



VIETNAM DAILY NEWS

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Market Analysis

1. Shares gain as Fed signals to keep rates low

Vietnamese shares advanced on Friday thanks to global upbeat sentiment as investors cheered the speech by the US's FED chairman Jerome Powell at a conference overnight.

The benchmark VN-Index on the Ho Chi Minh Stock Exchange gained 0.49 per cent to 878.98 points after having remained sluggish in the previous two trading days.

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

More than 398.3 million shares were traded on the southern market, worth VND7.7 trillion (US\$334.8 million).

Market breadth was positive with 225 gainers and 180 decliners.

Market sentiment improved on Friday following the keynote speech made by US's Federal Reserve Chairman Jerome Powell, indicating the US central bank will keep low rates to possibly achieve higher inflation at the end of the year.

Other markets in the Asia-Pacific region reacted well to the news as it showed risky assets such as stocks could get a boost from more foreign capital based on a cheaper US dollar.

A strong cash flow was poured into multiple blue-chip stocks such as Bank for Investment and Development of Viet Nam (BID), Vietinbank (CTG), FPT Corporation (FPT), PetroVietnam Gas JSC (GAS), HDBank (HDB), Masan Group (MSN), Mobile World Group (MWG), Novaland (NVL), Phu Nhuan Jewelry (PNJ), PV Power (POW), Vinhomes (VHM), Vietjet (VJC), Vinamilk (VNM) and VPBank (VPB).

According to Thanh Cong Securities Company, the market is expected to move forward the resistance areas of 880-900 points in the short-term.

"However, it is likely to continue to struggle with strong differentiation among stocks in the next few sessions," the company said.

Fourteen out of 25 sectors on the stock market increased such as wholesale, insurance, securities, retail, healthcare, food and beverage and construction.

On the negative side, losers weighed down on the overall market such as real estate, information and technology, energy, banking, agriculture, rubber production, logistics, seafood production and construction materials.

Large-cap stocks performed well with the blue-chip tracker VN30-Index rising 0.91 per cent. Its growth also bolstered market confidence in small-cap and medium-cap stocks.

On the Ha Noi Stock Exchange, the HNX-Index added 0.73 per cent to 125.84 points, extending its rally from a seven-day run of total 6.75 per cent.

More than 78.7 million shares were traded on the two exchanges, worth VND1.3 trillion (US\$56.5 million).

Foreign investors net sold VND1.2 trillion on HOSE. They were net sellers on the HNX with a value of VND9.79 billion.

Macro & Policies

2. Pandemic derails banks' capital hike plans

To meet the capital adequacy ratio (CAR) of the international banking standard Basel II as required by the State Bank of Viet Nam (SBV), many State-owned and private commercial joint-stock banks approved plans to increase capital early this year.

However, the pandemic might ruin their plans, especially for banks that didn't report high profit last year. It has been reported that only a few banks, including ACB and Bac A Bank, have succeeded in their capital increase plans to date.

Recently, ACB was among few banks to complete the charter capital hike from VND16.63 trillion (US\$713.73 million) to nearly VND21.62 trillion through issuing shares at a rate of 30 per cent to pay dividends in 2019.

Bac A Bank also increased its charter capital from VND6.5 trillion to VND7.1 trillion by issuing 58.5 million additional shares to pay dividends, with a ratio of 9 per cent.

Some other banks expect to do the same to increase their capital in the remaining months of this year as it is considered the most feasible method amid the pandemic.

HDBank announced it would issue shares to pay dividends at a rate of 50 per cent and bonus shares at the rate of 15 per cent, increasing its charter capital from nearly VND9.81 trillion to VND16.088 trillion.

If the issuance is completed this year, HDBank will have the highest charter capital growth in the local banking industry.

TPBank is also planning to issue shares to increase its charter capital, which is expected to increase from nearly VND8.6 trillion to more than VND10.6 trillion. To meet the plan, TPBank will issue more than 181 million shares and issue nearly 34 million shares under an employee stock ownership programme.

Many other banks, such as MB, SCB and VietA Bank are also planning to raise capital using the measure.

While increasing stock dividend to hike capital is the fastest solution at this moment due to the impacts of COVID-19, experts forecast it would be uneasy to do as it needed approval from the banks' shareholders. In fact, in the current situation, it is difficult to raise capital right from existing shareholders, let alone potential investors, including foreign investors.

From the beginning of the year until now, due to the outbreak of the pandemic, all economic sectors and industries have slowed and faced challenges to raise capital.

"There are only some four months left this year while the country has to resolve the second wave of the COVID-19 outbreak in some localities, causing difficulties for sectors, including banking, to raise capital. It, therefore, challenges banks to meet their capital increase plans set early this year," banking expert Nguyen Tri Hieu told Viet Nam News.

Despite the challenges, Hieu said the application of the capital adequacy ratio Basel II standards should follow the SBV's roadmap this year, explaining that the more challenges the banking system faced, the more transparency needed to be improved.

"The COVID-19 pandemic will be one of the tests to prove the resilience of the country's credit institution system to difficulties. Meeting Basel II standards is also a confirmation of the banks' financial strength and reputation," Hieu said.

As for State-owned banks Agribank, Vietcombank, VietinBank and BIDV, the SBV's Governor Le Minh Hung recently directed agencies to work with relevant ministries to increase charter capital for the banks.

While Agribank might be allowed to increase capital using the State budget, VietinBank and Vietcombank expect to get the hike through paying dividends in shares.

At the end of 2019, the average CAR of the four State-owned banks according to Basel I standards was only 9.4 per cent, slightly higher than the prescribed minimum CAR of 9 per cent. This level is much less than the CAR of private joint-stock banks (12.1 per

cent) and lower than the average CAR of the entire system of credit institutions (13 per cent).

Notably, industry insiders said if calculating based on Basel II standards, the CAR of the banks would fall below 8 per cent.

3. MoF launches national open budget portal

Minister Dinh Tien Dung, Swiss Ambassador Ivo Sieber, director of the World Bank's in Viet Nam Stefanie Stallmeister and head of the Development Cooperation from Canadian Embassy Nina Seahra kicked off the launching ceremony.

more convenient while it will also be a communication channel that provides the data and information needed to help citizens, businesses, researchers and organisations at home and abroad to grasp issues related to finance and banking as well as the national policy in the country.

According to the MoF, the portal will have positive impacts on the activities of the state budget, especially in publishing the budget openly for people.

Stefanie Stallmeister, director of the World Bank in Viet Nam, said: "The portal will improve the openness, transparency and efficiency of the national budget while contributing to strengthening macroeconomic management, risk awareness and accountability in public service," adding access to budget information was important not only at all levels of government, but also for all citizens and businesses.

The portal was developed by the MoF under the AAA Programme that was co-financed and commissioned by the Swiss Government and the Government of Canada through the World Bank since 2016.

It was built on the basis of reference to cutting-edge models from around the world and the local requirements for budget transparency and publicity, as the next step in the Government's and the MoF's commitment to transparency and accountability in the supplement, management and use of public resources.

Swiss Ambassador Ivo Sieber said: "The pandemic is forcing governments around the world to face difficult budget decisions that require everyone to cooperate and take timely actions. People can only do that with access to up-to-date and complete information on the budget. The portal is a tool that will help Vietnamese ministries and people overcome such challenges."

MoF said the portal will help synthesise public budget reports faster and more accurately, adding it was also a tool that monitors the public implementation of ministries, central and local agencies in Viet Nam.

Minister Dung said: "The portal was launched to celebrate the 75th anniversary of the financial sector of Viet Nam. It showed the administrative reform effort of MoF, which is gradually replacing paper reports with electronic reports."

As a result, the public budget reports of ministries, central and local agencies will become simpler and

4. Covid-19 comeback dashes airlines' summer recovery hopes

Between July 19 and August 18, which has traditionally been a period with strong demand as many families travel, the country's five carriers completed over 16,400 flights, down 45.7 percent year-on-year.

on-year drop of 48 percent in the number of flights operated, while Pacific Airlines and Vietnam Air Services Company (VASCO) experienced drops of 61 percent and 46 percent, respectively.

The two largest airlines, flag carrier Vietnam Airlines and budget carrier Vietjet, each saw a year-

Bamboo Airways was the only airline that saw number of flights rise 21 percent, as it only made its

debut last year and the number of flights that it operated then was low.

All five airlines saw double-digit declines compared to the preceding June 19-July 18 period. They canceled a total of 490 flights between July 19 and August 18, a threefold month-on-month increase.

The dwindling figures followed in the wake of Vietnam starting to record hundreds of new Covid-19 community transmission cases since the end of July, most of them linked to tourism hotspot Da Nang.

Before that, demand had surged in June and early July when the country had been able to contain the novel coronavirus and families started to make domestic travel plans while companies booked business flights as economic activities resumed.

But the pandemic's resurgence in the country has resulted in lower demand and ticket prices. A two-way ticket between Hanoi and Ho Chi Minh City for September was available for VND1.2 million (\$52) Thursday, a third of the price in early July when demand was surging.

The CEO of Vietnam Airlines, Duong Tri Thanh, said earlier that the total market size in the last five months could fall 30 percent year-on-year due to the resurgence of Covid-19 cases.

He estimated a 30-40 percent year-on-year drop for the whole year.

In a bid to bolster revenues, the carriers are starting to sell tickets earlier than usual for the biggest national holiday next year, Tet (Lunar New Year). Tet falls next February.

To help carriers recover, the Vietnam Aviation Business Association this month called on the government to resume flights to countries that have contained the pandemic, and allow foreign tourists entry if they meet pandemic prevention requirements.

The association also proposed that: carriers are allowed access to a credit package of VND25-27 trillion (\$1-1.17 billion) with preferential interest for three or four years; and air services fees are reduced or cut until the end of next year.

5. Northern airport upgrade costs cut by half

The ACV, which manages 22 airports across the country, said in a proposal to the Ministry of Transport that it now plans to expand the terminal of the airport in Dien Bien Province, 500 kilometers to the west of Hanoi, from a capacity of 300,000 passengers to 500,000.

A new runway capable of receiving narrow-body aircraft such as the Airbus A321 and new aprons will also be built, with the cost estimated at VND1.54 trillion (\$66.5 million).

This is 53 percent lower than its upgrade proposal at the end of last year, when it planned to build a

terminal that could receive two million passengers a year. It said the two million figure exceeds demand.

The impact of the Covid-19 pandemic on aviation is also factored into the new proposal, it said.

Dien Bien Airport, originally a military airport built in 1954, began commercial operations in 1994. It has one 1,830-meter runway that can handle short-haul ATR72 aircraft and smaller ones.

The airport served 81,800 passengers in 2014, but the number fell to 57,300 last year, according to the Commission for Management of State Capital at Enterprises.

6. Eight-month FDI attraction hits 19.54 billion USD

Vietnam attracted 19.54 billion USD worth of FDI as of August 20, down 13.7 percent year-on-year,

according to the Ministry of Planning and Investment.

There were 1,797 new FDI projects licensed, with registered capital totalling 9.73 billion USD, down 25.3 percent in project numbers but up 6.6 percent in value compared to the same period last year. The increase was attributed to the inclusion of the Bac Lieu LNG-to-power project, with investment capital of 4 billion USD, or 41.1 percent of the total.

Meanwhile, 718 existing projects were permitted to raise their investment by more than 4.87 billion USD in total, a 22.2 percent increase year-on-year.

Foreign investors also outlaid 4.93 billion USD on share purchases or capital contributions during the period, down 48.2 percent.

Capital was channelled into 18 sectors, in which manufacturing and processing took the lead after receiving over 9.3 billion USD, or 47.7 percent of the

total. It was followed by power production and distribution, with over 4 billion USD, real estate 2.87 billion USD, and wholesale and retail 1.21 billion USD.

Singapore was the largest source of FDI, with a committed 6.54 billion USD, accounting for 33.5 percent of the total. The Republic of Korea and China followed, with 2.97 billion USD and 1.75 billion USD, respectively, then Japan, Thailand, and Taiwan (China).

Of the 59 localities receiving FDI in the first eight months of this year, the Mekong Delta province of Bac Lieu ranked top with 4 billion USD. Hanoi was second with 2.86 billion USD and HCM City third with 2.62 billion USD, followed by Ba Ria-Vung Tau and Binh Duong provinces and Hai Phong city.

7. South Korean tax investigation draws spotlight to Netflix issues in Vietnam

According to newswire Yonhap, the National Tax Service (NTS) in South Korea suspects Netflix Services Korea paid its US headquarters a large sum of phantom management consulting fees so that the Seoul office would report a deficit and avoid paying corporate taxes.

An official at Netflix Services Korea confirmed that NTS officials had visited the office and said that Netflix was fully cooperating with the tax authorities.

In Vietnam, Netflix has so far not received a licence, despite running business here for more than four years, and has so far refused to offer an explanation.

According to Vietnam's Ministry of Information and Communications (MIC), many movies and series on the platform could be found in violation of local regulations.

Along with the licensing problem, Netflix has also been accused of tax avoidance for a long time now. According to the MIC, since its initial launch in Vietnam in 2016, the company has yet to pay any tax to local authorities, despite annual revenues of \$30 million.

Currently, the Ministry of Finance is drafting specific tax rates for cross-border services for publishing within this year.

Reacting to the claims, Amy Kunrojanya, public affairs and communications leader at Netflix, told VIR, "In every country we operate, Netflix respects the rules. We have been honoured to meet regularly with Vietnamese authorities on this topic and await further details on implementation from them."

However, it has been more than nine months since the last meeting between Netflix and the Government Office and no specific action has been made by Netflix.

Corporate News

8. VCB: Vietcombank puts Vinaxuki factory up for sale for fourth time

↓ -0.12%

The starting price for the factory and assets attached to the land is VND36.3 billion, down from the VND44.2 billion set in April.

The machines and equipment comprise a 10-ton crane, a five-ton crane, two gas compressors, and air dryers, four hydraulic rolling machines, and some bulldozers and excavators among others.

The other branches of Vietcombank are also auctioning multiple mortgaged assets, including real estate and personal properties.

The Hai Duong branch of Vietcombank has announced the selling of assets attached to the land of Feromangan Chiem Hoa Factory in Tuyen Quang Province, which have been built and used since July 2008. The starting price is some VND199.7 billion.

The Chau Doc Vietcombank has also put up for auction a facility of NPV Trade- Production JSC in the Mekong Delta province of An Giang to recover bad debts at a starting price of VND37.9 billion.

Some fishing boats in Danang, Nghe An and Binh Dinh have been liquidated by Vietcombank, Nguoi Lao Dong Online reported.

Many other commercial banks have recently sped up the liquidation of mortgaged assets to recover debts, as the coronavirus pandemic has taken a heavy toll on multiple firms, with most of them having suspended their operations or left the local market.

9. KDH: BOD resolution dated August 26, 2020

↓ -0.41%

The Board resolution dated August 26, 2020, the BOD of Khang Dien House Trading and Investment Joint Stock Company (KDH) approved the following issues:

- 1) Approving the result of stock issuance to pay dividends for 2019:
 - Number of shares expected to be issued: 26,228,923 shares
 - Number of distributed shares: 26,228,110 shares
 - Number of distributed shareholders: 3,080 shareholders
 - Number of fractional shares: 813 shares.
- 2) Approving to cancel 813 fractional shares in the stock issuance to pay dividend for 2019.

3) Approving the result of stock issuance under ESOP for 8,000,000 shares.

4) Approving to raise its charter capital after issuing shares to pay dividend for 2019:

- Charter capital before the issuance: VND 5,444,291,090,000
- Additional increase charter capital: VND 342,281,100,000; Of which:
 - Additional increase from stock issuance to pay dividend for 2019: VND 262,281,100,000;
 - Additional increase from stock issuance under ESOP: VND 80,000,000,000.
- Charter capital after the issuance: VND 5,786,572,190,000; equivalent to 578,657,219 shares.

5) Approving to amend and supplement its charter related to the change of new charter capital.

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