

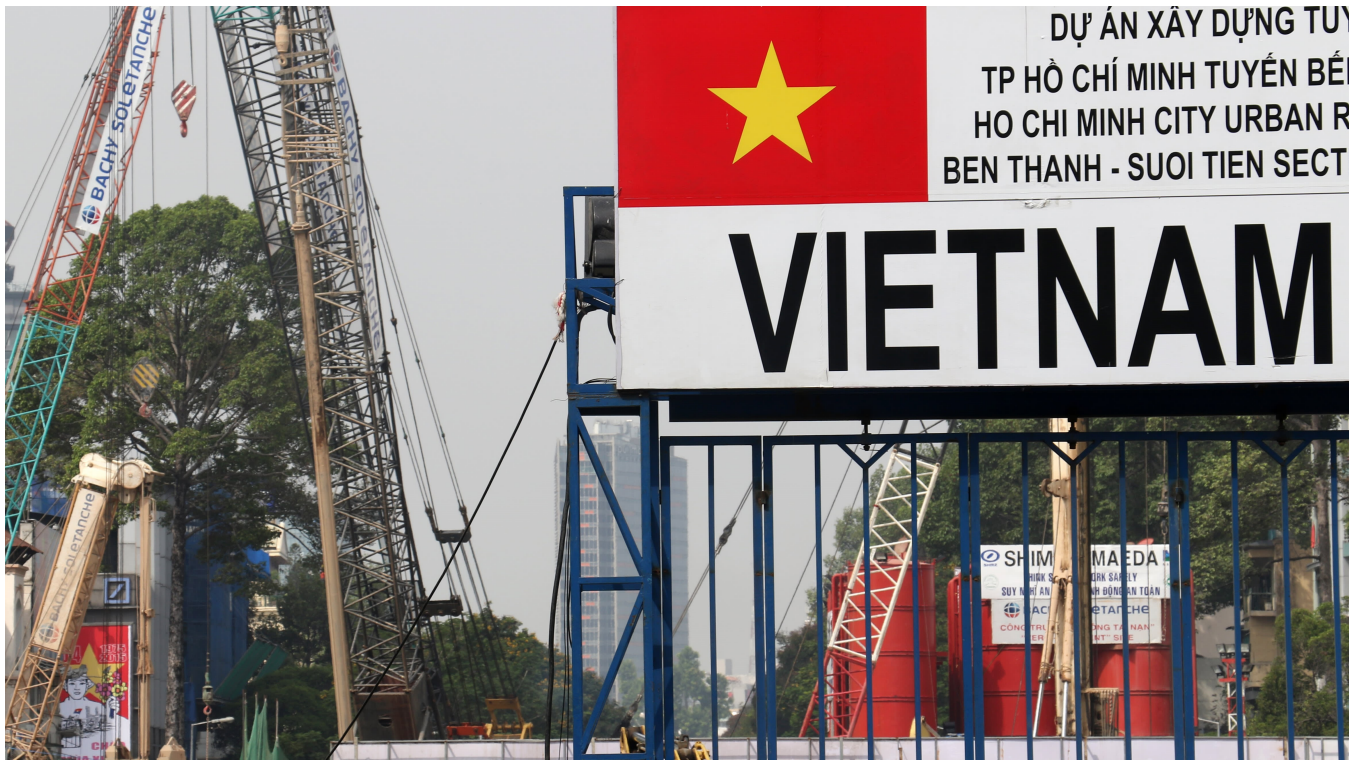
COMPANIES

Old USSR lives on through thriving Vietnamese conglomerates

Many company founders made connections abroad before starting out in real estate

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Conglomerates that grew from property businesses are likely to become a driving force in Vietnam's economy. (Photo by Ken Kobayashi)

TOKYO -- Vietnam's stellar economic performance over the last few years has brought it to the attention of businesses worldwide and has also shone a light on its top performing companies that have become a force for foreign rivals to reckon with.

Among those rising stars is Vingroup, which began life as a property developer that has now grown into Vietnam's largest conglomerate focused on new technologies. It recently launched a smart TV called "Vsmart" that comes loaded with the Google platform, vying for local market share against established foreign players such as Japan's Sony and South Korea's **Samsung Electronics**.

Importantly, Vingroup, which is listed on the local stock exchange and has a market capitalization of 1.5 trillion yen (\$13.7 billion), has the support of the government in the development of its businesses. The smart TV was manufactured in its new plant in the Hoa Lac Hi-Tech Park near Hanoi, which the Vietnamese government is keen to develop as a tech hub.

Vingroup also moved into automobile manufacturing, with the backing of the government, in 2017 and has spent about 400 billion yen equipping its facility in the northern port city of Haiphong with cutting-edge technologies.

The company is also collaborating with major foreign companies, such as **Posco**, South Korea's largest steelmaker, and Germany's BMW and Bosch in this venture. As the first stage of its operation, the plant in June embarked on producing sport utility vehicles and sedans. Although vehicle sales in Vietnam is low at around 300,000 annually, Vingroup has plans to produce 250,000 units initially and 500,000 vehicles in the future, hinting at its export ambitions.

Vingroup

Vietnam's largest real estate company. Research by Forbes says Vuong is Vietnam's wealthiest person.

SUBJECT	DETAIL
Chairman (age)	Pham Nhat Vuong (51)
Studied abroad	Former Soviet Union, Ukraine
Asset holdings	About \$6.6 billion
Year founded	2000
Annual sales	About \$5.2 billion
Businesses other than real estate	
Cars, motorbikes	VinFast aims to produce an annual 250,000 vehicles
Retail	Runs 2,000 convenience and other stores, but plans are to reduce these operations
Agriculture	Plans to push "smart farming," reduce use of agrochemicals and export
Smartphones	Targets output of over 100 million units in 2020; produces TVs at same plant.
Hotels	Has 30 locations, mainly in resort areas, and total of 12,000 rooms
Hospitals	Runs 10 high-quality hospitals on par with those in advanced countries

Strong
business ties

Sun Group

Investments have amounted to more than \$5.9 billion; studied at a medical college in Moscow before working with Vingroup founder Vuong in Ukraine.

SUBJECT	DETAIL
CEO	Dang Minh Truong
Studied abroad	Former Soviet Union, Ukraine
Asset holdings	Unknown
Year founded	1998
Annual sales	Not disclosed

Source: Company, Nikkei research, Forbes

Vingroup's founder and chairman Pham Nhat Vuong is the wealthiest person in Vietnam, worth some 720 billion yen, according to Forbes. His success story mirrors that of many entrepreneurs in Vietnam who also started out in real estate.

One common factor is that they studied abroad in former Communist bloc countries. Vingroup's founder Vuong studied in Moscow, and started a restaurant business in Ukraine. He soon developed it into the production of instant noodles and then the development of dehydration apparatus used to make instant noodles. In 2009, he sold his company that dealt in dehydration systems to Nestle, a Swiss multinational food and beverage company, for \$150 million, making the seed money to start a real estate business.



Vingroup has moved into auto manufacturing with big-name foreign partners. (Photo by Rie Ishii)

The chair of Sovico Holdings, Nguyen Thi Phuong Thao, also studied in Moscow in 1988. While there, she began to import rubber, fax machines, clothing and consumer goods from Japan and South Korea to sell locally. By the time she completed her studies, she had earned about 100 million yen. Using that money, she and her husband started a real estate business. Late in 2011, the Sovico group established the low-cost carrier Vietjet Aviation, which now rivals Vietnamese flagship carrier Vietnam Airlines in market share.

Sovico Holdings

Got to know husband while studying in Moscow. Once back in Vietnam, the couple started out in the real estate business. In late 2011, the group launched Vietjet Aviation, which is now on par with flagship carrier Vietnam Airlines.

SUBJECT	DETAIL
Chairwoman (age)	Nguyen Thi Phuong Thao (49)
Studied abroad	Former Soviet Union
Asset holdings	About \$2.26 billion
Year founded	Early 1990s
Annual sales	About \$2.3 billion

Source: Company, Nikkei research, Forbes

In large part, these entrepreneurs also formed important relationships while they were abroad that helped their careers later on. The Vietnamese government had sent many bureaucrats to former Communist bloc nations from the 1980s onward who formed a close-knit diaspora. For these entrepreneurs, the personal connections they formed with government officials there subsequently helped them in the process of gaining administrative authorization for the acquisition of land for business projects and other permits and licenses.

For example, Nguyen Thi Nga, chair of BRG Group, is well known for her political clout. In the 1990s, she ran a trading company in Hanoi that conducted business with former Communist bloc nations. There has been speculation that her father was a former head of state, although that rumor has never been confirmed.

In another example of the small circle in which the Vietnamese diaspora operated, Dang Minh Truong, CEO of Sun Group, one of the largest real estate developers in the country, studied at a medical college in Moscow, and subsequently worked for a company that supplied dehydration devices established in Ukraine by Vuong, the founder of Vingroup.

BRG Group

Group has closely tied up with Japanese businesses in many sectors. Top executive is well known for her political clout, and rumor has it that her father is a political heavyweight, though nobody knows whether this is true.

SUBJECT	DETAIL
Chairwoman (age)	Nguyen Thi Nga (64)
Studied abroad	Not known; some say former East Germany
Asset holdings	Unknown
Year founded	1993
Annual sales	Undisclosed
Businesses other than real estate	
Smart city project	Plans to develop one of Vietnam's largest smart cities, on outskirts of Hanoi, over period through 2028
Retail	Along with own shops, group operates Japanese-style supermarkets in venture with Sumitomo Corp.
Theme park	Plans to open Hello Kitty theme park in Hanoi with Sanrio in 2021
Golf courses	Entered sector in 1990s and now operates four courses
Automobile	Produces buses and trucks, and serves as a Honda dealership
Pharmaceuticals	Posts annual sales of more than \$140 million from medicines and other imported medical products

Source: Company, Nikkei research, Forbes

These businesses also benefited from the property boom in Vietnam. In the early 2000s, investments in real estate surged. This was followed by greater inward foreign investment after Vietnam's accession to the World Trade Organization in 2007.

A recent report by Savills Vietnam, a property advisory company, showed that condominium prices in Hanoi had moderated somewhat in the first quarter of 2019. Yet land prices in the urban centers of major Vietnamese cities have still continued to climb, with property prices also rising in regional towns due to ongoing development projects in tourist resorts such as Danang and Phu Quoc Island.

FLC Group

Worked as door-to-door salesman while in high school. Became entrepreneur while studying at university. Achieved first big success in resort development. Licensed to practice law.

SUBJECT	DETAIL
Chairman (age)	Trinh Van Quyet (44)
Studied abroad	Did not study abroad
Asset holdings	About \$1.02 billion
Year founded	2001
Annual sales	About \$504 million
Businesses other than real estate	
Aviation	Bamboo Airways, Vietnam's third budget airline, began flying last January
Agriculture and fisheries	Aims to achieve sales of \$900 million in 2025 by pushing exports
Beer	Plans brewery for southern city of Quy Nhon
Hospitals	Set to build hospital in northern province of Thai Binh at cost of \$159 million

Source: Company, Nikkei research, Forbes

Such rapid growth in the property sector is matched by Vietnam's economic expansion. Gross domestic product growth is forecast to reach close to 7% for the whole year, the highest among Southeast Asian nations.

A growing number of multinational corporations are now relocating their manufacturing operations in China to Vietnam to avoid being hit by the U.S.-China trade war. Consumer spending is also rising due to an expanding middle-income group. Aeon, a major Japanese supermarket chain, on Dec. 5 opened its fifth store in Vietnam, and Uniqlo, a Japanese casual clothes retailer, on Dec. 6 launched its first shop in the country.

Buoyed by such a positive economic environment, conglomerates that evolved from property businesses are likely to increase their presence even further as a driving force behind the Vietnamese economy. Their main challenge is to improve corporate governance and social responsibility in order to bring in investors.



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