



VIETNAM DAILY NEWS



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Market Analysis

1. Shares decline on worries over slower cash flow

The Vietnamese stock market extended losses in broad-based selling on Thursday as investors shunned equities on worries over the trend of cash flow into the market.

The VN-Index on the Ho Chi Minh Stock Exchange (HoSE) lost 0.33 per cent, to close at 1,019.81 points. The index had lost 1.02 per cent on Wednesday.

More stocks moved to the downside on the southern bourse, of which 166 ticker symbols inched higher, while 274 stocks finished lower.

Liquidity declined compared to the previous session, with nearly 442.9 million shares traded on HoSE, worth nearly VND7.9 trillion (US\$402.3 million).

According to the report on global investment flows by SSI Securities Analysis Center (SSI Research), the disbursed capital flow from ETFs into Viet Nam slowed down.

Similar to August, the trend of disbursement from foreign funds such as Fubon, FTSE or domestic funds such as SSIAM VNFINLead was maintained, but at a markedly slower rate. Specifically, the Fubon fund had a net buying value of VND129 billion, down 50 per cent compared to August, FTSE Vietnam had a net value of VND77 billion, down 88 per cent and SSIAM VNFIN Lead had a net value of VND38 billion, down 73 per cent.

The benchmark index was pressured by losses in large-cap stocks, with the 30 biggest stocks tracker VN30-Index posting a decrease 0.13 per cent, to 1,023.80 points. Twelve stocks in the VN30 basket jumped, while 16 stocks slid. And two stocks ended flat.

The worst performers in the VN-30 basket were still pillar stocks in the banking industry. They all decreased sharply with losers including Military Bank (MBB), Tien Phong Bank (TPB), Vietcombank (VCB), Bank for Investment and Development of Vietnam (BID), VietinBank (CTG), Viet Nam International Commercial JS Bank (VIB) and Saigon-Hanoi Commercial JS Bank (SHB).

Techcombank (TCB) and Sacombank (STB) were the only gainers in the banking group.

Energy stocks also performed poorly with losers such as Viet Nam National Petroleum Group (PLX), PV Power (POW), PetroVietnam Technical Services Corporation (PVS), PetroVietnam Drilling and Well Services Corporation (PVD) and Drilling Mud Joint Stock Corporation (PVC).

Foreign investors net sold VND251.2 billion on HOSE, including Hoa Phat Group (HPG) with VND180.13 billion, Kinh Bac Corporation (KBC) with VND88.23 billion, PetroVietnam Gas JSC (GAS) with VND42.79 billion. Foreign investors net bought VND250 million on the HNX.

On a sector basis, 14 out of 25 sector indices on the stock market lost ground, including banking, wholesale, rubber production, logistics, real estate, and securities. Meanwhile, gainers were insurance, retail, construction and food and beverage.

On the Ha Noi Stock Exchange (HNX), the HNX-Index also finished lower. It lost 0.43 per cent, to 210.74 points.

During the session, VND535 billion worth of shares, equivalent to a trading volume of nearly 37.2 million shares, was traded on the northern market.

Macro & Policies

2. Necessary steps for legal clarification of condotels

Condotels and shophouses in Vietnam do not have a clear legal framework regulating them, leaving a big gap in understanding and creating risks for real estate developers, buyers, and investors.

By their market-standard definition, condotels and shophouses are mixed-use real estate. A condotel has elements of both a condominium and a hotel, as they are privately owned condominium units operated like a hotel room and leased out on short-term rentals. A shophouse is a residential house with a part or separate floor designed to be a shop.

The legal issues hampering the growth of condotels and shophouses in the Vietnamese market include no clear definition of condotel and shophouse in any legislation.

The current Law on Land and the draft amended version do not provide clear guidance in cases when the land and property on such land are used for both commercial and residential purposes; and the regulations on planning, construction, and real estate business do not mention and regulate condotels and shophouses, nor their construction and operation clearly.

The closest definition of a condotel in Vietnamese law is for tourism villas in the Law on Tourism. However, this is insufficient to develop a healthy and legally sound condotel market.

If a condotel building is legally built as a hotel on land designated for commercial and service use (i.e. short-term residence), not for long-term residential use, no ownership certificate or so-called pink book is issued to the buyer. This certificate contains the title of the individual units. Only one pink book for the entire building will be issued to the developer, which goes against the buyers' aim of having a legal title over their condotel units.

Conversely, if the condotel is built as a residential apartment building on land designated for residential use, the buyers will be issued a pink book for the apartment and have their legal title recorded

like a normal residential apartment. However, this could land the developer into legal trouble concerning the land use planning approved by the authorities.

There are currently no planning guidelines for condotel buildings, so the authorities have to refer to planning requirements for residential and commercial buildings, which are separate and quite different. The planning regulations (Law on Planning and Law on Construction) should be amended to address mixed-use properties better. This is needed to calculate planning parameters properly for condotel buildings and to avoid straining nearby infrastructure facilities.

As for the operation and management of condotel units, the regulations are also silent, so it is up to the developers, the buyers and the users to work out a contractual scheme by themselves to effectively manage and operate the condotel building and units. This may potentially cause many legal disputes if the agreements have loopholes or do not address all possible scenarios.

The Law on Residential Housing and the Law on Real Estate Business should be amended to provide a baseline legal framework for the agreements related to the operation and management of condotel units.

As for shophouses, they currently are better regulated than condotels since the Law on Residential Housing and guiding legislations mention residential apartments with an area used for business or commercial purposes. For such residential apartments, usually, the pink book certifying their ownership will provide a term of ownership for no longer than 50 years following the project term. Regardless, shophouses can still and should be more clearly defined in regulations to provide stronger assurance to the developers and buyers.

In conclusion, it would be preferable if the draft amended Law on Land would more clearly address cases where a piece of land or property is used for both residential and commercial purposes and how

the pink book/land use rights certificate can be issued for such land or property.

However, amending only the Law on Land would not completely resolve the uncertainty in the legal

framework for condotels and shophouses. It is required that other laws, such as those on residential housing, real estate business, planning, the tourism, and construction are also amended to define the concept of condotels and shophouses to be consistent with the Law on Land.

3. Situation still acute in efforts to manage petrol supply

While the supply of petrol and oil for the domestic market has eased, difficulties in the basic price structure of petrol had not yet been resolved. Minister of Industry and Trade Nguyen Hong Dien on October 24 met with the Vietnam Petroleum Association (VINPA) and over 30 enterprises. The minister wanted to “quickly solve the local shortage of petrol in some areas in the country”, he stated at the meeting, as many petrol stations have closed or controlled the amount of petrol sold.

Tran Duy Dong, director of the Ministry of Industry and Trade’s (MoIT) Domestic Market Department, said, “The shortage of domestic supply became more intense in the third quarter when six key enterprises could not guarantee the minimum supply.”

In 2022, the total minimum petroleum supply that the MoIT assigned to 36 enterprises will amount to more than 20.7 million cu.m³/tonne of petrol and oil of all kinds. However, the ministry stated that the world supply is scarce, and the costs for businesses increased sharply from the end of 2021. Meanwhile, many key enterprises do not have enough money to import goods due to insufficient credit limits or foreign currency.

Data from the General Department of Vietnam Customs showed that in this quarter, the volume of gasoline imports has fallen by 40 per cent, and diesel oil by 35 per cent compared to the second quarter. On October 9, only 19 of the key enterprises imported petrol.

Bui Ngoc Bao, chairman of the VINPA, commented, “The decrease in petrol prices and the cost in the base price structure are the two main reasons leading to the disruption of domestic supply. The cost levels in the base petrol price structure applied since 2014 are no longer appropriate in the current context.”

Bao added that, in the first six months of the year, due to the influence of geopolitics, product prices increased, leading to domestic prices and logistics costs also increasing. “The normative business expenses of some major key traders according to the audit results in 2021 increased due to the rise in reasonable and valid actual expenses,” Bao explained.

Petrolimex, in an official letter to Minister of Finance Ho Duc Phoc on September 14, also said that the constituent elements of the base price, such as the premium, transportation costs, and normative costs, have not been fully calculated. The Ministry of Finance (MoF) would still maintain the cost levels in the structure to calculate the base price of petroleum, it said.

According to Petrolimex, the main problem that businesses face are shared remuneration and discounts for retail franchisees and distribution traders. Petrolimex expects the MoF to promptly adjust and reflect the calculated costs in the petrol price formula to relieve pressure on key traders and ensure that businesses operate efficiently.

The MoF’s policymakers sent out a dispatch on October 7, stating that the domestic supply will soon be compensated, and announcing the adjustment of the domestic premium and the cost of bringing petrol from the domestic refinery to the ports. In the document, the MoF also asked the MoIT to control the domestic petrol price so that the increase in normative costs does not affect the increase in the base price in the operating period.

However, Dong from the Domestic Market Department said that, as the MoF had yet to adjust the domestic premium level and the related logistics costs, domestic petrol prices would not fully reflect the costs. “Thus, many petrol retailers are not offering discounts to cover costs and maintain business operations,” Dong said.

He added that the MoIT was working with the MoF to review the normative cost elements in the base price to ensure harmonisation of interests between the people, the state, and businesses, while also considering controlling inflation. However, the VINPA remains concerned that petroleum imports in the coming time will still be very difficult. According to Bao of the VINPA, with the price situation in the fourth quarter, the domestic premium could be around \$10. "Therefore,

businesses are forecasted to suffer a loss of more than VND1,000 (4.3 US cents) per litre of petrol," Bao said.

Bao added that, in the third quarter, such losses already amounted to VND650 (2.6 US cents) per litre of gas. "This will make it almost impossible for businesses to import according to the allocation quota," he warned.

4. M&A in technology sector on the rise

Mergers and acquisitions (M&A) in the technology sector have been witnessing a rebound in recent years as tech giants have employed M&A to expand their ecosystems.

Data from VnEconomy showed that M&A in the technology sector tripled in value and nearly doubled in activities in the past few years, from 22 deals in 2020 to 42 deals in 2021, reaching roughly US\$1 billion.

Tran Vinh Du, Strategy and Transactions Leader of Ernst & Young Indochina, remarked that private equity and venture capital investments in the sector continued to sustain strong growth in the first half of 2022 despite some turbulence in equity and debt markets.

A sizeable deal during the period was the deal of Viet Nam-based e-commerce solution provider OnPoint, which successfully raised \$50 million from an indirect wholly-owned subsidiary of Temasek.

The deal targeted Viet Nam's fast-growing e-commerce industry and became the largest private fundraising round in Southeast Asia's e-commerce-enabler industry in the last five years.

"According to our research, the total value of deals transacted in the first half of 2022 in the country was almost the same as the figure of the whole of 2021 (\$4.97 billion)," Du said.

Ernst & Young also said global M&A activities would remain resilient in 2022, but further shocks could derail the outlook. In Viet Nam, the main technology fields that have attracted a large number of

investments include Fintech, Edtech, Logistics and business automation.

Le Han Tue Lam, director of the investment fund Nextrans Vietnam, asserted that few tech giants in Viet Nam can afford to own start-ups of multiple tens of millions of dollars outright.

"The demand is tight on Viet Nam's startup M&A market," Lam said.

Hoang Thi Kim Dung, head of Genesia Ventures Representative Office in Viet Nam, shared this view, saying that most start-up M&A deals in the country are worth less than \$10 million each.

"M&A in the technology sector has been of limited success mostly because of the expectation mismatch between acquirers and acquirees," Dung said.

Some start-ups that are expected to reach near-unicorn status in the short term have been valued at between \$100 million to over \$3 billion.

Dung believed such valuations are so high that not many buyers are financially adequate to make acquisitions. She revealed that Genesia Ventures Vietnam is assisting a tech start-up in its M&A negotiation but reaching an agreement on price is not an easy task.

Lam, in contrast, believed tech firms are normally under-valued in their initial public offerings (IPO). She said it is hard to tell how the market would move in the short term as many firms have begun to make IPOs abroad.

Kieu Ngoan, deputy general director of Fibo Capital Vietnam, highlighted several criteria to choose M&A partners, including healthy cash flows, an expanding customer base, and a popular brand name.

"Choosing M&A partners is a four-tier process involving ten steps, focusing on their business system, financial, legal, human and risk factors," she said.

5. Newly established firms up in 10 months

Viet Nam saw over 13,000 new enterprises formed with a total registered capital of VND106.9 trillion in October, up 13.6 per cent in number of firms but down 21.4 per cent in capital over the previous month.

The country counted 125,800 new firms in the first ten months of this year with combined investments of over VND1.37 quadrillion and 835,000 labourers, according to the General Statistics Office (GSO).

The figures represented increases of 34 per cent in the number of firms, 6 per cent in capital and 18 per cent in workforce compared with the same period last year, the GSO said, adding that the average capital of new enterprises in the period was VND11 billion.

Meanwhile, 42,600 operating enterprises registered an increase of above VND2.79 quadrillion. Therefore, the total registered capital of the economy in the first ten months topped more than VND4.16 quadrillion, up 31 per cent year-on-year.

The GSO reported that the number of enterprises returning to business was 52,700 during the period, a yearly hike of 49 per cent.

On the opposite side, 66,400 enterprises temporarily ceased operation, up 37 per cent against the last year's same period. Another 40,300 were in the dissolution process, a year-on-year rise of 13.4 per cent and 12,200 completed dissolution procedures.

On average, 12,200 businesses withdraw from the market every month.

From January to October, 1,684 newly-established enterprises operate in the agriculture, forestry and fishery sectors, up 5.1 per cent over the same period last year; over 31,000 in the industrial and construction industries, up 23.3 per cent; and 93,100 in the service sector, up 39 per cent.

To support businesses, GSO General Director Nguyen Thi Huong suggested ministries and branches to ensure the adequate supply of raw materials and energy to meet enterprises' requirements of production and business recovery and socio-economic development; remove difficulties and obstacles for important industrial projects; and support factories to maintain and restore production to keep orders.

Along with that, in the context of deep global integration, she suggested that rising use of trade remedies and supporting Vietnamese exporters be an important role in protecting and developing export markets, she said.

Many manufacturing enterprises also suggested that the Government continue to simplify customs procedures and make them more transparent to reduce costs and enhance predictability for businesses.

Accordingly, it is necessary to quickly build and use systems for the electronic exchange of data between enterprises, customs and related agencies.

6. US\$1.3-billion LEGO plant gets off ground in Binh Duong

The environmentally friendly facility, covering 44 hectares of land at the Vietnam-Singapore Industrial Park, will be LEGO's sixth plant in the

world and its second in Asia, the local media reported.

The project, which is the group's first carbon-neutral plant, will feature rooftop solar panels and a solar power farm to generate clean energy for its consumption, said LEGO CEO Niels B. Christiansen.

The plant will start producing building blocks in 2024 and is expected to create 4,000 jobs over the next 15 years.

Speaking at the groundbreaking ceremony attended by Deputy Prime Minister Pham Binh Minh and the Crown Prince of Denmark, Frederik, Binh Duong Chairman Vo Van Minh said that LEGO's plant is the biggest hi-tech project in the province after a two-year hiatus due to Covid.

Binh Duong Province commits to creating the most favorable conditions for LEGO to do business in the province.

7. Int'l tourist arrivals in Vietnam surge in Jan-Oct

In October alone, the country welcomed 484,000 international visitors, up 12.1% month-on-month and 45.9-fold year-on-year.

The spike in international arrivals resulted from Vietnam's full resumption of international air services after stringent social distancing.

Of the total international arrivals during the 10-month period, air passengers made up 88.8%, or 2.09 million, while foreign arrivals by road totaled 262,000 and the number of sea visitors was 745.

During the period, South Korea was Vietnam's biggest source market, with 130,185 arrivals, followed by the United States with 41,570 tourists.

The statistics also showed that revenue from lodging and catering services between January and October was estimated at VND467.1 trillion, up 51.8% year-on-year. Can Tho and HCMC also saw their revenue surge by over 110% during the period.

Besides, tourism revenue recorded a year-on-year increase of 3.9-fold at VND19.7 trillion.

Travel firms and tourism service providers are expanding their reach and improving the quality of tourism products and services to attract tourists for the rest of the year.

Corporate News

8. OCB: OCB allowed to increase charter capital

↓ -3.16%

After the bonus share issue for its current shareholders, the bank's charter capital will rise to VND17.8 trillion, the local media reported.

The bank shelved its charter capital increase through share issues under an employee stock ownership plan and via private placement.

OCB earlier increased its charter capital by 3.9-fold against 2015, from VND3.55 trillion to VND13.69 trillion. Its capital increase is done annually, with this year seeing the sharpest hike.

In the third quarter of the year, OCB posted VND1.75 trillion in net revenue, up 29% year-on-year, and VND909 billion in pretax profit, down 18% year-on-year.

Between January and September, OCB reported VND5.1 trillion in net revenue, up 23% year-on-year, supported by strong demand for credit, while its profit before tax reached VND2.65 trillion during the period, down 30% year-on-year.

9. FPT: Danish jewelry producer joins hands with FPT Software to build factory

↑ 0.14%

The plant will be developed at the Hoa Lac hi-tech park in Hanoi City and be completed by the end of 2023.

Through the cooperation, FPT Software becomes Julie Sandlau's strategic partner, providing the Danish firm with an exclusive roadmap to build its first smart factory and transforming its traditional jewelry manufacturing process with digital technologies like automation and artificial intelligence.

The partnership is expected to enhance FPT Software's presence in the Nordic region and

incorporate digital technologies into Julie Sandlau's production line.

In addition, the strategic step allows Julie Sandlau to expand its operations to such a strategic market like Vietnam and target potential customers.

"Julie Sandlau is our first-ever client in the jewelry manufacturing industry. I believe this partnership will allow us to strengthen our workforce and experience, particularly in providing digital transformation solutions for future manufacturing clients," said FPT Software Europe CEO Hai Le.

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