



VIETNAM DAILY NEWS



November 23rd, 2021

Table of content

Table of content

- 1. Shares lose ground due to large-caps and mid-caps**
- 2. Banks race to increase capital at year-end**
- 3. Made-in-Vietnam solar panels escape US anti-circumvention investigation**
- 4. First northern seaport handles 1 million TEUs of goods in a year**
- 5. Stocks see extraordinary performance despite poor business results**
- 6. Enterprises of agricultural export to China strive to adapt to new market regulations after COVID-19 impacts**
- 7. Rubber latex rises in price, businesses benefit**
- 8. HAX: Notice of foreign ownership ratio limit**
- 9. SBT: Explanation for the business result differences Q1 of FS 2021-2022**

Market Analysis

1. Shares lose ground due to large-caps and mid-caps

Shares ended lower on Monday due to the sharp fall of large-caps and mid-caps in some major sectors, pressuring the overall market.

The market benchmark VN-Index on the Ho Chi Minh Stock Exchange (HoSE) lost 0.35 per cent to end at 1,447.25 points.

The market's liquidity was negative with 127 stocks rising, while 350 slid.

Investors poured over VND36.6 trillion (US\$1.6 billion) into the southern exchange, equivalent to a trading volume of VND1.3 billion shares.

The 30 biggest stocks tracker VN30-Index gained 1.13 per cent, to end at 1,517.04 points. Nineteen in the VN30 basket climbed, while 10 decreased.

In the VN-30 basket, the worst performers were PV Power (POW), falling 6.5 per cent, Khang Dien House (KDH) dropping over 6 per cent, Vietnam National Petroleum Group (PLX) and The Viet Nam Rubber Group (GVR) both falling more than 5 per cent.

In the mining industry, oil and gas stocks dropped sharply, of which PetroVietnam Drilling and Well Services Corporation (PVD) plunged 7 per cent.

Other oil and gas stocks also fell sharply, such as Binh Duong Mineral and Construction JSC (KSB), Binh Dinh Minerals Joint Stock Company (BMC), CIC39 Corporation (C32), Lao Cai Mineral Exploitation & Processing JSC (LCM) and Thu Duc Housing Development Corporation (TDH).

Small and medium-cap stocks in the real estate industry continued correcting, including Danh Khoi Group JSC (L14), Song Da Urban Investment Construction & Development JSC (SDU), Dat Xanh Group (DXG), Quoc Cuong Gia Lai Joint Stock Company (QCG), Licogi 16 Joint Stock Company (LCG), Hoang Quan Consulting-Trading-Service Real Estate Corporation (HQC) and Kien Giang Construction Investment Consultancy Group (CKG).

“The market today experienced a struggling session in the 1,443-1,467 area. At the end of the session, VN-Index dropped more than 5 points compared to the previous session with relatively large liquidity,” said BIDV Securities Co.

“Market breadth tilted to the negative side with losers outnumbering advancers. VN-Index is testing the support area of 1,440-1,450 points. Regarding the transactions of foreign investors, today they were net buyers on both HSX and HNX,” it said.

Foreign investors' net bought VND504.26 billion on HOSE. They were net buyers on HNX with a value of VND934.21 billion.

On the Ha Noi Stock Exchange (HNX), the HNX-Index lost 2.06 per cent to end Monday at 444.62 points.

During the trading session, nearly 181 million shares were traded on HNX, worth nearly VND4.8 trillion.

Macro & Policies

2. Banks race to increase capital at year-end

State-owned and private joint stock banks have been racing to increase charter capital in the last months of this year to boost financial strength and meet the State Bank of Việt Nam (SBV)'s regulations on capital adequacy ratio.

On November 22, 2021, BIDV announced it would close the list of shareholders for collecting written opinions on a plan to increase capital through issuing shares to pay dividends. According to the approved plan, the bank will increase its charter capital by VNĐ8.3 trillion to VNĐ48.52 trillion through distributing dividends in shares and issuing additional shares.

SHB has recently also planned to increase capital from VNĐ19.26 trillion to more than VNĐ26.674 trillion.

Meanwhile, ABBank has announced during the period from November 18 to December 8, 2021, the bank will receive capital from the issuance of more than 114.26 million shares to existing shareholders at the price of VNĐ10,000 per share.

ABBank has also completed the application to the State Securities Commission to carry out the issuance of more than 11.426 million shares to employees under an employee stock ownership plan (ESOP).

Notably, right after completing the offering to existing shareholders and issuing ESOP shares, ABBank will continue to distribute bonus shares at the rate of 35 per cent from the undistributed profit source and the reserve fund worth a total of nearly VNĐ2.44 trillion to raise its charter capital to nearly VNĐ10 trillion.

Some other banks planning to significantly increase charter capital in 2021 are Sacombank with a rise of

nearly 32 per cent; VIB, 44.2 per cent; SCB, 32.8 per cent; OCB, 31.8 per cent; ACB, 25 per cent; and HDBank, 25 per cent.

To date, more than 20 banks, such as Vietcombank, VietinBank, BID, SHB, VPBank, TPBank and OCB have increased charter capital to meet the central bank's regulation. Banks must have their capital adequacy ratio (CAR) to meet Basel II standards as prescribed in Circular 41/2016/TT-NHNN by January 1, 2023. Up to now, 16 out of 35 banks have met the requirement.

Besides meeting the central bank's regulation, capital increase will also contribute to improving banks' financial strength and helping them increase medium and long-term capital source to expand business activities. Therefore, the race to increase charter capital among banks is forecast to continue strongly in 2022.

After the first nine months of this year, VietinBank surpassed BIDV to become the bank with the largest charter capital in the country's banking system. After issuing nearly 1.1 billion shares to pay dividends at the rate of more than 29 per cent, VietinBank's charter capital increased to VNĐ48.01 trillion. The bank has planned to ask for approval to continuously raise charter capital to VNĐ54.13 trillion at its general meeting of shareholders this year.

It was followed by VPBank with nearly VNĐ45.05 trillion after the bank completed the issuance of shares to increase charter capital by nearly VNĐ19.75 trillion.

However, VP Bank's position is forecast to change as Vietcombank's board of directors has recently approved a plan to increase charter capital by VNĐ10.23 trillion to more than VNĐ47.32 trillion.

3. Made-in-Vietnam solar panels escape US anti-circumvention investigation

The US Department of Commerce has recently announced it will not conduct an anti-tariff circumvention investigation against solar panels

made in Viet Nam, Thailand and Malaysia at a request by a group of anonymous businesses called American Solar Manufacturers against Chinese

Circumvention (A-SMACC), according to the Trade Remedies Authority of Viet Nam under the Ministry of Industry and Trade.

According to the DOC, the companies' request to maintain confidentiality would prevent the agency from obtaining information it needed to evaluate the request, and hamper interested parties from fully commenting on the requests for circumvention inquiries and hamper them from commenting on certain issues that could arise if the agency was to initiate circumvention inquiries.

Therefore, Viet Nam's solar panel industry has avoided an investigation against evasion of trade remedies. However, solar panel products including photovoltaic cells and solar panels are still subject to safeguard measures by the US against all countries, including Viet Nam from February 2018.

Data from the General Department of Customs show that, in the first eight months of 2021, Viet Nam exported more than US\$2.9 billion of solar panels, including cells, panels and components, to the US.

The Trade Remedies Authority of Viet Nam recommends solar panel manufacturers keep a close watch on the situation, information and next moves of relevant interest groups in manufacturing, exporting and consuming solar panels to take timely measures to respond to future trade remedies.

The agency will also monitor the export of this item to proactively provide information for businesses and handle arising problems.

4. First northern seaport handles 1 million TEUs of goods in a year

Tân Vũ Port, a branch of Hải Phòng Port based in Đình Vũ Industrial Park of the northern port city of Hải Phòng, handled its 1 millionth TEU of goods on November 20.

This is the first time a port in northern Việt Nam has handled one million TEUs in a year, especially amid congestion and disruption in the supply chain in various places across the globe.

Deputy Chairman of the municipal People's Committee Nguyễn Đức Thọ underlined that after 145 years of development, Hải Phòng Port has upheld its role as a leading seaport in the country's northern region.

As of the end of October 2021, it had handled 24 million tonnes of goods, a year-on-year rise of 8 per cent. The port fulfilled its operation plan for the entire year in September.

In the past five years, Tân Vũ Port handled an average 930,000 TEUs of container cargo each year.

Leaders of the port have devised flexible measures to enhance efficiency and safety, notably information technology application.

The construction of Lạch Huyện gateway seaport of Hải Phòng Port is set to begin in the first quarter of 2022, which is hoped to open up more opportunities for the locality.

5. Stocks see extraordinary performance despite poor business results

With the recent waves of speculation, corporations' business performance is no longer proportional to stock prices. Despite negative business results and continuous losses in profits, the market prices of many businesses still skyrocketed.

One of these stocks is CMS of CMVIETNAM JSC, listed on the Ha Noi Stock Exchange (HNX). It is one of

those posting the strongest gains in the past month with 18 consecutive gaining sessions, of which 13 sessions recorded the biggest intraday gain of 10 per cent.

CMS shares closed last week at VND19,600 per share (US\$0.86 per share), 4.3 times higher than that of last month.

In April, CMS stocks were put on a warning list as the parent company witnessed a loss in 2020.

Contrary to its performance on the stock market, the business results of CMVIETNAM are not positive with continuous losses.

In the last three years, 2019 was the only year in which the enterprise recorded positive profit growth, but its profit was only VND4 billion. Meanwhile, in 2020, CMS reported a net loss of nearly VND14 billion, which was also the biggest loss in its business history.

In 2021, the company's business situation has not improved. In its financial statement for the third quarter of 2021, the company's net revenue fell 9 per cent over the same period to VND55 billion. However, operating below cost of goods resulted in a negative VND452 million in the company's gross profit.

After deducting expenses, CMVIETNAM reported a net loss of more than VND2.3 billion. Last year, it posted a loss of VND5.6 billion.

For the first nine months of the year, its net revenue reached VND133.1 billion, down 44 per cent over last year. Corporate profit after tax was negative nearly VND9 billion, up 19 per cent compared to the loss of the previous year.

In 2021, CMVIETNAM set a target of VND196 billion in consolidated revenue and VND4.12 billion in consolidated profit before tax. However, with huge losses in the first months, the chance to achieve its business plan is very unlikely.

In addition, stagnant business activities put pressure on cash flow during the period, causing a fall from positive VND51 billion to negative VND63 billion. Cash flow from investing activities recorded a positive amount because during the period the company recovered loans and purchased debt instruments of other entities.

CMVIETNAM isn't the only company whose business performance is poor but its stock price is still rising.

CEO of C.E.O Group JSC is another example. CEO shares tripled in just a month despite its bad

business results, with a net loss of VND223.6 billion in the first nine months of 2021.

CEO shares ended last Friday session at VND31,500 per share, gaining for a 12th consecutive day.

In the third quarter, the company's net revenue plummeted 53.1 per cent year-on-year to VND123.8 billion. Although its cost of goods sold also dropped 25.5 per cent, the decline in revenue was larger due to the impact of the COVID-19 pandemic, the company said. Therefore it still posted a loss of VND58.8 billion in the third quarter.

Another case is HUT of BOT tycoon Tasco after it recorded losses for seven consecutive quarters, but HUT stock prices still nearly doubled after only three months to VND15,300 per share on November 19.

Tasco's financial statement showed that its net revenue decreased 15.8 per cent on-year to VND162 billion in the third quarter. Even though its cost of goods sold fell 32.6 per cent, increases in other expenses including financial expenses and general and administrative expenses caused a loss of VND72.8 billion during the period.

As of September 30, it recorded a loss of VND146.4 billion.

Caution with junk stocks

Many experts said that the phenomenon was due to most of the cash flow in the market coming from new investors.

New investors participating in the market often do not pay attention to the financial statements and business performance, but only follow the waves with the desire to make profits as quickly as possible.

However, experts also warn investors to be cautious of stocks with bad internals but strong increases in market prices and volumes.

Therefore, before participating, investors should learn carefully about the business situations, choose the optimal buying points and have a strict risk management plan to avoid falling into the trap of junk stocks.

6. Enterprises of agricultural export to China strive to adapt to new market regulations after COVID-19 impacts

China's increasing demand for imports of high-quality agricultural products has contributed to boosting the recovery of domestic production and export after the COVID-19 pandemic impacts.

However, that also challenges Viet Nam's agricultural production and export especially in dealing with China's new market regulations that require Vietnamese businesses to change to adapt with them, experts and experienced businesses have warned.

Deputy Director of the Asia-Africa Market Department, Ministry of Industry and Trade (MoIT), To Ngoc Son, said the increase in the number of middle-class people in China has resulted in an increase in demand for high-quality products. More and more Chinese consumers request imported products with high quality and clear traceability.

China has recently undertaken a series of policy adjustments in importing agricultural and foodstuff products. Its General Administration of Customs (GAC) has issued Order 248 and Order 249 demanding all foreign enterprises producing food for export to China must register with Chinese Customs. The two new regulations will take effect from January 1, 2022, and are predicted to directly affect Vietnamese food enterprises that have been and are wishing to export to the Chinese market.

According to Son, for businesses that have exported to China for many years to understand and have a vision of development, such changes are not new or not much difficult for them in dealing with.

However, for many others that follow a locally so-called trading practice of an xoi (temporary trading) or those that consider China as just a normal market and they often export through unofficial channels, such changes are challenges for them.

"It is not international trade at all," Son said.

"In international trade relations, two businesses must link together by signing a contract and have commitments for payment conditions, delivery time,

and quality management so that they have a sustainable co-operation."

As the country's export transshipment area with more than 231km of border with China's Guangxi Province, the northern mountainous province of Lang Son has a diverse border gate system including two international, one main and nine auxiliary border gates.

Director of Lang Son Department of Industry and Trade, Nguyen Dinh Dai, said that import-export activities had been very active in recent years with growth results in 2021 increasing compared to 2020. Total import and export turnover in the first 10 months of 2021 reached US\$3.45 billion, up 52.7 per cent over the same period last year, in which, exports reached US\$1.09 billion, up 11 per cent and agricultural export turnover reached US\$920 million, up 15 per cent.

According to Dai, at present, the cooperation between Viet Nam and China is deepening in all fields. China continues to be Viet Nam's largest agricultural export market.

Meanwhile, Nguyen Lan Huong, Chairwoman of Hoa Viet International Agriculture Joint Stock Company's (HOVIFOOD JSC) management board said as an intermediary enterprise that has exported bananas to the Chinese market since 2013, the company has set a target to export durian, sweet potato and chili through official channels to China -- the market coveted by the whole world, not only Viet Nam.

Huong believes China's new Order 248 on "registration and management of foreign food production enterprises" and Order 249 on "measures for managing import and export food safety" issued by the GAC is completely appropriate.

However, she said many domestic enterprises had not yet been fully updated with details of the new regulations.

Huong also admitted: "We just learned, for example, that it will be a violation of China's food safety regulations if there is a dog raised inside the

enterprises' production areas. I see that almost all factories have dogs, even the most crowded one has more than 20 dogs as a force for guard duty. So in the coming time, we must pay attention to this issue when the GAC undertakes online checking."

The Director of An Huy Co., Ltd (Long An) Vo Quan Huy said that the Chinese market had become more and more demanding in recent years.

"This is also the general trend of the world. China and Viet Nam have developed trade for many years," Huy said.

"The problem is how we can harmonise regulations for both sides towards developed commodity production."

Director of SPS Vietnam Office and Deputy Director of the Department of Agricultural Processing and Market Development Le Thanh Hoa noted that requirements from China are gradually approaching those of developed countries. Therefore, enterprises should pay attention to comply strictly with the provisions of Orders 248 and 249, to avoid export delays.

To support export businesses, Son said, in the future, the MoIT will continuously coordinate with the Ministry of Agriculture and Rural Development (MARD) to disseminate localities, associations and enterprises about the provisions of China's Order 248 and 249. The MoIT will also continue to urge the GAC to soon respond and issue a registration number to the list of Vietnamese food manufacturing enterprises, ensuring bilateral trade stability. However, it must be affirmed that ministries and branches just can only support. Businesses need to be actively adapting to market changes. The participation of localities plays an important role in helping them too.

Nguyen Thi Diem Hang, Vice Chairwoman of the Board of Directors and General Director of Viet Nam Organic Nutrition Food Joint Stock Company (Nutri Mart supermarket chain) said this was an opportunity for Vietnamese enterprise to review their "path" of development to adapt to the new changes. On her business side, Hang said the company was developing processed product lines as well as promoting distribution on e-commerce channels and at the same time building a standard raw material area.

She said "selling is not a difficult story, the problem is to change the cultivating and processing practice".

"That is a long story," Hang added.

China's new market regulations are signals that make Viet Nam's thought about agricultural production change. However, what many experts now worry about is that many enterprises exporting to China have not yet met Chinese requirements.

Experts recommended management authorities should coordinate and ask provincial Departments of Agriculture and Rural Development to review enterprises that have already been granted registration codes before the Chinese side conducts online checks. This will help enterprises ensure meeting real standards that Chinese partners have requested them to have.

Changes to adapt to new market conditions is a must, according to experts. Therefore, State agencies need to set up special centres and working groups to guide businesses, cooperatives and specialised local agencies to complete procedures required by the Chinese market.

However, in the long run, it is necessary to have a specific strategy to brand Vietnamese agricultural products in the Chinese market. To build a brand, it must start from product quality management, cultivation, harvest, procession, packaging and transportation.

China is no longer an easy market since its quality requirements and technical barriers to agricultural and aquatic products are increasing, requiring businesses to quickly innovate quality and production methods.

Nong Duc Lai, Commercial Counsellor of the Vietnamese Embassy in China recommended that businesses need to increase the application of production models following the VietGap and GlobalGap standards to fully meet China's increasing demands on quarantine tests.

According to MARD Minister Le Minh Hoan, it is necessary to develop an overall strategy and action plan to boost agricultural and aquatic product exports to China, speed up the digital transformation in agriculture to have a proper database of supply and demand, and promote the

model of logistics centres with public-private partnership.

7. Rubber latex rises in price, businesses benefit

Rubber latex businesses are reporting positive profits thanks to skyrocketing prices since the beginning of this year.

The natural rubber industry has emerged as a remarkable bright spot, as the COVID-19 pandemic negatively affects the production and business of all economic sectors.

Rubber products increased by 13.9 per cent in volume and 46.5 per cent in value in 10 months of this year over the same period last year, reported the Ministry of Agriculture and Rural Development.

The average export price of many rubber products in 10 months reached US\$1,680 per tonne, up 4.1 per cent over the same period last year.

A report by the Association of Natural Rubber Producing Countries (ANRPC) said that the total global demand for natural rubber this year is estimated to grow by 9.3 per cent year-on-year to 14.1 billion tonnes. Meanwhile, the supply is estimated to grow only 2 per cent, reaching 13.86 billion tonnes.

ACB Securities Company (ACBS) said that the rising demand for rubber was due to the recovery of the global economy after the pandemic when vaccination rates were increasing.

The recovery of the global economy would stimulate transportation activities in both civil and industrial sectors, creating growing demand for tyres, a key driver of rubber demand.

High rubber prices have had a strong impact on the profit of the rubber industry since the beginning of this year.

In nine months of the year, Viet Nam Rubber Group achieved net revenue of VND16.7 trillion (US\$726 million) and profit after tax of VND3.8 trillion, up 37.7 per cent and 87.7 per cent respectively over last year. The company said that the positive business results came from its proactive response in

accordance with the new normal state of production. At the same time, the selling price of rubber products increased and stabilised; the selling price of wood products and rubber industrial products also increased, helping the gross profit and profit after tax of most of the group's capital-contributing units to improve significantly compared with the same period last year.

A report by Dong Phu Rubber JSC showed that its revenue reached VND727 billion in the first nine months of the year, a year-on-year increase of 15 per cent, profit after tax reached nearly VND161 billion, up 23.2 per cent.

Notably, this enterprise exported \$686,000 of rubber in September. Its export value reached \$5.65 million from the beginning of the year to the end of September, up 166 per cent.

ACBS said that the natural rubber industry was likely to have a shortage of supply in the near future, but the price might fall due to the slow down in auto production because of a shortage of electronic chips, even though the demand for cars in China is rising.

Statistics from the General Department of Customs show that China is the most important rubber export market of Viet Nam. China consumed 70 per cent of Viet Nam's rubber exports, equivalent to 901,734 tonnes in the nine months of the year.

The decline in rubber prices was mainly attributed to the automotive service group, while lower grade rubbers saw a slight increase in prices thanks to the resumption of production around the world.

ACBS expects that the average rubber price this year will be about 31 per cent higher than the average level last year.

According to ACBS, although Viet Nam is the fourth largest rubber exporter in the world, it is still facing some pressure to meet global quality standards for natural rubber products.

Vietnamese rubber companies still need to make more efforts to meet higher standards and expand export markets.

Corporate News

8. HAX: Notice of foreign ownership ratio limit

↓ -6.88%

According to the Official Document No.7514/UBCK-PTTT dated November 16, 2021 by the Vietnam Securities Commission of Vietnam

(SSC), SSC approved that the foreign ownership ratio limit of Hang Xanh Motors Service Joint Stock Company (HAX) will be 50%.

9. SBT: Explanation for the business result differences Q1 of FS 2021-2022

↓ -6.96%

Thanh Thanh Cong - Bien Hoa Joint Stock Company explains the fluctuation in business performance in the consolidated and separate financial statements for Quarter 1 of FS 2021-2022 as follows:

- The accumulated profit after tax in the consolidated financial statements increased 91 billion dongs, or +88%, mainly because: the profit before tax was 262 billion dongs, up 96%

compared to the same period of last year; and the sugar industry has played a key role in the revenue structure with 4,123 billion, accounting for nearly 96%.

- The accumulated profit after tax in the separate financial statements increased 63 billion dongs, up 196%, mainly thanks to the company's core activities.

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

Disclaimer:

Copyright 2015 Japan Securities Co., Ltd (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 Co., Ltd – 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