

## **Vietnam's new conglomerates in crosshairs of corruption crackdown**

**Arrest of developer FLC's founder highlights fraying of ties with Communist Party**

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HANOI -- Several of Vietnam's fast-growing new conglomerates have been caught in the government's corruption dragnet, signaling a turning point for the cozy relationships with the Communist Party that helped many of these companies grow.

Trinh Van Quyet, founder and now-former chairman of real estate developer FLC, was arrested late last month on charges of stock manipulation and hiding information on stock transactions after selling a portion of his stake in the company. FLC owns Bamboo Airways, Vietnam's third-largest airline.

His actions "caused losses to investors and negatively impacted Vietnam's stock market," authorities alleged. Two of Quyet's sisters, as well as Vice Chairwoman Huong Tran Kieu Dung, also were arrested.

Two days after Quyet's arrest, FLC promoted Dang Tat Thang, previously vice chairman, to the chairman post. Quyet had authorized Deputy General Director Vu Dang Hai Yen to serve as acting chair, but she was quickly supplanted, pointing to confusion in the group's top ranks.

FLC's consolidated sales slumped 49% last year to about 6.8 trillion dong (\$297 million). Net profit declined for a third straight year, falling 47% to 84 billion dong. The company's share price has tumbled to less than half its January peak, due in part to the recent turmoil.

Nguyen Phu Trong, head of Vietnam's Communist Party, has spearheaded a crackdown on corruption, amid concerns that rampant graft could anger the public and undermine the country's one-party system. The arrests of high-profile tycoons suggest that this push is intensifying.

Quyet was highly regarded for turning FLC, listed on the Ho Chi Minh Stock Exchange since 2013, into one of Vietnam's leading companies. He established a real estate company in 2008 -- the predecessor of what is now FLC's core property business -- that grew rapidly on the back of its resort developments. It operates luxury hotels in northern and central Vietnam that have drawn foreign visitors and middle-class tourists.

The group raised its international profile in 2019 with a jump into aviation. Bamboo Airways, a "hybrid" carrier offering full service at budget airline prices, quickly snapped up 20% of the Vietnamese market and leads the industry in on-time performance. The scandal came just as the airline was recovering from the blow dealt by the coronavirus pandemic.

The crackdown has Vietnam's business community wondering who might be next.

Do Anh Dung, chairman of real estate developer Tan Hoang Minh Group, was arrested last week on charges of fraudulent appropriation of property related to 10 trillion dong in bond floats at three group companies. He could face a maximum sentence of life in prison, according to local media.

The campaign reminds some in Vietnam's corporate world of Chinese President Xi Jinping's anti-corruption drive. While this effort could create a healthier business environment, many companies are alarmed by the speed of its escalation.

Members of the new generation of conglomerates have leveraged close ties with Vietnam's Communist Party on a number of occasions, such as Vingroup's foray into auto manufacturing and moves by FLC and VietJet Aviation operator Sovico Holdings into the airline industry. They are succeeding state-owned players as drivers of the Vietnamese economy.

Prime Minister Pham Minh Chinh called during a recent government meeting for stronger measures to combat corruption in the real estate, bond and equity markets. That could cause concern among the many rising conglomerates for which real estate is a major profit source.

Vietnam has a reputation for giving authorities wide discretion in enforcing laws and regulations, and the corruption crackdown in some cases has been intertwined with power struggles in the Communist Party. Foreign companies that work with Vietnamese conglomerates will need to manage governance risks carefully.