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Letter to Mr. Donald Trump - Trans-Pacific Partnership – Don't drop your Slice of the Pie

From Oliver Massmann – General Director of Duane Morris Vietnam LLC

Dear Mr. Trump,

With respect to your recent statement that you will withdraw from the Trans-Pacific Partnership (**TPP**) right on day one of your office, we kindly request you to reconsider the possibility of your ratification of the TPP.

Dropping the TPP means that the U.S will lose access to government procurement of other TPP countries which amounts to USD1.492 trillion. The high standard of the government procurement chapter in the TPP can nowhere be found in existing international agreements. Moreover, it could take the U.S another decade to reach a bilateral agreement with government procurement standard as high as in the TPP. It is of utmost importance for the U.S to save time, jobs, and of course, billions of dollars by ratifying the TPP instead of negotiating a new one.

We believe the following facts will help with your decision and clearly show how TPP would help you to make America great again. What may interest you is the extremely high number of government procurement in the TPP country members from which America could benefit.

As you may already know, the population of the TPP countries exceeds 494 million people as of July 2015. The TPP countries account for 44.8 percent of U.S. total exports and 37.6 percent of U.S. general imports in 2014. By cutting over 18,000 taxes in regards to TPP, there would be a great benefit for American im- and exporters by enabling them to enter new markets.

As the U.S. international trade commission estimates, the U.S. exports of goods and services to the world would expand by USD27.2 billion by 2032 due to the TPP, while U.S. imports would expand by USD48.9 billion.

In the following table the data of each TPP country is listed to show you the procurement market American investors may get access:

	GDP (USD)	Government procurement's percentage of GDP (%)	Total value of Government procurement (USD)
Australia	1.56 trillion	12.44	194,064,000,000
Brunei	11.47 billion	4.1	470,270,000
Canada	1.827 trillion	13.34	243,721,800,000
Chile	179.9 billion	2.9	5,217,100,000
Malaysia	305.3 billion	25	76,325,000,000
Mexico	1.261 trillion	5.16	65,067,600,000
New Zealand	185.8 billion	14.56	27,052,480,000
Peru	192.6 billion	17.6	33,897,600,000
Singapore	274.1 billion	9.74	26,697,340,000
Vietnam	171.4 billion	12.84	21,000,000,000 - 22,000,000,000
Japan (ratified TPP)	4.92 trillion	16.22	798,024,000,000

Note: Data taken during the period of 2006-2017

As shown above government procurement of the TPP states is \$1.492 trillion in total!
And those are old numbers. Most of the countries are states with strong economic growth.
The sum may be much higher now.

How could America not want to get a slice of this fat pie?

The great advance of the TPP will be that even the three countries Vietnam, Malaysia and Brunei which have not agreed to coverage of their government procurement ever before and are currently not covered by an existing U.S. Free Trade Agreement or the Government Procurement Agreement of the WTO (**GPA**), have undertaken to do so. This is a key export opportunity for U.S. goods producers and services companies. Currently Chinese companies profit the most. 90% of power, mining, manufacturing, ferrous and chemical projects of state-owned companies in Vietnam are awarded to Chinese contractors. China State Construction Engineering Corp. (CSCEC) keeps winning important contracts although it has a poor track record and has even been blacklisted by the World Bank due to bribery

charges. With TPP that market would be open to US companies which probably would be welcomed.

Some Asian-Pacific and other countries have formal policies in place disadvantaging foreign tenderers. TPP will make it possible for the first time that an American cooperation could sue for example the Republic of Vietnam or Malaysia. The procedural and legal changes regarding government procurement will enable U.S. exporters to reach markets that were closed before and compete more effectively.

In addition Canada has agreed to replace the commitments in NAFTA and update them to the level of TPP. The new level of GPA is based upon the WTO 2014 guidance and provides stronger commitments than the NAFTA.

America cannot wait until bilateral agreements might be settled!

12 years have already passed since the first negotiations on TPP started. As international agreements like NAFTA (4 years), COMESA (16 years) or SAFTA (9 year) require a lot of time to be settled, bilateral agreements will do so as well. And there is no guarantee of success. In fact it is rather unlikely. Countries like Malaysia, Brunei and Vietnam took huge steps by agreeing to a regulation of government procurement. How long a bilateral agreement would take, may be shown by the European Union - Vietnam Free Trade Agreement (*EVFTA*) which took 4 years before it was concluded. However, the EVFTA does not reach the standard of the TPP regarding the Chapter on Government Procurement. The creation of a fair, transparent, predictable and non-discriminatory market should not be postponed. The level of GPA might be as high as never before.

It is extremely unlikely that a better agreement could be negotiated but more likely that the U.S. will be replaced by China or Russia. Japan's Prime Minister Shinzō Abe already stated that China would be a possible replacement. But not only Japan would turn towards China. Negotiations of Australia, New Zealand, Vietnam, Malaysia, Singapore, Brunei regarding an FTA with China already began.

Skipping this agreement would cost America billions of money and would cut off American jobs. Negotiating bilateral agreements would cost America many years, billions of Dollars and it is highly unlikely that it would reach a GPA standard that would be even close to TPP.

Is America's interest able to wait?

The answer is NO!

Sincerely,

Oliver Massmann

**Should you require any supporting evidence for the statements above, we will provide them immediately.*

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Vietnam - Casino and Gambling - Market Report

Vietnam's gambling industry is teetering on the brink of expansion with four Integrated Resorts in the pipeline, a pilot project to permit locals into casinos and a new betting law on the cards. It is said Vietnam could be the next Macau...we take a look at what's happening.

Vietnam is the eastern most country on the Indochina peninsula in South East Asia. With around 95 million inhabitants it is the 14th most populous country and the eighth most populous in Asia.

Vietnam is located in South East Asia bordering Cambodia, China and Laos with water borders with the Gulf of Thailand, Gulf of Tonkin and the South China.

With its S shape and three distinct regions, which are all different in terms of culture and economy, the country is diverse. The north is dominated by its capital Hanoi and influenced by neighboring China whilst the central region, with Da Nang as its major city, is mostly rural and serves also as a shipping port whilst the south is dominated by Ho Chi Minh City and the Mekong River Delta and is a key commercial center and boasts the coastal resorts. Hanoi has been the capital since reunification of the north and south in 1975. Vietnam was at one time part of Imperial China for over a millennium until an independent Vietnam was formed in 939AD.

Vietnamese royal dynasties flourished as the nation expanded geographically and politically into South East Asia until the Indochina peninsula was colonised by France in the mid 19th century.

The French imposed significant political and cultural changes on the society including a western style system of modern education and Roman Catholicism. The French went on to

develop a plantation economy for the export of tobacco, indigo tea and coffee whilst ignoring the calls for a self government and civil rights. So a political movement emerged with a fight for independence.

The French maintained their full control until World War II when the Japanese invaded. The Japanese occupied the country in the 1940s and in 1941 the Viet Minh was formed, a communist movement which sought independence for Vietnam and the Vietnamese fought French rule in the First IndoChina War eventually expelling the French in 1954.

Vietnam was then divided politically into two rival states – north and south Vietnam and conflict between the two intensified resulting in the Vietnam War. This war ended in 1975 with a north Vietnamese victory and the country was then unified under a communist government. After the war the southern Vietnamese were sent to ‘re-education camps’ and endured torture and starvation.

Today, Vietnam, along with China, Cuba and Laos, is one of the world’s four remaining one-party socialist states officially adopting communism.

In 1986 the government initiated a series of economic and political reforms and by the year 2000 it had established diplomatic relations with all nations and its economic growth rate has been among the highest in the world.

It still relies on its wet rice cultivation and agriculture although Vietnam’s economy has still been plagued with inefficiency and corruption. Today manufacturing and information technology now form a large part of the economy and it is also ranked as the eighth largest crude petroleum producer in the Asia and Pacific region.

The poverty rate has dropped significantly whilst the country’s GDP reached US\$186bn in 2015 with a 6.7 per cent economic growth rate and after simplifying its trade rules in the 1990s the country says trade now accounts for around 150 per cent of GDP. Unemployment is around 3.3 per cent.

There has been a huge input into the education system and its 63 provinces are encouraged to diversify into technology.

Meanwhile since the 1990s Vietnam has also become a major tourism destination assisted by state and private investment in coastal regions.

Popular tourist destinations include World Heritage sites and coastal regions such as Nha Trang, the caves of Ha Long Bay and Marble Mountains.

Total tourism arrivals reached 7.9 million last year with an annual growth rate of around 7.8 per cent whilst tourism receipts were VND337.8trillion (US\$15.1bn). The Chinese remain the biggest share of visitors representing 22 per cent followed by Koreans and then Japanese.

GAMBLING MARKET

Gambling in Vietnam was completely outlawed by the communist regime, and although from the 1990s the restrictions were loosened, they still remain extremely strict today. There are hefty fines imposed on gambling operators who open up illegally although that hasn't stopped a somewhat grey area of operation and a growing number of Vietnamese who like to gamble in underground facilities.

The only legal forms of gambling permitted at the moment are the horse race betting on the state owned tracks, greyhound race betting at the Vung Tau and the Vietnam Lottery. Casinos are permitted on the basis that they do not permit locals to enter. These are mostly operated by foreign companies around the Ho Chi Minh City area. Locals merely cross the border to Cambodia and gamble mostly in the town of Bavet, which is only an hour drive from Ho Chi Minh City. (*see Cambodia market report in December 2016 G3 issue*).

Vietnam's total gaming market is said to worth around \$300m-\$400m of which half apparently comes from the slot clubs sector.

Culturally, south Vietnam has the highest presence for legal gambling perhaps due to its background, as gambling was widely accepted in this part until the country was unified in 1975. The communist north meanwhile banned gambling.

Prior to 2006 only three star plus hotels with a separate area for gaming halls could apply for a gambling license. At this time only two companies were given licenses to operate horse and dog races and 33 enterprises, mainly big hotels, could be involved in card and machine games.

Online gambling is also in theory illegal but many international sites host games in Vietnamese currency and language. Although many of the casinos also run poker tables these are restricted to foreign players only and online poker is also technically illegal and some sites are blocked by ISPs and the government.

General online purchases are low at the moment and only about two per cent of retail sales are done via online channels and are mostly for airline tickets.

The biggest gambling sector is currently the lottery which sees the highest number of wagers. However, things are about to change. A new draft decree was introduced at the end of last year which will see a trial for allowing locals into two of the integrated resort casinos. This coupled with plans to open four integrated resorts in total means all eyes are watching Vietnam at the moment.

With 90 million plus population and its appeal to Chinese tourists due to location and relaxed visa requirements, Vietnam is fast becoming an alternative to Macau.

THE LOTTERY

The lottery in Vietnam is a state owned monopoly and was established in 1999 with three major lotteries – the Southern Lottery, the Northern Lottery and Central Vietnam Lottery. There is no national lottery as such but 64 provincial lotteries made up of 59 provinces and five municipalities.

Back in 2010 Malaysian firm Berjaya Group proposed a lottery project to the Vietnamese government to set up and provide online lottery and Keno games in the country.

Six years later this has finally come into fruition and Berjaya was awarded an 18 year contract to operate a nationwide computerised lottery with the Vietnam Computerised Lottery One Member Limited Liability Company (or Vietlott for short).

The project is due to cost around \$210.5m in total and is being carried out by Berjaya Gia Thinh Investment Technology Joint Stock Company (Berjaya GTI) which is a subsidiary of Berjaya Lottery Vietnam Limited.

Vietlott is the only company permitted to conduct computerised lottery in the country and Berjaya was chosen over five other international companies who put in proposals. It was set up as a state owned company with the aim of boosting the country's economy. Tax revenue goes to the government budget for education, health and social welfare projects. Vietlott now has two games on offer:

Mega 6/45 – a lotto jackpot game with a payout is 55 per cent with a jackpot for all six numbers with a minimum of VND12bn (\$545,000) which is accumulated if no winner. For

Mega 6/45 players pick six numbers from 0 to 45 plus variations. There are four levels of prizes and tickets are VND10,000 (\$50c). Draws are held every Wednesday, Friday and Sunday. Tickets are sold at POS and Flag Stores and in the future will be available via telephone and internet.

Madly, the first draw saw no winners and 39 draws later in October last year a farmer in Tra Vinh province held the winning ticket with an accumulated prize of VND92bn (around \$4.11m). The state takes a 10 per cent cut for income taxes.

Max4D – Launched recently this game is played by choosing a four digit number on a betting slip from 0000 to 9999 or have a number randomly picked. Each betting value is VND10,000 though you can up the value with a maximum value of VND1m. Each betting slips has six columns for multiple bets. First prize for those with matching numbers in the exact order is VND15m (or 1.500 times the betting value). There are five total prize fields. Max4D draws are held on Tuesday, Thursday and Saturdays.

Vietlott is a member of the Asia Pacific Lottery Association and is governed by the Ministry of Finance. In July 2016 the company celebrated the launch ceremony which also saw the domain vietlott.vn set up. Since then the company has installed computerized lottery terminals into the country across 11 provinces after an initial test in Ho Chi Minh City which began in July 2016 with 400 Mega 6/45 terminals which is expected to increase to 2,000 in total by the end of next year to cope with the demand.

Some 800 PoS terminals were installed during the first month of operation with some 10,000 PoS are planned nationwide within the next five years. There were five agents set up in Ho Chi Minh City who can then set up subsidiaries with sales outlets.

In terms of revenues the lottery market has seen a steady growth over the last four years and sales were up by 7.8 per cent in 2015. Back in 2011 the revenues were VND47,900bn (US\$2.1bn) rising to VND63,000bn in 2014 (\$2.8bn) – a growth rate of 32 per cent.

The majority of sales (almost 88 per cent) take part in southern Vietnam (VND55,300bn) compared to central Vietnam with VND4,500bn and northern Vietnam with sales of VND3,200bn. In 2014 the lottery contributed more than VND20,000bn to the state budget. The traditional lottery dominates the market with 95 per cent of sales (VND60,000bn) whilst Lotto is responsible for 3.4 per cent, Computerised lottery with 0.35 per cent and instant lottery has a 0.7 per cent share.

The other traditional lotteries are operated in the country via the country's 64 provincial governments and are sold via ticket vendors on most street corners. They have shown a decline in sales following the launch of Vietlott. They have had to increase their prizes by a third to compete and top prizes from 2017 are now VND2bn (US\$86,000) compared to VND1.5bn (around \$65,000) previously.

These traditional lotteries have predetermined numbers on them and don't permit players to choose their own set of numbers like Vietlott and apparently the number of tickets sold in Ho Chi Minh City have declined by around 10 to 30 per cent due to the competition from Vietlott.

For the next few years the government plans to improve the legal framework of the lottery and look at introducing further lottery products such as instant scratch cards.

The state lotteries have now called for an investigation into Vietlott after operators accused the lottery of engaging in illegal anti-competitive practices although the MoF has defended its decision to allow the computerised lottery to operate.

SPORTS BETTING

With key regulatory changes expected the pari-mutual betting market could be on the brink of expansion in Vietnam. At the moment the only form of betting legally is pari-mutual betting on greyhound racing and horse racing. Around \$1m in betting handle is from dog racing although if more tracks open this is projected to reach up to \$1bn for horse and dog racing with the advent of growth in the online betting sector also.

With little competition in the market legal sports betting has become the sector most are watching. The new law will also allow wagering on international football matches.

Sports betting is strictly illegal in Vietnam although the ban and the prospect of harsh penalties doesn't seem to stop the Vietnamese from engaging in sports betting and their love is European football. The betting sector is currently the smallest sector for gambling with just one facility currently open – the greyhound dog track - although there is a great deal of illegal betting made through underground bookmakers and foreign online sites.

Since 1989 the government has encouraged a policy of foreign investment and development. Most disposable income for the Vietnamese during this era was spent on improving their lifestyle with some entertainment activities such as ten pin bowling, water fun parks and go-karts. Adult entertainment was limited and mainly offered bars and karaoke. Gambling was not of course officially permitted but on-course betting was permitted at horse and then dog racing tracks.

On course betting was around this time available via the horse racing track in Ho Chi Minh City and then the greyhound track which opened in 2000. In 2010 the government drafted a decree to formally legalize horse race betting in Vietnam and provide a criteria for businesses to invest and operate in this sector. Although this was approved of in general a committee asked for a study on the pros and cons of horse race betting which was to include other forms of betting such as soccer.

Soccer betting is a sensitive subject in Vietnam and many fear it simply promotes crime, sports cheats and money laundering. In 2015 the Ministry of Finance continued to work on a draft based on recommendations from these committees and the final draft was submitted to the government in December.

The draft includes the following points:

- Companies will be allowed to pilot international football gambling for five years
- Betting companies are not allowed to use pictures or results from international horse and dog racing as a basis for a betting business in Vietnam
- Minimum age for betting will be 21 years.
- Betting companies and terminals must be located at least 500m from schools and children's play areas.
- The decree will regulate the hours from which bets can be taken.
- Enterprises must have at least five years experience to be allowed to distribute betting tickets through phones or other telecommunications.
- There are no regulations for internet ticket distribution
- The draft decree for horse racing stipulates that operators can run horse racing once they receive an investment certificate which will see a minimum investment capital of VND1,000bn and the project must be put into operation within four years and VND300bn for dog racing.
- The decree will permit locals to participate and limit the maximum bet to VND1m (US\$45) a day with a minimum bet of VND1,000.
- There will be no more than three races a week in each location and minimum payout shall be 65 per cent of revenues from selling wagering tickets.

Oliver Massman, General Director at Duane Morris Vietnam said: "The most updated content of the draft is not made public but it seems that the government, as in the case of the casinos, will only allow sports betting in selected cities for five years. This is because the National Assembly is afraid of the negative impacts that the allowance of such activities might bring.

“At the same time it takes into account the fact that many other countries have made these activities legal and there are many recent big cases where the Vietnamese are caught gambling on a large scale.”

The history of betting in Vietnam begins with **Horse racing** which officially began with the formation of the Saigon Horse Racing Association back in 1893 and was a sport dominated by the French military officers. A racecourse was built in the city centre which was later replaced by a new track build in 1932 in Phu Tho district. At this time it was the first and only racetrack in Vietnam. The Phu Tho Racing Ground was founded by the French colonists during French Indochina and Phu Tho opened in 1932 as the country’s first and only horse racetrack.

After the Second World War racing resumed via local Vietnamese management and continued until Saigon was liberated in 1975. With this and a socialist government gambling was prohibited and racing became unlawful. In 1989 the racecourse was restored and came under the management of Sports and Gymnastics Office and races ran regularly every weekend. In 2000 the Phu Tho Sports Club was established and in 2004 the Thien Ma Company Limited signed a seven year agreement to jointly manage the track. Phu Tho closed in 2011 when the licence wasn’t renewed.

There were around 150 horses often small farm raised horses and ponies rather than thoroughbreds. When Thien Ma Company came along part of their plan was to introduce thoroughbreds and 40 horses were initially imported from Australia. One thoroughbred race was held a week and races increased to around 900 a year and betting turnover was around US\$11m at the time. Officially, betting is illegal so they play a horse racing lottery for first and second place winners. Jockeys are often children and can start training to be jockeys from the age of 14. Races were held on a direct tack of 1,650m in length.

There is now a renewed interest in opening more racetracks in the country and there are several investors currently looking at the market and it is anticipated that by 2019 there will be three racing tracks open in Vietnam in total which many say the market can easily accommodate.

One such track is the Dai Nam Joint Stock Company which has sealed its plan for the opening of a new horse racing track at the Dai Nam Tourism Park in the Binh Duong province. The track was due to open at the end of 2016. The tourism park is a huge resort with amusement park, water park, theme park, temple and zoo.

The race course was due to open at the end of 2016 after construction began in July 2016 with a \$100m investment. It will occupy a 60 hectare area at the tourism park and accommodate 20,000 people initially increased to 60,000 total capacity. It will also host dog tracing, motorbike racing, water motor sports and all terrain vehicle racing. They hope to attract up to five million visitors a year to the park once the track is opened an increased from the two million visitors received at the moment. The 1,600m track will offer races three times daily and six times daily at weekends.

Meanwhile South Korean company G.O Max I&D Company is also pursuing a project to build a horse racetrack in northern Vinh Phuc province with an anticipated investment of US\$1.5bn. The project will also include golf course, sport and entertainment area, housing and equestrian centre and polo club. The company also aims to open 70 betting shops in 54 cities and provinces and is said to be the largest such project.

In addition in June 2016 in Phu Yen province the Australian Golden Turf Club company agreed to invest \$100m to build a racecourse on 134 hectares of land due to be completed by 2019. The company received permission from the Binh Phuoc province to build a racecourse in the southern region as part of the Binh Phuoc Recreation Complex Project. However due to delays in construction it appears this licence has since been revoked. It was originally granted in 2010 to the Australian owned Binh Phuoc Entertainment Company Ltd to include race track, villas, shopping mall, hotel and sports venues. But six years later construction hasn't started

The Lam Dong province also approved a racecourse project from the Thien Ma Madagui Racing Joint Stock Company in 2014. After a lull construction has just begun here and is expected to be operational by 2018. Also Hong Kong's Matrix Holding Limited proposed a development for horse racing complex in the city of Da Nang which would include horse racing, health care unit and betting and entertainment services.

So at the moment the only race track open is via the **greyhound racing** track at Lam Son Stadium in Vung Tau City with races held twice a week. The track was opened in 2000 and a 25 year licence was given to Sports Entertainment Services.

The stadium has a total capacity for up to 6,000 people and SES had planned to open a network of seven other tracks in Vietnam although there still remains just the one track. In mid-2016 Hong Kong's Success Dragon International Holdings Ltd entered into an agreement for the provision of outsourced management services with SES for greyhound racing in Vietnam.

The management deal is for seven years and gives Dragon a monthly management fee with the aim of 'identifying areas of possible expansion' in the gaming sector in Vietnam.

The track has on average around 3,000 attendees most race evenings and the average bet is around \$3.

Current regulation limits the number of OTBs to five per track and these must be located in the same province as the track. This however is expected to change to six and in any location. A report suggests that if three race tracks are open in the next three years the market could see around \$1bn in total handle by 2019. Online handle could be responsible for at least \$87m in annual handle by 2019 as online gaming catches on with an estimated 10,000 daily players by this time.

CASINOS & SLOT HALLS

Currently, the country has 45 registered gambling businesses of which 15 are in the north, six in the central and 24 in the south. This sector saw VND10,990bn in total revenues between 2011 and 2015 and profit before tax was VND2,080bn with VND3,723bn to the state budget. The highest percentage comes from the south with 81 per cent.

Although the slot halls and casinos don't currently permit locals to gamble with the increase in foreign citizens living in Vietnam and the growth of the tourist market there is a strong attraction for more foreign investment in this sector plus a change in law to permit locals under a pilot project.

Slot halls are mostly in urban areas whilst the casinos are in the resort areas. For the Vietnamese who wish to gamble they cross the border into Cambodia. The slot halls are only permitted in five star hotels once they have been profitable for at least one year and can offer one slot per five hotel rooms. They are mainly found in the Ho Chi Minh City area with 12 halls and Hanoi has six halls. There are a total of around 22 slot halls in Vietnam all run in five star hotels by a 2013 government decree.

New rules introduced at the end of last year also state a minimum 90 per cent payout for slot machines. Success Dragon International is a consolidated service provider of outsourced management solutions to the gaming industry and has headquarters in Hong Kong and offices in Macau and Vietnam. The company is now keenly looking at developing its business in Vietnam and bringing electronic gaming services here and initially was looking at two projects in One Opera Hotel in Da Nang and a second in Le Meridian Hotel in Ho Chi Minh City.

Success Dragon also offers IT services to the pari-mutuel wagering sector and developed a racing system for greyhound and horse racing companies and has entered into an agreement with three racing enterprises to provide this system. Success Dragon currently helps casino operators to manage their gaming machine operations and have plans for a series of slot hall projects in Vietnam involving management contracts to operate slots and electronic table games.

The Da Nang project was to acquire a 45 per cent stake in the five star One Opera Hotel which included a deal for the electronic gaming machine club in the premises. The deal was for a 70 machine slot hall in the hotel which has 206 rooms and two restaurants, karaoke club and conference room. The hotel will also host an OTB facility. The deal was terminated in June 2016.

A second Success Dragon project in Ho Chi Minh City is for 118 machines in the Le Meridien Hotel which is a five star hotel with 343 rooms and 26 suites which opened in 2015. It also has restaurants, pool, fitness area and conference hall. The deal is with Tien Phuoc and 990 Company Ltd, the owners, to set up and operate a slot hall for at least 10 years. The group will receive a monthly management fee of four per cent of total gross revenues for its services.

The company is hinging its plans on changes to the law to permit locals into slot halls and casinos to gamble plus the fact there is no significant casino in the city at present. If one opened this would impact on the slot hall plans. Success Dragon saw a decline in their group revenues last year and a drop of HK\$26.3m by year end March 2016 mainly down to a drop in performance of OBPM services business in Macau. Hence why the company is now diversifying and looking at other areas. The group recorded revenues of HK\$153.7m. Meanwhile one of the main slot halls in Da Nang is Club99 which is situated in Furama Resort Da Nang which is one of the first five star beach resorts in the city. It offers around 100 state of the art machines and is luxurious and targets Korean clients and Vietnamese with foreign passports.

Czech's Synot has also recently opened its second slot hall in Vietnam in the province of Nha Trang. This hall is equipped with VLTs and roulettes and follows on from Synot's first operation opened at the end of 2015 in Nghe An. The company has plans to open further locations in Vietnam.

Synot Sales Director Miroslav Valenta Jr said: “We are pleased that the expansion to the Asian market, for which we have strived for a long time, has become successful and we can continue on it. In the future we would like to focus on other countries in East Asia.”

Meanwhile there are seven licences casinos in Vietnam. Gaming is a reasonably strong pastime with many frequenting Cambodian casinos or via a black market. The average gaming propensity for Vietnam locals is from six to 12 per cent according to reports. It has been suggested that the government loses about \$800m in tax revenue per year from locals who gamble across the border.

The accumulated sales of the six casinos at end of 2014 was VND3,425bn contributing VND1,077bn to the state budget. The casinos offer table gaming, slots and electronic table games and currently only permit those players with a foreign passport which of course reduces their market. Most casinos are located near major cities and a casino licence is only given to those with a five star hotel or part of a larger resort property.

The casinos rely heavily on junket trips from nearby Asian countries particularly Chinese and Korean players. Being a country with a ‘walk in’ border to China its gambling sector in reality could be huge. Vietnamese players meanwhile flock to the border towns in Cambodia, like Bavet or NagaWorld in Phnom Penh or Singapore and Macau are just a three hour flight away.

The election in January saw Nguyen Phu Trong take charge as General Secretary of the Communist Party and he is not a fan of casino liberalisation so any changes have been slow. But a draft decree was issued in September for the casino sector and the ruling party’s leaders have made it clear they support the creation of a new gaming industry. Back in June 2013 the sector received support for a new Special Economic Zone and integrated resort on Van Don Island located in Ha Long Bay in the north. This is now one of four already approved Integrated Resort projects – Van Don, South Hoi An, Ho Tram and Phu Quoc. Two more IR resorts are also under consideration in Hue and Cam Ranh Bay.

Total investment for an IR is US\$2bn with a minimum of \$1bn required before a gaming licence is issued. Smaller casinos can be expanded or upgraded so long as they meet the requirements.

The new draft decree includes the following points:

- There will be two levels of casinos – large casinos with \$2bn investment and smaller casinos with investments of maximum \$2bn. \$10m investment would allow

operators one table and 10 machines with 20 year licences issued. Previously the investment figure was \$4bn.

- Gaming licences will be issued for 20 years with a one time non renewable extension of 10 years.
- Local residents will be permitted to gamble in two casinos – Van Don and Phu Quoc - which will be part of a three year ‘experimental’ trial.
- This will restrict entry to locals over the age of 21, with no criminal record with a monthly salary of at least \$500 and no objections from any family members. There will be an entry fee for locals of around \$45 per 24 hour visit or a monthly pass for \$1,100.

Whether the changes to permit locals into these two casinos will have an impact on the market is yet to be seen. Some fear by limiting it so there will be little growth others say that by allowing locals to gamble even if restricted will make it more attractive for investors. The law is due to be finalized by early this year.

Some fear the Integrated Resort sector may now not be so keen to invest with such a pilot project limited to two casinos whilst others believe it will change the situation in the future. Nearly 60 per cent of Vietnam’s population are under 35 whilst the number of university graduates has spiked 60 per cent over the last decade. The middle to affluent class is also expected to double and reach 33 million by 2020.

Taxes remain unchanged. The effective tax rate will be about 39-40 per cent although with deductions for marketing and promotions the rate will be more competitive especially in the VIP sector so an estimated 13.8 per cent is probably more realistic.

The two Integrated Resorts in Van Don and Phu Quoc will eventually be linked by new highways and international airports and bridges. Van Don is near to the Chinese border and Phu Quoc is close to Thailand and Cambodia.

Although Grand Ho Tram development was on its way to be included in the new plans when it committed \$4bn to establishing its Integrated Resort the latest decree suggests it has been unsuccessful and it has not been included in the pilot project.

The Ho Tram Project has been developed by Asian Coast Development through subsidiary Ho Tram Project Company and began in 2008. In 2013 ACDL received its gaming licence after an initial investment of \$500m with a commitment to spend \$4bn. Since it opened in April 2013 it can only receive foreign passport holders and although management hoped

they would be part of the pilot scheme this hasn't happened. It is thought this is due to fact the project has not reached its full investment level.

The first IR project in Vietnam was the Ho Tram Strip. This upscale beach resort on the South China Sea is the only integrated resort project operating at the moment and is operated by Asian Coast Development Ltd (ACDL). The Grand Casino opened in 2013 just south of Ho Chi Minh City on the Ho Tram Strip.

ACDL now plans to add a second tower to its resort with family friendly entertainment facilities, which includes two cinemas, a shopping arcade, sky top lounge, amphitheater, water park and roller coaster. With 559 rooms it will bring total room count to 1,100.

The Grand Casino offers over 500 slots and 90 table games plus VIP rooms. Ho Tram is a small beach town and although two hours from the city offers a beautiful coastline and its aim was to compete with Manila and Phnom Penh.

The province has also agreed in principal to the construction of a small airport to be used exclusively for the IR complex to ferry tourists from domestic airports to the Ho Tram Strip. The Nam Hoi An Casino Resort is located in the Quang Nam province in the south. The project is set to become the second Integrated Resort in Vietnam after the Grand Ho Tram Strip.

The Nam Hoi An project is a joint venture between Vietnamese investment banking firm VinaCapital and Macau based SunCity and Hong Kong's Chow Tai Fook Enterprises. Previously, Genting group was investing but they pulled out in 2012, which has caused delays in the project; however, first ground was broken in spring 2016 and phase one is luxury apartments and villas, golf course, amusement park and casino. The five year project will also include a five star hotel, eco-park and cable car service and marina. It will be the first Integrated Resort in Central Vietnam

The third project is in Van Don which is a district comprising of more than 600 islands within the province of Quang Ninh in the north east area of Vietnam. It includes the famous World Heritage Halong Bay. A new airport is to be built and the idea is to attract tourists to the region and the promotion of high end tourism including Integrated Resorts and its Special Economic Zone will concentrate on this. The plans include waterfront homes, marina and seaport initiatives. The casino project is being developed by Vietnam's Sun Group and is due to be open between 2017 and 2018 and will include the pilot project for locals permitted to gamble in the casino.

The fourth IR project is Phu Quoc which is being promoted by Vietnamese group VinGroup and will include an 18,800 sq.m gaming floor over two floors, swimming pools, four and five star hotels, convention center, spa, theatre and shopping and dining. The province of Kien Giang was given the green light for a casino on the tourist island back in January 2015. The casino is expected to have 200-400 tables and 2,000 slots. Around 600,000 tourists visited Phu Quoc a year of which 55 per cent are foreigners. Again this is highlighted for the pilot locals gambling project.

Meanwhile the two other locations under consideration for resort projects are Hue and Cam Ranh Bay. Hue is known as the most royal city in Vietnam and located on the bank of the Song Huong river in central Vietnam and is the capital of the Thua Thien Hue province. Potential investors here include Banyan Tree Holdings from Singapore.

Cam Ranh Bay is a deep-water bay in the province of Khanh Hoa in the south east coast of Vietnam linked to South China Sea. It houses an old military base and is touted as the next big tourist resort with its unspoilt coast line. Hung Thinh Real Estate proposed a casino here last year.

Oliver Massman at Duane Morris said: "Mid to high income people in Vietnam are predicted to double by 2020. They will have more demand for high class Integrated Resorts. If the Vietnamese are allowed to gamble, development in Integrated Resorts with casinos is a smart decision to make profit in Vietnam. In addition the government will benefit from tax payments from these resorts.

Gambling is a potential sector in Vietnam with lots of opportunities. With the issuance of the casino decree and sport betting decree, the legal framework in the area is much more improved. This will attract investment of big names in the market in Vietnam."

The casinos which are currently open in Vietnam are:

HONG VAN CASINO in Mong Cai (Quang Ninh)

HAI NINH LOI LAI CASINO in Mong Cai found inside the hotel of same name.

DO SON RESORT HOTEL is located in the Doson district in Haiphong City and is operated by the Haiphong Joint Venture International Tourist Corp. The hotel offers 88 rooms plus restaurants, tennis court, swimming pool, fitness centre. The casino is located on the third floor and offers tables games and slots.

ROYAL HALONG HOTEL is located in Halong Bay in the heart of the Baichay Tourist Centre occupying some 30 hectares of land along the beach front. Initially the project was a joint venture opened with Royal International Corp and a Taiwanese company which was set up in 1994. In 2006 it was equalised and listed on the Vietnam Stock Exchange and in 2007 the stock was officially transacting. Kai Chieh International Investment now owns the shareholding of Royal International Corporation. The Royal Halong Hotel offers 13 storey five star hotel with 163 rooms and 11 villas with 134 rooms. The Gaming Club has table games and 70 slots and seven VIP rooms.

PHOENIX INTERNATIONAL CLUB near Hanoi is operated by Silver Heritage Group in Bac Ninh. It began with six tables and 53 slots and 38 rooms but in 2015 moved to a new hilltop resort and now offers 1,500 sq.m of gaming space with 12 tables, 72 slots and 34 rooms and seven VIP suites. The Silver Heritage Group was founded in 2003 and has grown from a supply and slot management company across Asia to casino operations in Nepal, Vietnam and Laos.

The Phoenix International Club saw gaming revenues in 2015 of US\$7.7m – the highest earners of the three Silver Heritage casinos.

ARISTO INTERNATIONAL HOTEL is a boutique casino in northern Vietnam in Lao Cai City, on the border with Yunnan Province in China. It was established in 2002 and is a joint venture project with the government and Donaco International and opened at the Lao Cai International Hotel with just 34 rooms. It later moved and expanded to a brand new five star resort complex with 428 hotel rooms, restaurants, gym, spa, swimming pool and retail shops with casino with 58 slots and 34 linked jackpot slot machines and 24 electronic roulette seats although its licence allows for up to 300 EGMs in total. Donaco upped its stake from 75 per cent to 95 per cent in 2015 and the company also operates the Star Vegas Resort and Club in Cambodia. The majority of patrons are Chinese gamblers and 80 per cent of casino revenues are derived from high rollers. Some 34 rooms at the hotel are reserved for junket trips.

It is said to be Vietnam's most profitable casino and in the first six months of opening its gaming tables saw revenues of \$9m. The Aristo saw 148,107 visitors in FY2016. Total group revenue for the Donaco company last year was A\$143.3m of which Vietnam's casino responsible for A\$23.2m.

The area of Lao Cai is set to receive a new airport by 2020 which is a huge boost for the city

and casino as it will handle domestic flights from Indonesia, Singapore, Malaysia, China and Laos. The casino is only 34km from the proposed new airport development.

GRAND CASINO, HO TRAM STRIP opened in 2013 just south of Ho Chi Minh City and offers over 500 slots and 90 table games plus VIP rooms.

Meanwhile the Vietnamese hotel sector is also booming. Starwood hotels and resort currently operates four properties in Vietnam the Sheraton Nha Trang Hotel and Spa, the Sheraton Hanoi Hotel, Sheraton Saigon Hotel and Towers and Le Meridein Saigon and is due to open several more hotels over the next few years including the Sheraton Da Nang Resort which is due to open in January 2018 following on from the signing of the Four Points by Sheraton Da Nang plus the Sheraton Phu Quoc Resort due to open on Long Beach in July 2017 and Sheraton Hoi An Tam Ky Resort due to open June 2017.

Hyatt meanwhile operates two hotels the Park Hyatt Saigon in Ho Chi Minh City and Hyatt Regency Da Nang Resort.

VIETNAM AT A GLANCE

Number of:

Lottery:	Vietlott & provincial lotteries.
Lottery revenues:	VND63,000bn in 2014 (\$2.8m)
Slot halls:	22
Race Tracks:	1 – Lam Son Racetrack.
Casinos:	7
Casino& Slot hall revenue:	US\$300m- \$400m

INFO PANEL

Capital:	Hanoi
Total Area:	331,210 sq.km
Population:	95,261,021
Median age:	30.1 years
Male:	28.9 years
Female:	31.2 years
Ethnic groups:	Kinh (Viet) (85%), Tay (1.9%), Thai (.18%), Muong (1.5%), Khmer (1.5%).
Religions:	Buddhist (7.9%), Catholic (6.6%), none (82%)
Languages:	Vietnamese (official) plus English, French, Chinese.
Currency:	Dong (VND)
Government types:	Communist state

Chief of State: President Tran Dai Quang (since April 2016)
Head of Government: Prime Minister Nguyen Xuan Phuc (since April 2016)
Cabinet: Cabinet proposed by Prime Minister and appointed by President.
Elections: resident indirectly elected by National Assembly for a single five year term. Next to be held 2021. Prime Minister appointed by President.

Meanwhile in South Vietnam is the **SILVER SHORES RESORT** in Da Nang City in the south of the country is a US\$160m resort operating the Crowne International Club which has 12 table games and 100 slots and receives a lot of Chinese players. There is also a VIP area with another 50-60 tables reserved for junkets. This casino has one of the highest GGR levels in the country generating close to \$3bn of rolling chip volume. This casino relies on Macau junket operators for players. Has it been closed?

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FINANCE

Year 2016: which bank takes the lead in profit number?

Vietnam Finance

In the early days of 2017, all three major banks including Commercial Joint Stock Bank for Foreign Trade of Vietnam (Vietcombank), Commercial Joint Stock Bank for Industry and Trade of Vietnam (Vietinbank), and Commercial Joint Stock Bank for Investment and Development of Vietnam (BIDV) have announced the important financial indicators, in which profit number is considered the most notable highlight.

BIDV was the first bank to report pre-tax profit in 2016 with an estimated number of more than 7.5 trillion dong. This number is about 400 billion dong less than the pre-tax profit BIDV recorded in 2015.

Meanwhile, at the conference summarising the business in 2016 and implementing tasks in 2017, general director of Vietinbank Le Duc Tho released that the bank's consolidated pre-tax profit in 2016 was 8.250 trillion dong, 12.3 percent higher than that in 2015.

The pre-tax profit of Vietcombank in 2016, according to the bank's general director, is 8.212 trillion dong, up by 23.4 percent compared to 2015.

At first glance, Vietinbank seems to be the leading bank in terms of profit among these three major banks in particular and in the banking system in general. However, it is not yet a definite result because the profit after tax number reported by Vietcombank at 8.212 trillion dong is perhaps only the profit of the parent company – Vietcombank, and is not the consolidated pre-tax profit. This number is only 20.3 percent higher than the bank's pre-tax profit in 2015 according to its 2015 audited consolidated financial statement, while it was announced by Vietcombank's general director at 23.4 percent.

Meanwhile, if comparing the 8.212 trillion dong pre-tax profit to the pre-tax profit of the parent company – Vietcombank in 2015 – 6.654 trillion dong – (according to audited financial statement in 2015), it shows an exact 23.4 percent growth.

Thus, it is impossible to compare the 8.212 trillion dong pre-tax profit of the parent company – Vietcombank to the consolidated pre-tax profit of Vietinbank.

According to statistics over the years, the consolidated pre-tax profit of Vietcombank has always been at least 100 billion dong higher than the pre-tax profit of the parent company. It means that the consolidated pre-tax profit in 2016 of Vietcombank is likely higher than the consolidated pre-tax profit of Vietinbank in 2016, and if that is the case, Vietcombank will have the largest consolidated pre-tax profit in the banking system.

Nevertheless, if assessing that a bank has the largest profit number, the after-tax profit should also be considered because each bank must pay a different rate of corporate income tax due to the influence of both current corporate income tax and deferred corporate income tax, especially when the profit difference is insignificant. But overall, the probability of being the leader bank in terms of profit is largely in favour of Vietcombank. This question will be clear when Vietcombank and Vietinbank both publish their audited consolidated and separate financial statements.

Despite always being considered the big brother of the banking system, the Commercial Joint Stock Bank for Agriculture and Rural Development of Vietnam (Agribank) achieved much lower annual profit compared to the above three banks due to the numerous potential risks of its business in agriculture and rural development. In 2015, Agribank recorded only 3.7 trillion dong of pre-tax profit, about half of the profit of BIDV, Vietinbank and significantly lower than the 6.827 trillion dong pre-tax profit of Vietcombank.

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Reference Exchange Rate Drops 2 dong

VNA

The State Bank announced the reference exchange rate for VND/USD on January 12 at 22,164 VND per USD, down 2 VND from the day before.

With the current trading band of +/-3 percent, the ceiling rate applied to commercial banks on the day is 22,829 VND and the floor rate, 21,499 VND per USD.

The opening hour rates listed at commercial banks saw little change from January 11.

Vietcombank and BIDV both kept their rates unchanged at 22,535 VND (buying) and 22,650 VND for one USD.

The rates at Eximbank stood at 22,510 VND (buying) and 22,610 VND (selling), the same as the previous day.

Techcombank cut its buying rate by 10 VND to 22,500 VND and maintained the selling rate at 22,620 VND per USD.

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ECONOMY

Vietnam's Economic Outlook Appears Healthy

VIR

Vietnam has just entered 2017, but already market analysts are trying to predict the trends of the next 12 months. Senior economist Le Xuan Nghia, director of the Business Development Institute, provides an insight about monetary and financial market movements in the new-year.

The economy starts on upswing

A worrisome trend has persisted in the past three years, with global GDP growth often outpacing trade growth. This signifies the trade sector's diminished contributions to national economies.

Also, this has brought forth concerns over global trade instability. Most forecasts, however, suggested a complete change in the overall situation this year.

Accordingly, statistics showed that global trade inched up 3.9 percent in 2014. The rate softened to just 2.6 and 2.3 percent, respectively, in 2015 and 2016. This year the growth figure has been projected at 3.8 percent, based on the International Monetary Fund's latest forecast.

Global GDP growth stood at 3.5 percent in 2014, slightly falling to 3.2 percent in 2015, and 3.1 percent in 2016. It is forecast to rise this year, up to 3.4 percent.

These figures indicate that the growth of both the global economy and trade have bottomed out and started to resume their upward trends. Without unexpected occurrences, we have reasons for more upbeat appraisals of the world economy resuming its pace this year, which would have a strong impact on Vietnam's economy.

This forecast will remain unchanged even when real estate tycoon Donald Trump officially becomes the new US president, adding to the uncertainty surrounding the Trans-Pacific Partnership.

For Vietnam, we have a raft of other important trade agreements to avail of their potential, such as the Republic of Korea-Vietnam Free Trade Agreement (KVFTA), which allows 96 percent of Vietnamese goods to enter Korean markets tax-free or with lower import tax rates. Korean goods will follow a similar tax-cut roadmap when entering Vietnam.

The FTA between Vietnam and the Eurasian Economic Union also provides enormous potential that has yet to be fully tapped. The EU-Vietnam FTA is also very significant – as of now, the EU does not have any similar trade pact with an individual country.

Vietnam is the first country to have engaged in a trade deal with the EU and there will certainly be interesting contents there. The signing of this trade pact, however, has been delayed until this year due to Brexit-related issues.

As for the local economy, we have established two growth models-for short-and long-term growth-which have worked for several years now, and act as an input for the government policy-making process during the 2015-2025 period.

Our short-term model shows that the growth cycle peaked in the second quarter of 2015, while the bottom fell out on the second quarter of 2016. The growth trend resumed from the third and fourth quarters of last year.

In our short-term, two-year growth cycle, we forecast GDP growth will peak in this year's second quarter before going downward.

This entire short-term cycle is part of a long-term cycle stretching from 2014 through 2023. Accordingly, during that longer period, Vietnam's economy will trend upwards, though it may undergo different short-term cycles featuring both ups and downs in development.

Where to invest in 2017?

The following factors could significantly impact Vietnam's stock market performance this year.

First, bank interest rates face the pressure of going up amid rising inflation. The 4.5 percent average inflation rate in 2017 set by the National Assembly was alleged to be quite high.

The average inflation rate calculation differs from the traditional method of consumer price index (CPI) calculation, which takes CPI in the following year to compare with December of the previous year.

The average CPI last year was 2.9 percent, or about 5 percent based on the traditional calculation method.

With an average CPI of 4.5 percent set for 2017, the CPI rate based on the traditional calculation method would surpass 5 percent this year. The interest rate is also influenced by other factors, such as interbank interest rates, which have recently shown signs of a rise.

Another factor is the government bond interest rate. After a period of shrinkage, it has slightly increased in recent months.

Next is the exchange rate. This rate projects to face certain pressure on account of appreciating US dollars when the US Federal Reserve adjusts the interest rate. We have proposed the government try to stabilise the exchange rate.

If it proves important to adjust the rate, it will be handled flexibly, but not through the home currency devaluation option as some experts have recommended.

The State Bank of Vietnam (SBV)'s current management approach is paying respect to market movement and managing the market in a flexible manner to avoid creating chaos in the monetary market.

We expect SBV will largely adopt a policy to ensure a stable rate. If there was a need to further push up the rate, the maximum increase would be 1 percent only.

With respect to market growth this year, we have recognised that the ups and downs in the real estate market are closely linked to economic growth. The growth cycle in the real estate market is often slower than economic growth.

By contrast, stock market movements often precede the real estate market and the economy. Even when commodities in the stock market increase, and foreign portfolio capital (indirect investment sources) sees a halt or fall, this trend still works with the stock market.

This year, Vietnam's stock market may see slower growth, but I believe the market will become more stable compared with last year.

Another issue is how to tap China's enormous capital sources. China was reported by the media to have founded four big financial institutions to feed infrastructure projects in Asia, with capital many times greater than the sum the World Bank and the Asian Development Bank had provided Asia in the past five years.

Investment in infrastructure will lead to growth in the real estate market, and this will certainly affect the stock market. The media has reported on China's huge investment projects in Thailand and Malaysia.

Concerns over ineffective investment projects and national security risks have made Vietnam cautious in luring this source of capital. But we may lose out on opportunities with late decisions.

Public, Government Debts near Allowable Ceilings

The Saigon Times Daily

Last year saw public and government debts in 2016 approaching the permissible ceilings set by the Nation Assembly (NA), according to a Ministry of Finance report.

The report, which came out last Friday, showed that public debt had accounted for 64.73 percent of gross domestic product (GDP) and government debt had made up 53.62 percent of GDP by the end of 2016.

The NA's resolution on the 2016-2020 financial plan sets the cap for public debt at 65 percent of GDP and that for government debt at 54 percent of GDP. It was passed at a NA meeting in early November last year.

The Ministry of Finance said in the report that public debt had stayed at allowable levels.

The government's domestic debt had accounted for 59 percent and its foreign debt for 41 percent by end-2016. The respective percentages in 2011 were 38.9 percent and 61.1 percent, 43.1 percent and 56.9 percent in 2012, 50 percent and 50 percent in 2013, 55.6 percent and 44.4 percent in 2014, and 57 percent and 43 percent in 2015.

Vietnam signed 34 agreements on official development assistance (ODA) and preferential loans worth a combined \$5.2 billion last year, 1.5 times higher than in 2015.

According to the report, budget revenues had totalled an estimated VND1,094 trillion as of December 31, 2016, 7.8 percent higher than the full-year estimate. Of the amount, budget collections by provinces and cities were 18.6 percent higher than the estimate. Fifty-eight out of the country's 63 provinces and cities met budget revenue targets.

INVESTMENT

Samsung Display plans to invest another \$2.5 billion in Vietnam: Yonhap

REUTERS

Samsung Electronics Co Ltd's display panel subsidiary plans to invest another 3 trillion won (\$2.51 billion) in Vietnam to boost capacity, South Korea's *Yonhap News Agency* reported on Tuesday, citing unnamed sources.

Samsung Display is in talks with Vietnamese authorities about the additional investment, *Yonhap* reported without elaborating further.

A Samsung Display spokeswoman declined to comment on the *Yonhap* report.

A person familiar with the matter told *Reuters* separately on Tuesday the South Korean panel maker is considering additional investment in Vietnam but did not comment further including on how much the company plans to spend.

Vietnam is a major smartphone manufacturing base for Samsung Electronics and its subsidiaries, which have already invested billions of dollars in the country.

(\$1 = 1,196.7700 won)

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Foreign Funds Pour Money into Vietnamese Startups

VietNamNet Bridge

John Wu has been the 'technology pillar' of Alibaba for almost 10 years. The former technology director and a leading group of investors have poured nearly \$3 million into Vntrip.vn - a Vietnamese startup operating in online hotel reservations.

Le Dac Lam, the founder and CEO of the startup, has confirmed the news.

More Vietnamese startups have received huge investments from foreign investors in recent months.

"The investment came after the first round of capital call from foreign investment funds, and John Wu has agreed to stand side by side with us," Lam said.

Established in late 2014, Vntrip.vn has established an online hotel network throughout Vietnam with cooperation of Booking.com, the world's hotel reservation network belonging to the US Priceline Group with capitalization value of \$65 billion.

Wu's F&H fund says the business is valued at VND300 billion.

Vietnamese restaurant chain calls for \$6.9 million

Wrap & Roll has successfully called for \$6.9 million from Mekong Enterprise Fund III (MEF III) managed by Mekong Capital.

MEF III which was launched last June, with total investment capital of \$112 million, is a private fund focusing on retailers, restaurants, consumer goods and consumer services in Vietnam.

Wrap & Roll was the first investment deal made by MEF III.

Established in 2006, Wrap & Roll has 10 restaurants in Hanoi, HCM City and four franchise shops in Singapore.

3 more startups receive \$75,000

1337 Ventures, a Malaysian fund, has announced investment in three Vietnamese startups, following Alpha Startups, a startup incubation program launched recently in HCM City.

Each of the three businesses would receive \$25,000 in capital and services and have the right to join the 3-month startup acceleration program to be run by 1337 Ventures.

The three businesses include Saloneses, an app that books beauty services on smartphones, Perkfec, which allows business owners to keep watch over staff performance to reward them reasonably, and Navi which books venues and accommodations within hours.

Bitexco acquires Huong Giang Tourism

Huong Giang's H1 Report shows that Bitexco, a major real estate developer, now holds 70.48 percent of the tourism company.

On March 30, 2016, the Thua Thien-Hue provincial People's Committee released a document on divestment of all the state's stakes (12,572,200 shares) in Huong Giang. Bitexco has become the new shareholder in the tourism company.

Tuong An Vegetable Oil

Nguyen Manh Cuong, an individual shareholder, has announced the completion of the sale of 1.9 million TAC shares of Tuong An Vegetable Oil Company, equal to 10.4 percent of charter capital.

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REAL ESTATE

Ha Noi Remains Positive Development on Property market in Q4

VNS

The Ha Noi real estate market saw strong development in the condominium, villa and townhouse segments in the fourth quarter of 2016 and experts predict further growth this year.

Nguyen Hoai An, manager of professional services at CBRE Viet Nam Co, said at the company's press conference yesterday that 9,128 units were available for sale in 34 projects across the city last year.

The fourth quarter peaked both in terms of launched units and launched projects, she said. The western sections of the city accounted for 37 per cent of new launches, more than the 20 per cent of 2015.

In terms of price segments, 56 per cent of units were mid-range, 30 per cent were high end and 11 percent in what is called the affordable segment.

2016 marked the return of the luxury segment, with two projects located near the Westlake area. At the same time, supply in the affordable segment dropped significantly - 71 per cent. However, with big developers starting to eye this segment, that trend is expected to change.

Overall, market sentiment remained positive, An said. In the fourth quarter, a total of more than 6,600 units sold adding up to 21,188 for the year. The mid-end segment continued to perform well with more than 10,100 units sold in last year, accounting for nearly half of total units sold. By location, Hai Ba Trung and Ba Dinh were districts recording to the highest sale rate of new launched projects.

In terms of average asking price, the high-end segment went up 9 per cent and the mid- and affordable-range segments rose 2 and 1 per cent, respectively.

In the secondary market, the average prices dropped slightly by 0.5 per cent. Only the asking prices for affordable apartments rose - 1.9 per cent.

An said the condominium market was expected to remain upbeat this year, supported by sound macroeconomic factors including positive gross domestic product (GDP) growth, a stable exchange rate and high inflow of foreign direct investment (FDI) to Viet Nam, especially to real estate, from South Korea, Japan and Singapore.

The west end of Ha Noi was forecast to continue dominating building start-ups. However, large-scale projects were expected to be scattered in different areas of the city. By segment, big developers may introduce large-scale projects in affordable segment, significantly boosting the shares of this segment in new building start-ups. In terms of pricing, the average primary asking price was forecast to increase 0.5 per cent to 4 per cent in the coming years.

Meanwhile, Savills Viet Nam Co Ltd reported its total stock was approximately 35,000 dwellings, up 12.8 per cent from 2015.

Sales increased 129 per cent q-o-q to 766 units, of which 64 per cent were townhouses. Dominating in sales this quarter were Tu Liem with 24 per cent and Ha Dong with 23 per cent. Villa and townhouse sales exceeded the former record set prior to 2011.

In the first quarter 2017, more than 2,300 dwellings are expected to enter the market, mainly from Vingroup.

Expert Dang Hung Vo said stability in the property market this year would continue in all segments but would focus on the mid-end and affordable segments. Foreign investment would continue to flow to the property market, increasing housing supply. Consumers

would benefit from the increase, with reasonable prices, quality and convenient services, he said.

The HCM City Real Estate Association agreed to have stability in selling price and transactions this year.

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City Property Market Hotbed Shifts from South to East

VNS

The focus of development for HCM City's property market shifted from the south to the east last year, experts said.

Many housing projects, both landed properties and condominiums, were developed in this area, which includes districts 2, 9, Thu Duc and a part of Binh Thanh.

The area has become a veritable construction site with a raft of developments like Sala, The Sun Avenue, Lakeview City and Cantavil An Phu.

A report released on Wednesday by property consultant CBRE said 41 per cent of apartment developments were in the east. The figures were 34 per cent for the south, 7 per cent for the north and 11 per cent for the west.

In terms of districts, 2 and 9 accounted for 11 per cent each, the company said.

Their rates of successful transactions were high -- 73 per cent for District 9 and 70 per cent for District 2.

A report by Thoi Bao Kinh Te Viet Nam (Vietnam Economic Times) newspaper said land prices had shot up in the east last year, increasing by 51 per cent in District 9 and 34 per cent in Thu Duc.

Analysts attributed the east's rising popularity to its convenient transportation in the form of the under-construction metro route No1, widening of the Ha Noi Highway, the HCM City – Long Thanh – Dau Giay Expressway and the upcoming Long Thanh Airport.

Duong Thuy Dung, director of research and consulting at CBRE, told Viet Nam News that the east is also a gateway to the city with easy access to other provinces like Binh Duong and vacation spots like Vung Tau and Phan Thiet.

As a gateway it would also benefit from many support policies from the authorities, she said.

An executive at a giant property developer, who asked not to be named, told Viet Nam News that "it makes eminent sense to develop properties in the east".

He pointed out that the Thu Thiem New Urban Area was being developed there.

"Water pipes and telecom and electric cables are all underground here," he said.

His company had already handed over units in some housing projects and received good feedback from buyers, who said they enjoyed the convenience offered by the area, he added.

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OIL&GAS&ENERGY&MINING

PV Gas to Pour US\$2 Billion into Major Projects

VNN

PetroVietnam Gas Joint Stock Corporation (PV Gas) would inject over US\$2 billion into big projects this year, company chairman Le Nhu Linh told a press conference on the firm's 2017 business plan on January 10.

The firm is focusing on seaport and warehouse projects to facilitate the import of liquefied natural gas (LNG) for Nhon Trach 3 and Nhon Trach 4 thermal power plants.

Linh told assembled reporters that PV Gas would step up the implementation of big-ticket projects this year.

It will carry out phase two of Nam Con Son 2 gas pipeline project at a cost of US\$1 billion at the end of the year to put it into operation two years later. Meanwhile, the first phase of this project will connect to Su Tu Trang oil field.

PV Gas is boosting work on the Ca Mau gas processing plant project with an investment of US\$300 million and will test run it at the end of quarter two this year before its full operation by the year-end.

The company is conducting the feasible study for the Ca Rong Do gas pipeline project which costs some US\$1 billion. Work on this project will start this year and be complete in 2019.

“We will concentrate on a project to raise the efficiency of liquefied petroleum gas (LPG) collection at Dinh Co gas processing complex with an investment of US\$15-20 million,” Linh said.

The firm is also working on a project to produce plastic balls with an annual capacity of 400,000 tons to meet rising demand on the home market.

Apart from those big-ticket projects, the company will implement small projects in 2017, Linh added.

PV Gas is building a number of facilities in the central province of Binh Thuan and the southwestern and northern parts of the nation to store imported gas. The firm said domestic gas consumption in the next 10-15 years would be mostly met by overseas suppliers.

Linh said if the Government allows PV Gas to sell the State stake, the company would select strategic partners to help it fund big-ticket projects in the long run.

This year, the firm looks to carry 9.3 billion cubic meters of gas ashore, down from 10 billion cubic meters in 2016. PV Gas explained low oil prices would prompt oil producers to slash output, thus affecting gas output.

The average oil price stood at US\$43-45 a barrel in 2016, much lower than in previous years and representing 85% of the 2015 average. PV Gas said it adopted a number of measures so as to attain revenue of roughly VND60 trillion and after-tax profit of VND7.19

trillion last year.

At present, PV Gas supplies gas for the thermal power plants that are responsible for 30% of Vietnam's electricity output, and the fertilizer facilities that meet 70% of total urea fertilizer needs. It also holds 70% LPG market share.

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Vinacomin Urged to Strengthen

VNS

The Việt Nam National Coal-Mineral Industries Holding Corporation Limited (Vinacomin) should have a suitable structure to develop its members to become a strong economic group, said Deputy Prime Minister Trịnh Đình Dũng.

Speaking at the conference held in Hà Nội yesterday, Dũng said Vinacomin should focus on two main tasks of coal exploitation and trading to ensure national energy security. In addition, it should improve competitiveness for its products and protect the environment to contribute to the country's socio-economic development.

"In addition, Vinacomin must be one of the key State-owned enterprises in ensuring coal supply to the economy. The group should not only produce coal but ensure the competitiveness of exported coals, materials and operation for plants using coal," he said.

He added that the electricity demand has been on the rise. Thermal power plants account for 34 per cent of total electricity plants in Việt Nam.

In the near future, the number of thermal power plants would be higher as the number of hydropower plants has not increased while the development of renewable energy plants has been slow.

"This year, the coal balance for local demand has been enough. However, the country would have to import 20 million tonnes of coal by 2020, 50 million tonnes by 2025 and 80-100

million tonnes by 2030. This will be a big challenge for the economy in general and the energy sector in particular,” he said, adding that Vinacomin should be active in their coal exploitation and imports to meet local demand.

The Deputy PM also asked Vinacomin to improve the quality of exploration of coal and other natural resources. These would form a scientific foundation for exploitation planning and the prevention of environmental disasters.

He also required the group to improve the quality of investment projects to avoid losses. The coal sector should have solutions in place to protect the environment in coal exploitation, transport and usage. In addition, Vinacomin should concentrate on restructuring and reviewing its key products in each investment period. It should also invest into technologies and human resources to increase productivity and labour safety.

Vinacomin’s general director Đặng Thanh Hải said it has set a target of 36 million tonnes of coal this year, an increase of 1.5 million tonnes from 2016, while domestic coal consumption would be 34.5 million tonnes, and 1.5 million tonnes for export.

It also targeted a turnover of VNĐ107 trillion (US\$4.75 billion), posting a 6 per cent year-on-year increase.

Hải said the Government has allowed coal exports in the 2017-20 period to help the sector’s activity in production and trade.

He said the coal price for electricity production has been increased following market prices. However, the costs of production, exploration, labour and environmental protection has also been higher, decreasing the sector’s profits, while increasing need for capital investment.

He said Vinacomin would produce coal according to the market’s demand, ensuring suitable investments in coal, minerals, electricity, industries and support services.

“We would continue to complete restructuring which focuses on technology renewal and management mechanisms to reduce production costs and enhance competitiveness. The issues of salary, working conditions and welfare for labourers would be also given attention,” he added.

PM allows Formosa to import own coal

Prime Minister Nguyễn Xuân Phúc has allowed the Taiwanese Hưng Nghiệp Formosa Co Ltd (Formosa) to import coal for electricity production at its thermal power plant in southern Đồng Nai Province.

The Government Office said the PM assigned the Ministry of Industry and Trade (MoIT) to require investors of thermal power plants, Electricity of Việt Nam (EVN), Việt Nam National Oil and Gas Group (PetroVietnam) and Vinacomin to calculate coal demand for electricity production at the moment and in the future to have specific plans to ensure sufficient materials for plants' operation.

In addition, Vinacomin, Đông Bắc Corporation and other businesses were granted licences for coal exploration and trading activities to calculate their coal supply abilities for thermal power plants and household consumption.

The MoIT would co-operate with the Ministry of Natural Resources and Environment, Vinacomin and relevant agencies to study coal resources in the Hồng (Red River) Coal Basin to ensure coal for electricity production in the future.

Vinacomin, Đông Bắc Corporation and other units are required to build coal supply plans over the long-term to serve EVN's thermal power plants.

Earlier, Formosa sent a document to import coal themselves for power generation of Nhơn Trạch 3 Thermal Power Plant without going through two major Vietnamese importers, Vinacomin and Đông Bắc Coal Corporation.

It said that since 2001, they asked the Government for coal imports as it said the quality of local coal is not good enough, nor compatible with the technology used at its thermal power plant.

Following Formosa, Vedan Việt Nam Enterprise Corporation Limited (Vedan Việt Nam) is the second 100 per cent foreign-owned company that submitted a proposal to the PM, the MoIT, the Ministry of Finance, and the General Department of Việt Nam Customs to import coal for electricity production in its coal-fired boiler without going through domestic intermediaries. However, the PM has yet to give directions regarding Vedan's proposal.

LEGAL

Government Tightens Conditions on Gaming Machines

VIR

Starting from February 15, 2017, gaming machines used in facilities currently open to foreigners in Vietnam have to meet more stringent conditions.

According to Decree 175/2016/ND-CP issued on December 30, 2016, which amends some clauses of Decree 86/2013/ND-CP dated July 29, 2013 on business in prize-winning electronic games for foreigners, gaming machines used in the above facilities have to be 100 per cent new, with technical specifications clarified by the manufacturer, and certified by independent certifying agencies operating in G7 countries.

Slot machines will have to offer a pay-out percentage of at least 90 per cent, which is written in to the software that is installed in to the slot machine while it is still in the factory.

If the operator of the facility changes the pay-out percentage, they have to make sure that the new percentage is not lower than 90 per cent and has to have the machine certified again before putting it into use. The pay-out percentage has to be specified in the terms of the game.

During the course of usage, the operator can maintain and repair the machines but is not allowed to change the pay-out percentage. If the maintenance or repair concerns parts of the machine that could alter the percentage, the operator has to have the machine certified again before putting it into use.

New Regulations on Fees for Stock-Related Activities

VGP

The Ministry of Finance has issued Circular No. 67/2014/TT-BTC dated May 21, 2014, on levels of fees, as well as collection, payment, management, and use of fees on stock activities.

Fee payers are organisations and individuals who use the services enumerated in the table of fee levels enclosed with this Circular. In case of certificate of registration for fund certificate distribution activities, fee payers are commercial banks and insurers registering for fund certificate distribution.

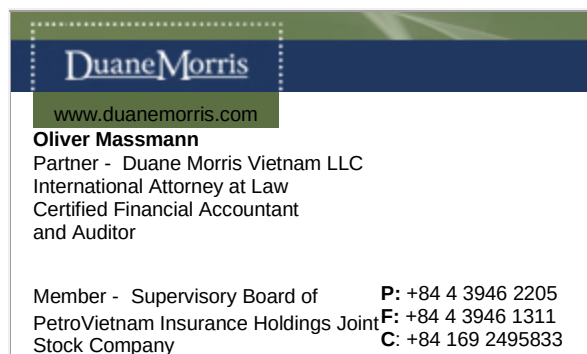
The fee for brokerage is VND20 million per license; proprietary trading, VND60 million/license; issue guaranty, VND100 million/ license; the fee for licensing of establishment and operation of securities investment fund management companies, securities investment companies, VND30 million per license.

The fee for granting decision on approval for establishment of securities company branches, domestic securities investment fund management companies, licensing of establishment and operation of securities companies' branches, foreign securities investment fund management companies in Vietnam is VND10 million/license.

Management fee of unlisted public companies for transactions, annual management fee for open ended fund, Exchange Traded Fund is VND 10 million/ year/company/ or fund.

The Circular takes effect since January 1, 2017.

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