



VIETNAM DAILY NEWS

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Market Analysis

1. VN-Index fails to hit 1,000 points as selling increases

The benchmark VN-Index on the Ho Chi Minh Stock Exchange inched down 0.01 per cent to end at 996.48 points.

Nearly 184 million shares were traded on the southern bourse, worth VND3.75 trillion (US\$160 million).

The index made a weekly gain of 0.74 per cent last week.

Trading was positive in the morning thanks to blue-chips such as brewery Sabeco (SAB), Bank for Investment and Development (BID), PetroVietnam Gas JSC (GAS), dairy firm Vinamilk (VNM) and Vietinbank (CTG). The rally pushed the index to 999 points.

However, in the afternoon, selling pressure on Vietcombank (VCB), Vinamilk (VNM), Novaland (NVL) and Military Bank (MBB) pushed the index down.

According to BIDV Securities Co (BSC), the index had experienced a correction while most major stock markets in the region posted gains.

The Asia stock market has gained substantially recently with positive progress made in US-China trade negotiations. At market close on Monday, MSCI Asia Pacific ex Japan had increased 0.085 per cent to 517.712 points – the highest closing point since early August.

The Shanghai Composite also gained 0.85 per cent to 2980.05 points.

Hong Kong's Hang Seng witnessed an increase of 0.84 per cent to 26,891.26 points.

Meanwhile, Japan's Nikkei 225 was up 0.30 per cent to settle at 22,867.27 points – the highest closing point so far this year.

US-China trade have been making progress. During a high-level teleconference that took place last Friday, both the Office of the US Trade Representative and the Ministry of Commerce of the People's Republic of China said the US and China were very close to finalising a trade deal.

US President Donald Trump also claimed that he expected to sign a trade deal with Chinese President Xi Jinping at a summit in Chile next month.

According to Bao Viet Securities Co (BVSC), the long-lasting trade war between the US and China had negatively influenced global economic growth and especially the world's two largest economies. From a business perspective, the trade war had caused anxiety and uncertainty.

Businesses had been cautious about production planning, so if the deal was signed, they were expected to gain more confidence in production and business activities, BVSC said.

Foreign investors bought a net value of VND15.16 billion on the HOSE, including FLC Faros Construction Joint Stock Company (ROS) (VND23.87 billion), Phu Tai Joint Stock Company (PTB) (VND23.06 billion) and Hoa Phat Group (HPG) (VND18.98 billion). Foreigners were net buyers on the HNX with a value of VND11.12 billion.

On the Ha Noi Stock Exchange, the HNX-Index rose 0.31 per cent to close at 105.04 points.

The northern index dropped 0.73 per cent last week.

BSC said in its report that the VN-Index would be struggling around the 985-1,000 point range for the next few sessions, especially with the Q3 business report season coming to an end and the market searching for a new driving force.

Macro & Policies

2. Franchising: A promising field in need of regulations, policies

Initial vibrancy

From 2007 to the end of 2018, Vietnam granted franchise licenses to 213 foreign businesses in various fields such as food, fashion and convenience stores. These include reputable brands such as McDonald's, Baskin Robbins (USA), Pizza Hut, Burger King (Singapore), Lotteria, BBQ Chicken (Republic of Korea), Swensen's (Malaysia), Karren Millen, Coast London (UK), Bvlgari, Moschino, Rossi (Italy).

Domestic companies have also joined the franchise market to enhance their brand value. Trung Nguyen coffee has been a pioneer, followed by Pho 24, Kinh Do Bakery, Ninomaxx, Foci, T&T and the Vu Giang Company Limited.

Of these, Pho 24, Duc Trieu, a private company trading in leather footwear and handbags under T&T brand, and the Vu Giang Company Limited, which trades in Bobby Brewers coffee, have been licensed to franchise abroad.

Major areas of franchising involving foreign brands in Vietnam include fast food and restaurants, accounting for 41.31 percent of all franchises in the domestic market. Furniture, cosmetics and other consumer goods account for 15.49 percent, franchises in the field of fashion account for 14.08 percent of the total; those in education and training account for 11.47 percent.

In 2018, 17 foreign companies received licenses to operate as franchises in Vietnam, including JYSK A/S (Denmark) - a specialist in household utensils and decorations; Puma SE (Germany) - shoes and sportswear; and Factory Japan Group (Japan) - massage.

According to the Vietnam Institute of Industrial and Trade Policy and Strategy - the unit responsible for implementing the project to develop franchise businesses in Vietnam, franchises have developed rapidly and contributed to diversifying business forms in Vietnam.

The number of foreign brands franchised in Vietnam has increased in the past three years while domestic companies have also franchised their brands overseas. Currently, about 200 franchise brands are available nationwide, concentrated in the food, fashion and retail markets.

Management policies

Most foreign franchises in Vietnam are primary franchises, which give domestic companies a monopoly over foreign brands they acquire. Few global brands in Vietnam operate as secondary franchises, which allow primary partners to further franchise to secondary partners as in developed countries.

Existing regulations do not require franchising activities of domestic companies to be registered with state management authorities, making it hard to control their activities. Domestic franchisors are also mostly small and medium-sized enterprises with poor management capacity. Therefore, they often encounter difficulties in controlling the operations of their franchise.

To be eligible for franchising, apart from strong brands, businesses need to have adequate management and system control capability. In fact, Vietnamese businesses are still weak in management skills and pay little attention to brand protection. Most of their overseas franchises are not successful. This problem is attributed to a lack of state policies to support franchise development. Legal documents related to franchising overlap, causing difficulties for management and dispute resolution. Most laws and regulations in this field deal with franchisors but not franchisees who are directly involved in disputes and intellectual property rights.

Most domestic franchisors have yet to pay adequate attention to strengthening and protecting their brands. Vietnam still lacks reputable domestic brands to attract foreign franchisees. Domestic companies are still weak in financial capacity as well as technical and human resources. These limitations hinder their

performance as either franchisors or franchisees. Overseas franchises of Vietnamese companies still

lack a standard model.

3. Tea export price enjoys drastic rise in Chinese market

Vietnam shipped a total of 5,800 tons of tea overseas during the first half of October, raking in US\$9.8 million, up 1.3 per cent in volume and up 0.4 per cent in value compared to last year's corresponding period.

Despite this growth, the average export price fell slightly by 0.9 per cent to US\$1,686 per ton.

Between the beginning of the year and October 15, the country exported 99, 850 tons of tea worth US\$175.1 million, up 2.7 per cent in volume and up 8.8 per cent in value on-year. In line with this increase, the average export price rose by 5.8 per cent to US\$1,753 per ton.

Pakistan remained Vietnam's largest tea importer during the nine-month period, purchasing 31,000

tons of tea for US\$62.3 million, up 30.6 per cent in volume and up 18.4 per cent in value compared with last year's same period.

According to projections calculated by the United Nation's Food and Agriculture Organization (FAO), Pakistan's consumption of black tea currently stands at 172,900 tons per year, with this figure projected to rise to 250,750 tons by 2027.

With an increasing demand for tea, Pakistan represents a strong potential export market for domestic tea firms.

Elsewhere, the country shipped 13,900 tons of tea to the Taiwanese market during the nine-month period for US\$ 21.6 million, up 1.4 per cent in volume and up 2.2 per cent in value.

4. Dak Lak needs clear direction for organic agriculture: official

The Central Highlands province of Dak Lak has many advantages and potential to develop organic agriculture, but the province still lacks clear development directions, according to an official of the Ministry of Agriculture and Rural Development (MARD).

Speaking at a recent conference on policies for organic agriculture held in Dak Lak province, Deputy Director of the MARD's Department of Farm Produce Processing and Market Development Pham Van Duy said organic agricultural production in Dak Lak is on a small scale without any planning and direction as regards the types of plants and animals, or the designation of areas for specific kinds of products.

At the same time, the domestic market for organic farm product is at a nascent stage while there is no available export market, according to Duy.

He also noted that the existing legal framework and standards in this field are uncoordinated, and there is a shortage of policy and mechanism incentives for its development.

The official recommended the provincial authorities pay attention to building specific policies targeting organic agriculture, while creating favourable conditions to attract investment into the field.

Dak Lak province is endowed with more than 370 million hectares of basaltic soil, favourable for industrial plants and fruit plants. The province has the largest area and output of coffee in the country with the "Buon Ma Thuot coffee" brand granted protection for geographical indications. Its topography and climate is also suitable for animal farming./.

5. Red tape needs to be cut for better business environment: WB

The outlook for Vietnam's business environment remains positive but further digitalisation and streamlining of the administrative system are required, a World Bank (WB) expert has said.

Vietnam has slipped one place in the WB's Doing Business 2020 Report. It ranks 70th in this year's report compared to 2019's 69th.

It is also the second year the Southeast Asian economy's ranking has declined despite achieving a higher score. The country scored 69.8 in this year's report, higher than the previous two years' figures of 66.77 (2018) and 68.8 (2019).

In the report that was released on October 24, the WB ranked 190 economies by 10 criteria on starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting minor investors, paying taxes, trading across borders, enforcing contracts, and resolving insolvency.

Of the 10 criteria, Vietnam ranks between 25th and 27th in helping firms deal with construction permits, access to power and capital funding. The scores in these three criteria are 79.3, 88.2 and 80.0, respectively.

Paying taxes and starting a business are two criteria that were highlighted as needing improvements by the World Bank.

The country scores 85.1 in "starting a business" and 69.0 in "paying taxes". It ranks 115th and 109th, respectively.

Protecting minor investors is another issue. Vietnam scored 54.0 and ranked 97th in the report.

Resolving insolvency is the worst criterion as Vietnam scores only 38.0 and ranks 122nd out of 190 economies.

Jaques Morisset, the WB's Lead Economist and Programme Leader for Vietnam, Macroeconomics, Trade and Investment – told Vietnam News that Vietnam has made progress in the last eight years

and its economy "is much better than others with the same per-capita income."

The ranking "doesn't mean Vietnam has not approved or implemented reforms" as it is only relative, he said. "It means Vietnam has made progress but not as fast as other countries."

Jacques said the Vietnamese Government should focus on improving criteria on trading and tax paying because they are the two sub-categories where Vietnam is performing the worst.

A streamlined administrative system is required to boost the economy's business environment, he said.

"Vietnam has many regulations and a lack of coordination across ministries. Companies often do not know where to go."

"Vietnam also has a lot of duplication – the same document and information is often needed multiple times."

In addition, digitalisation will facilitate a faster-growing economy as the authorities will have less paper to work on and simplify their workflow, Jacques said.

"Vietnam is still growing very fast compared to other economies. Everybody has to be aware that (the global economy) may be more difficult than it used to be."

"It's another reason why Vietnam needs to push for more reforms and a better business environment. If firms can compete and co-operate in a good environment, they will invest more and create more jobs."

In the ASEAN region, Vietnam was behind Singapore (2nd), Malaysia (12th), Thailand (21st) and Brunei (66th). Following Vietnam were Indonesia (73rd), the Philippines (95th), Cambodia (144th), Laos (154th), Myanmar (165th) and Timor Leste (181st).

According to the report, East Asia-Pacific economies had improved 33 criteria for small- and

medium-sized enterprises (SMEs). However, the region's overall reforms were slowing down.

China led the region in eight categories. Others included Indonesia and Myanmar, which made headway in information, communication and technology.

Progress was also seen among East Asia-Pacific economies in helping businesses get better access to credit, power supply and construction permits. However, limits remained in enforcing contracts, which requires international practices and arbitrators to resolve./.

6. Anti-dumping duties on steel products extended for 5 more years

The Ministry of Industry and Trade (MoIT) has decided to extend the anti-dumping duties on cold-rolled stainless-steel products originated from China, Indonesia, Malaysia and Taiwan (China) for an additional five years, starting from October 26.

According to the ministry, five years on since its imposition of anti-dumping duties, the domestic steel production sector has gradually recovered but the growth rate remains instable and is on a declining trend.

In the 2018 – 2019 period, the maximum production capacity stood at only 69.4 percent, with production growing 1 percent and sale volume down 5 percent.

The market share of domestic companies went up following the imposition but decreased during the

2018-2019 period, to 42.8 percent. Turnover of the domestic steel production sector also grows by only 4.69 percent at present.

Those statistics showed there is a close link between dumping act from foreign companies and the potential damage to local production, stated the MoIT.

Vietnamese law on foreign trade management stipulates that the Ministry of Industry and Trade could apply anti-dumping duty retrospectively to the imported products if they are determined to cause possible significant loss or serious injury to domestic industry.

The ministry began to conduct the final review on the target products at the end of October 2018./.

7. Vietnam beverage industry potential appeals to foreign players

Foreign beverage companies are looking to make inroads into Vietnam which is standing out as one of the most promising markets thanks to its sustained growth.

Consumption of beverages, including alcoholic and non-alcoholic drinks, in Vietnam is on the rise with an annual increase of 6%-8%, reaching 81.6 billion liters in 2016, and is projected to hit roughly 109 billion liters by 2020.

The industry is characterized by a growing population and a rising number of middle income individuals, according to the EU-Vietnam Business Network (EVBN), a project co-funded by the European Union and established in 2014.

Consequently, various foreign beverage companies have been expanding their footing to

this lucrative market, creating a competitive market environment.

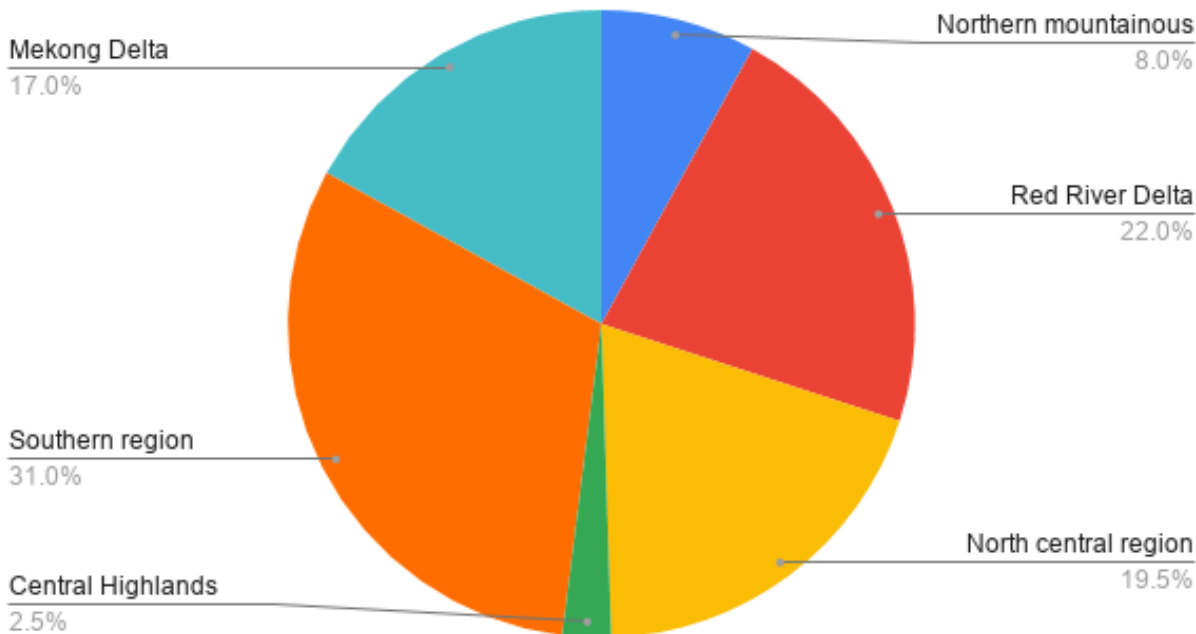
While local manufacturers diversify their product portfolios in response to more demanding consumers, the high-end segment, which often brings higher margin, is dominated by foreign players, especially in the alcoholic drinks sector.

The involvement of foreign players has posed certain difficulties for local beverage manufacturers due to the limited capital budget and expertise in establishing influential brand names, according to a report by the EVBN, which strengthens the EU business sector in facilitating market access in Vietnam by advocating and engaging primarily with the Government of Vietnam, the Vietnamese business sector and other stakeholders.

The master plan of development for beverage industry by 2025 by the Ministry of Industry and

Trade has defined that:

Beverage capacity

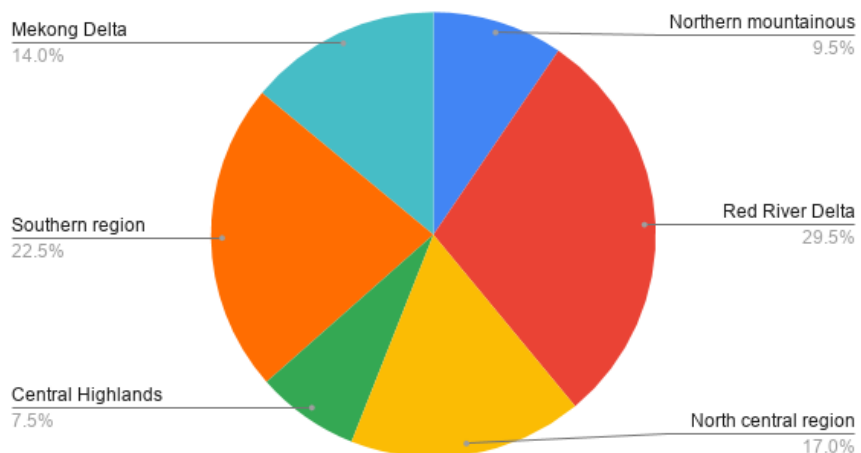


Beverage capacity in Vietnam in 2015-2020. Data: EVBN. Chart: Linh Pham

(1) Beverage capacity in the northern mountainous region is targeted to account for 8% of the

country's total by 2025, the Red River Delta 22%, the north-central region 19.5%, the Central Highlands 2.5%, the southern region 31%, and the Mekong Delta 17%.

Wine production capacity

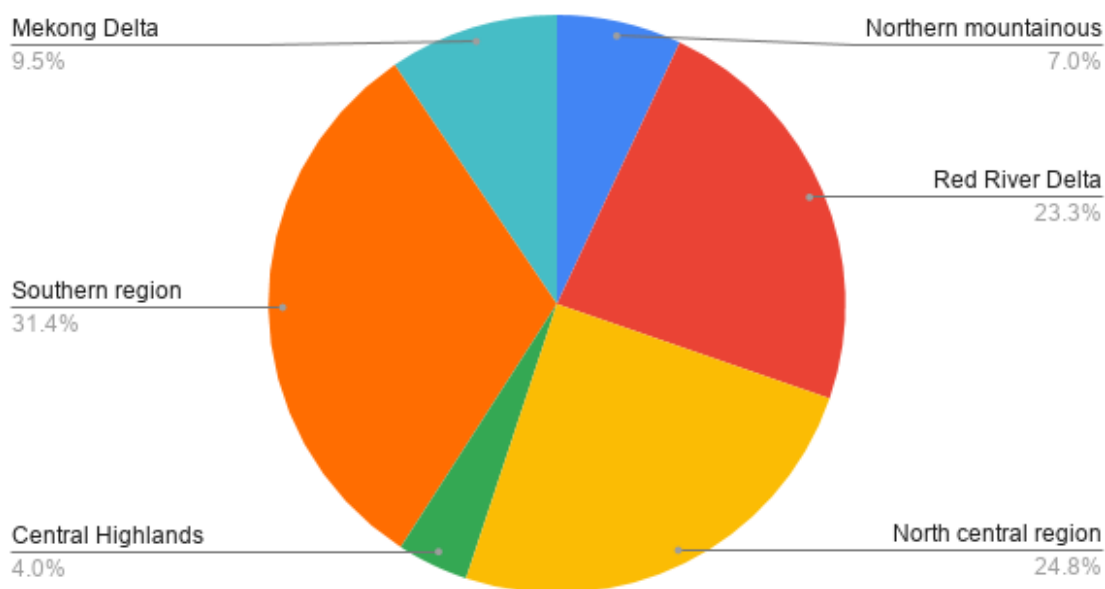


Wine production capacity in Vietnam in 2015-2020. Data: EVBN. Chart: Linh Pham

(2) Wine production capacity will be given focus in the Red River Delta, the southern region and the Mekong Delta. The central highlands and north-central region are to develop fruit wine while other regions are to develop white wine and mixed wine. Production of wine in the northern

mountainous region is to account for 9.5% of the country's total by 2025, the Red River Delta 29.5%, the north-central region 17%, the Central Highlands 7.5%, the southern region 22.5%, and the Mekong Delta 14%.

Beer brewing capacity



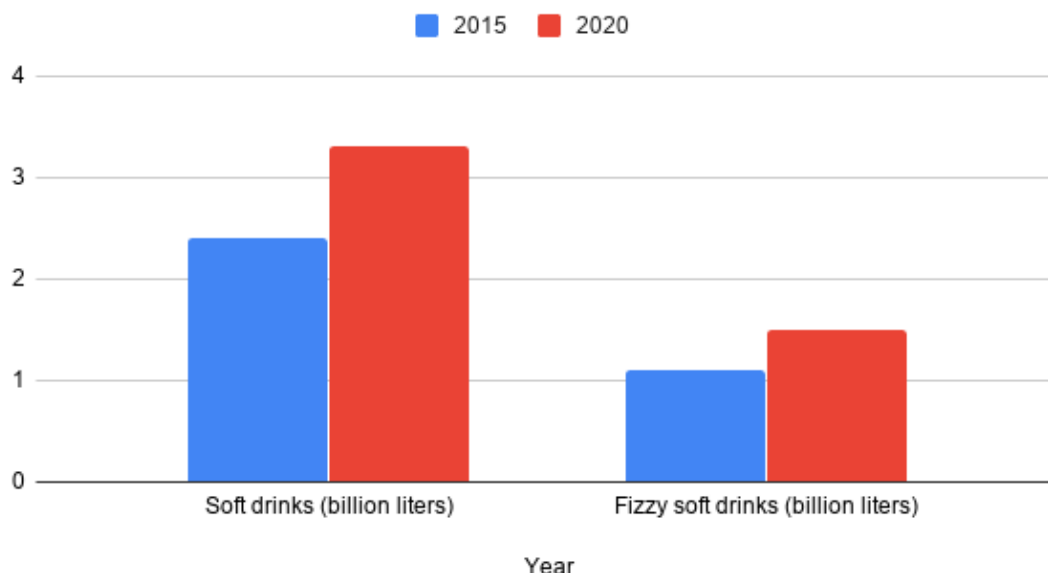
Beer brewing capacity in Vietnam in 2015-2020. Data: EVBN. Chart. Linh Pham

(3) The beer brewing capacity in the northern mountainous region accounts for 7% of the country's total, the Red River Delta 23.3%, the north-central region 24.8%, the Central Highlands

4%, the southern region 31.4%, and the Mekong Delta 9.5%.

Non-alcoholic drinks

Sales of soft drinks and fizzy soft drinks in Vietnam



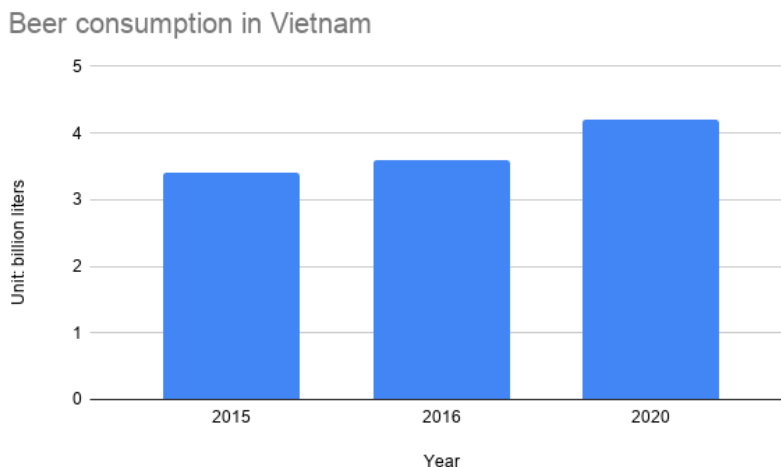
Sales of soft drinks and fizzy soft drinks in Vietnam in 2015-2020. Data: EVBN. Chart: Linh Pham

In 2015, volume sales of soft drinks (juices, bottled water, ready-to-drink tea/coffee) and fizzy soft drinks in Vietnam reached 2.4 billion liters and 1.1 billion liters, respectively. By 2020, the sales of each sector are estimated to be 3.3 billion liters and 1.5 billion liters, respectively.

In terms of sales value, these subsectors will be one of the fastest growing in the fast-moving consumer goods (FMCG) industry, with a forecast US\$7.65 billion in sales in 2020.

The large market and high profitability are the reasons foreign manufacturers pour their investment into Vietnam. A more competitive landscape has called both domestic and foreign players to be more innovative in terms of diversifying their product offerings, retailing strategy, and marketing spending.

Alcoholic drinks



Beer consumption in Vietnam in 2015-2020. Data: EVBN. Chart: Linh Pham

Beer

Vietnam is the biggest beer market in Southeast Asia. In 2015, local consumption of beer products reached 3.4 billion liters. The figure climbed to 3.6 billion liters in 2016 and is expected to grow considerably to 4.2 billion liters in 2020.

Consumption per capita has continuously risen during this period; by 2020, it is estimated that each Vietnamese will consume over 42 liters of beer per year. This high level of consumption has put the country in the top 10 Asian consumers of alcohol.

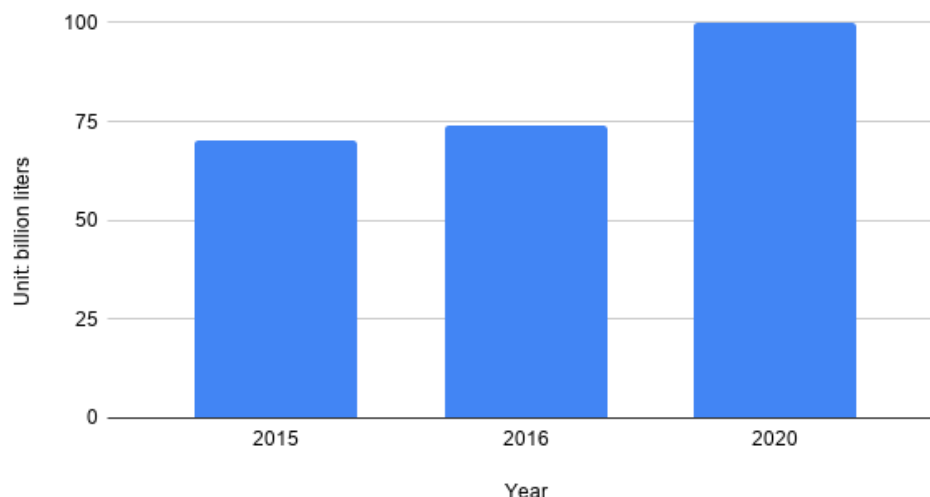
The Ministry of Industry and Trade has recently

released a Decision on the development plan for beer sector with a vision for beer production to reach 5.5 billion liters in 2030.

This master plan strengthens the important contribution of beer in Vietnam's alcoholic drinks sector as it has attracted interest from both local and international brewers. The development of beer sub-sector is expected to be driven more prominently by global players as the Vietnamese government is seeking to reduce its participation in Sabeco and Habeco, two major breweries in Vietnam, which respectively hold 46% and 14.8% of the total beer market share.

Wine and spirits

Consumption of wine and spirits in Vietnam



Consumption of wine and spirits in Vietnam in 2015-2020. Data: EVBN. Chart: Linh Pham

In 2015, consumption of wine and spirits in Vietnam reached 70 million liters. This number reached 74 million liters in 2016 and is forecast to grow to 100 million liters in 2020.

In general, wine and spirits can be considered as “infant” sub-sectors, having been held back by an absence of multinational investment and by their relatively higher price tags. However, the robust forecast trend is backed by a rising affluent Vietnamese population.

Nevertheless, it is important to mention that due to the gap in income distribution between urban and rural areas, the consumption of wine and spirits is concentrated in urban centers such as Hanoi, Ho Chi Minh City and Da Nang.

In terms of the local manufacturing plan to 2030, the country's target is to produce 350 million liters of liquors (of which 50% are industrial production).

Conclusion

Vietnamese consumers are shifting towards consumption of beverages with higher value, creating opportunities for penetration to upper-class beverage segments. Though both local and foreign players have attempted to act in response to this shift, overseas companies are currently at edge due to the preference for international brands of Vietnamese consumers.

Besides an improvement in demographic profile, it should be noted that Vietnamese consumers are the most health-conscious in Southeast Asia, calling for manufacturers to start rethinking market offerings which will be calibrated towards healthier product portfolio such as fruit juices or herbal teas.

Ongoing development of the tourism industry and retailing network in Vietnam also act as catalysts for the growth of beverage industry as they create further demands for high-end drink segments as well as enhance the availability of beverage product lines via modern trade channels, the EVBN concluded.

Corporate News

8. VPB: Report on purchasing the treasury shares

↑ 0.23%

VietNam Prosperity Joint Stock Commercial Bank reports the result of the purchase of treasury shares as follows:

- Stock symbol: VPB
- Number of treasury shares before trading: 73,219,600 shares
- Number of registered shares to buy: 50,000,000 shares

- Bought volume: 50,000,000 shares
- Trading period: from October 02, 2019 to October 31, 2019
- Current treasury shares volume: 123,219,600 shares
- Average trading price: VND 22,194/share
- Trading method: order matching.

9. SMC: Decision on tax penalties

↓ -0.44%

SMC Trading Investment Joint Stock Company received the decision of tax inspection by the General Department of Taxation dated October 14,

2019 regarding the tax penalty with total amount of VND 2,275,265,100

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