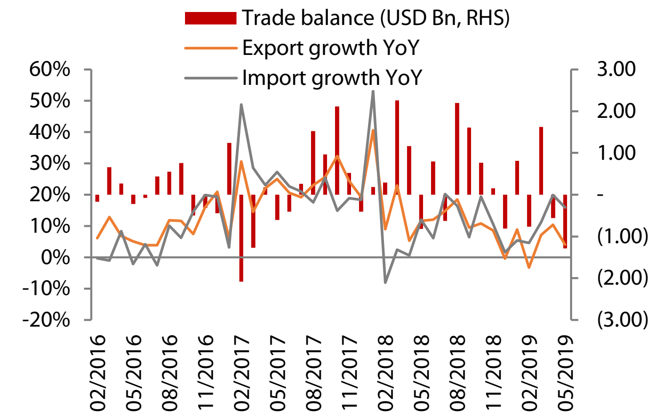
Source: SBV, Rong Viet Securities

Purchasing Managers' Index (PMI)



Source: Markit Economic, Rong Viet Securities

Trade of goods



Source: Customs, Rong Viet Securities

ANALYSIS & INVESTMENT ADVISORY DEPARTMENT

Lam Nguyen
Deputy Manager
lam.ntp@vdsc.com.vn
+ 84 28 6299 2006 (1313)
- Banking
- Market Strategy

Duong Lai
Senior Analyst
duong.ld@vdsc.com.vn
+ 84 28 6299 2006 (1522)
- Real Estate
- Building Materials

Vu Tran
Senior Analyst
vu.thx@vdsc.com.vn
+ 84 28 6299 2006 (1518)
- Oil & Gas
- Fertilizer

Trinh Nguyen
Senior Analyst
trinh.nh@vdsc.com.vn
+ 84 28 6299 2006 (1551)
- Steel
- Construction

Son Phan
Senior Analyst
son.pnt@vdsc.com.vn
+ 84 28 6299 2006 (1519)
- Utilities
- Natural Rubber

Tu Vu
Analyst
tu.va@vdsc.com.vn
+ 84 28 6299 2006 (1511)
- Macroeconomics

Son Tran
Analyst
son.tt@vdsc.com.vn
+ 84 28 6299 2006 (1527)
- Market Strategy
- Consumer discretionary
- Pharmaceuticals

Tung Do
Analyst
tung.dt@vdsc.com.vn
+ 84 28 6299 2006 (1521)
- Logistics
- Aviation

Thu Pham
Analyst
thu.pa@vdsc.com.vn
+ 84 28 6299 2006 (1520)
- Industrial Real Estate
- Infrastructure & BOT

Thao Dang
Analyst
thao.dtp@vdsc.com.vn
+ 84 28 6299 2006 (1529)
- Food & Beverage
- Textiles

Tam Pham
Analyst
tam.ptt@vdsc.com.vn
+ 84 28 6299 2006 (1530)
- Insurance
- Fishery

Anh Nguyen
Analyst
anh2.ntt@vdsc.com.vn
+ 84 28 6299 2006 (1531)
- Banking

Vy Nguyen
Analyst
vy.ntk@vdsc.com.vn
+ 84 28 6299 2006 (1528)
- Automobile & Parts

Trinh Le
Analyst
trinh.lx@vdsc.com.vn
+ 84 28 6299 2006 (1536)
- Industrials
- Agricultural Medicine

Hoang Nguyen
Analyst
hoang.nt@vdsc.com.vn
+ 84 28 6299 2006 (1538)
- Market Strategy

Ha Tran
Assistant
ha.ttn@vdsc.com.vn
+ 84 28 6299 2006 (1526)

Vi Truong
Assistant
vi.ttt@vdsc.com.vn
+ 84 28 6299 2006 (1517)

RONG VIET SECURITIES CORPORATION

Floor 1-2-3-4, Viet Dragon Tower,

141 Nguyen Du St. - Dist 1 – HCMC

Tel: (84 28) 6299 2006

Fax: (84 28) 6291 7986

Email: info@vdsc.com.vn

Website: www.vdsc.com.vn

Hanoi Branch

Floor 10th, Eurowindow Tower, 2 Ton That Tung St., Dong Da Dist, Hanoi

Tel: (84 24) 6288 2006

Fax: (84 24) 6288 2008

Can Tho Branch

95-97-99 Vo Van Tan – Ninh Kieu - Can Tho

Tel: (84 292) 381 7578

Fax: (84 292) 381 8387

Nha Trang Branch

50Bis Yersin St, Nha Trang

Tel: (84 258) 382 0006

Fax: (84 258) 382 0008

DISCLAIMERS

This report is prepared in order to provide information and analysis to clients of Rong Viet Securities only. It is and should not be construed as an offer to sell or a solicitation of an offer to purchase any securities. No consideration has been given to the investment objectives, financial situation or particular needs of any specific. The readers should be aware that Rong Viet Securities may have a conflict of interest that can compromise the objectivity this research. This research is to be viewed by investors only as a source of reference when making investments. Investors are to take full responsibility of their own decisions. VDSC shall not be liable for any loss, damages, cost or expense incurring or arising from the use or reliance, either full or partial, of the information in this publication.

The opinions expressed in this research report reflect only the analyst's personal views of the subject securities or matters; and no part of the research analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendations or opinions expressed in the report.

The information herein is compiled by or arrived at Rong Viet Securities from sources believed to be reliable. We, however, do not guarantee its accuracy or completeness. Opinions, estimations and projections expressed in this report are deemed valid up to the date of publication of this report and can be subject to change without notice.

IMPORTANT DISCLOSURES FOR U.S. PERSONS

This research report was prepared by Viet Dragon Securities Corp. ("VDSC"), a company authorized to engage in securities activities in Vietnam. VDSC is not a registered broker-dealer in the United States and, therefore, is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. This research report is provided for distribution to "major U.S. institutional investors" in reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act").

Additional Disclosures

This research report is for distribution only under such circumstances as may be permitted by applicable law. This research report has no regard to the specific investment objectives, financial situation or particular needs of any specific recipient, even if sent only to a single recipient. This research report is not guaranteed to be a complete statement or summary of any securities, markets, reports or developments referred to in this research report. Neither VDSC nor any of its directors, officers, employees or agents shall have any liability, however arising, for any error, inaccuracy or incompleteness of fact or opinion in this research report or lack of care in this research report's preparation or publication, or any losses or damages which may arise from the use of this research report.

VDSC may rely on information barriers, such as "Chinese Walls" to control the flow of information within the areas, units, divisions, groups, or affiliates of VDSC.

Investing in any non-U.S. securities or related financial instruments (including ADRs) discussed in this research report may present certain risks. The securities of non-U.S. issuers may not be registered with, or be subject to the regulations of, the U.S. Securities and Exchange Commission. Information on such non-U.S. securities or related financial instruments may be limited. Foreign companies may not be subject to audit and reporting standards and regulatory requirements comparable to those in effect within the United States.

The value of any investment or income from any securities or related financial instruments discussed in this research report denominated in a currency other than U.S. dollars is subject to exchange rate fluctuations that may have a positive or adverse effect on the value of or income from such securities or related financial instruments.

Past performance is not necessarily a guide to future performance and no representation or warranty, express or implied, is made by VDSC with respect to future performance. Income from investments may fluctuate. The price or value of the investments to which this research report relates, either directly or indirectly, may fall or rise against the interest of investors. Any recommendation or opinion contained in this research report may become outdated as a consequence of changes in the environment in which the issuer of the securities under analysis operates, in addition to changes in the estimates and forecasts, assumptions and valuation methodology used herein.

No part of the content of this research report may be copied, forwarded or duplicated in any form or by any means without the prior.

RESEARCH DISCLOSURES

Third Party Research

This is third party research. It was prepared by Rong Viet Securities Corporation (Rong Viet), with headquarters in Ho Chi Minh City, Vietnam. Rong Viet is authorized to engage in securities activities according to its domestic legislation. This research is not a product of Tellimer Markets, Inc., a U.S. registered broker-dealer. Rong Viet has sole control over the contents of this research report. Tellimer Markets, Inc. does not exercise any control over the contents of, or the views expressed in, research reports prepared by Rong Viet.

Rong Viet is not registered as a broker-dealer in the United States and, therefore, is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. This research report is provided for distribution to "major U.S. institutional investors" and other "U.S. institutional investors" in reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act").

Any U.S. recipient of this research report wishing to effect any transaction to buy or sell securities or related financial instruments based on the information provided in this research report should do so only through Tellimer Markets, Inc., located at Floor 36, 444 Madison Avenue, Floor 36, New York, NY 10022. A representative of Tellimer Markets, Inc. is contactable on +1 (212) 551 3480. Under no circumstances should any U.S. recipient of this research report effect any transaction to buy or sell securities or related financial instruments through Rong Viet. Tellimer Markets, Inc. accepts responsibility for the contents of this research report, subject to the terms set out below, to the extent that it is delivered to a U.S. person other than a major U.S. institutional investor.

None of the materials provided in this report may be used, reproduced, or transmitted, in any form or by any means, electronic or mechanical, including recording or the use of any information storage and retrieval system, without written permission from.

Rong Viet is the employer of the research analyst(s) responsible for the content of this report and research analysts preparing this report are resident outside the U.S. and are not associated persons of any U.S. regulated broker-dealer. The analyst whose name appears in this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority ("FINRA") and may not be an associated person of Tellimer Markets, Inc. and, therefore, may not be subject to applicable restrictions under FINRA Rules on communications with a subject company, public appearances and trading securities held by a research analyst account.

Tellimer Markets, Inc. or its affiliates has not managed or co-managed a public offering of securities for the subject company in the past 12 months, has not received compensation for investment banking services from the subject company in the past 12 months, and does not expect to receive or intend to seek compensation for investment banking services from the subject company in the next three months. Tellimer Markets, Inc. has never owned any class of equity securities of the subject company. There are no other actual, or potential, material conflicts of interest of Tellimer Markets, Inc. at the time of the publication of this report. As of the publication of this report, Tellimer Markets, Inc. does not make a market in the subject securities.

About Tellimer

Tellimer is a registered trade mark of Exotix Partners LLP. Exotix Partners LLP and its subsidiaries ("Tellimer") provide specialist investment banking services to trading professionals in the wholesale markets. Tellimer draws together liquidity and matches buyers and sellers so that deals can be executed by its customers. Tellimer may at any time, hold a trading position in the securities and financial instruments discussed in this report. Tellimer has procedures in place to identify and manage any potential conflicts of interests that arise in connection with its research. A copy of Tellimer's conflict of interest policy is available at www.tellimer.com/regulatory-information.

Distribution

This report is not intended for distribution to the public and may not be reproduced, redistributed or published, in whole or in part, for any purpose without the written permission of Tellimer. Tellimer shall accept no liability whatsoever for the actions of third parties in this respect. This report is for distribution only under such circumstances as may be permitted by applicable law.

This report may not be used to create any financial instruments or products or any indices. Neither Tellimer, nor its members, directors, representatives, or employees accept any liability for any direct or consequential loss or damage arising out of the use of all or any part of the information herein.

United Kingdom: Distributed by Exotix Partners LLP only to Eligible Counterparties or Professional Clients (as defined in the FCA Handbook). The information herein does not apply to, and should not be relied upon by, Retail Clients (as defined in the FCA Handbook); neither the FCA's protection rules nor compensation scheme may be applied.

UAE: Distributed in the Dubai International Financial Centre by Exotix Partners LLP (Dubai) which is regulated by the Dubai Financial Services Authority ("DFSA"). Material is intended only for persons who meet the criteria for Professional Clients under the Rules of the DFSA and no other person should act upon it.

Other distribution: The distribution of this report in other jurisdictions may be restricted by law and persons into whose possession this document comes should inform themselves about, and observe, any such restriction.

Disclaimers

Tellimer and/or its members, directors or employees may have interests, or long or short positions, and may at any time make purchases or sales as a principal or agent of the securities referred to herein. Tellimer may rely on information barriers, such as "Chinese Walls" to control the flow of information within the areas, units, divisions, groups of Tellimer.

Investing in any non-U.S. securities or related financial instruments (including ADRs) discussed in this report may present certain risks. The securities of non-U.S. issuers may not be registered with, or be subject to the regulations of, the U.S. Securities and Exchange Commission. Information on such non-U.S. securities or related financial instruments may be limited. Foreign companies may not be subject to audit and reporting standards and regulatory requirements comparable to those in effect within the United States. The value of any investment or income from any securities or related financial instruments discussed in this report denominated in a currency other than U.S. dollars is subject to exchange rate fluctuations that may have a positive or adverse effect on the value of or income from such securities or related financial instruments.

Frontier and Emerging Market laws and regulations governing investments in securities markets may not be sufficiently developed or may be subject to inconsistent or arbitrary interpretation or application. Frontier and Emerging Market securities are often not issued in physical form and registration of ownership may not be subject to a centralised system. Registration of ownership of certain types of securities may not be subject to standardised procedures and may even be effected on an ad hoc basis. The value of investments in Frontier and Emerging Market securities may also be affected by fluctuations in available currency rates and exchange control regulations. Not all of these or other risks associated with the relevant company, market or instrument which are the subject matter of the report are necessarily considered.