



VIETNAM DAILY NEWS

October 18th, 2019



Table of content

Table of content

- 1. VN-index ends up lower as correcting pressure rises**
- 2. Vietnamese SOEs must reform and invest in technology**
- 3. Vietnam considers more pork imports as prices surge**
- 4. Delay in land use plans hinders equitization: officials**
- 5. Seafood exports expected to fetch US\$10 billion: official**
- 6. Amending investment and enterprise laws to guarantee investor rights**
- 7. VBS 2019: Innovation and shift in workers issues in Industry 4.0**
- 8. CLW: Signing an agreement with N.T.P Company**
- 9. CCI: BOD resolution dated October 15, 2019**

Market Analysis

1. VN-index ends up lower as correcting pressure rises

The VN-Index retreated Thursday as correcting pressure in some market-leading blue-chips weighed on the index.

The benchmark VN-Index on the Ho Chi Minh Stock Exchange lost 0.47 per cent to close Thursday at 992.06 points.

Nearly 192 million shares were traded on the southern bourse, worth VND4 trillion (US\$171 million).

The VN-Index inched up 0.14 per cent on Wednesday.

Dragging the market down in Thursday's morning session were banking, real estate, oil and gas, construction, seafood processing, information and technology, healthcare, insurance wholesale, retail and securities sectors.

The sector indices fell between 0.07 per cent and 1.64 per cent, data on vietstock.vn showed.

Those were also the groups that had made strong gains in previous weeks as investors expected they would release good earnings reports for the last two quarters of the year.

Weak trading liquidity indicated investors were cautious during the third-quarter earnings season, VNDirect Securities Corp (VNDS) said in its Wednesday report.

Other groups such as logistics, food and beverage and construction materials made modest gains.

The three stocks that were strongly sold on Thursday were Vingroup (VIC), Vietcombank (VCB) and Sabeco (SAB).

Downward trend appeared in most of banking stocks such as VCB, Bank for Investment and Development (BID), techcombank (TCB), VPBank (VPB) and Military Bank (MBB), on Thursday.

Securities group also performed poorly as most of the stocks in the group such as Saigon Securities Incorporation (SSI), HCM City Securities Corp (HCM), VNDirect Securities Corp (VND) and Sai Gon-Ha Noi Securities Joint Stock Company SHS all dropped.

Construction materials saw advancement thanks to the growth of Hoa Phat Group (HPG), Vicostone JSC (VCS), Ha Tien 1 Cement Joint Stock Company (HT1) and Hoa Sen Group (HSG).

On the Ha Noi Stock Exchange, the HNX-Index edged up 0.13 per cent to end Thursday at 106.07 points.

More than 18.4 million shares were traded on the northern market, worth VND261 billion.

The northern market index lost a total of 0.1 per cent in the previous two days.

Foreign investors net bought VND18.31 billion on the HOSE, including Vinamilk (VNM) (VND44.90 billion), Vietcombank (VCB) (VND9.75 billion) and PetroVietnam Gas JSC (GAS) (VND3.94 billion). They were net buyers on the HNX with a value of VND1.39 billion.

According to Bao Viet Securities Co (BVSC), the market is forecast to continuously fluctuate with alternative ups and downs in a trading range in the remaining sessions of the week.

VN-Index is expected to fluctuate between 987 and 995 points, BVSC said.

The market will continue to experience a wide divergence among stock sectors, depending on Q3 business results.

"We forecast that the following sectors will achieve positive profit in Q3, including banks, real estate, electricity, natural rubber, and tire rubber. Besides, several stocks in Vn30 such as Vinamilk (VNM), Masan Group (MSN), Vietjet Air (VJC) and Phu Nhuan Jewellery (PNJ) are also expected to

achieve positive developments in the short term,” BVSC said.

Macro & Policies

2. Vietnamese SOEs must reform and invest in technology

The Prime Minister stressed the importance of Việt Nam's SOEs to the economy, saying the growth of SOEs remains a priority in the country's economic strategy and is crucial in solving numerous socio-economic development issues.

Against a backdrop of fierce competition and trade liberalisation in an increasingly complex global market, Vietnamese SOEs, now more than ever, must carry out reforms to improve management capacity, while investing in human resources and technologies to stay competitive.

"Old tricks can no longer work [in today's economic climate]," the PM told delegations of Việt Nam's SOEs at the conference, saying SOEs must break away from passive mindsets and outdated practises.

"SOEs must be the front runners in the industrial revolution race," he urged the country's SOEs to invest more in research and development, technological innovation, adding they must also start building an ecosystem of supporting small-and-medium sized businesses.

On the Government's side, the PM said Government agencies will grant more autonomy to SOEs to minimise unnecessary bureaucracy, building towards a performance-based remuneration system.

Greater autonomy, however, will come with greater responsibility and accountability. Mechanisms will also be put in place to supervise and monitor SOEs' activities, said the PM.

Speaking on SOEs' performance, the PM said it still left much to be desired, especially on the issue of equitisation, a term for the conversion of SoEs to joint-stock companies or corporations. During the entire 2016-19 period, only 36 SOEs were equitised or 28 per cent of the targeted figure.

Real estate, intellectual properties and other asset valuations have been identified as some of the major roadblocks for SOEs' equitisation.

Some SOEs whose equitisation processes were finalised are still yet to meet the country's listing regulations and were slow to restructure as economic experts voiced concerns over their particularly poor management capacity and failure to attract talent.

Hesitancy to change, conflicts of interest, unwillingness to part with privileges, corruption and the involvement of interest groups have all hindered the equitisation process, a key task for the Government in building Việt Nam's modern market economy.

"Vietnamese SOEs and the country's entire political apparatus are to continue the fight against corruption led by the Party and the State," the PM said.

After the conference the Ministry of Planning and Investment, the Ministry of Finance, the State Bank of Việt Nam and other Government agencies will immediately start working on new regulations and guidelines, which aim to help SoEs improve economic performance and management.

3. Vietnam considers more pork imports as prices surge

The order, signed by Deputy Prime Minister Vuong Dinh Hue, seeks to stabilize pork prices, which have been surging since earlier this month

and are now at a 3-year high of VND60,000-70,000 (\$2.6-3) per kilogram.

Experts have also expressed concerns that the recent price surge follows increasing exports to China. In January-August the country exported \$449 million worth of meat, up 3.6 percent year-on-year from 2018, mostly because of the rise in pork exports to China.

Domestic supply has been falling since the African swine fever broke out in February and spread to all localities. Almost 5 million pigs have been culled because of the virus, the Ministry of Agriculture and Rural Development estimated.

In January-September, pig stock in the country dropped 19 percent year-on-year, while pork supply fell 9 percent, according to the General Statistics Office.

4. Delay in land use plans hinders equitization: officials

Speaking at the conference, Deputy Prime Minister Vuong Dinh Hue said he had asked the Ministry of Natural Resources and Environment to amend the Government's Decree 126/2017 guiding the execution of the Land Law regarding wholly owned SOEs subject to equitization.

However, the ministry has failed to complete this task for the past two years, resulting in delayed equitization, Hue noted.

He cited a case of the Vietnam Bank for Agriculture and Rural Development (Agribank) as a typical example.

The bank has completed the evaluation of its assets and has appraised its land use plans, he stated. However, the problem is the delay in the approval of its land use plan in HCMC, slowing the entire process of going public.

Bui Thi Thanh Tam, chairwoman and general director of Vietnam Northern Food Corporation (Vinafood 1), pointed out that the firm's equitization plan may not be completed this year or the next due to problems with the land.

Tam confirmed that Decree 126 only requires the review of land plots owned by the holding company and two of its wholly owned SOEs.

Vietnam, the world's fifth largest pork producer last year, is at risk of a 500,000 ton shortage of pork, or 20 percent of total demand, between July and next February, according to global market research firm Ipsos Business Consulting.

In the first seven months, Vietnam imported \$22.1 million worth of pork, 4.3 times that of the same period last year, according to the Ministry of Agriculture and Rural Development. Major import markets were Brazil, the U.S. and Poland.

About 70 percent of all meat consumed last year in Vietnam was pork, according to the ministry.

However, the Ministry of Finance issued an official letter on land use plans related to equitization in April this year, ordering enterprises with at least 51% State capital to review their land and devise land use plans that must be approved before equitization.

The land of Vinafood 1 spans from the north-central province of Thua Thien-Hue to the northern provinces, totaling 25 localities with 246 plots where laborers have lived and farmed for a long time, making it difficult for local governments to easily take back the land.

"Many plots of lands have been subject to disputes since the 70s and 80s, so they could not be resolved immediately," she said.

She also voiced concern over the assessment of land value at subsidiaries where the State holds a controlling stake.

In response to the issue, Deputy Prime Minister Hue noted that if necessary, appropriate adjustments to the official letter should be made.

Data from the Ministry of Finance indicated that as of the end of the 2017 fiscal year, there were 526 wholly owned SOEs. By end-September 2019, only 148 SOEs had been authorized for restructuring.

Nine SOEs were approved to go public between January and September this year, raising the total number of SOEs subject to equitization to 168, with a total value of more than VND443 trillion (US\$19 billion), of which the State capital reaches over VND206 trillion (US\$8.9 billion).

In the reviewed period between 2016 and September 2019, the State capital divestment hit VND24.51 trillion (US\$1.05 billion), and the proceeds for the State were worth more than VND170.6 trillion (US\$7.3 billion).

5. Seafood exports expected to fetch US\$10 billion: official

Tran Cong Khoi, deputy director of the Department of Aquaculture, under the Vietnam Directorate of Fisheries, made the positive forecast despite the industry's unfavorable export trends in the first few months of the year. Other industry insiders, however, doubted the goal would be reached.

Last year, Vietnam earned US\$9 billion in seafood export turnover, a year-on-year increase of over 8%.

Of this, the export of tra fish totaled over US\$2.2 billion, up a staggering 26% against the 2017 figure. The country exported over US\$3.5 billion of shrimp products and US\$675 million of tuna, down 7% and up 13%, respectively.

Based on last year's export results, the industry is expected to reach the target of US\$10 billion this year, Khoi said at a conference to discuss the industry's potential and opportunities for investors, held on October 16 in Can Tho City. The event is part of the on-going Aquaculture Vietnam 2019.

Contrary to his forecast, some said that the targeted US\$10 billion would be hard to reach given the poor performance of the industry's exports early this year.

Reaching the target will be a tall order, since the exports of staple products, including shrimp and tra fish, all slipped during the first few months of the year, the director of a seafood company said on the sidelines of the event.

Data released by the Vietnam Association of Seafood Exporters and Producers (VASEP) show

that the country exported US\$6.3 billion worth of seafood in the first nine months of the year, down 0.8% versus the year-ago figure.

Aside from tuna products, which recorded a 20% increase, the outbound sales of shrimp and tra fish fell 7% and 8%, respectively.

With these export results, VASEP is remaining cautious in forecasting this year's seafood export turnover at an estimated US\$8.9 billion, much lower than the figure released by the Vietnam Directorate of Fisheries.

Over 100 exhibitors join Aquaculture Vietnam 2019

The three-day event, kicking off on October 16, has attracted more than 100 companies from 20 countries and territories. They have showcased a wide selection of products, equipment and solutions in the aquatic sector.

In her opening remarks, Rose Chitanuwat, project manager of Informa Markets Asia, which organized the trade show, said that Vietnam has great potential in the aquaculture sector thanks to its advantages in terms of its geography, environment and human resources.

However, amid the fierce competition in the global market and requirements for achieving sustainable development, the local sector and fishery firms have to update their production methods and search for new input materials, equipment and solutions to enhance product quality and quantity, as well as reduce production costs and protect the environment, she said.

6. Amending investment and enterprise laws to guarantee investor rights

Yesterday (October 15), a conference collecting comments for the draft Law on Investment and Law on Enterprises took place in Hanoi with the participation of the Ministry of Planning and Investment, economic experts, businesses, and legal firms.

Nguyen Anh Tuan, editor-in-chief of nhadautu.vn newswire, said that perfecting institutions and policies for a transparent legal framework and international integration is a major target for the government and the National Assembly.

Laws on investment and business are being built to submit to the National Assembly's next meeting session, including the amended Law on Investment and Law on Enterprise, which are in the centre of attention for foreign and local investors.

Opening the conference, Deputy Minister of Planning and Investment Vu Dai Thang highly appreciated the meeting, which is held a day before these two drafts are reported to the National Assembly Standing Committee for further comments. These two laws play an important role in improving the business and investment climate, as well as the operation of all businesses in the country.

Over more than 30 years of doi moi and mobilising FDI capital, these laws are being perfected to conform with the country's direction and strategy of socio-economic development and luring in FDI capital.

Over four years of implementation, these laws have significantly improved the investment and business climate. The number of newly-registered enterprises has increased by 65-70 per cent over the last three years, and their numbers in the first nine months of 2019 peaked at 102,300 businesses, a 20-year record.

Besides, investment activities are improved significantly. During 2016-2018, newly-registered and disbursed FDI capital soared rapidly, contributing to the total social investment capital. Additionally, over 3,000 business conditions were cut last year, improving national competitiveness remarkably.

However, in the context of international integration and fluctuations, numerous shortcomings have been revealed in these laws. At the meeting, Nguyen Mai, chairman of the Vietnam Association of Foreign Invested Enterprises (VAFIE), highlighted that the measures protecting the rights of investors (which are committed by the host country) play an important role in luring investment.

Article 13 of the Law on Investment stipulates that investors can enjoy the investment incentives allotted to them in their investment certificates undisturbed even if legal documents change. However, investors need further guarantees on property ownership, transferring their legal property and profit overseas, and their investment rights in case of legal changes. Thereby, Mai proposed adding a chapter on investment guarantees containing provisions related to the rights of investors.

Nguyen Van Toan, vice chairman of the VAFIE, said that Article 13 of the Law on Investment 2014 stipulated that projects can keep their investment incentives but other conditions are not guaranteed despite being included in the investment certificate.

So the VAFIE's vice chairman recommended adding some content to Article 13. For instance, in case a newly-promulgated legal document contains provisions that are inconsistent with the regulations and conditions of the investment certificate granted, the investors may continue to comply with the contents of the certificate, unless they want the new legal provisions to apply to them.

Meanwhile, Dau Anh Tuan, head of the Legal Department of the Vietnam Chamber of Commerce and Industry (VCCI), emphasised some provisions that are overlapping and are unclear in the laws on business investment. The overlap is causing troubles that investors and businesses have to do administrative procedures twice, waste time and costs, and puts them at risks of committing inadvertent violations. "Thereby, it is necessary to clarify and finalise the laws on Investment, Enterprises, Land, Construction, and Environmental Protection," said Tuan.

The VCCI representative also said that if these overlaps were removed, the Law on Investment

would be a motivation for economic development

in the time coming.

7. VBS 2019: Innovation and shift in workers issues in Industry 4.0

"The majority of Vietnamese enterprises, as small and medium-sized enterprises, should focus on innovation, management capacity, and technology application. Without innovating management processes, enterprises cannot absorb technology and then innovate to achieve patents, and can only buy technology," Deputy Minister of Science and Technology Bui The Duy told the Vietnam Business Summit (VBS) 2019 on October 16 in Hanoi.

With the theme "Vietnam: We Mean Business - Partnerships in the Digital Era", VBS 2019 was organized by the Vietnam Chamber of Commerce and Industry (VCCI) to focus on discussions on scientific and technological innovations and the shift of human resources in the modern era and the opportunities for Vietnam. The event attracted more than 600 participants.

Analyzing the opportunities from the digital economy, VCCI Chairman Dr. Vu Tien Loc said that the world is entering a digital era and the digital era is about technological breakthroughs and labor mobility. Vietnam, though adapting later, has great opportunities and conditions for implementing Industry 4.0. "Opportunities in the digital economy cannot stop with discussions at forums," he also pointed out.

Vietnam has more than 64 million internet users - higher than the world average and among the highest in Asia. It ranked in the top 5 fastest-growing information technology countries in the world in 2017, with growth of 16 per cent, and up to 55 per cent of its population use smartphones. Its creative capacity increased 12 places to 47th globally in the last year. Its e-government index also rose ten places.

Vietnam's startup index ranks sixth out of 54 economies surveyed. AlphaBeta's research results

also rank Vietnam in second position in terms of technology investment environment and third in digital talent in the Asia-Pacific region, Dr. Loc emphasized.

"It's encouraging to see both the Vietnamese Government and the business community embrace Industry 4.0 with eagerness," Mr. Vo Tan Long, Technology Consulting Partner at PwC Consulting Vietnam, said at a panel discussion on the impacts of scientific and technological innovations. "The commitment is definitely there, but there is work to be done."

"Adopting new technologies is important, but more than that, business leaders need to think of digital transformation as an integral part of the overall development strategy of their business."

VBS 2019 also discussed how Vietnam's labor market is shifting under the impact of Industry 4.0, as well as new cooperative opportunities for employers, workers, and human resources training organizations in Vietnam, the future orientation of Vietnam's labor market, and the solutions from the government to improve the quality of the workforce.

Economic analysts also spoke with business leaders about ways to optimize business opportunities in Vietnam in the digital age in areas such as finance, agriculture, and manufacturing, and introduced examples of the successful application of science and technology to optimize operations at Vietnamese enterprises.

Enterprises have the opportunity to update the latest development trends in the economy in the digital age, seek new business opportunities, and study lessons learned and the best practices of innovative businesses that have succeeded in Vietnam.

Corporate News

8. CLW: Signing an agreement with N.T.P Company

↑ 0.00%

Cho Lon Water Supply Joint Stock Company announces Board Resolution No.43 dated October 16, 2019 as follows:

The Board of Directors approved to sign a purchase agreement with N.T.P Trading Co., Ltd. with the agreement value of VND291,308,457 (10% VAT included).

9. CCI: BOD resolution dated October 15, 2019

↓ -0.66%

Cuchi Commercial and Industrial Developing Investment Joint Stock Company announces the Board resolution dated October 15, 2019 as follows:

1. Approving the business result in Q3.2019:

- Total revenue: 100,602 million dong
- Total expenses: 89,668 million dong
- Profit before tax: 10,934 million dong
- Corporate income tax: 2,224 million dong

- Profit after tax: 8,711 million dong.

2. Approving the business plan in Q4.2019:

- Total revenue: 115,233 billion dong
- Total expenses: 102,857 billion dong
- Profit before tax: 12,376 billion dong
- Corporate income tax: 2,235 billion dong
- Profit after tax: 10,141 billion dong.

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