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Market Analysis

1. Shares advance on strong cash flows on Thursday

On the Ho Chi Minh Stock Exchange, the VN-Index rose 0.66 per cent to 994.95 points.

The index lost 0.11 per cent to close at 988.41 points on Wednesday.

A total of 171.7 million shares worth VND4.5 trillion (US\$192 million) were traded in the southern market.

'Vin' stocks were on the upswing Thursday, pulling up the market indices. Vingroup (VIC) closed the session up 1 per cent to VND123,200 per share. At this price, VIC has reached its all-time peak, surpassing its previous record on March 18 of VND121,300 per share.

Vinhomes JSC also climbed 2 per cent to close at VND87,500 per share. Vincom Retail (VRE) rose 0.4 per cent to close at VND37,500 per share.

The market also received strong push from other pillar stocks such as brewery Sabeco (SAB) and Hoa Phat Group (HPG). HPG gained 3.9 per cent to VND22,400 per share and matched 9.5 million shares on Thursday.

HPG's revenue reached VND15.3 trillion in the second quarter, up 6 per cent compared to the same period of 2018. Profit after tax reached VND2 trillion, down 7 per cent.

Most of the sectors increased Thursday. Real estate stocks went up 1.17 per cent, thanks to the increase of Vingroup stocks and Nam Long Investment Corporation (NLG), Ha Do Group JSC (HDG) and Development Investment Construction Group (DIG).

Oil and gas stocks gained 0.68 per cent, owing to large-cap stocks PetroVietnam Gas JSC (GAS), Binh Son Refining and Petrochemical Company (BSR) and PetroVietnam Power Corporation (POW).

Bank stocks also rose 0.51 per cent, thanks to Bank for Investment and Development (BID), Sai Gon-Ha Noi Bank (SHB), Vietcombank (VCB) and Asia Commercial Bank (ACB).

Foreign investors were the net buyers for the eighth consecutive session on HoSE with more than VND38 billion.

According to Bao Viet Securities Company (BVSC), VN-Index is forecast to continually improve in several sessions. However, the market may incur strong volatility in the remaining session of the week.

The market's current trend is rated positive with expectation of VN-Index heading toward strong 1,000-points resistance zone in the short run with the support from foreign investors' net buying activities, BVSC said.

However, several stocks are facing increasing profit-taking pressure. The market will be continuously diverged, it said.

Bank and large-cap stocks, including Vingroup (VIC), Vinhomes (VHM), Vincom Retail (VRE), Vietjet Air (VJC) and PetroVietnam Gas JSC (GAS), will likely increase and dominate the index.

Stock exposure should be maintained at 50-60 per cent of the portfolio. Investors with high stock exposure may consider selling stocks at 995-1,000-point zone, BVSC said.

The large-cap VN30-Index was up 0.34 per cent to 890.41 points. Fourteen of the top 30 largest shares by market value and liquidity gained and 12 declined.

On the Ha Noi Stock Exchange, the HNX-Index increased 0.30 per cent to 106.76 points.

The index had fallen 0.56 per cent to 106.12 points on Wednesday.

Macro & Policies

2. Proposal to lower corporate income tax stokes concerns

Hoang Van Cuong, a member of the National Assembly's Finance and Budget Committee, told Nguoi Lao Dong newspaper on July 24 that it is essential to adopt policies that help small and micro firms grow, including tax cuts or exemptions.

However, according to Cuong, the tax cut is not an optimal solution to support the growth of firms. He voiced his concern that the move would lead to firms making little headway and deciding against expanding their businesses, in order to enjoy the tax incentives.

Competent agencies must organize activities to help newly-established firms tackle common obstacles, such as ways to do business effectively, or give advice on how to achieve strong growth, he said.

Speaking on the pressure the tax cut would create on the State budget, Cuong said, that the drop in budget collection would not matter, as the State would reap high tax revenues in the future, if the tax cut successfully enables small and micro firms to expand their operations.

Ly Thanh Sinh, director of Minh Long Hung Co. Ltd in HCMC, said the tax cut would only act as a stimulus. In reality, many firms intentionally make incorrect tax declarations, so the corporate income tax reduction would not be completely effective in helping firms improve their business results, Sinh said.

For small firms to achieve further growth, aside from the tax reduction, competent agencies need to issue transparent, stable policies, adopt streamlined administrative procedures, and tighten regulations on intellectual property rights in business so that small firms can make long-term investments, Sinh said.

According to Nguyen Minh Nhan, director of HCMC-based Vuong Tron Trading Company, the tax reduction, from the current 20% to 15% for companies with annual revenues of less than VND3 billion and no more than 10 full-time employees with social insurance, is seen as modest.

Also, only profitable firms are subject to corporate income tax, he said. Accordingly, the adoption of the tax cut should come with other stable policies that create good conditions for companies to develop. The tax cut makes sense only if companies generate profits, Nhan added.

Earlier, the finance ministry had released a draft resolution on corporate income tax policies to boost the growth of small and micro firms, inviting feedback.

The ministry's proposal also envisages a separate rate of 17% for companies with annual revenues between VND3 billion and VND50 billion and less than 100 employees.

3. Vietnam textiles industry faces localization conundrum

The Government Office Thursday issued a document conveying the direction of Prime Minister Nguyen Xuan Phuc, who has asked the Ministry of Industry and Trade to work with localities to "resolve obstacles" faced by the local textiles industry in localizing production.

According to the document, Vietnam's textiles producers are currently too dependent on imported raw materials, making it difficult to raise the proportion of domestic added value as

required by rules of origin stipulated in trade pacts.

Failure to meet the rules of origin would make Vietnam unable to benefit from preferential tariffs.

To meet the localization conditions, enterprises will have to invest in production facilities in the country as well as in supporting industries, it said.

However, foreign and domestic textiles producers are unable to build new facilities to produce or dye domestic textiles and yarn, because most localities are loath to give them permission due to environmental concerns.

This represents a major disadvantage for Vietnam's textile industry when the Vietnam-EU Trade Agreement (EVFTA), which was signed in June 30, comes into effect, said Deputy Prime Minister Tran Quoc Khanh at a government meeting in early June.

Representatives of the Vietnam Textile and Apparel Association (VITAS) have also acknowledged that dyeing processes cause environmental pollution, but recommended that localities consider licensing projects with good wastewater treatment technology.

Enterprises investing in such modern technology should be given favorable conditions to build their textiles production plants, VITAS said.

The EVFTA, which has strict rules of origin, generally requires domestic value to account for at least 42.5 percent of the ex-works price of the final textiles product.

If these conditions are met, goods exported from Vietnam to the EU would be subject to 0 percent import duties once the EVFTA comes into effect, and not the average tariff of 9.6 percent currently levied by the bloc.

However, 70 percent of the fabric used to produce garments in Vietnam are imported from mainland China or Taiwan, VITAS chairman Vu Duc Giang said at a conference on the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) late last month.

Because China is not a member of several large trade agreements such as the CPTPP, Vietnam is not able to benefit from cumulation of origin rules, which allows materials originating from countries that are parties to an agreement to make up the deemed domestic value of the final product.

In January 2017, the Vietnamese government set the target of producing 45 percent of fabric needed domestically by 2020, which is equivalent to producing an additional 1.7 billion meters of material, and 65 percent, or 10 billion meters, by 2025.

The government estimates that businesses will have to invest a total of \$1.7 billion and \$10 billion respectively to meet these targets.

4. Vietnam's VC boom takes off

Key implications: The country's first "unicorn" was VNG, a gaming and media company now valued at an estimated \$2.2bn. VNPAY, a payments start-up, now appears poised to become its second with a proposed \$300m round of fundraising.

Others attracting interest include FastGo, a lower-cost rival to south-east Asian ride-sharing company Grab, Abivin, which organises logistics for Vietnamese enterprises, and Logivan, sometimes described as an "Uber of trucking".

Upshot: With a population of nearly 100m, Vietnam has the potential to become a tech mainstay in south-east Asia. Its prospects are reinforced by the US-China trade war, which is pushing manufacturers to relocate to the country. In the first half of the year, 24 venture capital deals worth \$128m were placed, up more than 10 fold from a year ago, according to Asian Venture Capital Journal, a trade publication.

5. Toyota recalls nearly 1,600 cars for airbag fault

According to the Japanese car maker, the recalled model is the Toyota Rush. The recalled cars were manufactured in Indonesia between July 16, 2018 and January 10, 2019.

Due to the programming issue, when the rear wheel of the vehicle passes over a pothole or uneven road surface, the central airbag ECU may determine that it is a side collision. This could

unexpectedly trigger the side and curtain shield airbags, putting passengers at risk.

The recall programme will take place from July 29, 2019 to July 29, 2022, with a fix time of about 0.4 hours per vehicle.

For Toyota Rush cars that were not imported through official channels, Toyota Motor Viet Nam will help owners contact Toyota Motor Corporation (TMC) to get information.

After receiving confirmation and approval from TMC, Toyota Motor Viet Nam dealers will proceed to replace the central airbag ECU for free.

6. FTA tariff incentives yet to be fully optimized

This trade gap was noted in a recent statistical report by the Ministry of Industry and Trade (MoIT), according to Vietnam Economic Times.

As per export revenue, goods sent to China, worth a total of US\$12 billion, topped the list of Vietnamese exports utilizing FTA tariff incentives last year. They were followed by those shipped to the Republic of Korea (RoK) with the export value of US\$11 billion and ASEAN member countries with US\$8.5 billion.

Shipments to India reportedly made good use of the tax incentives prescribed in the ASEAN - India Free Trade Area (AIFTA) with the export value reaching US\$4.7 billion last year.

This figure accounted for 72 per cent of the total exports to the Indian market, a 2.6-time rise in comparison with the previous year.

Following were exports to Chile with a proportion of 67 per cent and those to the RoK with 60 per cent. Elsewhere, exports to neighbouring countries such as Laos and Cambodia recorded moderate ratios of 0.02 per cent and 10 per cent, respectively.

Agricultural exports made the best use of FTA tariffs due to their compliance with origin rules imposed on raw products and others for processed categories.

Industrial items recorded a fairly low proportion of the total exports benefiting from FTA tariff incentives as satisfying the technical specifications as required by importers remained a challenging matter.

During a recent workshop aimed to discuss the opportunities and pitfalls arising from the EU-

Vietnam Free Trade Agreement (EVFTA), Nguyen Thi Thu Trang, director of the WTO and Integration Center under the Vietnam Chamber of Commerce and Industry, cited outcomes from a recent business survey as showing that up to 84 per cent of the queried firms admitted their failure to optimize FTA tariff incentives due to a lack of information on relevant commitments and how best to utilize them.

This could be blamed for shortcomings from both State management agencies and enterprises themselves. The Ministry of Industry and Trade has yet to establish entities in charge of providing information related to FTAs, excluding the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), while local firms have not been active enough in updating themselves on relevant information.

As many as 82 per cent of the surveyed firms criticized State management agencies for their inadequacies and non-transparency in implementing FTAs, notably those in relation to delayed procedures.

There exists a large number of differences among regulations as committed in the FTAs, explained Ngo Chung Khanh, deputy head of the Multilateral Trade Policy Department under the MoIT.

He added that the rules which Vietnam has pledged to follow in the CPTPP vary from the EU-Vietnam Free Trade Agreement (EVFTA) on occasion, unintentionally making State management agencies face challenges when implementing these trade pacts.

Foreign-invested firms in Vietnam have made better use of FTA incentives, especially those on

preferential certificate origin, than domestic companies did, the trade official stressed.

Corporate News

7. Eximbank to issue bonds worth \$215 mln

↓ -0.56%

The bank's board of directors has tasked its CEO Nguyen Canh Vinh with obtaining permission from the State Bank of Vietnam (SBV) for the issue, Eximbank said in a statement Tuesday.

Eximbank, with Japan's Sumitomo Mitsui Banking Corporation (SMBC) being its strategic shareholder since 2008, saw its profit after tax in the first quarter drop 37 percent year-on-year to VND280.5 billion (\$12.1 million). Its bad debt ratio was 1.88 percent, rising by 0.03 percentage points from December.

Many banks in Vietnam have been seeking to raise capital through bonds since earlier this year.

LienVietPostBank said this week it has successfully raised VND3.1 trillion (\$133 million) from 10-year bonds with an interest rate of 7.35 percent.

VPBank this month raised \$300 million from 3-year international bonds issued to Asian and European investors. It plans to issue a total of \$1 billion worth of international bonds between 2019 and 2020 in multiple rounds, but has not unveiled when the next rounds will take place.

The SBV in May approved VietinBank's plan to issue VND10 trillion (\$428 million) worth of bonds. VietinBank is to decide the interest rate that the bonds will carry.

The Asian Commercial Bank (ACB) in May also approved a plan to issue 2-year and 3-year bonds worth VND5.5 trillion (\$237 million), with a maximum interest rate of 6.75 percent. It said the issue aims to increase its working capital and meet rising demand for credit.

HDBank earlier had become the first bank in the country this year to successfully raise VND5 trillion (\$215 million) through bond issues. It has approved plans to raise another VND5 trillion in similar fashion this year.

Economist Nguyen Tri Hieu told VnExpress International earlier that the main reason for the rush to issue bonds is that banks have to balance and restructure their capital to comply with regulations on credit safety limits.

Experts have also said that the issuance of bonds is needed for local banks to meet the Basel II international adequacy ratio (CAR) before 2020, as most of them have had their charter capital remain unchanged for years.

8. AAA: Notice of record date for cash dividend payment for 2019

↑ 1.34%

An Phat Bioplastics Joint Stock Company (AAA) announces the record date to pay the interim dividend for 2019 as follows:

Record date: August 15, 2019

Purpose: to pay the interim dividend for 2019

Detailed information:

- Exercise ratio: 5%/par value (5 dongs/share)

- Payment date: September 05, 2019

- Place of payment:

Shareholders whose shares have been deposited: at the securities firms where the shares have been deposited.

Shareholders whose shares have not been deposited: at An Phat Bioplastics Joint Stock Company from September 05, 2019.

9. Stock market briefs on July 25, 2019

↑ 1.34%

HCMC – Bibica Corporation (BBC) booked VND209 billion in net revenue in the second quarter of 2019 and VND12.8 billion in after-tax profit, up 66% year-on-year.

HCMC – Standard Chartered Bank Vietnam has been named one of the best companies to work for in Asia in 2019 by HR Asia, one of Asia's leading publications for HR professionals. This is the second consecutive year the bank has received this prestigious award.

HANOI – Hai Minh Corporation (HMH) has registered to buy over 1.02 million treasury shares via matching and put-through transactions from August 1 to 30. After the purchase, the firm will raise its total treasury shares to 1.3 million, or a 10.2% stake in the company.

HCMC – An Phat Bioplastics JSC (AAA) has announced August 14 as the ex-dividend date to advance a 2019 cash dividend of 5%. The record date will be August 15 and the payment date is slated for September 5.

HANOI – Tay Ninh Tourist – Trading Joint Stock Company (TTT) will close its shareholder list on August 14 to pay a 2018 cash dividend of 30%,

meaning that each shareholder will receive VND3,000 for each share held. With some 4.6 million outstanding shares, the firm will spend VND13.7 billion on the payment. The date of payment is August 30.

HCMC – Bui Phap, chairman of Duc Long Gia Lai Group JSC (DLG), has bought 2.5 million DLG shares to spur his holding in DLG to 66.72 million shares, or a 22.29% stake.

HCMC – Development Investment Construction JSC (DIG) has passed a plan to purchase 8.22 million shares of DIC No.4 Joint Stock Company (DC4) through a private placement at the price of VND10,000 per share.

HANOI – Vi Na Ta Ba Trading & Investment Joint Stock Company (VTJ) will buy 300,000 shares of Thai Son High Technology Application Production JSC from Nguyen Thi Thai at VND10,000 per share and 200,000 shares of the latter from Sao Viet High Technology Development JSC.

HANOI – Duong Thi Le Ha, deputy general director of National Citizen Commercial Joint Stock Bank (NVB), has acquired over 2.8 million NVB shares, or a 0.71% stake, while vice chairman Vu Manh Tien has got 1.9 million NVB shares, or 0.47% stake.

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