

VIETNAM

# BUSINESS REVIEW

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*[Will big telecom players give up 4G?](#)*

# LTE

4G

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2G

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## ECONOMY

### Japan puts stress on agricultural deal with Vietnam



VNA - Japan pays heed to the implementation of an agricultural cooperation pact with Vietnam, said agro-forestry-fisheries minister Hiroshi Moriyama.

The Minister made the statement during a meeting with Vietnamese Ambassador to Japan Nguyen Quoc Cuong on December 14.

Minister Moriyama lauded the high-level dialogue mechanism on agriculture between Vietnam and Japan, and the signing of a joint vision on middle- and long-term farming cooperation during the official Japan visit made by Party General Secretary Nguyen Phu Trong in September.

Under the pact, from 2015-2019, a series of action plans will be piloted in Vietnamese localities to improve their agricultural value chain. The pact also mentions of the context of climate change and the training of high-quality human resources for

Vietnam.

Ambassador Cuong told his host about both sides' implementation of their agreement on opening market for the two countries' agricultural products.

Vietnam's Cat Chu mangoes are sold at some Japan's supermarkets, while Japanese apples will be available in Vietnam starting December 19, he said.

Both host and guest further discussed necessary measures to boost market access for Vietnamese and Japanese agricultural goods moving forwards.

### Vietnam's exports to grow 10%

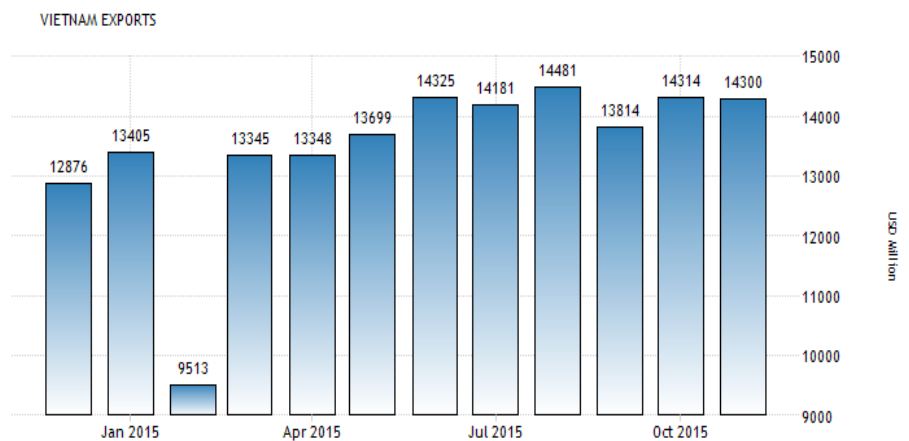
VNA - Vietnam's exports will grow by over 10% between 2021 and 2030, little changed from the previous five years, according to a recent trade forecast by HSBC.

The report says FDI inflows have been very strong in recent years, helping the country diversify its export base and gradually move into higher value sectors, most notably ICT equipment, which now accounts for around 25 percent of its exports, up from less than 10% five years ago.

But at the same time, the large, young, and increasingly skilled workforce continues to attract manufacturers of low-cost items such as clothing and apparel to Vietnam.

Rapid liberalisation should greatly benefit Vietnam's trade with the rest of Asia, the US, and Europe, and underpin expansion into new markets.

Vietnam is one of the 12 countries in the Trans-Pacific Partnership (TPP), which reached a preliminary



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agreement in October. In August, Vietnam also reached an agreement in principle for a free trade agreement with the EU. It is also speeding up preparation for the launch of the ASEAN Economic Community (AEC) on December 31, 2015.

ICT equipment is forecast to contribute 19% of the total increase in exports between 2021 and 2030, up from 14% in 2015-20.

Samsung, which first opened a mobile phone plant in Vietnam in 2009, has led this increase. Its first plant doubled its output each year, while another factory was built in 2013 and plans were announced for two more factories a year later: a US\$600 million facility to manufacture household appliances and a US\$3 billion smart phone plant.

LG, Microsoft, and Intel also have plans to expand operations in Vietnam.

The large, growing low-cost workforce and the progress towards the TPP agreement and the ASEAN single market mean Vietnam will continue to attract low cost manufacturing firms and maintain its strong position in the textile and garment market.

Clothing and apparel will contribute 19% in 2021-30 while textiles and wood products will account for 10%.

Vietnam's geographic location between India, China, and Southeast Asia leaves it well-placed to trade with its fast-growing neighbours.

But with Asian trade much weaker this year, one factor that has helped Vietnam outperform the rest of the region has been its strong links with the US. Indeed, the US is Vietnam's largest export partner and this will still be the case in 2030.

The report expects industrial machinery to contribute around a quarter of the increase in imports in 2021-30, little changed from 2015-20. ICT equipment will account for around 10 percent of the increase in 2021-30 as a result of the strong presence Vietnam has in the global telecom sector and more broadly the gradual technical upgrading of the economy.

According to the World Bank World Development Indicators, by 2014 Vietnam had 12 secure internet servers per million people, up sharply since 2008 and more than China, Indonesia and the Philippines but substantially less than Thailand and Malaysia.

Textiles and wood products and clothing and apparel will account for close to 20% of the increase in imports, reflecting both intermediate demand from the domestic sector and final demand from the buoyant consumer market (household incomes in Vietnam are forecast to rise rapidly over the forecast period, though they are expected to remain lower than China).

China is Vietnam's biggest import partner (of the 24 trade partners in the HSBC Trade Forecast) and with imports from China growing by 15% in 2021-30, it will remain so in 2030.

The Republic of Korea will continue to be the second largest import partner over the forecast period. Intra-regional trade in Southeast Asia should benefit from the ASEAN bloc forming a single market by the end of the year, and imports from Malaysia, Indonesia, and Singapore are expected to grow by close to 10% in 2021-30.

Imports from the Middle East and North Africa will also grow by around 10%, largely reflecting the growing commodity needs from the buoyant consumer market and expanding industrial sector.



## BANKS & FINANCE

### SBV adjusts USD exchange rate



VNA - The State Bank of Vietnam (SBV) Operation Centre adjusted the reference exchange rate between the Vietnamese dong (VND) and the USD up by 90 VND on the morning of December 15.

The reference buying rate rose from 21,800 VND to 21,890 VND per one USD, and the selling rate, 22,575 VND per one USD.

Accordingly, many commercial banks also raised their selling rate to the ceiling allowed by the SBV and increased the buying rate at the same time.

The Joint Stock Commercial Bank for Foreign Trade of Vietnam (Vietcombank) posted its US dollar buying and selling prices at 22,540-22,547 VND while the Bank for Investment and Development of Vietnam (BIDV) is transacting at 22,517-22,547 VND per one USD.

Meanwhile, the Vietnam Technological and Commercial Joint Stock Bank (Techcombank)

set the buying and selling rates at 22,460 and 22,547 VND per one USD. The inter-bank exchange rate between the two currencies set by the SBV is now at 21,890 VND with commercial banks allowed to adjust their rates at an amplitude of +/-3 percent.

With the adjustment, the new selling rate applied at commercial banks has touched the ceiling exchange rate of 22,547 VND per one USD.

The USD price has fluctuated greatly over the past month due to increasing foreign currencies demand towards the end of the year and impact of rumours on the US Federal Reserve (FED)'s possible increase of interest rates.

### Techcombank becomes first IFG's partner member in VN



VNS - The International Factors Group (IFG) has announced that Viet Nam Technological and Commercial Joint Stock Banks (Techcombank) has officially become the first Partner Member of the group in Viet Nam.

Accordingly, Techcombank will provide more overall import-export

factoring solutions, thus diversifying business segments with more preferential price rates and better meeting the financial demands of import-export enterprises.

Joining the IFG, the bank will also have more development opportunities in the field with partners around the world.

The bank will also have access to the online information exchange and transaction system Ifexchange, helping minimise transaction time and ensuring law compliance. Founded in 1963, IFG is the global trade association that fully represents and promotes the interest of the factoring, invoice financing and asset-based lending industry on a global basis. IFG currently has 160 members from 60 countries worldwide.

### Wholly-foreign owned banks land in Vietnam

VNN - Some branches of foreign banks in Vietnam have applied for conversion into banks with 100% foreign capital.

Foreign banks are flocking to Vietnam. Specifically, this year Kasikorn Bank (Thailand) has opened two representative offices in Hanoi and HCM City.

Public Bank Berhad (Malaysia) has completed procedures to become the 6th wholly-foreign owned bank in Vietnam. DBS Bank (Singapore)

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and Maybank (Malaysia) have opened more branches in Vietnam. UOB Bank (Singapore) has asked to upgrade from a branch into a wholly-foreign owned bank.

Dr. Can Van Luc, Deputy General Director of the Bank for Investment and Development of Vietnam (BIDV), said that the number of foreign banks entering Vietnam will increase in the time to come.

Statistics of Dr. Nguyen Viet Loi, Director of Institute of Strategic and Financial Policies showed that, since Vietnam joined the WTO, the number of foreign bank branches has increased 51.4%. Loi said that once the ASEAN Economic Community (AEC) is established, foreign banks will more deeply penetrate the Vietnamese market.

To be fair, the market share of foreign banks in Vietnam is still small.

However, many economists believe that foreign banks have begun to understand the local market, with abundant capital, products of high quality, internal governance and professional effectiveness, so the ability to expand the market share in the long term is very large.

Currently, the average size of the four largest commercial banks in Vietnam is only \$30-\$35 billion, while the size of the big banks in Thailand and Indonesia amounts to \$70 billion. The index of the quality of governance of many banks in the region also is double that of Vietnamese banks. Therefore, the risk of domestic banks is very large.

Under the Trans-Pacific Partnership (TPP), the banks in TPP bloc will provide cross-border services without establishing a commercial presence in member countries. This

will create pressure on domestic banks.

Mr. Bui Huy Tho from the Department of Licence for Credit Institutions and Banking Activities also said that the wider and deeper participation of foreign banks puts the domestic banking system in danger as they gradually lose advantage in retail banking services.

While banks from neighboring countries are strengthening their presence in Vietnam, domestic banks have not been popular abroad.

Among banks in member states of the Association of Southeast Asian Nations (ASEAN), Maybank of Malaysia, Bangkok Bank of Thailand and UOB of Singapore operate in seven member countries.

Many banks have large proportion of assets outside the national territory. For example, OCBC of Singapore has 60% of total loan balances in external markets. Meanwhile, Vietnamese banks still rely on 90% in the domestic market.

Dr. Phan Hong Mai from the Institute of Banking - Finance, National Economic University, said that when Vietnam further opens the banking market, it is highly possible that local banks will be taken over by regional banks under various forms.

## INVESTMENT

### Toyo Ink Group invests in Song Hau 2 Thermal Power Plant

VOV - The Hau Giang Provincial People's Committee and Malaysian Toyo Ink Group on December 15 initialed a contract for Song Hau 2 Thermal Power Plant BOT project in Vietnam's Mekong Delta province of Hau Giang.

Toyo Ink managing director Song Kok Cheong said this is an important landmark for bilateral cooperation.

Vice Chairman of the Hau Giang People's Committee Trinh Xuan Thanh said the province will closely cooperate with investors and relevant sides to soon licence the investment project to enable its construction on schedule.

The 2,000MW Song Hau Thermal Power Plant 2 is a foreign invested project with the largest capacity in Vietnam so far. It is the second phase of the \$3b Song Hau Power Complex.

### Koizumi buys 23% stake in Vietnamese firm

VIR - Japan's Koizumi Co., Ltd on December 5 signed a strategic investment agreement for buying a 23 per cent stake in Vietnamese steel firm QH Plus JSC.

VietinbankSC and the Vietinbank provided the consultation for the investment. The detailed value of the deal has not been disclosed.

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According to the investment agreement, Koizumi will buy 23 per cent of QH Plus's shares. In addition, Koizumi's products will be introduced in the business system of QH Plus, while QH Plus products will be introduced in Koizumi's sales channels.

Speaking at the signing ceremony, General Director of VietinbankSC Khong Phan Duc said the agreement between QH Plus and Koizumi would bring many benefits for both sides, as well as enhance each company's reputation.

Koizumi is one of the pioneers in the field of household equipments with nine subsidiaries and more than 100 sales offices in Japan. The company's revenue in 2014 was US\$1.1 billion.

QH Plus was established in 2006. The company focuses on major fields such as steel, construction materials and construction accessories and expects to earn \$100 million in revenue this year.



Currently, QH Plus has offices in many countries, such as China, Singapore, Laos and Cambodia, besides Malaysia and the Philippines.

### Petronas pulls plug on LPG retail business in VN

TNN - Petronas Dagangan, the marketing and retail arm of Malaysian oil and gas giant Petronas, will exit Vietnam after selling its two local units next year, according to international media reports.

PETRONAS (Vietnam) Co. Ltd and Thang Long LPG Company Ltd would be sold to Totalgaz Vietnam Limited, the subsidiary of France's integrated oil and gas giant Total Group, Nikkei Asian Review reported Monday.

Both the companies, acquired by Petronas Dagangan in 2012, bottle and distribute liquefied petroleum gas for cooking.

The deals, whose financial details have not been disclosed, are expected to be completed by the second quarter of next year, according to the news website.

It quoted Petronas Dagangan as saying the disinvestment is part of its "portfolio rationalization."

Analysts told the website that the sales would help the company consolidate its operations after recent expansion into other Southeast Asian countries and focus on the Malaysian market, which brings in a majority of its revenue.

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## ENTERPRISES

### Collection of controversial tax arrears at dairy firms halted

VNN - Local customs agencies will not proceed with a controversial plan to collect extra value-added and import taxes from importers, producers and traders of Anhydrous Milkfat (AMF) imports as requested by the Ministry of Finance.

The plan was put on hold around two weeks after Vinamilk, Hanoimilk, FrieslandCampina VN, Nutifood, Dai Tan Viet, Hoang Lam, A Chau and The He Moi petitioned the Prime Minister and the Finance Ministry to reconsider it.

A senior source from a customs department in the south which accounts for the bulk of AMF imports said that the agency has suspended the plan as ordered by the ministry. The customs had claimed dairy processors would have to pay VND200 billion (\$9.04m) in extra import tariff, saying AMF had been miscategorized, leading to a miscalculation of tax.

A few days ago, Gov't Office issued a document conveying Deputy Prime Minister Hoang Trung Hai's request to the ministry to resolve the petition by the eight dairy firms.

The companies said in the petition letter that the customs required

them to pay extra value-added tax and import tariff for AMF imports since 2010 as this material for dairy processing had been miscategorized & thus under-taxed. AMF, also called Anhydrous Butterfat, is coded 0405.90.10 and subject to an import duty of 5% in line with Codex Alimentarius Commission (CODEX STAN 280-1973), VN National Standards (TCVN 8434:2010) and VN National Technical Regulation (QCVN 5-4:2010/BTY). But the General Department of Customs argued that it should be coded 0405.90.90 (named "Other" under Harmonized Tariff Schedule) and has an import tariff of 15%.

### How much room is there for foreign investors in Vinamilk?

VNN - It is still unclear how much of Vinamilk's stake will be sold to foreign investors. Experts have warned that once foreign investors hold the controlling stake in Vinamilk, they would control the Vietnamese dairy market.

Hoang Thach Lan, a securities expert, noted that Vinamilk shares will attract foreign investors because Vinamilk is the leading dairy producer in Vietnam.

In principle, the State could sell Vinamilk's shares at the best price if

it sells to foreign investors. However, Lan thinks, in this case, the State will think carefully about this.

Vinamilk is not an enterprise operating in sensitive business field such as national defence, but it dominates the domestic dairy market.

Nguyen Minh Tan, deputy director of the State Budget Department under the Ministry of Finance, said in Tuoi Tre that the State needs capital for investment in many fields, but it will not sell stakes to anyone willing to pay high prices.

A senior official of the Enterprise Finance Department also said it is necessary to think carefully about when to sell and how much to sell for to gain the highest possible benefits.

Some VN large corporations have been swallowed by foreign investors and controlled by them. And analysts have every reason to worry that this would happen with Vinamilk as well. Meanwhile, Phuong Ngoc Thach, deputy chair of the HCMC Economics and Management Science Association, believes there is no need to be worried.

Coca-Cola went to Vietnam as a partner in joint venture with Vietnamese enterprises. But it later weeded out its partners, one after



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another, to acquire the entire enterprise.

Unilever and Colgate have ousted Vietnamese partners to swallow toothpaste brands. Some Vietnamese detergent brands have also been taken over by foreign companies after certain periods.

Therefore, it will not be a problem if one more Vietnamese enterprise, is taken over by foreign investors.

### Is Trung Nguyen a giant or a Tom Thumb?

VNN - Trung Nguyen Coffee is a giant in the instant coffee market, but is not yet a big coffee exporter.

The Vietnamese instant coffee market is controlled by three players – Trung Nguyen, Vinacafe and Nescafe.

Some years ago, Vinamilk, the nation's dairy producer, attempted to jump into the instant coffee market when it launched its Moment coffee into the market. However, it has quit the market.

Meanwhile, Dao Heung, a Laos brand, remains unknown to many Vietnamese.

In fact, PhinDeli, a new brand in the market, is also believed to be a formidable rival to 3 big players. PhinDeli has had active media campaigns. It has a famous owner Pham Dinh Nguyen, who bought a

town in the US. And it also has signed a cooperation plan with the sweets giant Kinh Do Group. However, PhinDeli is still considered a 'rookie' in the market which is still far from a threat to 3 big players. Of the 'big three', Trung Nguyen is an impressive brand which has been built in association with the image of the founder Dang Le Nguyen Vu, who is called the 'Coffee King'.

Vu is famous not only in Vietnam, but overseas as well, esp when he stated that Starbucks, the well-known US coffee chain, just sells water with a coffee flavor, not real coffee, and not coffee with a strong flavor that Vietnamese want. In Vietnam, Trung Nguyen is known as the owner of G7 instant coffee and roasted coffee. Meanwhile, it is

also a coffee bean exporter and franchiser. However, Trung Nguyen is just a baby in the export market. A report of the Vietnam Coffee and Cocoa Association showed that Vietnam exported 1.66 million tons of coffee in the 2013/2014 crop, worth \$3.4b.

The association also released the list of the top 100 Vietnamese coffee exporters based on their export turnover. Intimex, Tin Nghia and Louis Dreyfus Commodities Vietnam topped the list, while Trung Nguyen ranked 36th, after Petec JSC (exporting \$18.5m worth of coffee products, with a small market share of 0.5%).

Since Trung Nguyen is a giant in the instant coffee market, its suspension in providing instant coffee for a few weeks bewildered the public.



## MARKET & PRICE

### Oil prices fall, VN shares slide

VNS - Vietnamese shares pulled back on both local bourses yesterday as energy stocks declined after global oil prices extended losses.

The benchmark VN Index on the HCM Stock Exchange inched down 0.2% to close at 562.22 points and the HNX Index on the Ha Noi Stock Exchange lost 0.6% to end at 78.75 points.

Key energy firms on the market, whose earnings depend on global oil prices, fell due to a further drop of crude on Friday and yesterday.

The US benchmark crude West Texas Intermediate (WTI) fell sharply by 3.1% to trade at US\$35.62 a barrel on Friday and has decreased by 13.3% in the past six sessions.

The WTI crude yesterday hit a new seven-year low at \$35.38 a barrel after Iran, one of the world's top crude exporters, planned to raise its output when international sanctions over the country's nuclear programme are removed in January, thus exacerbating the world's oversupply.

As a result, PetroVietnam Gas Corporation (GAS) lost 2.6%, PetroVietnam Southern Gas JSC (PGS) was down 1.1% and PetroVietnam Technical Services Corporation (PVS) dropped 3.4%.

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Other big stocks such as Masan Group and Vingroup JSC also pulled the market down as they declined after a short gain on Friday. Masan (MSN) fell 2.1% and Vingroup (VIC) was down 0.5%.

In addition, other big stocks such as the Bank for Investment and Development of Viet Nam (BIDV) and Vietinbank declined as investors remained cautious with Viet Nam's foreign exchange rate between the dong and the US dollar as well as the Chinese yuan as they anticipate the US central bank will raise interest rate on Wednesday.

Yesterday, the forex rate between dong and the US dollar hit the ceiling of the central bank's trading band of VND22,547 for a dollar.

"The main factor on Viet Nam's forex rate policy will be Chinese yuan since that currency has devalued recently," Bao Viet Securities (BVS) wrote in a report.

The weakening of yuan came due to its inclusion into the IMF's reserve basket, which reduces the influence of China's Government on the country's currency and recent slowdowns in the world's second largest economy, BVS added, saying that this currency may extend its loss further and break its lowest value recorded.

At the end of yesterday, BIDV (BID) dropped 0.5% and Vietinbank (CTG) fell 1.7%.

Both local exchanges traded more than 155 million shares worth VND2.5 trillion (\$110 million), an increase of 13.8% from last week's daily trading value.

### VN's steel market on the up



VIR - Viet Nam's steel market showed growth in both production and business in the first 11 months of this year, according to the Viet Nam Steel Association (VSA).

In the first 11 months of this year, total output of building steel gained a year-on-year increase of 30.1 per cent to reach 6.1 million tonnes, the association said. This was the highest average growth rate of steel in recent years. Meanwhile, steel consumption saw a year-on-year surge of 24.3 per cent to 5.9 million tonnes of steel in the first 11 months of the year.

Viet Nam Steel Corporation and Hoa Phat were the two leading

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manufacturers in the local steel market, with an output of 1.35 million tonnes and 1.27 million tonnes of steel, respectively.

The association reported in November that steel makers manufactured 1.3 million tonnes, 28 per cent higher than the same period last year, including 627,700 tonnes of building steel. Meanwhile, the volume of consumption of building steel surged by 30 per cent year-on-year to 593,000 tonnes.

In November production, consumption and exports of galvanised sheets fell compared to October, though it grew in comparison with the same period last year, the association reported.

In November, output of galvanized sheets reached 290,000 tonnes, 5.2 per cent lower than October, but 39 per cent higher than the same period last year. Sales of galvanised sheets stood at 197,600 tonnes, 4 per cent lower than October, but 23 per cent higher than the same period in 2014.

Nguyen Van Sua, VSA deputy chairman, said recovery on the local property market had created positive impacts on steel consumption in the domestic market.

But, the local steel industry still faces competition from cheap steel

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products from China, he said, therefore the industry expects the relevant offices to maintain barriers to reduce difficulties for steel enterprises.

### Container house demand on the rise in HCMC

DTI - The demand for container houses in HCM City has increased over the last year as available land declines due to increased urbanisation.

Low and medium income newly-weds are eagerly looking to purchase these new homes.



Nguyen Van Hung in Cu Chi District spent VND192 million on buying a container house two months ago. Hung said that, "Both I and my wife were very excited to know about this kind of house. After getting married, we only need a small house like this, instead of renting a house. It is more convenient and comfortable than I thought."

Over past one year, more young couples have selected this kind of house and in the city, more

companies providing container houses have also appeared.

Tran Van Son, director of a construction consultancy company in Thu Duc District, said that his company is building five container houses and five container restaurants in HCM City. "With VND100 million, you can have a container house for two people with a sitting room, a kitchen and a bedroom. If moving the house, you should install wheels."

A firm which specialises in the container production in Binh Thanh District said that they have received many orders.

Mr. Tao, an engineer who specialises in installing container houses, said that it takes some 15-20 days on average to finish a container house. Insulating materials are also used for the houses. Containers houses have been used in many countries for a long time, but in Vietnam they are mostly used as offices.

Despite having many advantages, some claim the hot and humid weather in Vietnam can shorten the life of container houses to around 10 years, though such short lifespans have not been reported anywhere else in the world.

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## LEGAL UPDATES

### New laws promote social enterprises in Vietnam

Indochine Counsel - The concept of social enterprise first appeared in the United Kingdom about four centuries ago, before spreading to other countries. However, it continues to be a new idea in Viet Nam even today.

Before Doi Moi, the programme of political and economic reforms that started in the eighties in Viet Nam, there were several models that could be considered as social enterprise co-operatives providing jobs for the disabled. By the end of 2014, the National Assembly of Viet Nam began enshrining this model of enterprise into law with the new Law on Enterprises No68/2014/QH13 (the "Law on Enterprise").

Under article 10 of the Law on Enterprise, there are three main characteristics distinguishing a social enterprise from a company of other types. These are: (i) being established under the Law on Enterprise, (ii) its objective is to resolve social or environmental issues for the interests of the community, and (iii) at least 51 per cent of its profits must be re-invested to accomplish its social and environmental objectives as registered.

Vietnamese lawmakers – through the Law on Enterprise – have laid the foundation stone to form a legal framework for various types of social enterprises. This new law, however, either remains silent or lacks regulations on many important issues in connection with such new models of business. For instance, the Law on Enterprise has not stipulated the details as to the procedures for the establishment of social enterprises, whether a social enterprise must follow the same procedures applicable to different types of enterprises as specified in the Law on Enterprises, and how a social enterprise can register or deregister. All these have actually brought numerous difficulties for the development of social enterprises in Viet Nam. In a move by the Vietnamese government to resolve obstacles facing the proliferation of social enterprises in Viet Nam, Decree No 96/2015/ND-CP, guiding several articles of the Law on Enterprise, was born on October 19, 2015, and came into effect on December 8, 2015 ("Decree 96").

First, unlike the Law on Enterprise, Decree 96 expressly stipulates that the establishment of social enterprises shall be conducted in accordance with procedures,

sequences and dossiers as specified in the Law on Enterprise.

Second, Decree 96 requires that a social enterprise has to notify its social or environmental aims to the business registration body in order to be published on the National Business Registration Portal (the "NBRP"). The decree also provides that the notification of commitments of social enterprises towards resolving social or environmental problems, which shall be published on the NBRP, must contain some key contents such as social or environmental issues that a social enterprise will resolve, a time period for implementing its objectives and the percentage of its profits that shall be reinvested to accomplish its earlier objectives as well.

Furthermore, under Decree 96, a social enterprise, during its operation, is permitted to receive foreign non-governmental aid in order to implement its objective of resolving social or environmental issues, but it must notify its receipt of aid to the department of planning and investment or other competent authorities.

Last but not least, under Decree 96, a social sponsorship establishment, social fund or charitable fund is permitted to convert itself into a



## LEGAL UPDATES

social enterprise upon a written decision of the competent authority allowing such conversion. And in this case, new social enterprises shall, after conversion, automatically succeed to the entire lawful rights and interests, and shall be liable for all the obligations such as debts, taxes or the like of the former ones.

In conclusion, the Law on Enterprise and Decree 96 attempt to address all essential aspects closely pertaining to the establishment and operation of social enterprises. And with this new step in Vietnamese regulations, social organisations as a whole, and social activists in particular hope that it brings positive changes to the development of this kind of enterprise – still a new concept in Viet Nam – in the future.

### Registration simplified for unlisted firms

VNA - The new circular from the Ministry of Finance, providing guidance on trading rules for unlisted securities, is expected to improve the transparency of public companies and better protect investors' interests.

The State Securities Commission (SSC) published Circular 180/2015/TT-BTC, dated November

13, under the Ministry of Finance, on the registration of securities trading on the trading system for unlisted securities, which will take effect on January 1, 2016.

According to the new rules, the deadlines for trading registration of public companies, delisting or equitised enterprises have been shortened significantly compared with Circular 01/2015, issued early this year.

Public companies that are not eligible for listing on the two stock exchanges must register for trading in the Unlisted Public Company Market (UPCoM) system within 30 days from the date of completion of the registration of the public company.

Within 30 days of the closing day of the initial public offering, unlisted public companies or equitised enterprises must register for trading in the UPCoM system. The previous deadline was one year.

The registration deadline for delisted public companies from the stock exchanges fully meeting the requirements for a public company has also been reduced from 30 days to 10 days (applicable to mandatory delisting, voluntary delisting and delisting due to failure to meet the listing requirements of

the consolidated company or the acquired company).

"This is positive news for the stock market as it expands the entities of trading registration on the UPCoM market to all public companies," analysts at FPT Securities Co said.

The new rules will constrain eligible companies from avoiding listing or deliberately delisting on the stock exchanges, actions that may harm investors' interests.

However, the new regulations have limitations, as penalties for companies that do not comply with the rules have not been defined, and this may reduce the enforceability of the circular, FPT Securities Co's analysts said.

According to the latest data released by the SSC on November 30, 1,071 public companies had not listed their securities on the stock exchange or UPCoM market.

To date, 683 companies are trading on the two national stock exchanges, while the listing number on the UPCoM market stands at 284. Major corporations that have not registered for trading include VN National Sea Products Corporation, Saigon Beer-Alcohol-Beverage JSC, Hanoi Beer Alcohol & Beverage JSC, Cholimex Seafood & Foodstuff Processing Company, Hanoi Construction Corporation JSC.

## HIGHLIGHTS

### Credit growth this year positive at 18%



*Statistics from SBV showed that lending rose 14.5-15% in the first 11 months*

VNS - Credit this year could reach roughly 18%, meeting the capital demands of the economy, deputy director of the State Bank of Viet Nam's Monetary Policy Department Nguyen Duc Long said.

Long noted that the rise in credit was an indication of positive economic growth and improved consumption in the domestic market.

Further, according to Long, the increase in credit was seen in the beginning of the year and continuing every month, instead of only during a few months at year-end, as seen last year.

Statistics from SBV showed that lending rose 14.5-15% in the first 11 months. Also, the SBV reported that credit growth this year has been fundamentally fulfilled.

The increases in banking capital this year has halved, though the economic growth rate has been maintained. The credit flow

contributed to spurring the nation's GDP growth rate to 6.5% this year.

From 2006-10, credit growth surged 30%, but GDP fluctuated at only 7%.

This year's capital flow has served production and ensured practical and sustainable economic growth, instead of being directed to vulnerable and bubble sectors, such as real estate and securities, as in the past.

However, experts said that although the average lending rate this year has been cut by roughly 0.3-0.5% against last year, it should be further reduced to cut costs for domestic businesses.

Of note, economist Le Dang Doanh said that the interest rate gap between loans and deposits was too large, benefiting banks but causing difficulties for enterprises.

Doanh said while inflation remained low at only 1%, and deposit rate averages were 5% per year, many businesses still have to borrow at rates of 11% per year. Meanwhile, the rate for borrowing in Thailand and China are only 3% and 4%, respectively.

Many banks have also launched preferential credit packages with low interest rates of 7-8% per year, but they have not been easy to access, such as soft loans. Banks also acknowledged that only a few enterprises could qualify for these loans.

### VN to remove ENT requirement for EU retailers

SGT - Vietnam has pledged to remove the economic needs test (ENT) requirement for retailers from the European Union (EU) five years after a bilateral free trade agreement (FTA) between the two sides takes effect.

The removal was mentioned by Jana Herceg, deputy head of the Economics and Trade Section at the EU Delegation to Vietnam.

Herceg told the Daily after a seminar on the FTA held by the European Chamber of Commerce in Vietnam (EuroCham) in HCMC on December 10 that many EU companies had requested Vietnam to do away with the ENT rule to enable them to enter the retail sector in Vietnam.

She stressed that the ENT removal will benefit EU enterprises and support them to invest more in Vietnam's retail market.

Vietnam has opened its doors to foreign retailers since 2009 in line with its commitments to the World Trade Organization (WTO). However, overseas investors must pass the ENT if they want to open their second retail store in an area. This is seen as a protectionist measure.

## HIGHLIGHTS

The ENT does not apply to foreign retailers in case they set up retail outlets of less than 500 square meters each in areas with sufficient infrastructure for commercial activities.

In addition, Vietnam has pledged to open up the service market for EU businesses with higher commitments than those for the WTO's general agreement on trade and services. The country is also highly committed to opening the market for EU financial services providers, especially in the insurance and banking sectors.

Herceg said the EU plans to publish the full text of the FTA online early next year, hopefully in January. It is expected that the pact will be signed in 2017 and come into force in 2018.

Le Trieu Dung, deputy director of the Multilateral Trade Policy Department under the Ministry of Industry and Trade, said Vietnam will publish the full text of the trade pact at the same time as the EU.

Vietnamese Minister of Industry and Trade Vu Huy Hoang and EU Trade Commissioner Cecilia Malmström signed a conclusion of negotiations over the FTA during Prime Minister Nguyen Tan Dung's visit to the European Commission (EC)

headquarters in Brussels, Belgium last week.

The conclusion of the FTA negotiations will back Vietnam and the EU to complete internal procedures leading to the signature, ratification and full implementation of the agreement.

### 20 IPOs worth \$179m launch

VIR - About 20 companies are projected to launch initial public offerings (IPOs) on domestic exchanges this month with a total estimated value of more than VND4 trillion (US\$178.6 million).

The IPO of industrial zone developer Sonadezi Corporation, expected on December 30, is the biggest offering in terms of value with 131.3 million shares being put up for sales, equivalent to 34.9 per cent of the company's charter capital.

With the starting price of VND10,200 (46 cents) a share, Sonadezi is expected to collect VND1.34 trillion (\$59.8 million). It is one of the largest industrial park developers in Viet Nam with 10 parks under its operation in southern Dong Nai Province.

Another big and highly-anticipated IPO this month is from Airports Corporation of Viet Nam (ACV), the sole manager of all 22 international

and domestic airports in the country.

Over 78 million shares of ACV, about 3.47 per cent of its charter capital, will be sold in the IPO today with the starting price of VND11,800 (53 cents) a share.

According to the HCM Stock Exchange, 306 investors have registered to buy a total of 114 million shares, of which foreign investors seek to buy nearly 85 million shares, equivalent to 74.6 per cent of total bids. With such positive bids, ACV is expected to sell all of its shares and raise at least VND918 billion (\$40.8 million).

The December IPO wave will also see participation of smaller companies including Civil Engineering Construction Corp No 6 (Cienco 6), Phu Tho Tourist Co, Ha Noi Railway Transport Co Ltd, and Tay Ninh Sugar Co Ltd (Tanisugar), apart from Binh Duong Building Materials and Construction Co Ltd. The Ministry of Transport will sell its entire holding of 92.9 per cent stakes in Cienco 6 worth over VND450 billion (\$20.1 million) on December 31. Other companies will offer between 14 per cent and 41 per cent of their charter capital, valued from VND114 billion (\$5.1 million) to VND363 billion (\$16.2 million).

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