



VIETNAM DAILY NEWS

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Table of content

Table of content

1. Vietnam's benchmark VN-Index closed at 946.47 points at the end of Monday's session, the lowest point since mid-February
2. Experts scrutinise inconsistent accounting standards
3. Agriculture sector gains trade surplus of \$3.3 billion in five months
4. Hyundai shows interest in North-South Express Railway
5. Vietnam culls two million pigs
6. Trade ministry supports frozen pork stockpiling to prevent shortage
7. No consecutive hikes in public service prices: PM
8. DIG: BOD approves to plan the stock issuance to pay dividend for 2018
9. Six firms to have listings cancelled

Market Analysis

1. Vietnam's benchmark VN-Index closed at 946.47 points at the end of Monday's session, the lowest point since mid-February

The VN-Index, which represents approximately 90 percent of market capitalization on all of Vietnam's exchanges, fell for the fifth consecutive session, closing down by 13.14 points, or 1.4 percent, Monday afternoon.

Only three blue-chip stocks in the VN30-Index, which represents 30 largest-cap stocks on the VN-Index, rose this session. The index fell sharply by over 12 points (1.39 percent) to 864 points.

In Hanoi, the HNX-Index and Unlisted Public Companies Market Index (UPCoM-Index) fell 1.03 and 0.59 percent respectively.

Oil and gas stocks led the market's decline this session, as global oil prices plunged further amidst escalating trade tensions.

Front-month Brent crude futures, the international benchmark for oil prices, were at \$60.97 per barrel at 7.44 a.m. Monday morning, down \$1.02, or 1.7 percent below last session's close.

GAS shares of PetroVietnam Gas Corporation, Vietnam's biggest listed energy firm, fell by 3 percent, while stocks of other PetroVietnam's

subsidiaries such as PVD, its drilling arm, and PVS, its technical service arm, also fell by around 3 percent.

PVX shares of Vietnam National Petroleum Group, which operates around 2,300 gas stations in the country, also fell by nearly 2 percent.

Banking stocks saw a general decline this session, with only the EIB stock of private bank Eximbank closing positively. Banking stocks lost a total of VND13.49 trillion (\$577 million) in market capitalization.

Foreign investor transactions recorded a small net sell of VND24 billion (\$1.03 million) on both exchanges, but this was mainly because they sold around VND142 billion (\$6.08 million) worth of SBT shares of TTC Sugar, a multi-sector corporation with interests in energy, sugar, real estate and agriculture, in an M&A deal (as opposed to order matching).

In its weekend report, securities firm Bao Viet Securities Company (BVSC) said that with the current momentum, the market could in fact fall to 935- 945 points or even 910-920 points in the near future.

Macro & Policies

2. Experts scrutinise inconsistent accounting standards

One of the biggest changes, for example, is how the International Financial Reporting Standards (IFRS) and the Vietnam Accounting Standards (VAS) differ on calculating the value of assets and account payables.

At last week's tax and audit seminar organised by consulting firm RSM in Ho Chi Minh City, experts and businesses talked at length about this matter. Specifically, according to the IFRS 13, assets and account payables must be measured by their fair value, determined as the amount paid in a transaction if the asset is sold in the open market. Meanwhile, the VAS tells businesses to record the asset value in their historical cost, or the nominal

or original cost of an asset when it was acquired. Historical cost, as its name suggests, does not change over time like fair value and thus does not reflect any ups and downs in the value of an asset.

Critics of the VAS said that this rigidity makes it difficult for foreign investors to understand the correct value of assets and account payables. This is especially concerning when the value of assets goes down over time due to depreciation or other losses. As a result, businesses in Vietnam are strongly encouraged to adopt the fair value system of the IFRS, applicable to their assets, as well as financial and real estate investments.

The pathway towards IFRS adoption in Vietnam	
Task	
2019-2021 (Preparation)	The Ministry of Finance prepares the regulatory framework for the IFRS A translation of the IFRS into Vietnamese is available Training for staff members and IT system upgrades
2021-2025 (Pilot)	Eligible businesses are encouraged to adopt the IFRS for their consolidated financial report They include listed companies, major unlisted public companies, state-owned corporations that borrow from international banks, and foreign businesses
2025 onwards (Official adoption)	All businesses above must adopt the IFRS The IFRS remains optional for smaller businesses

However, measuring fair value is not an easy task. According to Dang Xuan Canh, managing partner at RSM Vietnam, the calculating system for fair value in Vietnam remains lacking. Circular No.200/2014/TT-BTC from the Ministry of Finance allows businesses to gloss over this part if they do not have the right calculating tools, but the IFRS is strict with using only fair value in financial reports.

“If a company cannot measure the fair value on its own, it will have to outsource. Many accountants in Vietnamese companies are not yet trained to do this, because their undergraduate study does not meet the IFRS level yet,” said Canh.

Calculating fair value also means more work for the accounting team, as prices have to be updated frequently.

At the event, an accountant from a foreign-invested enterprise also shared her experience with the VAS and IFRS. According to this accountant, the IFRS includes 19 standards that are absent from the VAS, and she does not know how to find the fair value either. In general, her enterprise already had to invest significant resources in training and IT to keep up with the IFRS requirements. “I believe that we will need more regulatory frameworks to assist the adoption of the IFRS in Vietnam, especially in the area of fair value calculation,” said Canh.

The need to update their IT system and know-how is especially difficult and costly for small- to medium-sized enterprises. Senior executives at some companies might not be interested in switching to the IFRS, which is evident in their

hesitance to use the IFRS in their day-to-day management.

However, most businesses agree that in order to draw in foreign investors, the only way to go for Vietnamese businesses is using the IFRS. These standards are widely used in 87 per cent of the countries around the world, creating a streamlined system for investment funds when studying a company. In the ASEAN, Thailand is making its way towards adopting the full IFRS, while Indonesia is at the basic level. In Singapore, the local accounting standards have converged with the IFRS.

3. Agriculture sector gains trade surplus of \$3.3 billion in five months

The nation achieved an export value of \$16.1 billion from agricultural, forestry and aquatic products during the period, a year-on-year increase of 1.2 per cent, including \$3.6 billion in May.

The sector spent \$12.8 billion on agricultural, forestry and fishery imports in the first five months, up 2.1 per cent over the same period last year. Of which, imports of fertilisers, pesticides and key agricultural products reached about \$10.8 billion, up by 2.7 per cent year-on-year.

However, the key agricultural product exports were estimated at \$7.7 billion, down 9.5 per cent over the same period.

The ministry said the export value of agricultural, forestry and fishery products increased again after slowing since the beginning of this year compared to 2018 due to China's policy changes and the impact of the US-China trade war, the Vietnam News Agency reported.

Minister of Agriculture and Rural Development Nguyen Xuan Cuong said competition had grown this year, reported baodautu.vn.

In 2018, many countries had to import rice, including China, pushing the average export price of Vietnamese rice to \$436 per tonne, it's highest level ever.

Canh advised companies in Vietnam to take a step-by-step approach to adopting the IFRS. In the first year, businesses can start with setting up an IFRS version of their finances and begin with IFRS 1, which provides guidance for first-time adopters.

Besides the main focus on the IFRS, RSM experts and participants also discussed the latest tax updates in Vietnam, ranging from the revised Law on Tax Administration to the adoption of e-invoice rules.

Other agricultural products as well as fishery and vegetable products had faced a similar situation, he said, and many countries had applied new technologies in production to become export rather than import markets.

This had created fiercer competition in the global market, Cuong said.

According to the ministry, in the first five months of this year, rubber exports were up 2.4 per cent to \$662 million, tea was up 30 per cent to \$79 million and fruit and vegetables climbed 10.3 per cent to \$1.8 billion.

Some commodities, however, suffered a drop in export value such as pepper (down 26 per cent), cashew nuts (down 21 per cent), coffee (down 10 per cent) and rice (down 15 per cent) despite increased export volume.

Cashews surged 7.9 per cent in export volume but was down 14.9 per cent in value to \$1.2 billion, and pepper increased 33.2 per cent in export volume but fell 2.4 per cent in value to \$372 million.

Seafood exports were estimated at \$3.15 billion, down slightly from the same period last year, including \$795 million from tra fish exports and \$1.1 billion from shrimp exports.

Forest product exports maintained high growth at 19.6 per cent to \$4.3 billion.

According to the ministry, the results of agricultural production in the first five months

showed that there were many difficulties in implementing the sector's growth target this year, especially with the spread of African swine fever.

4. Hyundai shows interest in North-South Express Railway

On May 30, vice chairman of Hyundai Group Chung Jin Hae joined a working session with leaders of the Ministry of Transport. The representative of Hyundai expressed interest in developing large-scale transport infrastructure projects in Vietnam, including the North-South Express Railway, where, along with comprehensive solutions, Hyundai also wants to transfer technology and train human resources for local partners.

Regarding the method to mobilise the capital for this public-private partnership (PPP) project, Hyundai recommended that the governments of both countries get involved to attract financial investors more easily and play a key role in site clearance.

In November 2018, a group of state-owned consultancy companies including Transport Engineering Design Incorporation (TEDI), Transport Engineering Design Incorporated South (TEDIS) and Transport Investment and Construction Consultant Company (TRICC) suggested building a rail route of 1,545 kilometres running through 20 cities and provinces.

They said that 60 per cent of the tracks will be on viaducts, 10 per cent underground, and 30 per cent on the surface. The route will have double standard-gauge tracks of 1,435-mm, 24 stations, five depots, and 42 maintenance facilities.

The route will be divided into three sections for separate investment and construction. The sections running from Hanoi to Nghe An province's Vinh city (282.65km) and from Khanh Hoa province's Nha Trang city to Ho Chi Minh City (362.15km) are planned to be constructed in the first phase, which is due to be finished by 2030.

Meanwhile, the section connecting Vinh city and Nha Trang city will be put into operation during 2030-2040 or 2045.

The construction is recommended to be made based on public investment or PPP modes.

At first, the electric multiple unit (EMU) train will run at a speed of 200 kilometres per hour, and 320 kilometres per hour later.

5. Vietnam culls two million pigs

The disease, which entered Vietnam in early February, has spread to 48 out of 63 cities and provinces in the country. It may spread to the remaining localities and attack large-scale farms and may even reinfect some areas, which has already occurred in the central and northern provinces of Quang Binh and Bac Kan.

Cuong cited data noting that some two million pigs had been culled, accounting for roughly 6.5% of the country's total number of pigs.

The pig-rearing sector is valued at VND90 trillion (US\$3.8 billion), making up some 10% of the country's total agricultural value. It also provides jobs for 2.4 million households. Pork makes up a staggering 70% of the Vietnamese's average meat diet, said Cuong.

He added that some 94% of the country's pigs are currently not infected with ASF. Therefore, the quick-fix solution is to ensure local residents do not eschew pork products since the drop in consumption has led to sharp price reductions.

If the situation persists, a shortage of pork may be seen in the latter half of this year when pork prices in neighboring countries start to rise, he warned.

6. Trade ministry supports frozen pork stockpiling to prevent shortage

Speaking at a meeting in Hanoi on May 30, Deputy Minister of Industry and Trade Do Thang Hai noted that ASF is complicated and unpredictable, inflicting severe damage on agricultural production, affecting residents' lives, causing market instability and posing a high risk of supply and demand imbalance.

His ministry has coordinated with the concerned ministries and agencies to stockpile frozen pork and stabilize the prices of pork in the coming months and quarters.

Hai pointed out that pork products are being sold at extremely low prices, due to reduced demand. However, in terms of supply and demand, if new herds of pigs are not being bred, the future pork supply in the next three to four months is uncertain.

"Though the prices of pork are at very low levels, what is more worrisome is that there may be no pork available for sale in the coming months," he noted.

He stated that the responsibility lies with not only the Ministry of Agriculture and Rural Development but also the entire country. The trade ministry will make every effort to secure the pork supply and demand.

Deputy Minister of Agriculture and Rural Development Phung Duc Tien said that ASF has struck many countries across the world, and so far, there is no vaccine to contain the viral disease.

"One of the most urgent and effective solutions is to buy healthy pigs and stockpile frozen pork," he said, adding that if supply dwindles in the next few

months, frozen pork will be made available on the market.

However, other attendees argued it would not be easy to store large volumes of pork due to the limited capacity and equipment at local firms.

Le Van Loc, deputy director of the Department of Industry and Trade in the southern province of Dong Nai, explained that the country's largest pig-farming province does not even have a cold-storage warehouse that can meet the standard criteria.

Deputy Minister of Trade Hai stated that the solution would help prevent losses for farmers and secure the pork supply in the coming period, particularly before the next Lunar New Year, or Tet, holiday.

He suggested the Government should issue a policy that supports food processing firms, especially with the purchase of pigs and stockpiling of frozen pork.

Commercial banks are expected to offer loan packages with preferential interest rates.

Data from the Domestic Market Department, under the trade ministry, revealed that from late April to date, the prices of live pigs have seen significant reductions to VND28,000-VND32,000 per kilogram in northern Vietnam and VND32,000-VND38,000 per kilogram in the southern part of the country.

Meanwhile, pork prices hover between VND70,000 and VND90,000 per kilogram, down VND5,000 from a month earlier.

7. No consecutive hikes in public service prices: PM

The Ministry of Planning and Investment stated in a report delivered at the meeting that the macro-economy has remained stable over the past five months. The consumer price index (CPI) in May inched up 0.49% against the previous month, so the CPI between January and May expanded 2.74% year-on-year, the lowest in the past three years.

However, according to the Prime Minister, inflation pressures remain visible so the CPI could possibly surpass the target of 4% in the absence of smooth coordination of policies and communications activities.

The consecutive hikes in public service prices this year have caused great concerns among the general public. “Avoid increasing the prices of public services consecutively at a period of time, and oversee acts of price manipulation to curb inflation,” he noted.

Therefore, he asked his cabinet members to further analyze the multilayer impacts of electricity and petroleum hikes, as well as assess the power charge calculation methods, to ensure they are practical.

Given Vietnam's wider trade openness, the PM asked the Ministry of Industry and Trade to keep a close watch on the escalating trade war between the United States and China and put forward feasible solutions and scenarios, including measures to diversify overseas markets and boost the domestic market.

The State Bank of Vietnam still needs to monitor, assess and anticipate the impacts that the global finance and monetary markets may exert on the local foreign exchange and deposit interest rates in order to take timely measures, while continuing to raise the national reserves to be well prepared for external shocks.

The Finance Ministry and the State Securities Commission of Vietnam are required to update the developments in the stock market and investment capital flows channeled via the market to manage risks and capital drain.

Ministries, central agencies and local governments need to take proactive action in applying the achievements of the Fourth Industrial Revolution in their work, and speed the development of the e-government platform, he said.

The Prime Minister stressed the necessity to improve the quality of institutions and policies. For example, unnecessary business conditions should be slashed on schedule, without the domination of interest groups.

He also asked ministries and agencies to work together to safeguard the quality of the upcoming National High School Exam, and fight the current outbreak of African swine fever.

He said if the disease affects 30% of the country's pig herd, the growth of the agricultural sector will be zero.

Corporate News

8. DIG: BOD approves to plan the stock issuance to pay dividend for 2018

↓ -2.46%

On May 30, 2019, the Board of Directors of Development Investment Construction Joint Stock Corporation approved to issue shares for dividend payment in 2018 as follows:

- Number of shares expected to be issued: 14,997,422 shares

- Total value (based on par value): VND149,974,220,000

- Issue ratio: 5% (Shareholder who owns 100 shares will receive 05 new shares.)

- Time of implementation: Q2.2019

- Plan to deal with fractional shares: The distributed shares will be rounded down, the fractional shares will be cancelled.

9. Six firms to have listings cancelled

↑ 0.00%

BOD resolution on the record date for 2018 cash The targeted firms are Hoa Binh Mineral JSC (KHB), ALV Infrastructure Development Investment JSC (ALV), ASA Consumer Product JSC (ASA), CMISTone Vietnam JSC (CMI), Song Da Investment and Construction JSC (SDD) and Low Current-Telecom JSC (LTC).

The move will raise the total number of companies to be delisted by force by the HNX in

the first half of 2019 to 14. Five were delisted in May.

According to the HNX, the 14 companies had their listings cancelled because they have recorded losses for three straight years in 2016-18, delayed the disclosure of financial reports in the period and were rejected by audit agencies for their 2018 financial reports.

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