

VIETNAM

BUSINESS REVIEW

Vol 13, April 8th 2015

Vinacafe Bien Hoa tops instant coffee market



INSIDE THIS ISSUE

[Highlights](#)

Vietnam faces pension system crisis

Vietnamese food suppliers struggle to join global food chain

[Economy](#)

M&A activity tipped for another strong year

IT firms struggle to look for mobile programmers

Mechanics sector must improve

[Banks & Finance](#)

Securities Brokers Raise Capital

Commercial banks told to pay dividends of no more than 9%

[Investment](#)

Real estate association sets up brokerage branch

E-commerce critical for exporters amid VN's global integration

[Enterprises](#)

Australia, VinaCapital Foundation donate medical equipment to Khanh Hoa

Japanese group buys into HDFinance

MHB set to merge with BIDV: official

[Market & Prices](#)

Seafood processing industry sees major changes

[Legal Updates](#)

The regulation on bidding for PPP projects and projects using land with high commercial value

Regarding personal income tax finalization for foreigner's first tax year in Vietnam

Foreign investors are not allowed remitting profits abroad quarterly

New regulations on management of construction costs

ECONOMY

M&A activity tipped for another strong year

VietNamNet Bridge – In an interview late last year with a *Wall Street Journal* reporter, the State Bank of Vietnam's Deputy Governor Nguyen Thi Hong said it was encouraging weak banks to voluntarily restructure themselves in 2015 through mergers and acquisitions.



These M&As are coming about as part of the State Bank's efforts to mop up bad debts and restructure the country's fragmented banking sector after a decade of rapid expansion.

An estimated six to eight M&As are likely to occur in 2015. Vietnam's largest bank in terms of market value, Vietcombank, could link with Saigon Bank for Industry and Trade and Hanoi-based VietinBank may join with OceanBank, the State Bank initially announced.

BIDV could take similar steps with Mekong Housing Bank and VietinBank might also merge with Petrolimex Bank,

www.seiko-ideas.com

according to the State Bank's preliminary reports.

The State Bank later recanted and said the details of possible mergers were not technically official, and any M&As would be formally announced to the market as the specifics materialise.

Other potential mergers in the pipeline include the Maritime Bank with Mekong Development Bank, and Sacombank with the Southern Bank for which preparations got underway last year.

The first three months of this year have also seen strong M&A activities in a number of non-banking industries.

At the beginning of the year, Hoang Huy Investment Services Joint Stock Company announced it would acquire a 99.78% stake in Hoang Giang Services Development Joint Stock Company.

If the acquisition is successful, Hoang Huy Company could reach a revenue of VND3,400 billion and an after tax profit of VND283 billion for 2015.

The government has also decided to let go of its 97.7% stake in the Vietnam Motor Industry Corporation (Vinamotor) once considered the key enterprise central to its strategy to develop the automobile industry.

Four private investors have come out of the wood work voicing an avid interest in acquiring Vinamotor since the State first announced its long awaited intention to part with it.

The M&A wave has also spread to aviation. Analysts have said they see signs that the State may be trying to quicken the equitization process of selling off its control of enterprises in an ever widening number of industries.

Undisclosed sources have indicated the State is considering selling its entire interest in the Quang Ninh Port currently held by Vinalines, the state-owned flagship shipping carrier, to the T&T Group.

The owner of T&T Group, Do Quang Hien, a highly influential businessman, reportedly is prepared to chip in VND490 billion to close the deal.

In addition, as icing on the cake, T&T Group is hoping the government will toss in the opportunity to acquire a controlling interest in the Phu Quoc International Airport.

Although technically not an M&A deal, the National flag carrier Vietnam Airlines has announced it is seeking to sell off a 20% stake in the company.

[Back to top](#)

ECONOMY

The company made the announcement on March 12 at a shareholders meeting in Hanoi.

After the proposed sale, the government's share would shrink to 75% from the current 95%, which is a clear indication of the intent by the government to relinquish control through a series of staggered sales.

Many domestic and foreign investors are also eyeing M&A deals in electronics, which too are expected to be busier than usual this year.

A representative of leading Thailand electronics store Power Buy, owned by Thailand's second richest person recently announced his company is acquiring a major stake in one of Vietnam's largest shopping centre chains, Nguyen Kim Trading JSC.

Nguyen Kim is among the biggest electronics shopping centre operators in Vietnam, currently running 23 stores nationwide.

Recently, a spokesperson of The Gioi Di Dong company announced it too has plans to expand rapidly by acquiring prime locations through mergers and acquisitions to shortcut the lengthy time

it takes construct new facilities and wait for them to mature.

Leading economist Dinh The Hien notes that M&A activities last year focused on real estate, banking and production. This year, long-term investors are looking to acquire a controlling interest in government run enterprises.

VOV

IT firms struggle to look for mobile programmers

VietNamNet Bridge - Many information technology (IT) firms have decided to focus on developing software for mobile devices, because of its high profits. However, they cannot find enough workers.



Tran Anh Tuan, deputy director of the HCM City Human Resource and Labor Information Center, said that HCM City alone would need 16,200 IT workers every year in the upcoming years, including programmers for mobile

devices.

The WeAreSocial website says that 35 percent of the world's population now use the internet, 26 percent access Facebook, and 93 percent use mobile phones.

ABI Research forecasts that revenue from mobile apps in 2015 would reach \$46 billion, an increase of \$8.5 billion over 2013. The figure is \$1 billion in Vietnam, or twice as much in 2013.

The promising figure has prompted many Vietnamese IT firms to focus on developing mobile apps. VNG, VTC Online, Appota, FPT and MeCorp all have set up units specializing in mobile programming. The demand for staff is very high. Meanwhile, foreign invested enterprises in Vietnam such as Sutrix, Glass-egg, Spiral and Rentracks are also hunting for coders to develop apps and games for Android-, iOS-, and Windows Phone-based devices. According to FPT Polytechnic, a new engineering graduate can earn \$500-700 a month, while experienced staff can receive up to \$1,500. Foreign companies are willing to pay \$3,000-5,000 for excellent programmers. Appota Vietnam says there are about

ECONOMY

22 million smartphone and tablet users, but only 14,000 mobile programmers in the country. Meanwhile, according to Thai Thi Thanh Huyen, director of VTC Academy, a digital content technology firm, Vietnam's digital industry needs 148,000 workers by 2020, with average revenue per capita expected to be \$13,500.

Le Giang Anh, managing director of JOY Entertainment JSC, said that Vietnamese programmers' ability is at a world-class level. However, because of many reasons, the products do not have high quality. Ngo Van Toan, deputy general director of Global Cybersoft Vietnam, said his firm plans to increase its workforce by twofold in 2015. Toan said he especially needs programmers for Google's Android-based and Apple's iOS-based mobile devices. However, it has been difficult to recruit qualified workers, both experienced and new graduates. In general, the successful recruitment rate is just 10-15 percent of total candidates, even though the company provides regular training courses (three months for each project).

Vision Mobile, a technology website, has also found that though mobile

www.seiko-ideas.com

programming is a "hot" field, programmers have to compete fiercely to obtain jobs. Its report shows that 25 percent of mobile app developers cannot make money, while 64 percent of programmers for Android-based devices earn less than \$500 a month.

NLD

Mechanics sector must improve



HCM CITY (VNS) — The domestic mechanical engineering sector needs to change dramatically to become one of the "spearhead" industries designated by the Government, insiders have said.

The government has invested time and money in the mechanical engineering sector, as it plays a key role in Vietnam's industrialisation and modernisation.

As a result, it has gained significant achievements. In 2013, the production value of the mechanics sector reached

US\$11.8 billion, up seven times compared to that in 2000. Export value rose to nearly 35 per cent of the sector's total value.

However, the industry's growth has not been stable because most of the production lines and technology have been imported.

Do Phuoc Tong, vice chairman of the HCM City Mechanics Association, said the domestic manufacturing industry was the top importer in the country of production lines and raw materials.

However, it had not been able to sell many of its products. "Product quality, pricing and delivery are decisive factors that can help sales of mechanical products. However, most domestically manufactured mechanical products have not been competitive in these aspects," Tong was quoted as saying in Sai Gon Giai Phong (Liberated Saigon) newspaper.

Domestic enterprises that manufacture mechanical products from iron alloy are weak, mainly due to workers' poor skills. As such, the quality of foundry products is uneven, he said.

Also, the prices of domestically made mechanical products are not attractive since 80 per cent of the production

[Back to top](#)

ECONOMY

lines and input materials, particularly carbon steel, have been imported from abroad.

The manufacturers also cannot deliver their products on schedule since many of the products are returned due to poor quality.

Tong said that HCM City had one of the most developed mechanics industry in the country, with 3,537 enterprises. However, many are small-scale with a limited workforce and financial capacity. The Government's policy to support the industry has been ineffective as it has not fit enterprises' demands, Tong said. Foreign-invested companies under current regulations are allowed a zero import tax rate when they import production lines and equipment. However, domestic manufacturers

have to pay taxes for imported production materials.

Dr. Huynh Thanh Dien of the HCM City Economics University said the country was still unable to manufacture special-purpose machine tools because of the weakness of the domestic industry.

As a result, enterprises involved in other industrial sectors had to import sophisticated machine tools, limiting their competitiveness, Dien said. The main exports made by the domestic mechanical engineering sector are automobile parts, machine tools and motorized machinery for agricultural and forestry production, and electrical equipment.

Most of the machinery and tools are exported to ASEAN countries, and China and South Korea.

Adjusting rates

Tong suggested that the Government adjust tax rates on equipment and material imports of the domestic mechanics sector, particularly carbon steel used to make machine tools. Also, in the long term, it is necessary to outline a development strategy for production of carbon and alloy steel to serve machine manufacturing in the country.

He also said there was a need to establish financial leasing companies able to offer loans at preferential interest rates, or to lease machinery and equipment to help mechanical engineering companies improve their production technology and skills of workers. — VNS

BANKS & FINANCE

FIGURES & EVENTS

**680 million USD
(81 billion JPY)**

Is the loan will be supplied for the Electricity of Vietnam (EVN) to build a thermal power plant by Eleven Japanese banks, including Mistui Sumimoto Banking Corp and Japan Bank for International Cooperation (JBIC). Accordingly, the majority of the loan with more than 400 million USD will be provided by JBIC while 8 regional banks will lend a combined 100 million USD.

**Securities Brokers Raise
Capital**

While bank loans for the Vietnamese stock market are being narrowed, the capital base increase of a series of securities companies becomes a big concern of many investors as market performances in 2014 fell short of expectations.

High prospect in 2015

In its documents submitted to the Annual General Meeting of Shareholders 2015, Vietnam Investment Securities Co (IVS) said although the stock market is still facing

difficulty on narrowed capital flows from banks as a result of new regulations of Circular 36, the internal force of the stock market is still enough to make a big bounce this year thanks to the low rate of margin loans. IVS shareholders also approved of the decision to hike its registered capital from VND161 billion to VND350 billion. Investors now prefer the stock market to gold, forex and real estate markets.

However, according to IVS, investors will not easily take a huge profit from the equity market although the potential for growth is bright in 2015. Hence, governmental policies will play an important role in drawing cash flows for the market and improving the market liquidity.

In its business performance plan and capital increase plan in 2015, IB Securities Company (VIX) said that the Vietnamese economy will maintain steady growth in 2015 and the stock market will benefit from the equitisation of State-owned enterprises (SOE) and the divestment from noncore businesses from SOEs. This will be a magnet to both domestic and international investors. The company predicted that the VN-Index, the main

gauge of Vietnam, will move in the range of 580- 680 points in 2015. Its performance will be stable as in 2014 and perhaps expand 10-15 per cent in the year.

Huge capital expansion

Many securities companies have scaled up their capital base in the past time. After IVS disclosed a treble increase, VIX also announced to issue 30 million shares to raise its registered capital from VND300 billion to VND609 billion. The shares will be offered to existing shareholders at a 1-to-1 ratio and a price of VND10,000 per share and sold to employees via ESOP Plan. The company hoped to take proceeds of VND309 billion to add to working capital.

The most “shocking” plan to investors has possibly come from KIS Vietnam Securities Corporation, which plans to raise its chartered capital from the current VND263.6 billion to VND1,113 billion through a private share placement. When the share issue is completed, South Korean shareholders will hold 97-98 per cent of the company’s stake. Tran Van Ai, President of KIS Vietnam Securities Corporation, said this move aimed to

BANKS & FINANCE

meet the new requirement that a securities company must have at least VND900 billion of capital to engage in derivative securities brokerage. After the capital increase, KIS Vietnam will advance into the list of 10 largest securities companies in Vietnam by registered capital.

Smaller brokerages also announced their capital expansion plans. Royal Securities Corporation (ROSE) disclosed its plan to hike its registered capital from VND35 billion to VND135 billion by offering 10 million shares to its existing shareholders at VND10,000 a share. The proceeds will be used for financial restructuring and working capital augmentation. The company also planned to replace some key personnel in a bid to improve their business performances.

As many securities companies have not called their annual shareholder meetings this year. Investors will thus hear more capital-adding plans from brokerage houses in the coming time. This is also a move to enrich the capital flow for the equity market when banks tighten loans for securities investment.

_ Si Son

www.seiko-ideas.com

Commercial banks told to pay dividends of no more than 9%

VietNamNet Bridge - The State Bank of Vietnam (SBV) has said that dividends each commercial bank can pay to their shareholders must not be higher than 9 percent.

SBV has told commercial banks that the dividends they can pay depend on their business results, provisioning and non-performing loan settlement processes.

The CEO of a HCM City-based joint stock bank said SBV had decided to intervene in commercial banks' business to ensure that commercial banks respect the regulations on making provisions against bad debts. The banker said he plans to pay dividends of five percent, but is awaiting a decision from the board of directors.

Before the State Bank decision, VIB Bank planned to pay a dividend of 11 percent to shareholders in cash. SBV said the profit needs to be used to improve the bank's financial capability and settling of bad debts. LienViet Post Bank has also received a document from SBV which said the

bank could pay dividends of no more than 6 percent instead of the planned 10 percent. Meanwhile, Nguyen Thanh Toai, deputy CEO of ACB, one of the largest Vietnamese joint stock banks, said ACB initially planned to pay 9 percent, but it has been told by SBV to pay 7 percent. Nguyen Van Tuan, the shareholder of a HCM City-based bank, complained that he still has no information about the dividend he can expect this year, while the date for the shareholders' meeting has not been fixed.

Tuan said he received a dividend of 5 percent in cash and 10 percent in shares last year. However, Tuan does not expect higher dividends this year, though the bank has reported satisfactory business results, because he knows banks have to settle bad debts first. SBV has once again shown its strong determination to force commercial banks to speed up settlement of bad debts. Several days ago, it released a decision about the bad debt amount that commercial banks have to sell to the Vietnam Asset Management Company (VAMC), a company set up by SBV to help settle bad debts.

[Back to top](#)

BANKS & FINANCE

A banker complained that SBV had interfered in banks' business by setting dividends the banks can offer. He said that under current laws, the dividends are determined by shareholders after considering last year's profits and business performance.

Meanwhile, the main job of SBV, as the watchdog agency, is to create a transparent legal framework for commercial banks. *NLD*

INVESTMENT

FIGURES & EVENTS

112.4 billion JPY

Is Japan official development assistance (ODA) loans will be provide for Vietnam allocated to 7 projects, including Ben Luc –Long Thanh Expressway, Thai Binh I thermal power plant and power transmission lines, power distribution project, phase 2 of Nhon Trach water supply system, water drainage and wastewater treatment in Halong city, the upgrade of Can Tho University and climate change response program, according to an exchange of notes signed Vietnamese Minister of Planning and investment Bui Quang Vinh and Japanese Ambassador to Vietnam Hiroshi Fukada in 31st March, 2015.

Real estate association sets up brokerage branch

The Viet Nam Real Estate Association (VNREA) will establish a brokerage branch to support, represent and protect the rights and interests of organisations and businesses dealing with real estate brokerage.

The branch was introduced at the VNREA annual meeting in the central port city of Da Nang on March 28.

Head of the Construction Ministry's Housing and Property Market Department Nguyen Manh Ha accepted his posting as the branch's chairman.

All brokerage businesses, exchange floors and individuals who have received brokerage certification are welcome to take part in the association.

The branch is expected to be a channel for receiving complaints and for the contribution of ideas from organisations and individuals on the State's policies on real estate.

According to VNREA's General Secretary Tran Ngoc Quang, the association has more than 1,580 members nationwide. Some 30,000 people nationwide have been granted real estate brokerage and assessment certification.



At the meeting, Tran Kim Chung from the Central Institute for Economic Management presented three

scenarios for the domestic market, saying it was standing at a three-way crossroads, reported news website dddn.com.vn.

The first scenario is that the market will continue to remain stable with a small potential for development, as is currently the case. This is the most likely scenario.

The second scenario is that the market will begin a new growth cycle. This may occur if a number of factors come together: The situation in the East Sea must become stable; Viet Nam must successfully participate in the Trans-Pacific Partnership (the country's economy is expected to increase by 10 per cent if this becomes a reality); the State must remain a macro economy with stable monetary policies; and revised laws affecting the construction and real estate business must be passed, which will further open the door for Vietnamese living abroad and foreigners to buy a house and own real estate in Viet Nam.

The third scenario is that the market will see a downturn if the situation in the East Sea worsens and the country's macro economy declines.

INVESTMENT

Based on the above analysis, Chung said the domestic real estate market showed signs of development in the next few years. Many foreign investors were interested in Viet Nam's real estate projects, providing investment capital of billions of US dollars.

The market has shown signs of recovery and become very attractive due to preferential economic policies created by the State and Government. In addition, the country's rapid urbanization was predicted to increase in speed by 45 per cent by 2025, demonstrating that demand was still high. The market has developmental potential over the next 10 years, said Chung. [_BIZHUB](#)

E-commerce critical for exporters amid VN's global integration

Vietnamese companies, especially small and medium-d enterprises, need to use e-commerce more to strengthen their competitiveness in foreign trade, Le Dang Doanh, an economist and former member of the Government Advisory Council, has said.

Speaking at the 4th annual Supplier Day event organised in HCM City on

www.seiko-ideas.com

Tuesday by leading global wholesale online platform Alibaba.com, he said e-commerce had become more important with the Vietnamese economy's regional and global integration.

This year Viet Nam was likely to conclude a series of multilateral and bilateral trade agreements.



Many free trade agreements would possibly be signed this year– like the Trans Pacific Partnership, EU-Viet Nam FTA, Korea- Viet Nam FTA, Viet Nam– European Free Trade Association FTA, and Viet Nam –Russia-Belarus-Kazakhstan Customs Union.

The low tax rates as part of these FTAs would expand Viet Nam's foreign trade. The Viet Nam Textile and Garment Association expected the TPP to yield an additional US\$30 billion in textile exports by 2020 and \$55 billion by 2030.

Doanh said "Domestic businesses at that time will become global businesses

with easy access to partners around the world".

E-commerce would be a key in helping businesses reduce marketing expenses, eliminating distances and do 24/24 online transactions with customers in various forms like B2B, B2C, and B2E.

Timothy Leung, head of global business development at Alibaba.com - one of the B2B websites with the greatest participation by Vietnamese exporters– said, "We see significant growth in the number of registered members from Vietnam (129 per cent) providing valuable products to buyers in different countries including the US, India, and China."

On average, 6,600 new members registered per month, he said.

Alibaba.com is an English-language global wholesale platform with registered users in over 240 countries and regions and thousands of product categories in more than 40 industries.

Leung added that in the near future new tools such as AliSourcePro to help suppliers identify quality buyers and Alibaba Biz Circle tool for Alibaba.com members to exchange ideas and enable suppliers and buyers to better

[Back to top](#)

INVESTMENT

understand each other to explore new business opportunities would be launched.

Doanh said e-commerce revenues in Viet Nam were set to hit \$1.3 billion this year. But if e-commerce was to develop, Vietnamese consumers needed to change their habit of using cash for payment.

Tran Dinh Toan, deputy director of OSB Co. (Alibaba.com's authorized agent in

Viet Nam), said e-commerce was a useful tool for businesses to explore and expand markets and take advantage of untapped opportunities for global trade in the context of a fast-changing global economy.

As of the end of last year Viet Nam was seventh in Asia in terms of internet growth and 18th in the world.

According to the Internet World Stats, by June last year 43.9 percent of the

country's population, or 41 million people, had access to the internet.

Supplier Day brought together over 300 businesses and experts who discussed how to grow their businesses globally...

BIZHUB

ENTERPRISES

Australia, VinaCapital Foundation donate medical equipment to Khanh Hoa

HCMC - The Australian Consulate General in HCMC and VinaCapital Foundation (VCF) have handed over life-saving equipment to Khanh Hoa General Hospital in the central coast city of Nha Trang.



The Australian Consul General, John McNulty, takes a look at a baby at the Neonatal Intensive Care Unit at Khanh Hoa General Hospital - PHOTO: AUSTRALIAN CONSULATE GENERAL

The Australian Consulate General said in a statement on April 2 that the gifts of one pediatric ventilator and 17 injection pumps are vital equipment additions to the hospital's new Neonatal Intensive Care Unit (NICU) as they will allow the hospital to provide critical care to infants and children in need of hospital-based life support systems as the regional referral center for seven provinces.

www.seiko-ideas.com

"The pumps and ventilator will save one to three children's lives every week. The increase in capacity will play a significant role in the continuing efforts to reduce mortality for children in Khanh Hoa and adjacent provinces," the statement said.

The equipment donation is funded by the Australian Government's Direct Aid Program (DAP) and part of VCF's nationwide Survive to Thrive medical equipment provision program.

Australian Consul General, John McNulty, said the consulate continued joining hands with VCF to improve the quality of life for low-income and disadvantaged communities in Vietnam.

"We are proud to support this vital project, the largest we have ever funded at VND988 million (over A\$58,420) to ensure that local children have access to the medical facilities and care required to lead strong, healthy, happy lives," McNulty said.

VCF has worked with the Australian consulate general in previous years to improve the quality of health care for children in the south central region.

In 2014-2015, DAP has awarded grants to 22 projects in a wide range of sectors

from community healthcare to small-scale infrastructure in Vietnam.

Financed by the Australian Government, DAP provides grants for small-scale development projects aimed at addressing humanitarian hardship and advancing developmental outcomes in disadvantaged communities.

DAP aims to make small grants available to community groups, NGOs, and other organizations that may not have access to large-scale aid or grants programs. Through DAP, the Australian Consulate General funds projects in various sectors including healthcare, education and small-scale infrastructure development.

DAP funding forms a small part of Australia's non-refundable aid to Vietnam, which is expected to total A\$141.3 million in the 2014-2015 financial year.

Japanese group buys into HDFinance

HCMC – Japan's Credit Saison has acquired a 49% stake at HDFinance, a finance company owned by HCMC Development Bank, or HDBank.

[Back to top](#)

ENTERPRISES

The deal enables both sides to cash in on the country's growing retail finance segment.

The finance company will be renamed as HD Saison Finance and HDBank will reduce its holding at the company to 50%.



HD Saison Finance will provide the local market with products and services such as credit cards, pre-paid cards and loans. It aims to become a leading retail finance company in Vietnam.

HDFinance, formerly known as Societe Generale Viet Finance, was licensed by the State Bank of Vietnam in 2007 with chartered capital of VND550 billion. In 2013, HDBank acquired the firm to transform it into HDFinance.

HDFinance now has nearly 3,000 transaction points in the nation's 63 provinces and cities. Its financial products include consumer loans for motorcycles, light trucks, electronic

devices, home appliances, mobile phones, furniture and travel packages.

Credit Saison started issuing cards in Japan in 1982. It has offices in China, Singapore and Vietnam, seeking cooperation opportunities with non-banking financial companies.

MHB set to merge with BIDV: official

The Mekong Housing Bank (MHB) will collaborate with the Bank for Investment and Development of Viet Nam (BIDV) to complete their merger this year.

MHB Chairman Huynh Nam Dung revealed the decision to the local press, adding that this was in line with a directive of the State Bank of Viet Nam (SBV).

The announcement spiked market speculations about the State-run BIDV reportedly announcing that it would possibly merge with a bank in the southern part of the country.

Documents from the MHB shareholders meeting, which the bank posted on its website on April 2, stated that both banks had joined hands to formulate the plan since the fourth quarter last year.

MHB and BIDV both plan to hold their shareholders meeting in HCM City on April 17, while the housing bank said it had completed a restructuring scheme to be presented to SBV.

MHB's management board confirmed in the documents that the bank had shown sustained and healthy development, despite its small scale.

Last year, the bank's total assets grew 17.4 per cent year-on-year to about VND45 trillion (US\$2.14 billion), and deposits increased by 14.4 per cent to more than VND37 trillion (\$1.76 billion).

Its outstanding loans expanded 13.8 per cent to VND30.60 trillion (\$1.46 billion) in 2014, and the bad debt ratio was 2.72 per cent at the end of the year. Pre-tax profits earned were pegged at VND162 billion (\$7.71 million), reflecting a year-on-year increase of 14 per cent, while the return on equity ratio (ROE) reached 3.7 per cent, and the capital adequacy ratio (CAR) hit 16.95 per cent.

MHB had successfully auctioned its shares during an initial public offering in July 2011, but hasn't yet listed its shares on the stock market.

ENTERPRISES

The deal between MHB and BIDV was among six mergers and acquisitions that SBV officials expect to be completed this year as part of a general effort to clean up the banking system.

On March 31, the Maritime Bank officially announced that it would merge with the Mekong Development Bank, marking the first banking merger in 2015. _ VNS

MARKET & PRICE

Seafood processing industry sees major changes

VietNamNet Bridge - Businesses in the seafood processing sector are clearly divided into two sides: those who are acquiring businesses to strengthen their foothold and those who are selling their firms to both domestic and foreign partners.



The director of a securities trading firm in Ho Chi Minh City said that since mid 2014, seafood processing businesses have had many positive signals as their profits began sharply increasing in 2014.

Thus, the industry has seen a clear distinction where the big companies are increasingly stretching their arms while the small businesses are getting smaller in both profit and market share. The number of merger and acquisition (M&A) deals are increasing.

Most recently, Hung Vuong Joint Stock Company has approved the purchase of an additional 3.19 million shares (VND10,000/share) in Tac Van Seafood Processing Import Export JSC, to raise its total shares from 885,970 to 4.08 million, representing 51% of the charter capital of Tac Van. Tac Van currently has a charter capital of approximately VND35.44 billion. The company will issue more shares to increase its capital to VND80 billion (\$4 million).

Hung Vuong will also offer to purchase 2.5 million shares of Sao Ta Food JSC (Fimex) for VND24,000 per share. If it is successful, Hung Vuong will increase its stake in Fimex from 7.5 million to 10 million shares, holding 50% of the shares of Fimex.

Previously, Hung Vuong announced the completion of purchasing 4 million shares of Viet Thang Animal Feed JSC, thereby raising the percentage of ownership in this firm to 75.96%.

Recently, to increase its ownership in Viet Thang to 90.28%, Hung Vuong registered to buy an additional 3.9 million shares through the negotiation form, expected to be completed in April.

If these affairs are completed, Hung Vuong will increase the percentage of ownership in many companies.

While Hung Vuong Seafood Company is trying to acquire small businesses, Minh Phu Seafood is seeking foreign partners.

Minh Phu's Chairman Le Van Quang said the company is trying to sell up to 39% of its shares to a foreign partner, which has strategic advantage in production and exports. A dozen investors from America, Japan and Canada have expressed their wish to become Minh Phu's strategic partner.

This year Minh Phu is expected to increase profit by 55% to VND1,416 billion (\$66 million), of which export turnover to be at least \$1 billion. On March 31, Minh Phu officially delisted on the HCM City Stock Exchange.

At the same time, small seafood businesses are being acquired.

An Giang Seafood Import Export JSC said that the State Capital Investment Corporation (SCIC), its major state shareholder which owns 8.24% of capital, will sell its entire shares in this unit in mid-April, at the price of VND40,100 per share.

MARKET & PRICE

In the other case, Viet An Seafood JSC and its consulting company are designing the restructuring plan for 2015 - 2019 to gradually overcome the difficulties, to be more attractive in the eyes of not only domestic but also foreign partners.

The Vietnam Association of Seafood Exporters and Producers (VASEP) said that the process of merger and acquisition of seafood processing companies will be strong this year. The weak businesses will find it difficult to survive in tough competition, so this is an opportunity for ones with financial strength.

Tu Nguyen

LEGAL UPDATES

The regulation on bidding for PPP projects and projects using land with high commercial value

Decree No. 30/2015/ND-CP dated March 17, 2015 of the Government on guidelines for some articles on investor selection of the Law No. 43/2013/QH13 on Bidding

This Decree provides in details the guidance on the bidding activities to select investors for these projects:

1. Projects of investment in the form of Public – Private Partnership (PPP projects)
2. Projects of investment using land with high commercial value to develop constructions in urban areas, new urban areas; commercial housing, commercial and service works; multi-purpose complexes that are not PPP projects

Accordingly, the selection of investors in PPP projects and projects of investment using land as mentioned above must be carried out by international competitive bidding (allowing foreign investors to participate) (Clause 1 Article 9).

However, projects of fields in which foreign investment is restricted or projects of investment using land in which preliminary investment is below VND 120 billion shall be applied domestic competitive bidding; foreign investors are not allowed participating (Clause 2 Article 9)

In order to assure the competition in bidding, the bidder and the soliciting entity must assure that they do not have more than 30% of each other's shares or stake (Clause 1 Article 2)

Selling price for a set of bidding documents is decided by the soliciting entity. With regard to domestic bidding, it shall not exceed VND 20,000,000. With regard to international bidding, it shall not exceed VND 30,000,000

This Decree shall take effect from May 05, 2015

Regarding personal income tax finalization for foreigner's first tax year in Vietnam

Official letter No. 1076/TCT-TNCN dated March 30, 2015 of the General Department of Taxation regarding the adjustment of personal income tax finalization of foreigners

According to Point e.2 Clause 2 Article 26 of Circular No. 111/2013/TT-BTC if a foreigner is present in Vietnam fewer than 183 days in his/her first year in Vietnam, the tax finalization shall not be made. However, when the presence time reaches full 12 months as the day on which that person arrives at Vietnam, the personal income tax finalization must be made for all incomes incurred in that year. Of course, the foreigner is the resident in this first tax year, the personal income tax finalization shall be made according to the progressive tax table

From the second year onwards, the progressive tax table or the tax rate of 20% shall be applied depending on whether the foreigner meets the conditions for being regarded as the resident in Vietnam or not.

Foreign investors are not allowed remitting profits abroad quarterly

Official letter No. 1084/TCT-DNL dated March 30, 2015 of the General Department of Taxation regarding time to remit profits abroad

Under Clause 1 Article 4 of Circular No. 186/2010/TT-BTC, foreign

LEGAL UPDATES

investors are only allowed remitting profits abroad annually at the end of a fiscal year, after the submission of financial statement (already audited) and the enterprise income tax finalization declaration

A foreign capital wholly – invested enterprise is also a foreign investor, it is only allowed remitting profits to its country at the end of a fiscal year under the above – mentioned provisions; it is not allowed remitting profits abroad quarterly.

New regulations on management of construction costs

Decree No. 32/2015/ND-CP dated March 25, 2015 of the Government on construction cost management

This Decree regulates the management of construction costs including total construction investment, construction estimate, construction contract estimate, construction norms, construction prices, construction price indexes, payment for and finalization of construction contracts, etc.

Accordingly, one of the new points of this Decree is adding more regulated entities, including all projects funded by state budget, instead of projects that used at least 30% of state budget as prescribed in the old Decree (Article 2)

Particularly, projects funded by other sources are either applied or not

This Decree takes effect from May 10, 2015 and replaces Decree No. 112/2009/ND-CP dated December 14, 2009. (Vietlawonline)

HIGHLIGHTS

Vietnam faces pension system crisis

Vietnam may be forced to water down a new law designed to shore up its pension system after tens of thousands of workers protested against the changes in a strike that lasted nearly a week.

Four factories employing more than 90,000, owned by Taiwanese footwear manufacturer Pou Chen Corp., halted production last week as workers protested new pension rules that go into effect next year aimed at boosting the retirement programme.

The new law prevents laborers from being eligible for lump-sum social insurance payments when they leave companies. To bring back those on strike, Prime Minister Nguyen Tan Dung's government will propose amendments to the law to meet worker's demands of payouts when they quit a job.

The factory protests underscore the hard choices Vietnam's government must make to revamp its pension system. The country's social security fund is forecast to have deficits beginning in 2021 and risks being

depleted by 2034 without reforms, according to the International Labour Organization.

"The challenge is the government cannot bear a sustainable pension system if there are no contributions," Gyorgy Sziraczki, Vietnam director of the International Labor Organization, said by phone. "It's a very, very hard dilemma."

Factory workers

The change in the law laborers protested is designed to encourage them to save more money for retirement, Doan Mau Diep, deputy labor minister, said by phone. Under the current law, employees are permitted to withdraw money from their pensions with a penalty that reduces future government retirement payments, he said.

"What we were trying to do is to offer workers a more secure life at their retirement ages," Bui Sy Loi, vice chairman of social affair committee at the National Assembly, said by phone.

"However, if workers don't want that change, we can roll it back and add that as one of the options in the new law."

About 500,000 workers take lump-sum allowances from the social security

fund every year, Loi said. The number of individuals taking their pension savings before retirement has increased in recent years, he added.

Many factory workers view their jobs as temporary and plan to use pension savings created by mandatory paycheck deductions to start a business or help their families when they return to their villages, Sziraczki said. There are relatively few micro-finance programs available to help them, he said.

In reforming the system, Vietnamese leaders must grapple with a citizenry that distrusts government institutions, Dane Chamorro, managing director for Southeast Asia at global business risk consultant Control Risks, said by phone. "The people fundamentally don't trust their government to follow through on the fact that the money will be there and it will be paid out," he said.

Pension crisis

Vietnam is not alone in facing a pension crisis. Similar patterns are occurring across Asia, Sziraczki said.

A number of countries in the Organization for Economic Co-operation and Development are grappling with future social insurance

HIGHLIGHTS

deficits, according to a 2012 Asian Development Bank report.

The Republic of Korea (RoK), with the fastest-aging population in the OECD, told employers to provide retirement plans for staff starting in 2016 after realizing that its state pension fund may go broke by 2060, when its population over 65 is set to triple.

Germany and the UK plan to raise their retirement ages to 67 from 65, while Australian Treasurer Joe Hockey wants to increase the threshold to 70, the highest in the world.

Singapore's government has made it mandatory for companies to offer three more years of work to those turning 62, the official retirement age, and plans to extend that to five years by 2017.

Efforts by the Vietnamese government to raise the retirement age in the past two years have been rejected by lawmakers.

Vietnamese policy makers have discussed making the country's voluntary pension system more attractive by providing matching government funds, though that idea was put aside because of state budget deficits, Sziraczki said.

As of 2010, the mandatory pension program covered about 9.3 million Vietnamese, or 20% of its labor force, the ADB said. The voluntary system covered 62,000 persons.

Pou Chen expects the four factories affected by work stoppages to be operational this week, said the company. Some workers say they will strike again or quit if the government does not quickly amend the new pension law.

"If the government does not change the social insurance law, up to half of the factory's workers will quit their jobs so they can be eligible to collect social insurance payments before the new law takes effect," Le Van Tin, 30, a striking worker at Pou Chen's Ho Chi Minh City factory, said in an interview. "We cannot work as factory workers our whole life." _ *Bloomberg*

Vietnamese food suppliers struggle to join global food chain

VietNamNet Bridge - Vietnamese food suppliers are really dying for becoming the links of the global food chains, but they still cannot find the way to join them.

Subway Vietnam said most of the materials needed to make products for Subway shops in Vietnam are imported, from bread to vegetables.



"Only a few of materials are sourced from Vietnam," the representative of Subway Vietnam said, adding that the fast food chain cannot find reliable suppliers in Vietnam. Under the current laws, using locally sourced materials is not a must for foreign food chains. Nguyen Huy Thinh, managing director of McDonald's Vietnam, said it took one year to find the egg supplier who can satisfy McDonald's global standards. Eggs must be cleaned and then covered by an oil layer for protection. Lotteria Vietnam, which has been in the market for 17 years, still cannot find suitable beef suppliers. "When opening the first shop in Vietnam, we used Vietnam's beef. However, as the fat concentration was unstable, we could not ensure the quality of our products," a Lotteria

HIGHLIGHTS

representative said. “Therefore, we decided to build a factory, and decided to import Australian cows for domestic slaughter,” the representative said. Hoang Tung, a branding expert, said that Vietnamese businesses still have not found the right way to approach the chains.

“Vietnamese businesses, with abundant domestic material sources, domestic workforce and domestically run production lines, have great advantages in supplying fresh materials,” he said, adding that Vietnamese are capable of ensuring the quality of the materials to be supplied.

However, whether they have opportunities to cooperate with global food chains will still depend on many other factors, including their skill in persuading foreign partners and the ability to provide materials for the long term.

Pham Viet Anh, also a branding expert, said one cannot say Vietnamese materials cannot satisfy the quality requirements set by foreign partners. Vietnamese products are available all over the world, and there is no reason to say they cannot provide materials to

fast food chains. Do Thanh Nam, director of Win Win, a consultancy firm, noted that in many cases, foreign food chains have their own supply chains and therefore, there is no room for Vietnamese suppliers.

Meanwhile, the director of a Vietnamese business, said that he does not intend to squeeze into foreign fast food chains because this seems to be impossible. “All of them (fast food chains) set strict requirements on products. In order to satisfy the requirements, we will need huge investment capital. Meanwhile, we will surely take loss if we cannot find other consumers,” he explained. _PL TPHCM

CONTACT



SEIKO IDEAS CORPORATION

Our services

Training (Languages & Soft skills)

Investment Consulting

Market Research - Business Matching

Translation - Interpretation

Address

Floor 5th - A Chau Building

No.24 Linh Lang str., Ba Dinh dist., Hanoi, VN

Telephone

+84-4-6275-5246 ; +84-4-6273-6989

Fax

+84-4-6273-6988

Website

www.seiko-ideas.com

Person in charge

Le Thu Trang (Ms.)

Mobile

+84-97-8363-289

Email

trang.le@seiko-ideas.com

**You are receiving this because you [subscribed](#) to our weekly business newsletter or you gave us your address via namecard.*

[Back to top](#)