



VIETNAM DAILY NEWS

July 23rd, 2019



Table of content

Table of content

- 1. Stock market briefs July 22, 2019**
- 2. VN-Index falls slightly today**
- 3. Tax debts soar in HCMC**
- 4. Revenues from auto, crude oil imports up**
- 5. Hanoi city aims to improve startup ecosystem**
- 6. EU believes in positive impact of trade deal with Vietnam**
- 7. Korean firms to expand investment in electricity in Vietnam**
- 8. Vietnam targets to have 100,000 agribusinesses by 2030**
- 9. CRE: Change of personnel**

Market Analysis

1. Stock market briefs July 22, 2019

HANOI – American Vietnamese Biotech INC (AMV) will close its shareholder list on August 12 to pay a 2018 cash dividend at 20%. The payment date is slated for October 1. In 2019, AMV targeted revenue of VND850 billion, up 89% year-on-year, pre-tax profit of VND250 billion and after-tax profit of VND230 billion, up 5% against last year.

HCMC – PetroVietnam Power Nhon Trach 2 JSC (NT2) has announced in its second quarter financial report that its net revenue amounted to over VND2.1 trillion, up 6% year-on-year. However, it made an after-tax profit of a mere VND208 billion, dropping 22.5%. In the first six months of the year, its cumulative net revenue reached VND4 trillion, equivalent to the year-ago figure, and the firm's after-tax fell 23% to VND387 billion.

HCMC – KIDO Group (KDC) has reported that its net revenue tumbled 20.8% to over VND1.6 trillion in the second quarter of the year, but the firm's before-tax and after-tax profits rocketed 81.5% and 130%, respectively, year-on-year, to VND91.3 billion and VND70 billion.

2. VN-Index falls slightly today

With 119 gainers and 192 losers, the main index fell 0.3 point, or 0.03%, versus the previous session at 982.04. Trading on the southern bourse edged down 3.4% in volume and added 1.7% in value to 164.3 million shares worth over VND4 trillion.

Block deals totaled over 29 million shares valued at VND1.04 trillion, with construction firm ROS alone reporting over 7.3 million shares worth VND216 billion traded.

After the winning streak at last week's previous sessions, bank stocks turned down at the beginning of this week. Besides lender VCB ending the day at the reference level, most of other bank stocks, such as CTG, TCB, STB, VPB, EIB and HDB, lost grounds today.

HCMC – The board of directors of Create Capital Viet Nam Joint Stock Company (CRC) has passed a plan to offload its entire 1.64 million shares of KonTum Construction Materials Supply and Production JSC, or a 49.8% stake in the company.

HANOI – Kasati Joint Stock Company (KST) has chosen July 29 as the ex-dividend date to pay a 2018 cash dividend of 15%. The record date will be July 30 and the payment date is slated for August 19.

HCMC – Cao Thi Ngoc Suong, wife of Bui Thanh Nhon, who serves as chairman of No Va Land Investment Group Corporation (NVL), has bought over 2.2 million NVL shares, or 0.23% stake. Prior to the purchase, Suong held no NVL shares.

HCMC – Bui Minh Tuan as a board member of Transimex Corporation (TMS) has registered to buy one million TMS shares between July 23 and August 21. The purchase will raise his holding in TMS to over 6.96 million shares, or a 12.85% stake.

Earlier on July 19, some securities firms predicted that the southern bourse might see the index hover in the range of 987 and 992 points this week and that bank stocks would continue sending the index up. However, the opposite took place.

Oil and gas stocks faced the same fate, with fuel group GAS closing the day down 0.5% at VND105,500 per share. PVD, PVI and PVC dropped 1.1%, 1.4% and 1.3%, respectively.

Some blue chips, including dairy giant VNM, retailer VRE and property developer NVL, failed to maintain their growth, pushing the main index down.

Meanwhile, housing developer VHM, brewery firms SAB and consumer goods enterprise MSN bucked the trend to end the day up, but they failed to save the index from the fall.

For the Hanoi Stock Exchange, the HNX-Index lost 0.29% at 106.76 points. There were 23.24 million shares worth VND342.8 billion changing hands, tumbling 15.3% in volume and 23.2% in value against the previous session.

On the northern bourse, lenders SHB and ACB ended the day down 1.4% and 0.6%, respectively. Also, stone processor VCS, securities firm SHS and apparel firm TNG were main draggers of the HNX-Index.

Despite the decline, lender SHB, gas firm PVS and lender ACB were among the most actively traded stocks with 3.55 million shares, 2.56 million shares and 1.9 million shares traded, respectively.

Macro & Policies

3. Tax debts soar in HCMC

Speaking at the conference organized by the HCMC Tax Department, Tran Ngoc Tam, director of the department, said that between January and June, the tax debt of eight firms increased to VND3 trillion.

Statistics from the municipal tax department show that real estate and construction enterprises took the lead among tax debtors. These firms' tax debts reached VND2.4 trillion, accounting for some 52% of the city's total recoverable tax debts.

Firms with high tax debt rise included the Phu Nhuan House Construction and Business Company, which owes a land use fee of VND1 trillion; the Saigon Development and Investment Corporation, which owes land rent fee of VND444 billion; and the Duc Khai Corporation, which has yet to pay VND389 billion.

In the first six months of the year, tax debts related to land jumped 155% against the figure seen in late 2018 to VND3.4 trillion.

Besides land-related tax debts, multiple firms were burdened with debts of other fees and taxes, typically environmental protection taxes on gasoline and oil. The Xuyen Viet Oil Travel and Transport Trading Company owed VND668 billion in environmental protection tax on oil and gasoline, while the Long Hung Trading and Service Company had a debt of VND243 billion as of May 31.

4. Revenues from auto, crude oil imports up

In the six-month period, the customs agency collected more than VND175.5 trillion in tax revenue, up VND28.6 trillion, or 19.4%, from the same period last year. Of the total, the combined tax revenue from crude oil and auto importers reached some VND26.5 trillion.

Specifically, in the first six months of the year, Vietnam spent US\$1.63 billion importing 75,310 autos. The tax revenue from the imports was

The debt in terms of unpaid taxes and fees in the city totaled VND6.4 trillion in the first six months of 2019, up 60.6% against the figure recorded in late 2018.

At the conference, Phi Van Tuan, the deputy general director of the General Department of Taxation, said that other cities and provinces were also facing the same problem as HCMC.

Economic growth is on the rise, but some sectors, such as property and construction, are slowing down, or even, have come to a standstill, causing many enterprises to run up debts in land use fees. In addition, many firms have accumulated serious debt in environmental protection tax on oil and gasoline.

"Some provinces saw a few firms owe VND400-500 billion of the environmental protection tax," Tuan said.

The representative of the General Department of Taxation has proposed the HCMC carefully analyze and re-assess measures and governance of tax collection and the management of tax debts to minimize the volume of tax debts and make tax collection more efficient, according to *VietnamPlus*.

Apart from adopting more effective solutions, the municipal authorities have been asked to review key firms to urge them to pay debts, and to boost administrative reforms and modernize tax governance.

VND21.5 trillion, an increase of 424.77% over the same period last year.

Meanwhile, 4.38 million tons of crude oil worth US\$2.07 billion was imported in the period. Crude oil importers paid nearly VND5 trillion in taxes, an increase of 271.5% year-on-year.

The tax revenue from other goods totalled VND149 trillion, up VND7.5 trillion against the first half of last year.

The General Department of Vietnam Customs had set a tax collection target of VND300.5 trillion. However, the minister of finance had asked it to increase the target by 5% to VND315.5 trillion.

The customs agency found it hard to achieve the target due to tax reduction commitments in free

trade agreements, such as the ASEAN Trade in Goods Agreement and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership.

Therefore, the General Department has issued solutions to facilitate trade and prevent losses, set targets for each unit, and help enterprises remove obstacles in customs clearance procedures.

5. Hanoi city aims to improve startup ecosystem

Data of the municipal Department of Planning and Investment show that businesses in the Vietnamese capital have developed in both quantity and quality in recent years.

Hanoi is currently home to about 260,000 companies, ranking second in the country in terms of the number of businesses, and 97 percent of these firms are SMEs. More than 20,000 new companies have been set up annually in the last three years.

There is one company for every 38 local residents on average, 3.7 times higher than the national average, statistics show.

However, there remain several issues posing challenges to businesses' operations. Only about 0.1 percent of local startups have succeeded in attracting capital from investment funds.

Challenges to SMEs

Some economic experts blamed that fact partly on shortcomings in support for SMEs, saying that support programmes and policies haven't been implemented in a synchronous manner. Although the single-window mechanism for handling administrative procedures has been deployed at multiple levels, procedures still involve different departments and sectors, leading to the slow handling of paperwork.

Additionally, firms still lose time and money in accessing resources for production and business activities such as credit, land, market and support for setting up new companies.

A representative of the Vietnam Agricultural Food and Products Import-Export Joint Stock Company said collateral is one of the biggest difficulties facing businesses when seeking loans. Cumbersome borrowing procedures have also eroded many SMEs' intention to look for bank lending, forcing them to seek funding from "black" credit sources.

Banks need to take solutions to facilitate enterprises', especially SMEs', access to loans, he noted.

Experts said many SMEs have encountered difficulties accessing bank loans because most of them are small and lack concrete operational plans. Low resilience to risks and macro-economic changes has also affected their operational effectiveness, loan use efficiency and capacity of loan repayment.

In particular, the financial capacity of many SMEs is still modest while they still lack financial information transparency and collateral. These are the main reasons affecting their bank credit accessibility, according to experts.

Hanoi moves to support startups

To help local businesses develop, the Hanoi People's Committee has issued a startup support plan to assist 500 startup projects to develop and 150 startups to commercialise their products by 2025. Among the startups, at least 20 percent are hoped to successfully attract funding from venture capital funds and carry out mergers or acquisitions worth some 500 billion VND (nearly 21.5 million USD).

The city also aims to support the establishment of from 2-3 business incubators or startup spaces, facilitate the formation of from 3-5 private startup investment funds and attract foreign funds to this field.

This plan was adopted at the ninth meeting of the municipal People's Council in early July. It was built on the basis of the Government's Decision No. 844/QD-TTg, dated May 18, 2016, which approved the national entrepreneurial ecosystem support plan until 2025.

Support policies under the Hanoi scheme targets individuals and groups of individuals with startup projects; newly established SMEs; organisations supplying services, technical infrastructure and

communications to startups; along with Vietnamese and foreign investment funds.

The plan looks to complete the local entrepreneurial ecosystem and create a favourable environment for the formation and development of businesses that can grow fast based on the optimisation of intellectual property, technology and new business models.

The city will tweak mechanisms and policies to support local entrepreneurial activities. In particular, it will assist newly established firms to carry out communications, build their business culture, train human resources, equip themselves with entrepreneurial knowledge and develop infrastructure for their operations.

6. EU believes in positive impact of trade deal with Vietnam

The deal, signed in Hanoi on June 30, is the first the EU has inked with a developing country in Asia, paving the way for the gradual reduction of up to 99 percent of tariffs between the two sides, as well as for the opening of the service and public procurement markets.

Vietnam is currently the second biggest ASEAN trade partner of the EU, which is also one of the key trade partners of the Southeast Asian nation. Bilateral trade reached 55.8 billion USD in 2018.

Vietnam's key exports to the EU include telecom devices, footwear, apparel, furniture and agricultural products. Meanwhile, the EU mainly ships to the country machinery, transportation equipment, chemicals, food and beverages.

According to German Federal Minister for Economic Affairs and Energy Peter Altmaier, the EVFTA will consolidate rules-based trade and resist protectionism. It will ensure German products' access to Vietnam as well as German businesses' investments in this growingly important market.

Volker Treier, Chief Executive of Foreign Trade at the Association of German Chambers of Industry and Commerce, said the EVFTA creates a significant impetus to Germany's economy. The bilateral trade is currently below 13 billion EUR (14.7 billion USD), but it will increase

considerably to around 20 billion EUR in the next several years.

Meanwhile, Lucie Vondrackova, Director of the Department of Trade Policy and International Economic Organisations under the Czech Ministry of Industry and Trade, believed that the agreement will generate big benefits for both Vietnam and the EU. Particularly, the removal of the 99 percent of tariffs will help exporters and importers of both sides save cost.

That will facilitate Czech firms' exports they have strength in like textile-garment, glass, automobiles, mechanic and electronic products, food and chemicals.

Echoing this, Vice President of the Czech Chamber of Commerce Borivoj Minar said the deal will help bolster trade between Vietnam and the EU, including the Czech Republic, noting that his country has strength in and stands ready to cooperate with Vietnam in machine manufacturing, mining, food and agricultural product processing, and beer production.

According to a recent article on the website irishexaminer.com of Ireland, the EVFTA is a good deal for the EU member states, particularly Ireland, as it will help Irish exporters of goods increase from the current 65 million EUR. More importantly, there is the long-standing services

trade connection which last year amounted to exports of 164 million EUR.

Apart from officials, businesses of the EU have also put a high valuation on the trade deal with Vietnam.

Pascale Rouhier, Secretary General of the European Liaison Committee for Agricultural and Agri-Food Trade, said the deal would cause positive impact on Europe's farm produce with the hope that Vietnam will become a medium-sized but important export market of the EU.

Once the deal becomes effective, it will promote the trade of some products that the bloc is unable

to produce like nuts, coffee, tea and aquatic products, she added.

For his part, Pierre Groning, head of the Brussels Office of German Chemical Industry Association, described the EVFTA as a deal with a country whose economy is complementary to the EU's.

Vietnam is a big producer of many products and can meet the EU market's demand. It is also able to import a number of EU products, including chemicals, he said, expressing his belief that his association's chemical exports will increase strongly once the pact takes effect.

7. Korean firms to expand investment in electricity in Vietnam

While analysing the potential to develop electronic equipment, smart grids and clean energy, RoK Consul General Lim Jae-Hoon said Vietnam's annual electricity consumption increases by about 10 percent.

Vietnam needs to increase electricity generation by 2.5 times in 2015-2030 to meet local demand, he said, suggesting the Vietnamese Government be more proactive in attracting investment to ensure sufficient supply of electricity.

According to the official, the RoK has built a smart grid network which is operating effectively.

Korean businesses plan to invest in electricity in Vietnam, he said, adding that more than 150 Korean enterprises arrived in Vietnam's southern economic hub of Ho Chi Minh City in July this year to explore investment opportunities.

Deputy Director of HCM City Department of Industry and Trade Nguyen Phuong Dong said Korean enterprises are particularly interested in smart grid solutions in combination with 5G, creation of energy-saving products and generation of solar and wind energy.

They also held the Korea Smart Electric and Energy Week (KOSEF) 2019 to create opportunities for businesses to connect and promote investment cooperation in energy production in Vietnam, he added.

Also in July, more than 300 businesses from Germany, France, the US, Sweden, Poland, Japan, China, Taiwan and Hong Kong came to study investment, promote trade and expand markets in Vietnam.

The national programme on using energy in economical and efficient manner in 2019-2030 has been creating an attractive investment environment for the field.

According to the National Load Dispatch Centre (NLDC), as of May 20, the national electricity system reached a maximum capacity of 36,885MW, a year-on-year rise of 12.2 percent.

The country's electricity output also hit a record of 785.92 million kWh, up 15 percent against the same period last year.

National commercial electricity output is forecast to reach 211.95 billion kWh in 2019.

This means Vietnam is facing major challenges in ensuring enough electricity.

It requires Vietnam to take measures to save energy and develop renewable energy resources, contributing to developing green economy, reducing greenhouse gas emissions, and improving national energy security.

8. Vietnam targets to have 100,000 agribusinesses by 2030

Vietnam targets to have 80,000 – 100,000 enterprises operating in the agricultural sector by 2030, serving the goal of promoting agricultural production and competitiveness of its products, according to a government resolution.

By 2030, the value of Vietnam's agricultural products is expected to grow 3% annually and export growth 6 – 8%.

As of present, Vietnam has over 50,000 enterprises operating in the agricultural sector, including 10,200 involving directly in the production process.

However, the number remains modest, accounting for merely 8% of total enterprises, and the number of production enterprises amounted to 1%. Meanwhile, the production model is mostly at small scale with over 9.2 million households, the productivity in the sector is equal to 38% of Vietnam's average and lower than most sectors in the economy.

Another issue is low application of technologies in the sector, as only 5% of the total number of agricultural enterprises having acquired the Vietnamese Good Agricultural Practices (VietGAP) standards.

Nevertheless, Vietnam's agricultural sector has huge potential for development, especially in land fund, human resources and opportunities coming from the Fourth Industrial Revolution, stated the resolution.

Over the past few years, the sector has witnessed rapid growth rate, resulting in significant improvements in productivity and products quality.

According to the resolution, a strong growth in the agricultural sector ensures the country's national food security and makes Vietnam the second

largest agricultural exporter in Southeast Asia, the 15th in the world with 10 goods and products under the category of agriculture – forestry – fishery having export turnover above US\$1 billion, including six with over US\$3 billion.

More importantly, the government identifies enterprises as the driving force facilitating the development of agricultural production value chain towards modernization and large scale production.

Earlier this year, Prime Minister Nguyen Xuan Phuc expected Vietnam to join the world's top 15 most advanced countries in agriculture in the next 10 years, and its food processing in the top 10.

Vietnam aims to become the world's leading wood processing and exporting country, and a major shrimp exporter in the world market, said Phuc.

To achieve these targets, Phuc requested the agricultural sector to maintain a growth rate of 3% annually, and exports of US\$42 billion – US\$43 billion per year.

Minister of Agricultural and Rural Development Nguyen Xuan Cuong said Vietnam's agricultural sector is facing three major challenges, including low productivity, risks from climate change, and fierce competition from the global integration process.

Cuong stated Vietnam would continue to restructure the sector, focusing on developing national, provincial and local agricultural products.

Each item should have a production chain value and target specific market, particularly rice, fruits, fisheries and forestry, Cuong added.

Corporate News

9. CRE: Change of personnel

↑ 0.20%

Century Land Joint Stock Company announced personnel change as follows:

- Approving the resignation of Mr. Le Xuan Nga as a member of the BOD cum Deputy CEO as from July 18, 2019.

Research Team: Tsugami Shoji Researcher jsi@japan-sec.vn

Disclaimer:

Copyright 2015 Japan Securities Incorporated (JSI). All rights reserved. This report has been prepared on the basis of the information believed to be reliable at the time of publication as provided by StoxPlus (www.stoxplus.com) - An associate company of Nikkei Inc. and QUICK Corp. JSI makes no representation or warranty regarding the completeness and accuracy of such information. This report is provided, for information purposes only and does not constitute an offer or solicitation to buy or sell any securities discussed herein any jurisdiction. Investors must make their investment decisions based upon independent advice subject to their particular financial situation and investment objectives. This report may not be copied, reproduced, published or redistributed by any person for any purpose without the written permission of an authorized representative of JSI.

Japan Securities Incorporated – JSI

Address: 14F, TNR Tower, 54A Nguyen Chi Thanh, Lang Thuong, Dong Da, Hanoi

Tel: (024) 3791 1818

Fax: (024) 3791 5805

Email: info@japan-sec.vn

Website: www.japan-sec.vn