



HOSE



Vietnam Stock Market: On the way to Emerging Markets

Findings from the Review of Foreign Ownership Limits on HOSE Listed Companies and from Foreign Investors Survey

October 2016

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Preface

We are pleased to bring you the ***Report on Findings from the Review of Foreign Ownership Limits and from Foreign Investor Survey 2016***.

Since 2013, Vietnam Stock Market has been promoted to upgrade from Frontier Market to Emerging Market standard by Morgan Stanley Capital International (“MSCI”). The move is one of the efforts by Vietnamese government and related bodies including State Securities Commission of Vietnam (“SSC”) and Hochiminh Stock Exchange (“HOSE”) to attract foreign capital flows into Vietnam. Foreigner investors can now have opportunities to increase up to 100 percent of voting shares in a public company unless otherwise provided in the charter of the public company as per the Decree 60 and Circular 123.

However, during the implementation of Decree 60, various issues including legal barriers, trading barriers, and issues with both technical and implementation procedures are noticed among the relevant authorities including the SSC, the stock exchanges, and Agency of Business Registrars.

The Government agencies are also considering a number of revisions and improvements of regulations with a view to make the implementation of these policies easier.

HOSE and StoxPlus have jointly conducted a survey to understand perspectives from foreign institutional investors about this matter and the feedback on the progress undertaking to promote Vietnam Stock market from Frontier Markets to Emerging Markets by MSCI. This is part of the cooperation between StoxPlus and HOSE following the Memorandum of Understandings signed between two parties in June 2016.

The Report has been prepared for the participants of our Vietnam International Investor Conference 2016 by StoxPlus and HOSE with the same topic on 4th November 2016 at the Exchange Tower of HOSE in HCMC.



Should you require any inquiries or any further information, please do not hesitate to contact Mr. Nguyen Quang Thuan, CEO of StoxPlus at thuan.nguyen@stoxplus.com for any questions or assistance.

Yours faithfully,

**THE PROJECT TEAM
HOSE - STOXPLUS**

Acknowledgment

We would like to send great thanks to the following organisations for supporting us in the completion of this publication

Organisation	Name
 State Securities Commission of Vietnam	State Securities Commission of Vietnam (SSC)
 Indochine Counsel Business Law Practitioners	Indochine Counsel is a business law firm based in HCMC

We would like to send great thanks to the following organizations for supporting us in the completion of Foreign Investors Survey 2016

Investor Territory	Supporting Organisation	What do they do
Respondents from the Republic of Korea		KOFIA acts as a think-tank for the financial investment industry dedicating its efforts to take a leading role in promoting the development and globalisation of the Korean capital market
Respondents from China including Hong Kong, Shanghai		Systemx is an information technology and services company based in Hong Kong. It provides data processing, value-added networking, system integration, and professional consulting to organizations in a variety of industries, especially financial, banking and investment management.
Respondents from Singapore		An independent, non-profit, apolitical, membership organization representing and supporting Vietnamese companies, businesspeople, entrepreneurs, and professionals in Singapore and Singapore-based companies with business interests in Vietnam
Respondents from the United States		Vietnam Investor Network aims to establish meaningful connections and long term relationships among institutions and individuals whose goals are to capitalize on Vietnam's economic growth and investment opportunities through its intelligent online platform: website.ahvietnam.com

List of Abbreviations

Abbreviations	Stand for
AGM	Annual General Shareholder Meeting
BOD	Board of Directors
EM	Emerging Market
ETF	Exchange Traded Fund
FM	Frontier Market
FOL	Foreign Ownership Limit
HCMC	Ho Chi Minh city
HNX	Hanoi Stock Exchange
HOSE	Hochiminh Stock Exchange
M&A	Merger and Acquisition
MSCI	Morgan Stanley Capital International
ROE	Return on Equity
ROA	Return on Assets
UPCOM	Unlisted Public Companies
SSC	State Securities Commission of Vietnam
WTO	World Trade Organisation
VN100	VN100 Index
YTD	Year-to-Date

Executive Summary

Foreign investor ownership accounts for 18% (US\$11.7bn) on HOSE, 12% (US\$848mn) on HNX and 6% (US\$303mn) on UPCOM. Upcoming opportunities for foreign investors will come not only from the FOL loosening but also from the ongoing divestment of State capital from public companies.

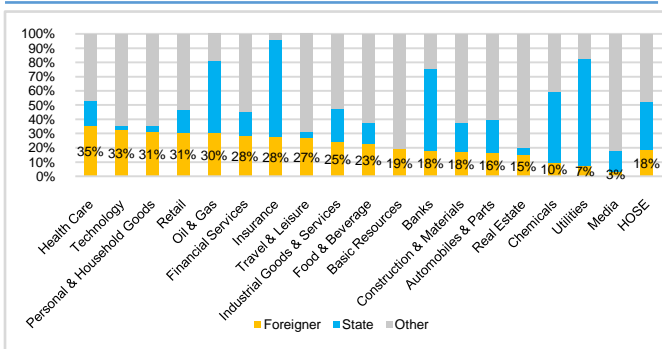
The State is still holding a significant portion of shares in the public companies with 33% stake in 312 HOSE listed companies, 24% in 378 HNX listed companies and 43% in 339 UPCOM listed companies.

With the FOL loosening being implemented, new share issues by public companies, and especially the announced State capital divestment plan from public companies, there will be opportunities for both foreign and local investors to increase their holding in public companies.

Foreign Investors have the main exposure to “consumerism” companies which refers to any business serving the vast majority of Vietnamese population.

On HOSE, foreign investors mostly invest in Healthcare/Pharmaceuticals (35.2%), Technology (32.6%) mainly FPT, Consumer Goods (31.1%), Retail (30.8%) and Insurance (27.6%), Securities/brokerage services (28.3%) and Insurance (27.6%).

HOSE Foreign Ownership % by Sector, 30 Sep 2016:



Foreign Investors also mostly invest in companies with sustainable sales growth, high management efficiency (ROA and ROE). They tend to have exposure to companies having market cap of US\$200mn or more. There are 33 companies filled up with 40-49% foreign ownership. These companies have reported an exceptional efficiency with trailing ROE of 34.4% and ROA of 24.1%.

FOL loosening has been an important development policy for the promotion of Vietnam to an Emerging Market classification by MSCI

The promotion of Vietnam from a Frontier Market to an Emerging Market has been started from 2013 when MSCI proposed to include Vietnam in the review list to Emerging Markets.

Among other criteria, the openness to foreign ownership is the most desirable feature, according to MSCI, that international investors would like to see no discrimination is made between local and foreign investors in which Foreign Ownership Limit Level is one of very important accessibility measures.

Foreign investors can now have opportunities to increase up to 100 percent of voting shares in a public company in Vietnam when companies changed their Foreign Ownership Limits (“FOL”) as allowed by Decree 60. After about 9 months of implementation, there have been 13 over more than 2000 public companies changed their FOL as allowed by Decree 60.

At HOSE, there have been 6 companies changed their FOL and 10 companies planned to loosen FOL in their 2016 AGM’s resolutions.

Actual foreign ownership has increased by US\$127mn for 13 companies in post-FOL implementation period to date. This amount represents 1.03% its marcap and 2.3% of the additional foreign room added from its renewed FOL.

Actual foreign ownership percentage a number of companies exceeded the old ceiling 49% upon new FOL effected including Saigon Securities Inc. (SSI), Domesco Medical (DMC), Everon (EVE) and Mirea (MKR).

Some other received a significant increase in foreign participation such as MBBank with actual foreign ownership increased from 10% to 20% and CII where foreign investors increased its stake from 30% to 45.2%.

Upon FOL loosening to the maximum 100% with effect from 20 July 2016, foreign ownership percentage in Vinamilk recorded a slight decrease to 48.1%. However, liquidity increased sharply including the foreign trading.

Total increased foreign ownership is calculated at US\$127mn for the period from first FOL effective dates to the date of this report i.e. 30 September 2016. One may claim that it is too early to measure the impact from the change in actual foreign ownership figure and we believe foreign interests will further increase over time in the companies opted to loosen their FOL.

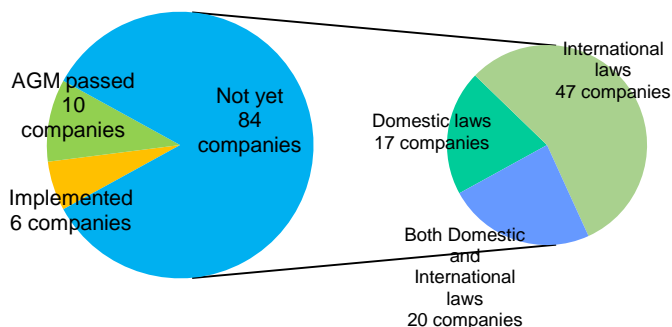
The increased amount of US\$127mn for now represents only 1.03% of their marcap and just 2.3% of the additional foreign room added from its renewed FOL.

However, the FOL loosening has been slow not only because of legal constraints but also commercial constraints and other technical matters

We have reviewed in details by reconciling business lines on Enterprise Registration Certificates of 100 companies under VN100 on HOSE and conducted in-depth interviews with 8 large companies in different industries including companies already loosen FOL and companies have not make the change.

Executive Summary (continued)

Status of FOL Implementation by VN100 on HOSE:



While it is complicated for companies to review their lines of business and reconcile with different domestic and international laws and to go through procedures with related Government agencies what is more critical for most of companies we discussed is the commercial constraints that their company will face when foreign ownership increased to the 51% threshold at which it will be treated as a foreign invested company under the Investment Law (2014).

Commercial constraints are noticed across the industries. In our review of a pharmaceutical company where they will be restricted in direct sales of drugs to public hospitals. For an IT service provider company, they would find it hard in bidding process for the Government-funded projects. In a retailing business, they would find it hard to do the Economic Need Test when they have foreign ownership reached over 51% and being treated as a foreign investor and so on.

There are also many other cases where privately owned companies where the major owners wanted to maintain their controlling power in shaping their business strategies and development projects including their greenfield.

In addition to the FOL review, we went on further and conducted a foreign investor survey with the objective to grasp views and perspectives from more than 100 foreign institutional investors from all major financial territories including Singapore, Korea, US, EU, Japan, Shanghai, Hong Kong and foreign investors operating in Vietnam. From the respondents who already had exposure in Vietnam and disclosed their asset size, they have Asset under Management (AUM) totaling US\$2400bn and in which US\$10.8bn disclosed as allocated for Vietnam.

Our findings came from the following three main dimensions:

Foreign Investor Views on FOL:

- FOL removal would be a very encouraging sign for foreign investors as almost half of our respondents would significantly increase their investment in Vietnam.
- Health Care, Food & Beverages, and Retail were the top three most awaited industries for FOL removal for foreign investors.
- Legal constraints is the main external reason discouraging companies from increasing FOL while the caution of being taken over through M&A is the main internal one.

Foreign Investor Views on Vietnam as an Emerging Market:

- The promotion of Vietnamese Stock Market from Frontier to Emerging market received mix perception; however, respondents from large funds were less positive about the progress as 52% considered it Slow.
- Nevertheless, more than 80% of respondents felt the qualification as Emerging Market of the Vietnamese Stock Market is important. Respondents were at best neutral about questions regarding MSCI criteria of assessing Vietnam as an emerging market, proving there is still room for improvement in each category.

Foreign Investor Views on Market Sentiment:

- Most respondents have positive outlook for Vietnam economy over the next 12 months: Survey result indicated that most foreign investors recognized the importance of speeding up SOE privatization when considering investing in Vietnam. This suggests that the faster SOEs are privatized and listed, the more active foreign investors will participate in Vietnam Stock Market.
- They also consider Vietnam market to be more attractive than other Emerging Markets (such as India, Indonesia, China, Thailand, Malaysia) or Frontier Markets (Pakistan, Bangladesh, Sri Lanka).
- If Vietnam Stock Market is officially upgraded to Emerging Markets classification in the next 12 months, 34.5% of respondents from large funds would consider increasing more than US\$100mn while 6.67% of respondents from smaller funds would consider increasing from US\$50mn to US\$70mn (which is larger than their current AUM).

Executive Summary (continued)

We also included in this Report key recommendations to the Government agencies and other stakeholders who are dealing with FOL issue and the promotion of Vietnam as Emerging Market. The recommendations have been prepared based on our FOL review for VN100 companies listed on HOSE, in-depth interviews and the key findings from foreign investor survey:

- **The Government should consider to provide further detailed guidance on the FOL matter including but not limited to:**
 - Issuing a complete list of industries with conditions applicable to foreign investors (including restrictions by other laws and WTO commitments) which clearly sets forth: (i) the detailed FOL imposed on each business line under WTO commitments and the other laws; and (ii) business lines with conditions applicable to foreign investors but there is not yet any specific provision on FOL (then the FOL of 49% will be applicable).
 - Specific guidelines, agreed by government departments regarding ambiguous and unspecified business lines with foreign ownership limit to facilitate companies to lift their FOL. This will significantly shorten the arduous process of companies checking with competent state agencies.
- **Consider for replacing the “lowest room applicable” rule:** Most Vietnamese companies register and operate in multiple business lines. Our FOL review of 100 companies under VN100 on HOSE has indicated that there are 1925 business lines registered on their Enterprise Registration Certificates and on average, each company has 19 different business lines.

More over, many public companies there are operating under a holding or a group of companies model. The entity listed on Exchanges are the consolidated entities and this makes those companies very difficult in reviewing all their subsidiaries. The “lowest room applicable” rule not only applied in the multiple lines of business for the parent company but it is also applied in their subsidiaries.

- **Definition of the “Deemed Foreign Investor” under the Investment Law (2014) should be considered for revision.** The Investment Law, Article 23.1 stipulates that if 51% or more of charter capital of a company is held by foreign investors, such company must satisfy the conditions and carry out investment procedures in accordance with regulations applicable to foreign investors. This condition has been the main legal constraint in almost all companies who are under reviewing process to loosen their FOL. Because they would be considered as a deemed foreign investor and accordingly they will have to comply with various other regulations and business practices such as taxation, offshore investments, investments in associates and subsidiaries, financial investment & trading activities, credit application process that currently applied for a foreign entity.

More over, the ownership of foreign investors in a listed company may be changed constantly day by day due to securities trading of such foreign investors and as such they find it impossible to change their operation design to cope with such constant changes in their foreign ownership.

- **In addition to the legal constraints, it is indicated from our review that commercial constraints upon loosening FOL is more important factor in the consideration of public companies.**

Many companies find it very straight forward in removing business lines which are restricted for foreign investors because it is not their business in practice and they just included its in their Enterprise Registration Certificate for the purpose of declaration.

For example, we noticed a IT service provider company where their main business are not restricted for foreign investors as per our reconciliation with relevant domestic and international laws. However, there is an item “advertising services” included in their registration certificate. In practice, it would take them few days to remove the business line and make them qualified for loosening the FOL to 100%. However, they don’t do it because of the commercial constraints i.e. they said when loosening their FOL and foreign ownership increased to more than 51%, it would make them very difficult in bidding process in Government-funded IT and system projects for line ministries and government agencies.

Section 2: Regulatory Review of FOL in Vietnamese Public Companies

This Section has been prepared with content contributions from Indochine Counsel – a business law firm based in HCMC. We acknowledge and express our appreciation to Indochine Counsel in completing this part and also in supporting us in reviewing FOL of VN100 companies on HOSE.



Foreign investors can have opportunities to increase up to 100 percent of voting shares in a public company unless otherwise provided in the charter of the public company

- Over the years on the stock market launched in Vietnam, the highest legal document providing foreign ownership limits (“FOL”) in Vietnamese public companies was Decision No. 55/2009/QĐ-TTg of the Prime Minister (“Decision 55”), which defined that foreign investors were not allowed to invest more than 49% of the total number of shares in a public company. This provision, with the purpose to protect domestic investors in public companies, has become increasingly constraining, even to the point where it hampered the development of enterprises due to Vietnam’s desired participation in international economic integration.
- Hence, there have been many proposals and suggestions for a change to widen the FOL in order to help public companies raise capital and increase attractiveness to foreign capital flows. After much debate, in 2015, the Government and the Ministry of Finance issued respectively 2 legal documents (i.e. Decree No. 60/2015/ND-CP, dated 26 June 2015, (“Decree 60”) amending Decree No. 58/2012/ND-CP of the Government, dated 20 July 2012, implementing the Law on Securities, and Circular No. 123/2015/TT-BTC, dated 19 August 2015, guiding foreign investment activities in the securities market of Vietnam (“Circular 123”) with the most welcomed change being the general relaxation of the 49% cap on foreign ownership in Vietnamese public companies.

Decree 60: relaxes the overall 49% cap under Decision 55

- Under Decree 60, for public companies which do not operate in business lines and industries (i) for which international treaties of which Vietnam is a member contain provisions on foreign ownership ratio; or (ii) for which the investment laws and relevant laws of Vietnam provide for a foreign ownership ratio; or (iii) in which, under the laws of Vietnam, there have been conditions applicable to foreign investors, the foreign ownership ratio in such company is unlimited unless the company’s charter provides otherwise. This means that at present such public companies, e.g. the public companies operating in manufacturing activities, can increase their FOL to 100%.
- For public companies operating in business lines and industries that are controlled by international treaties of which Vietnam is a member and contain provisions on foreign ownership ratio, such international treaties will apply. This means that, where Vietnam’s Commitments made on accession to the World Trade Organization (“WTO Commitments”) currently allow foreign ownership in certain business lines to be more than 49% (such as 100% for restaurant business or construction services), then foreign investors may cumulatively hold shares in a public company engaged in such business lines up to the ratio allowed by the WTO Commitments.
- In the case of public companies operating in business lines and industries to which investment laws and relevant laws of Vietnam provide a foreign ownership ratio, the provisions under those laws will apply. For example, in security services, under Decree No. 52/2008/ND-CP, the applicable FOL is less than 50%. If a public company operates in business lines and industries with conditions applicable to foreign investors but there is no provision on foreign ownership ratio, then the maximum foreign ownership ratio will be 49%.
- Additionally, if public companies operate in several business lines and industries with different provisions on foreign ownership ratios, under Decree 60, the foreign ownership ratio will not exceed the lowest ratio applicable to the business lines and industries (in which such companies operate) to which there are provisions on foreign ownership, unless otherwise provided under international treaties.

Decree 60: allows the enterprises to control their FOL by the provisions contained in the charter

- Under Decree 60, the FOL in public companies operating in business lines not restricting the foreign ownership ratio can be increased to 100% unless the company’s charter provides otherwise. It means that, in this case such public companies can completely decide their FOL by stipulating in their charter a specified ratio.

Decree 60: provides for responsibility of enterprises in reporting and disclosing

- Decree 60 requires public companies and listed companies to report to the State Securities Commission (“SSC”) and disclose information about FOL on their websites and on the websites of the Stock Exchange and the Vietnam Securities Depository. These are new obligations which public companies and listed companies must attend under Decree 60.

Circular 123 specifically requires each public company to determine its own FOL and report to the SSC for review and consultation with other relevant ministries if needed for actual implementation

In addition to simplifying the legal procedures for foreign investors engaging in securities markets in Vietnam, Circular 123 provides regulations detailing the operation of Decree 60 on the FOL in the public companies with the following remarkable points:

- Instead of the default level of 49% FOL applicable to all public companies as before, now Circular 123 specifically requires each public company to determine its own FOL and report the same to the SSC with supporting documents. The SSC will then either confirm such determination or seek further opinions from other relevant Ministries if the SSC thinks that the determination is not correct or if the company operates in sectors which are not covered by any international treaty. Only after confirmation by the SSC then, foreign investors may acquire shares in the public company at such new permitted threshold.
- If a foreign ownership ratio in a public company exceeds its applicable FOL due to certain reasons, Circular 123 requires that such public company and relevant organizations or individuals must ensure that the foreign ownership in the company will not increase.
- Similar to Decree 60, Circular 123 allows a public company to reduce the FOL applicable to it by stipulating in their charter a specified ratio. However, Circular 123 does not address the scenario where the local shareholders in a public company, which has a minority foreign shareholder, decide to reduce the applicable FOL in order to “kick out” the foreign shareholder against its will.

A number issues arising from implementation of the regulations are summarized as below

The obligation to determine the FOL may cause difficulties for public companies

- As mentioned above, under Decree 60 and Circular 123, a public company is responsible to define its own FOL, then report to the SSC and disclose information about the FOL on their websites and on the websites of the Stock Exchange and Vietnam Securities Depository.
- According to such provisions, public companies must research and understand thoroughly relevant international treaties, investment law and other specific laws for determination of their FOL. In practice, it is quite complicated. Especially, Decree 60 puts forth the term ‘business investment line with conditions applicable to foreign investors’ for setting the FOL at 49% in case where there is not yet any specific provision on foreign ownership ratio for such business investment line, however, there is not any definition and interpretation of such term. And even though where such term is referred to the Investment Law and the guiding Decree No. 118/2015/ND-CP for interpretation, determining which are business lines and industries with conditions applicable to foreign investors is not easy (until now, the Ministry of Planning and Investment has not yet completed listing the business lines and industries with conditions applicable to foreign investors in the national portal on foreign investment (<https://dautunuocngoai.gov.vn/fdi/nganhnghedautu/6>) as required by Decree No. 118/2015/ND-CP).

The inadequacies in regulations on investment to public companies of which foreign ownership exceeds 51%

- The Investment Law, Article 23.1 stipulates that if 51% or more of charter capital of a company is held by foreign investors, such company must satisfy the conditions and carry out investment procedures in accordance with regulations applicable to foreign investors upon investment for establishment of an economic organization; investment in the form of capital contribution or purchase of shares or portion of capital contribution to an economic organization; or investment on the basis of a business cooperation contract. However, the ownership of foreign investors in a listed company may be changed constantly day by day due to securities trading of such foreign investors.
- Accordingly, it causes confusion in practice how such listed companies are to comply with Article 23.1 of the Investment Law. Hence, there are many proposals and suggestions for amendment to such provision of Article 23 of the Investment Law.

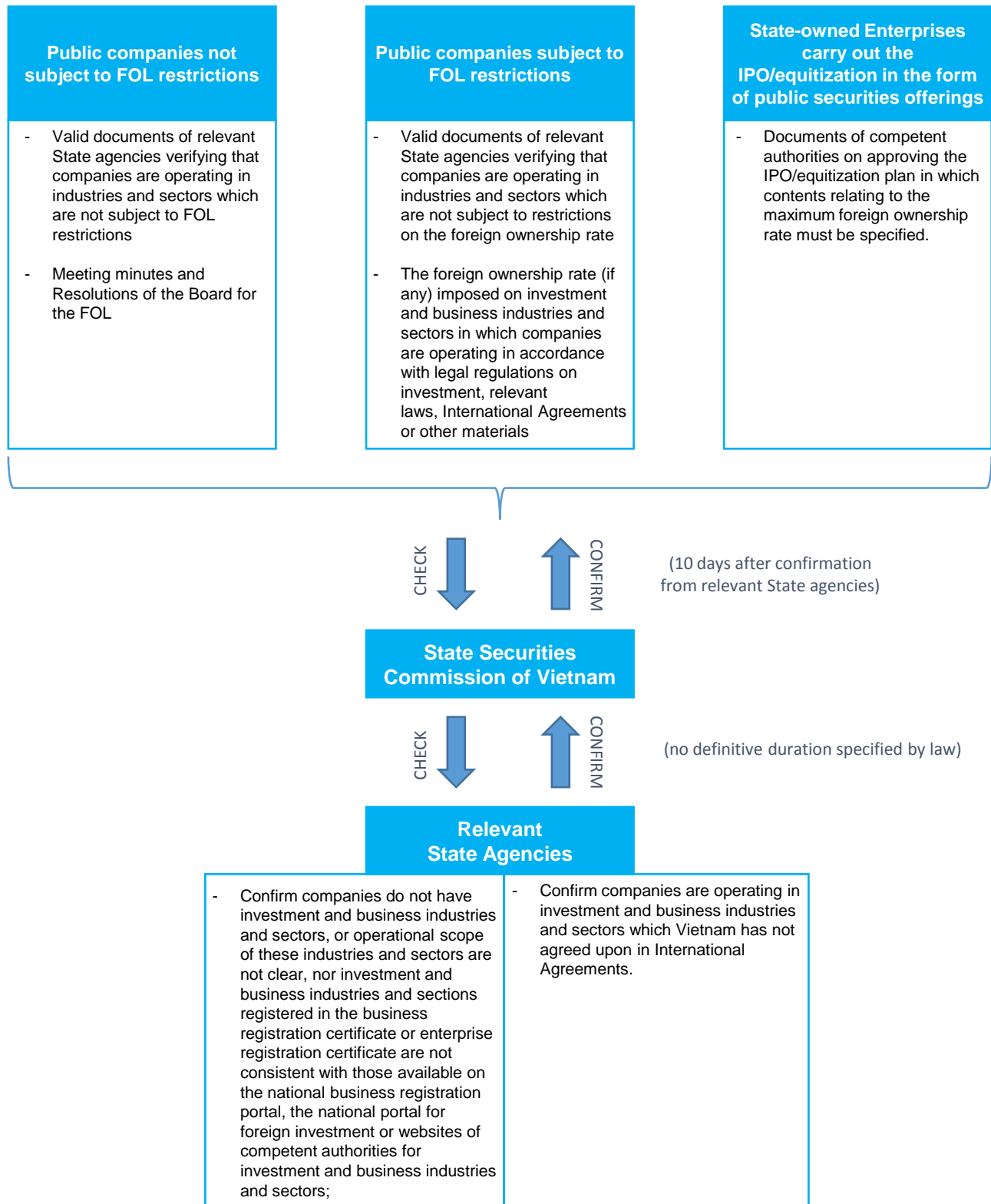
Some obstacles for opening of the FOL

- Under Decree 60 and Article 11.3 of Circular 123 as mentioned above, a public company may opt to lock its FOL by stipulating a specific FOL in its charter (i.e. this is the case of C47).
- Most Vietnamese companies register and operate in multiple business lines. The “lowest room applicable” rule under Decree 60 will be a big challenge for opening of the FOL in practice.

Registration Procedure for Reporting Foreign Ownership Limits

- The registration procedure for reporting FOL is summarized as follows based on Circular 123/2015/TT-BTC:

Figure 1: Procedures in FOL Changes



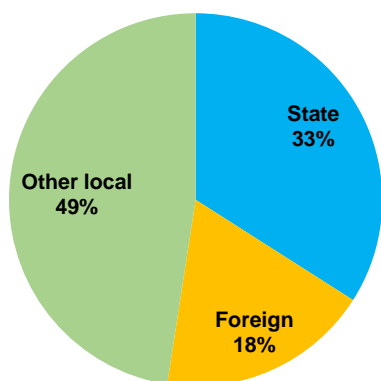
*Section 3: Foreign Ownership in Vietnam
Stock Market*

HOSE: Foreign Investors currently hold 18.4% ownership in all its listed companies and focused on consumer-based sectors

Investment opportunities for foreign investors can come from both the FOL loosening by companies and the continuing divestments by the Government

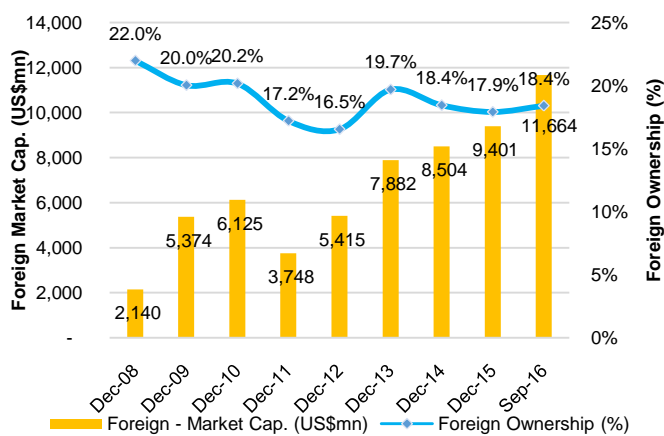
- Foreign investors increased their ownership by 0.5% in charter capital of all listed companies on HOSE in 9M2016 following the issuance of Decree 60 in late 2015 with total value of US\$11.7bn in marcap as of 30 September 2016.
- Domestic ownership accounted for almost 82% including the 33% by State. However, ownership by State reduced by 1% thanks to the on-going divestment process of its stake in State-owned Enterprises recently.
- In addition to the FOL loosening, we believe that the continuing divestment plan of the Government will create more investment opportunities for both foreign and domestic investors.

Figure 2: Ownership Structure in HOSE, 30 Sep 2016



Source: StoxPlus

Figure 3: HOSE Foreign Ownership % and Foreign MarCap

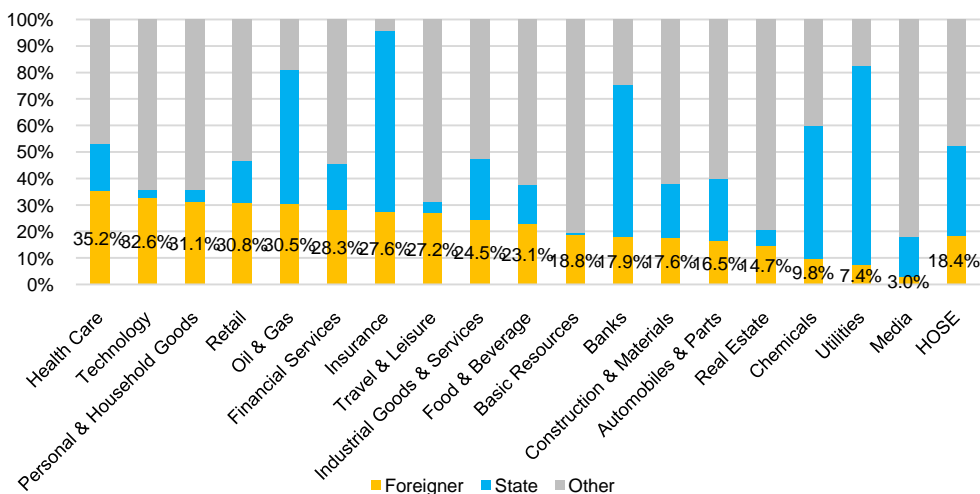


Source: StoxPlus

Foreign Investors prefer “consumerism” which refers to any business serving the vast majority of Vietnamese population

- Sectors-wise, foreign investors are most exposed to “consumerism” which includes Healthcare mainly Pharmaceuticals (35.2%), Technology (32.6%) mainly FPT, Consumer Goods (31.1%), Retail (30.8%) and Insurance (27.6%), Securities/brokerage services (28.3%) and Insurance (27.6%). Another noticeable sector is Oil & Gas (30.5%) mainly in PV Drilling.
- With the increase in foreign ownership limit being implemented under Decree 60, we believe the these sectors would gain more foreign interests.

Figure 4: HOSE Foreign Ownership % by Sector, 30 Sep 2016



Source: StoxPlus

HOSE: Foreign investors turned Net Sell of US\$234mn for the first 9 months of 2016 while VNIndex gained 18.4% YTD

Market was in a good momentum with improved liquidity but foreign investors turned net sell of US\$234mn for 9M2016

- Foreign investors turned net selling for the first 9 months of 2016 totaling US\$234mn while VN-Index gained 18.4% in 9M2016.
- However, foreign trading tends to increase. Average Daily Foreign Trading Turnover increased to 14% in 9M2016 compared to 12.6% in 2015. Average trading value per day (both foreign and local) increased to US\$114.6mn for 9M2016 which significantly increased from US\$80.9mn in 2015.

Figure 5: HOSE Net Foreign Trading Value and VN-Index

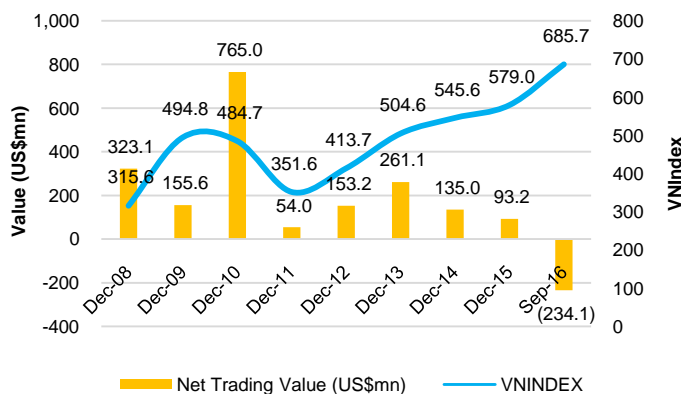
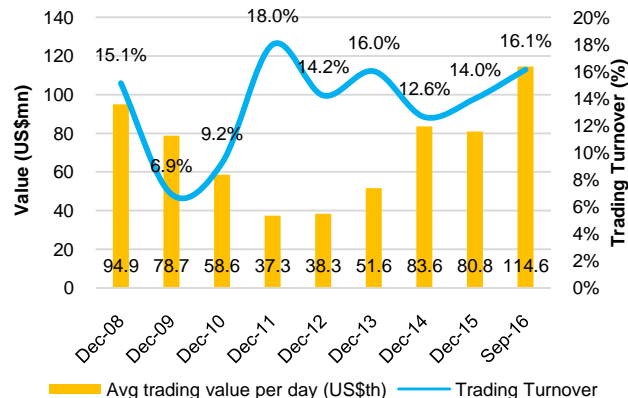


Figure 6: HOSE Daily Market Trading Value and Foreign Trading Turnover %



Source: StoxPlus

Source: StoxPlus

Note: Foreign Trading Turnover = (Foreign Buy Value + Foreign Sell Value) / Total Market Trading Value * 2. Data includes both Matched Orders and Put-through Orders on HOSE.

Foreign Investors most invested in companies with sustainable sales growth and high efficiency (ROA and ROE)

- We grouped foreign ownership in groups with 10% interval and reviewed the key fundamentals of such companies they currently own.
- Foreign investors tend to have exposure in companies having marcap from US\$200mn. There are 33 companies where they filled up 40-49% ownership and these companies have exceptional efficiency with ROE of 34.4% and ROA of 24.1% for the latest 4 quarters.

Figure 7: HOSE Foreign Ownership Analysis by Key Fundamentals

Foreign Ownership	No. of companies	Market Cap		Avg Marcap per company	State Ownership	% Free-float	P/E	P/B	ROA%	ROE%	EBITDA %	Net margin	Sales growth - 5 year CAGR
		US\$m	%										
50%-60%	3	679.6	1.1%	226.5	2.2%	66.9%	13.7	1.8	8.6%	13.8%	37.4%	28.6%	5.5%
40%-49%	33	15,412.2	24.3%	467.0	20.0%	50.0%	18.0	6.6	24.1%	34.2%	17.3%	11.0%	12.7%
30%-40%	18	4,312.4	6.8%	239.6	14.2%	57.9%	12.6	1.9	11.0%	20.7%	14.8%	7.9%	13.8%
20%-30%	30	17,383.9	27.4%	579.5	51.6%	27.1%	17.0	2.3	3.2%	12.7%	20.7%	12.2%	16.3%
10%-20%	55	10,763.7	17.0%	195.7	13.1%	52.3%	20.2	2.4	3.7%	8.7%	18.9%	8.2%	21.2%
0%-10%	166	14,038.8	22.2%	84.6	46.0%	32.2%	14.5	2.3	7.0%	13.9%	12.7%	6.4%	3.3%
0%	8	733.6	1.2%	91.7	0.9%	48.9%	54.1	5.1	8.0%	13.1%	18.7%	14.3%	32.6%
Average/Total	314	63,344	100.0%	201.7	33.0%	38.8%	16.7	3.4	9.8%	18.1%	16.4%	8.9%	10.0%

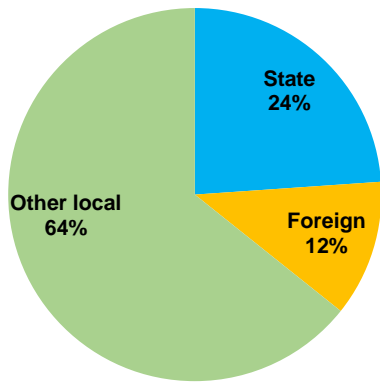
Source: StoxPlus

HNX: Foreign ownership kept stable over years and stands at 11.6% valuing US\$848mn as at 30 September 2016

State ownership in HNX companies stands at 24% on 30 September 2016.

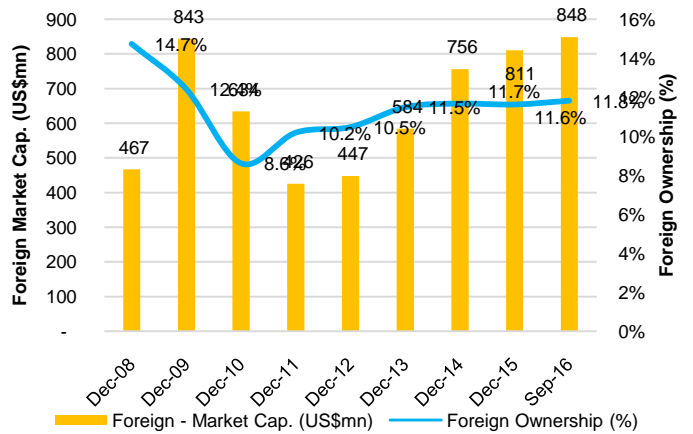
- Foreign investors held total value of US\$848mn in marcap accounting for 11.6% of total marcap of HNX. Their level of ownership rather kept stable over the last 5 years.
- In HNX, State ownership is much lower compared to HOSE at 24%. Noticeable companies with significant State ownership are Hai Phong Port (PHP), Central Vietnam Metal (KMT) and Petrosetco Distribution (PSD).

Figure 8: HNX Ownership Structure, 30 Sep 2016



Source: StoxPlus

Figure 9: HNX Foreign Ownership % and Foreign Marcap

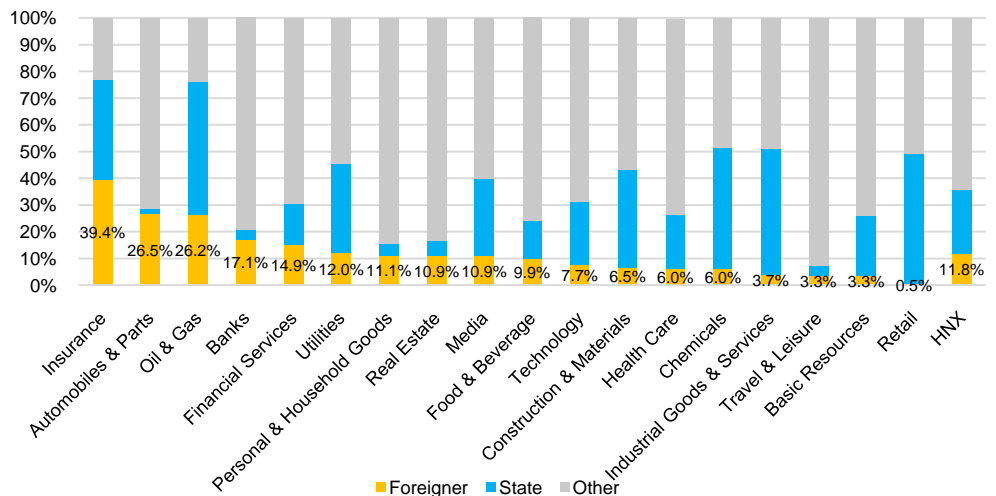


Source: StoxPlus

Except for Insurance, Automobiles and Oil & Gas, foreign investors in HNX companies hold minority stake of less than 20%

- Foreign ownership in HNX mainly focused in Insurance (39.4%), Automobiles & Parts (26.5%), Oil & Gas (17%), and Banks (17.1%).
- With the increase in foreign ownership limit being implemented under Decree 60, we believe the above sectors would gain more foreign interests.

Figure 11: HNX Foreign Ownership % by Sector, 30 Sep 2016



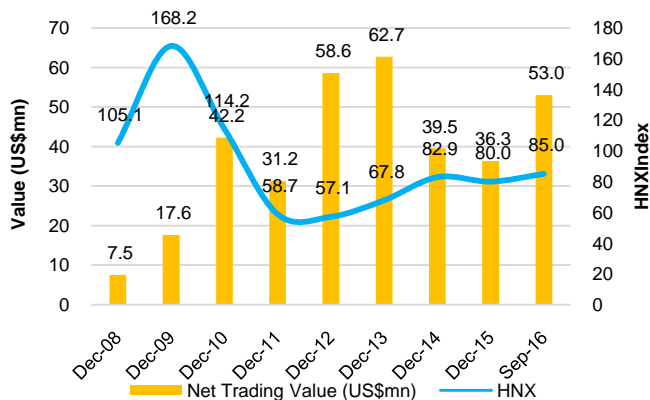
Source: StoxPlus

HNX: Foreign trading maintained a Net Buy of US\$53mn in 9M2016 and foreign trading turnover is still small

Foreign investors had Net Buy of US\$53mn in 9M2016

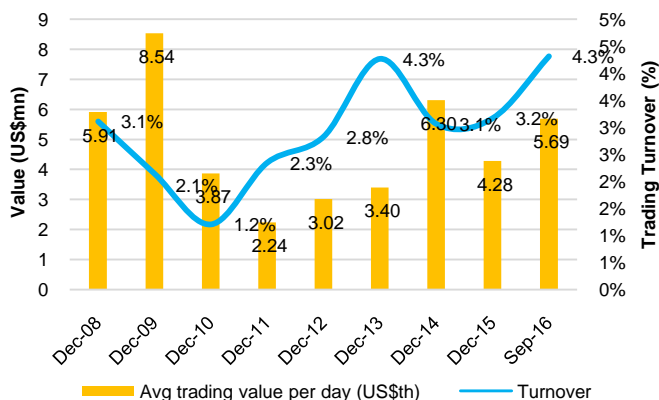
- Foreign investors keep a modest Net Buy for the first 9 months of 2016 totaling US\$53mn.
- Average trading value per day (both foreign and local) still small at US\$5.69mn for 9M2016 though it shows an improvement from 2015 in which foreign trading turnover is very marginally less than 5% over years.

Figure 11: HNX Net Foreign Trading Value and VN-Index



Source: StoxPlus

Figure 12: HNX Daily Market Trading Value and Foreign Trading Turnover %



Source: StoxPlus

Note: Foreign Trading Turnover = (Foreign Buy Value + Foreign Sell Value) / Total Market Trading Value * 2. Data includes both Matched Orders and Put-through Orders on HOSE.

Low annual Sales growth continued in the last 5 years for HNX companies

- Annual sales growth of HNX companies over the last 5 years is very low at 3% and net margin stands at only 5.1% for the last 4 quarters.

Figure 13: HNX Foreign Ownership Analysis by Key Fundamentals

Foreign Ownership	No. of company	Market Cap. (US\$m)		Avg Marcap per company (US\$m)	State Ownership (%)	% Free-float (%)	P/E	P/B	ROA%	ROE%	EBITDA %	Net margin	Sales growth - 5 year CAGR
		US\$m	%										
40%-49%	7	372.2	5.2%	53.2	21.3%	35.5%	10.6	0.9	3.4%	8.3%	16.2%	12.4%	2.3%
30%-40%	12	676.2	9.4%	56.3	26.4%	30.1%	15.6	2.7	8.1%	15.8%	10.6%	6.9%	9.5%
20%-30%	26	1,699.0	23.7%	65.3	18.4%	65.3%	9.6	1.3	4.8%	12.7%	14.1%	8.0%	3.1%
10%-20%	52	682.0	9.5%	13.1	13.7%	58.6%	9.6	1.2	6.5%	14.0%	12.4%	5.8%	6.1%
0%-10%	257	3,625.9	50.5%	14.1	27.5%	53.7%	11.5	1.9	8.1%	17.2%	9.4%	3.9%	2.6%
0%	24	121.2	1.7%	5.0	20.1%	50.8%	19.3	1.3	3.3%	6.4%	5.6%	2.1%	-5.0%
Average/Total	378	7,176	100.0%	19.0	23.9%	54.4%	11.1	1.7	6.8%	15.0%	10.6%	5.1%	3.0%

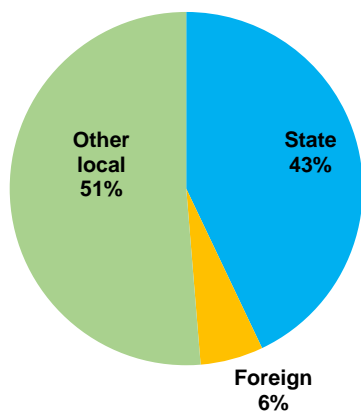
Source: StoxPlus

UPCOM: Foreign investors increased significantly ownership in UPCOM companies since 2015

Foreign investors have increased significantly its investments in UPCOM over the last 2 years. State holds a significant equity stake in UPCOM companies at 43%

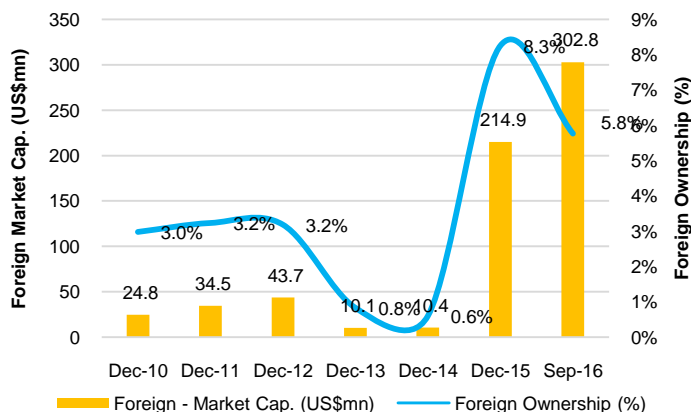
- Foreign investors have increased significantly their ownership in UPCOM in 2015 and 9M2016. Foreign marcap reached US\$302.8mn by 30 September 2016 accounting for 5.8% of the total marcap.
- State still holds very significant stakes in UPCOM companies given the regulation that the shares of all State-owned Enterprises must be floated within 1 year upon its IPO despite the fact that many companies delayed its floating as required until recently such as Sabeco and Habeco.

Figure 14: UPCOM Ownership Structure, 30 Sep 2016



Source: StoxPlus

Figure 15: UPCOM Foreign Ownership % and Foreign Marcap Value

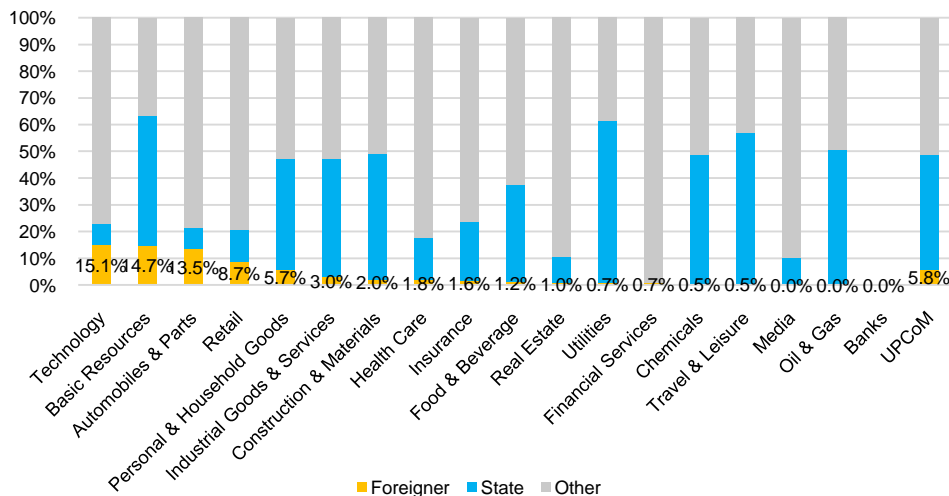


Source: StoxPlus

Foreign ownership in UPCOM companies are still very minor in many industries

- Foreign investors increased their exposure to Technology (15.1%), Basic Resources (14.7%) and Automobiles & Parts (13.5%). All other industries still have very inconsiderable amount of foreign investors' ownership.

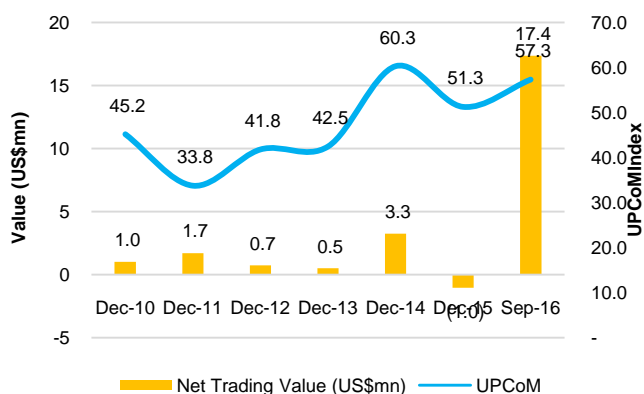
Figure 16: UPCOM Foreign Ownership % by Sector, 30 Sep 2016



Source: StoxPlus

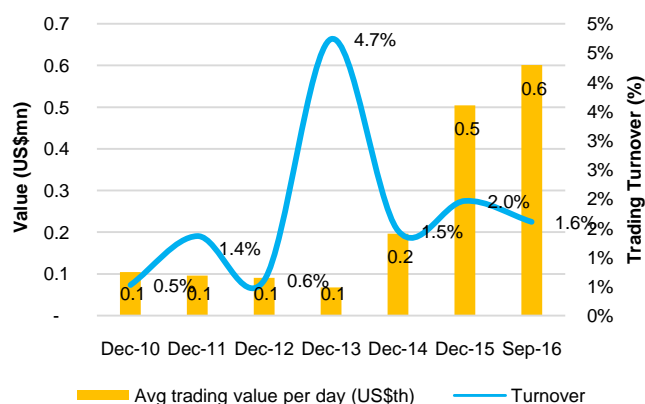
UPCOM: Foreign investors had Net Buy of US\$17.4mn in 9M2016 although their trading turnover is still very tiny of less than 2%

Figure 17: UPCOM Net Foreign Trading Value and VN-Index



Source: StoxPlus

Figure 18: UPCOM Daily Market Trading Value and Foreign Trading Turnover %



Source: StoxPlus

Note: Foreign Trading Turnover = (Foreign Buy Value + Foreign Sell Value) / Total Market Trading Value * 2. Data includes both Matched Orders and Put-through Orders on HOSE.

Almost all companies in UPCOM reported a low financial and profitability performance

There are only 7 companies in UPCOM of which foreign ownership is from 30-49%. They are all high-growing companies with CAGR of around 20% in annual sales.

Figure 19: UPCOM Foreign Ownership Analysis by Key Fundamentals

Foreign Ownership	No. of company	Market Cap. (US\$m)		Avg Market cap per company (US\$m)	State Ownership (%)	% Free-float	P/E	P/B	ROA%	ROE%	EBITDA %	Net margin	Sales growth - 5 year CAGR
		US\$m	%										
40%-49%	3	454.0	8.6%	151.3	0.7%	4.7%	47.3	0.8	1.1%	1.8%	16.6%	2.2%	17.8%
30%-40%	4	22.3	0.4%	5.6	24.0%	29.9%	(0.6)	0.8	6.4%	10.1%	24.1%	18.2%	-21.0%
20%-30%	4	15.5	0.3%	3.9	5.2%	42.3%	16.9	0.6	1.5%	2.5%	5.3%	3.1%	6.2%
10%-20%	10	290.7	5.5%	29.1	40.6%	56.6%	10.1	3.4	13.3%	32.5%	9.3%	5.9%	8.0%
0%-10%	151	2,370.8	45.0%	15.7	46.5%	41.1%	35.8	3.1	3.8%	6.9%	12.2%	2.1%	-0.4%
0%	167	2,118.3	40.2%	12.7	49.6%	28.7%	26.5	3.6	4.0%	8.5%	9.1%	0.6%	-0.8%
Average/Total	339	5,272	100.0%	15.6	42.9%	33.6%	35.9	3.1	4.2%	8.5%	11.5%	2.1%	0.3%

Source: StoxPlus

Section 4: FOL Review for HOSE Listed Companies

Why does FOL matter for Vietnam?

The current Frontier Markets status of Vietnam market does not facilitate the capital allocation of large and international index fund and active fund managers into Vietnam

- Among others including S&P DJ, Morgan Stanley Capital International (MSCI) indices shape the investing strategies of trillions of dollars and thousands of funds around the world. Main users range from index funds to active funds that use them as benchmarks. Among the most important are the MSCI equity indices for Developed Markets (DM), Emerging Markets (EM), and Frontier Markets (FM).
- Vietnam and other three markets in Asia Pacific including Bangladesh, Pakistan, Sri Lanka are currently classified as Frontier Markets. However, Pakistan has been announced by MSCI on June 14, 2016 to upgrade this market into Emerging Markets with effective from May 2017. It is worth to note that other peer markets in ASEAN region including Indonesia, Malaysia, Philippines, Taiwan and Thailand are currently in Emerging Markets index.
- The inclusion of Vietnam in EM index is very important for the attraction of foreign indirect capital into Vietnam. This is because global and EM dedicated asset managers could not find it easy to allocate a proportion of their portfolio into Vietnam when Vietnam market still classified as FM classification as a matter of their mandate with their fund shareholders.
- In reality, so far foreign indirect capital into Vietnam mainly made through the country dedicated funds. Most recently, index-tracking funds including ETFs have been becoming more active in Vietnam but their fund size is rather very small with tens of US\$ million.
- Vietnam has been in international media headlines for many years with a high-growing economy and a promising destination for foreign institutional investors. However, the current market classification has been a main constraint to facilitate a further review by such large investors who would like to get exposure to the Vietnam market.

Among other criteria, the improvement of FOL level in Vietnam market is needed and extent to be assessed, according to MSCI Global Market Accessibility Review, June 2016

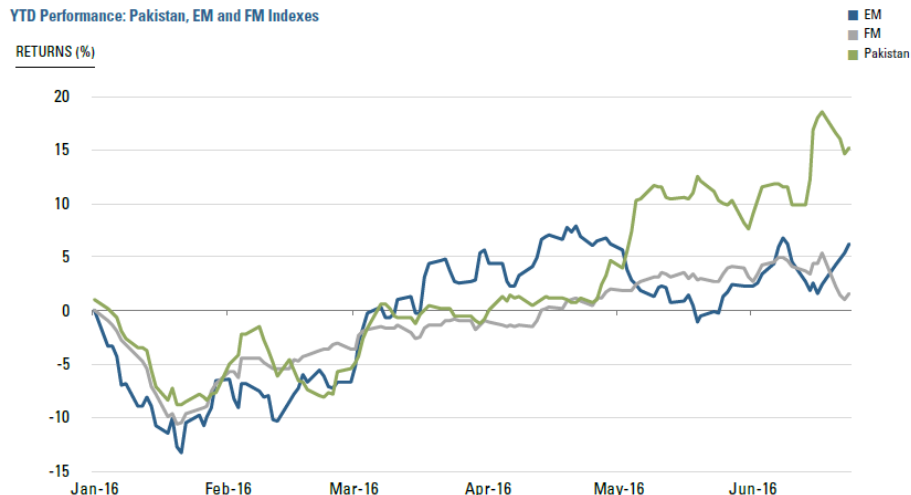
- The promotion of Vietnam from Frontier Markets classification to Emerging Markets have been started from 2013 when a number of index service companies including S&P DJ and MSCI proposed to include Vietnam in the review list to Emerging Markets standard.
- While it may slightly vary from index firms in assessing a market for reclassification, it is MSCI's methodology to consider the following criteria:
 - Openness to foreign ownership
 - Ease of capital inflows / outflows
 - Efficiency of the operational framework
 - Competitive landscape
 - Stability of the institutional framework
- The Openness to foreign ownership is the most desirable features, according to MSCI, that international investors would like to see that no distinction is made between local and foreign investors in which Foreign Ownership Limit Level is one of very important accessibility measures.
- Foreign ownership restrictions tend to be placed on specific industries which may result in an important sector bias in the opportunity set for foreign investors. It is MSCI's assessment that, more than 10% of a market being closed to foreign investors has resulted in a negative rating, between 10% and 3% has been considered as a matter of some concern while less than 3% has been considered as not being a material issue.
- As such, among other criteria, it is the latest accessibility result released by MSCI in June 2016 that FOL level for Vietnam market is "Improvement needed and extent to be assessed". Please refer to Appendix 2 for more details.

Why does FOL matter for Vietnam? (continued)

The current Frontier Markets status of Vietnam market does not facilitate the capital allocation of large and international index fund and active fund managers

- MSCI announced on June 14th, 2016 that it will be moving Pakistan from Frontier Markets Index to Emerging Markets with effect from May 2017. Actually Pakistan market once upon classified to EM classification before it was downgraded to Frontier Markets from 2008 following a period of market turmoil that halted trading.
- The upgrade has created a opportunity for capital appreciation as many passive index-tracking funds and active funds increased their exposure to Pakistan market. An estimate by Insight Securities, an US-based firm, that the investment inflows into Pakistan amounted between US\$300-US\$500mn for 2016 and the inflow would be increased to US\$600mn over the next year. This amount is around 10% of total foreign holding in Pakistan Stock market.
- Pakistan market (KSE 100 Index) gained about 15% YTD in 2016 which is far higher than EM Index and FM Index by MSCI. It is worth to note there were two precedents of countries namely Qatar and United Arab Emirates whose return appreciation at 54% and 98%, respectively when both countries were upgraded to Emerging Markets in 2014.

Figure 20: YTD Performance: Pakistan vs. EM Index and FM Index



Source: Pakistan to Return to Emerging Markets, Acadian, July 2016

Implications for Vietnam market

- **Potential capital injection:** Pakistan market accounted for 8.4% of the FM Index and it will represent only 0.2% of the EM Index. Vietnam Stock market (qualified stocks only) is at a similar size and if Vietnam is included in the EM Index, Vietnam Stock market will account for almost the same at 0.2% of the Index based on total marcap value as at 30 September 2016. One would expected a similar scale of investment inflows like in Pakistan which is 5-10% of total foreign holding.
- It is, however, noted that there are no FOL in Pakistan stocks and capital flows and repatriation are almost free of restrictions.
- **Potential Return appreciation:** Pakistan market rallied quite before the announcement and gained 15% YTD and many believe it will replicate the case of Qatar and United Arab Emirates with superior performance of the stock market. It is noted, however, Pakistan market was trading with P/E multiple of 10.1x earnings in mid 2016 which is a discount to Emerging Market Index (14.3x) and event Frontier Markets (10.5x), according to Acadian, an investment adviser firm based in the United States.
- As for Vietnam market, the current P/E valuation of 16x earnings which is about 10% premium to the average of EM Index valuation and in our opinions this would make it more difficult for Vietnam to make a rally as compared to Pakistan.

Methodology

Objectives

- To understand specific FOL issues that HOSE companies are facing in the implementation of the FOL loosening
- To estimate an additional room in US\$ value that can potentially absorb the foreign capital based on the possible FOL loosening by companies in accordance with Decree 60
- To capture implications and recommendations to related Government agencies on possible regulatory improvements in order to speed up the implementation of Decree 60

Methodology

- Review of domestic and international regulations governing the FOL in public companies, with legal support from Indochine Counsel – a business lawyer firm based in HCMC.
- Conducted a FOL review by industries for all companies listed on HOSE
 - Review actual changes in foreign ownership for 13 companies changed their FOL
 - Review AGM Resolutions of 22 companies who discussed FOL issues
 - Review in details the FOL by checking the Enterprise Registration Certificate.
- Focus on VN100 companies on HOSE to review their business lines registered under their Enterprise Registration Certificate
- Interviews with 8 selected public companies including companies already loosened their FOL including SSI, VNM and companies not yet implemented the FOL changes.

Main Procedures performed

Step 1: identify specific requirements from domestic regulations and international regulations

- Laws governing specific industries
- List of business lines restricted for foreign investors announced by MPI
- International regulations such as WTO commitments

Step 2: Review business lines registered in Enterprise Registration Certificate for each company under VN100 Index on HOSE

- Reconcile the business lines with the FOL restrictions identified in Step 1.
- First review by data analysts at StoxPlus and reviewed by legal associates from Indochine Counsel and Research Department of HOSE
- Review the business model of companies when needed by looking at the breakdown of revenues

Step 3: Assign a FOL level for each company under VN100

- Apply the “lowest room rule” identified for a business activity or for its subsidiaries for the listed company
- Assign a certain FOL level for each company under VN100

Step 4: Interviews

- Conducted face-to-face interviews with responsible management of 10 selected companies under VN100

Step 5: Summarizing and reporting

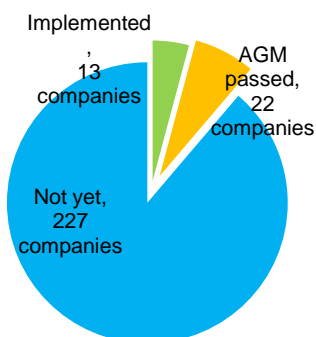
- Calculating the potential room for foreign ownership
- Forecasting the possible increase in foreign ownership
- Summarizing the result and analyzing

Results & Analysis: 13 companies changed their FOL resulting in an increase of actual foreign ownership by US\$127mn representing 2.3% of the additional foreign room in post-FOL implementation

To date there are 13 companies on HOSE decided their FOL as allowed by Decree 60

- Included in 312 companies on HOSE, there are currently 13 companies decided their FOL level following the effect of Decree 60, 22 companies already discussed the FOL level in their 2016 AGM and the remaining 227 companies have not yet opted the change in their FOL.
- Total marcap of the 13 companies is US\$12,368mn accounting for 19.5% of total marcap of all HOSE listed companies. The list include noticeable large cap like Vinamilk (VNM), MB Bank (MBB) and Saigon Securities (SSI) and its agribusiness subsidiary PAN Group (PAN).

Figure 21: Status of FOL Implementation by 312 companies on HOSE



- However 3 out of 13 companies namely Refrigeration Electrical Engineering (REE), BIDV Insurance (BIC) and CII Bridges & Roads (LGC) decided to keep their FOL as the old cap 49% and only 8 companies fully loosened their FOL to 100%.
- Other changes include MBB to increase from 10% to 20% FOL only while Construction 47 (C47) decided to lock it FOL at 3.3% for the current foreign shareholders.

Source: StoxPlus

Actual foreign ownership increased by US\$127 representing 2.3% of the additional foreign room in post-implementation of FOL changes

- As for 13 companies changed their FOL level, we have calculated that the actual increase in foreign ownership value is at US\$127mn accounting for 1.03% of total combined marcap and 2.3% of additional foreign room in value in post-implementation period from the effective date to 30 September 2016.

Figure 22: List of 13 companies implemented FOL

Ticker	Name	Marcap 30 Sep 16	Old FOL cap	Foreign ownership (Prior Effective Date)	New FOL approved	Effective Date	Foreign ownership (30 Sep 2016)	Foreign Ownership Change	Actual Increased Foreign Ownership
		US\$m	%	%	%		%	%	US\$m
		[1]	[2]	[3]	[4]	[5]	[6]	[7]=[6]-[3]	[8]=[1]*[7]
1	SSI Saigon Securities Inc.	487.7	49.0%	48.4%	100.0%	9/1/2015	57.7%	9.4%	45.65
2	BIC BIDV Insurance	193.4	21.5%	44.1%	49.0%	2/15/2016	47.1%	3.0%	5.84
3	MBB MBBank	1,107.3	10.0%	10.0%	20.0%	2/19/2016	20.0%	10.0%	110.73
4	VHC Vinh Hoan Corp.	247.3	49.0%	32.2%	100.0%	2/23/2016	31.7%	-0.6%	(1.43)
5	REE Refrigeration Electrical	305.1	43.7%	48.0%	49.0%	3/2/2016	49.0%	1.0%	3.17
6	GTN GTNFOODS	128.8	17.8%	36.2%	100.0%	5/23/2016	40.3%	4.1%	5.27
7	VNM Vinamilk	9,258.0	49.0%	49.0%	100.0%	7/20/2016	48.1%	-0.9%	(87.02)
8	DMC DOMESCO Medical	142.4	49.0%	49.0%	100.0%	8/31/2016	55.7%	6.7%	9.48
9	PAN The PAN Group	224.0	49.0%	46.2%	100.0%	9/9/2016	46.3%	0.2%	0.40
10	LGC CII Bridges and Roads	205.6	33.8%	29.9%	49.0%	9/27/2016	45.2%	15.2%	31.31
11	EVE EVERON	49.5	49.0%	49.0%	100.0%	2/3/2016	55.6%	6.6%	3.26
12	KMR MIRAE	12.1	49.0%	49.0%	100.0%	5/20/2016	52.3%	3.3%	0.41
13	C47 Construction 47	6.8	49.0%	3.3%	3.3%	9/12/2016	3.0%	-0.3%	(0.02)
Total		12,368.1							127.06

Source: StoxPlus

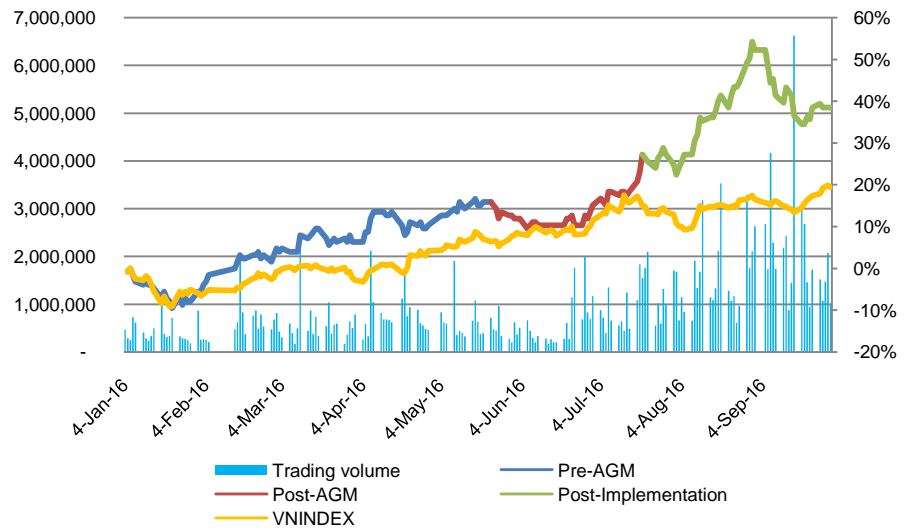
Results & Analysis: A review of FOL loosening to share price and liquidity: Vinamilk and SSI

Vietnam Dairy Products JSC



- Vinamilk increased its FOL to 100% with effect from 20 July 2016. At that time, VNM was fueled with 49% actual foreign ownership.
- Since the FOL loosening, its actual foreign ownership slightly decreased to 48.1% as at 30 September 2016.

Figure 23: VNM Share Price and Volume: Pre-implementation and Post-implementation period of FOL



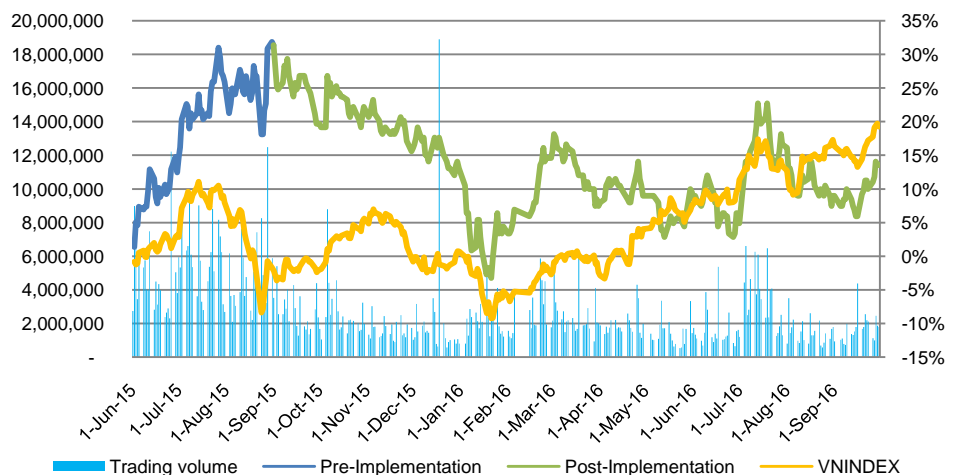
Source: StoxPlus

Saigon Securities Incorporation (SSI)



- SSI is one of Vietnam’s leading securities services firm. It is one of pioneers in implementing the FOL loosening in accordance with the Decree 60. The company increased its FOL to 100% with effect from 1 September 2015. At that time, SSI was among many other companies filled up with FOL of 49% cap with the actual foreign ownership was 48.4% on the date before the change.
- Upon more than 1 year of FOL loosening, its actual foreign ownership currently increased to 57.7% as at 30 September 2016. Based on current marcap, SSI has absorbed a total foreign inflow of US\$45.65mn for the 9.4% increase in actual foreign ownership.

Figure 24: SSI Share Price and Volume: Pre-implementation and Post-implementation period of FOL



Source: StoxPlus

Results & Analysis: 22 companies who discussed and passed FOL resolutions in their AGM 2016

There are 22 companies decided their FOL direction in their AGMs. Yet, the implementation will depend on the process of review and approval procedures with SSC and line ministries

- Our data has indicated that there are another 22 companies who decided their FOL direction in their AGM but not yet completed the procedures with SSC. Of which, 5 companies in various industries decided to maintain their FOL as the old cap 49%
- The remaining 21 companies passed its AGM resolutions to loosen their FOL to either maximum 100% or a certain threshold 51% (Logistics players including Vinalink and Vietnam Container Shipping) or 60% (real estate players including Hoang Quan Real Estate and Thu Duc House).

An increase of US\$932mn in foreign ownership room if these 22 companies successfully changed their FOL as they wished

- Based on the FOL decided on its AGM resolutions, we have calculated that if all these 22 complete the FOL changes, there will be an increase of US\$932mn in foreign ownership room for foreign investors.
- Yet, actual interests or expected increase of capital flows by foreign investors are difficult to estimate. But it is worth to note that except for Vingroup, most of other companies on the list are small companies with marcap of less than US\$100mn or so.

Figure 25: List of companies plan to implement its FOL in their AGMs

No.	Ticker	Name	Marcap 30 Sep 16	Current FOL	Proposed FOL	FOL Change	Increased Foreign Room	AGM Date	Decision
			US\$m	%	%	%	US\$m		
			[1]	[2]	[3]	[4]=[3]-[2]	[5]=[1]*[4]		
1	HHS	Hoang Huy Inv'mt Services	72.02	49%	100%	51%	36.73	2/3/2016	Loosen
2	TSC	Can Tho Techno-Agricultural	21.32	49%	100%	51%	10.88	3/12/2016	Loosen
3	VSC	Vietnam Container Shipping	141.14	49%	51%	2%	2.82	3/25/2016	Loosen
4	HQC	Hoang Quan Real Estate	100.68	49%	60%	11%	11.07	3/26/2016	Loosen
5	BCG	Bamboo Capital	27.41	49%	100%	51%	13.98	4/5/2016	Loosen
6	E1VFN30	ETF VFMVN30 fund	19.74	100%	100%	0%	-	4/5/2016	Unchanged
7	TCL	Tan Cang Logistics	28.53	49%	49%	0%	-	4/7/2016	Unchanged
8	ASP	An Pha SG Petrol	6.63	49%	100%	51%	3.38	4/9/2016	Loosen
9	TDH	Thu Duc House	36.87	49%	60%	11%	4.06	4/14/2016	Loosen
10	HDC	Ba Ria - VT House Devpm't	24.91	49%	49%	0%	-	4/16/2016	Unchanged
11	NVT	Ninh Van Bay	8.21	49%	100%	51%	4.18	4/20/2016	Loosen
12	HCM	Ho Chi Minh Securities	170.33	19%	49%	30%	51.10	4/21/2016	Loosen
13	FIT	F.I.T Investment	44.18	49%	100%	51%	22.53	4/22/2016	Loosen
14	VIC	VinGroup	5,347.76	29%	39%	10%	534.78	4/22/2016	Loosen
15	VNL	VINALINK	10.46	49%	51%	2%	0.21	4/22/2016	Loosen
16	BSI	BIDV Securities	46.44	49%	49%	0%	-	4/23/2016	Unchanged
17	FCN	FECON	43.33	33%	49%	16%	6.96	4/23/2016	Loosen
18	SMC	SMC Trading and Invmt	24.54	49%	100%	51%	12.51	4/23/2016	Loosen
19	BMP	Binh Minh Plastics	401.55	49%	100%	51%	204.79	4/28/2016	Loosen
20	DPM	Phu My Fertilizer	508.13	49%	49%	0%	-	4/28/2016	Unchanged
21	VNA	Vinaship	1.59	49%	49%	0%	-	4/28/2016	Unchanged
22	VNE	Vietnam Electricity Const.	22.78	49%	100%	51%	11.62	6/3/2016	Loosen
Total			7,108.55				931.60		

Source: StoxPlus

Results & Analysis: FOL Review of companies under VN100 on HOSE

Foods & Beverages and Real Estates will be expected to create most potential room for foreign ownership

- To assess the potential liquidity for foreign investors, we have reconciled the business lines registered in Enterprise Registration Certificate to international and domestic regulations identified by our review team with supports from legal firm Indochine Counsel for each company under VN100 Index on HOSE.
- Taking into account also the 13 companies already loosen its FOL and 22 companies in its progress with related Government agencies, it is our calculation that total foreign ownership room is US\$13.57bn. Yes, this is the maximum amount that foreign investors can increase their ownership based on the current market valuation. This is rather impossible to increase the foreign ownership to this amount but the room can be further increased if the State ownership are reduced in coming years following the divestment program in State-owned enterprises who are under review.

Based on precedents with the 13 companies loosened their FOL, additional capital inflows would be much as US\$316mn if all companies on VN100 implement their FOL

- In an estimation effort, if we assume 2.3% (same as the 13 companies loosened their FOL achieved by in post-implementation period) of the increased foreign room, additional capital inflows will be as much as US\$316.3mn.
- Yes, this is the estimate for VN100 companies with total marcap of US\$57bn accounting for 90% of total marcap of all companies on HOSE and the estimate is for a general reference only. The actual inflows may vary depending on how companies will deal with the legal restrictions, the market momentum and the reduction of State capital in those companies.

Figure 26: List of companies plan to implement its FOL in their AGMs

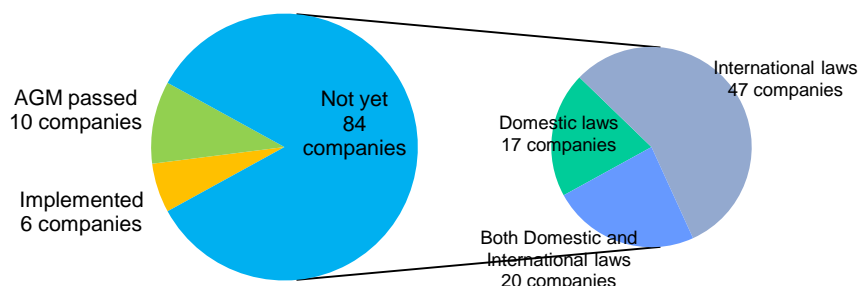
Sector (GICS level 2)	No of co.	Market cap (US\$m)	Ownership 30 Sep 2016			FOL	FOL	Max Foreign	Foreign	Current
			State %	Foreign %	Other %	Identified*	Change	Room	Room	Foreign Room
		[1]	[2]	[3]	[4]	[5]	[6]=[5]-[3]	[7]=[6]*[1]	[8]	[9]=[8]-[7]
Automobiles & Components	5	520.1	51.4%	18.1%	30.5%	84.1%	66.0%	343.1	192.7	150.4
Bank	6	14,251.3	57.5%	17.8%	24.6%	30.0%	12.2%	1,731.8	110.7	1,621.0
Capital Goods	15	2,305.0	14.2%	19.5%	66.3%	51.6%	32.0%	738.6	649.0	89.6
Commercial & Professional Services	1	224.0	0.0%	46.3%	53.7%	100.0%	53.7%	120.2	114.2	6.0
Consumer Durables & Apparel	3	423.4	0.0%	39.2%	60.8%	39.1%	-0.1%	(0.2)	(140.3)	140.1
Consumer Retailing	3	986.6	0.0%	27.2%	72.8%	100.0%	72.8%	718.6	503.2	215.5
Diversified Financials	7	1,054.2	9.3%	22.6%	68.2%	52.0%	29.5%	310.6	202.5	108.1
Energy	4	694.4	44.3%	26.3%	29.4%	50.5%	24.2%	167.9	108.1	59.8
Food Beverage & Tobacco	9	13,068.8	16.1%	27.9%	56.0%	74.1%	46.2%	6,035.4	6,210.6	(175.2)
Household & Personal Product	1	87.1	51.0%	24.0%	25.0%	100.0%	76.0%	66.2	44.4	21.7
Insurance	4	2,582.4	68.0%	27.6%	4.4%	60.1%	32.4%	838.0	113.3	724.7
Materials	9	3,637.9	39.9%	22.4%	37.7%	44.5%	22.1%	804.1	(654.6)	1,458.6
Pharmaceuticals, Biotechnology & Life Sciences	2	587.2	41.1%	50.9%	8.0%	63.5%	12.6%	74.2	72.6	1.6
Real Estate	13	7,046.5	0.7%	16.0%	83.3%	43.9%	27.9%	1,965.2	711.9	1,253.3
Software & Services	1	51.3	0.0%	5.1%	94.9%	49.0%	43.9%	22.5	-	22.5
Technology Hardware & Equipment	2	1,004.3	5.6%	47.0%	47.4%	52.2%	5.2%	52.4	14.3	38.1
Transportation	8	1,242.4	8.5%	36.5%	55.0%	51.9%	15.4%	191.4	135.7	55.7
Utilities	7	7,311.6	81.4%	7.4%	11.2%	1.5%	-5.9%	(428.5)	(3,496.5)	3,068.0
Total/Average	100	57,078.4	37.7%	20.0%	42.3%	41.2%	21.2%	13,751.4	4,891.9	8,859.5

* FOL Identified includes new FOL level for 6 companies under VN100 who already implemented the change and 10 companies decided in their 2016 AGM's resolutions

Source: StoxPlus

Results & Analysis: Review of HOSE companies under VN100: Summary of Constraints

Figure 27: Legal Constraints by VN100 Companies on HOSE



Source: StoxPlus

Legal Constraints

- From our review of companies loosening their FOL and interview with top companies in VN100, we found out that the main legal constraint lied within the enterprise registration certificate of each company. It is common practice for Vietnamese enterprises to register numerous business areas which they may or may not have major participation in. Some examples include:
 - A company with major business line in food products which has a 100% FOL is limited by its registered business line in printing packaging which has a 51% FOL.
 - A company with major business line in telecommunication can have a 65% FOL except in the case they own the telecom infrastructure, in which case their FOL is limited to 49%.
- In addition, the process of interpreting and determining the business lines and industries with condition applicable to foreign investors is challenging and time consuming for companies without the help of legal consultations.

Commercial Constraints

- A prominent commercial constraint involves a firm being a “Deemed Foreign Investor” as defined by Investment Law (2014). Such labelled firm faced many difficulties such as:
 - The right to distribution: Pharmaceutical industry has a 100% FOL which means any current pharma firm can lift their limit. However, this would restrict them from the ability to distribute medicines and drugs directly to Vietnamese public hospitals as per the regulation by Ministry of Health. The only benefit of lifting the FOL for a pharma firm is to receive enough funding for their R&D department.
 - Biased treatment: foreign invested enterprise could face more difficulty while working with local agencies compared to local enterprise. We noticed from our interviews that they may be treated differently in their bidding process especially for telecom and network equipment to the Government funded projects if they are classified as a foreign firm although there are no explicit legal restrictions.
 - Economic Needs Test (ENT) is another constraint. The ENT currently requires foreign investors in the retail sector (including supermarkets, malls, and convenience stores) to undergo licensing procedures for each new outlet they intend to open beyond the first one. This has long been seen as a barrier to market access if the public company becomes a foreign player by the definition of the Law.

Technical Constraints

- Not loosening FOL as way to unwanted M&A: We noticed from 2 over 10 interviews who are reluctant to increase their FOL due to the fear of being taken over by foreign investors. They are both privately owned companies and it is their strategy to limit their FOL as the current 49% or even to a very minority threshold of less than 35%.
- Not loosening FOL as way to maintain veto rights in important decision-making process: we noticed a number of cases where the major shareholder of the Company doesn't want to lift their FOL as way to simplify their decision making in their business strategies including the investment in large projects or greenfield businesses. For these companies, having a low percentage of foreign participation would help them speed up the decision making process during the AGMs or BOD meetings.

Section 5: Key Findings from Foreign Institutional Investors Survey

5.1 Methodology

Why this Survey?

- In addition to the review of FOL from company’s perspectives, we went on further to grasp buy-side perspectives with regard to the FOL issue and the progress to upgrade Vietnam market from Frontier Markets to Emerging Markets classification. The main objectives of the survey are to understand foreign investors’ views about the FOL in public companies and the importance of EM qualification for Vietnam Stock market to their investment strategy consideration for Vietnam.

Questionnaire Design

- The survey questionnaires were designed to provide insight into three main dimensions:
 - Foreign investor views on FOL
 - Foreign investor views on Vietnam as an emerging market – we based on the criteria defined by MSCI in their Global Market Accessibility Review, June 2016
 - Foreign investor views on market sentiments for the next 12 months

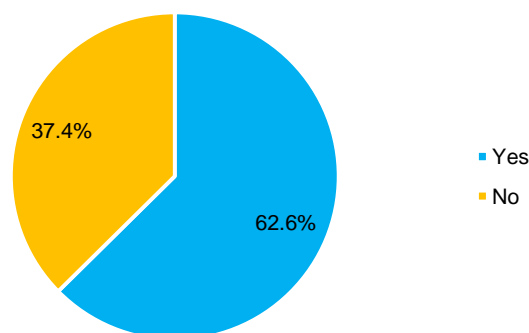
Respondent Information

- We collected opinions and feedbacks from 120 participants who are working for 105 foreign asset management and financial institutions. We reached out the surveyors from our direct network of HOSE and StoXPlus and via professional associations such as Korean Financial Investor Association, Vietnam Investor Networks in US, Vietnam Chamber of Commerce in Singapore.
- From 72 respondents already have exposure in Vietnam and agreed to disclose their asset size, they are now managing an Asset under Management (AUM) totaling US\$2400bn and in which US\$10.8bn disclosed as allocated for Vietnam.

Survey Platform

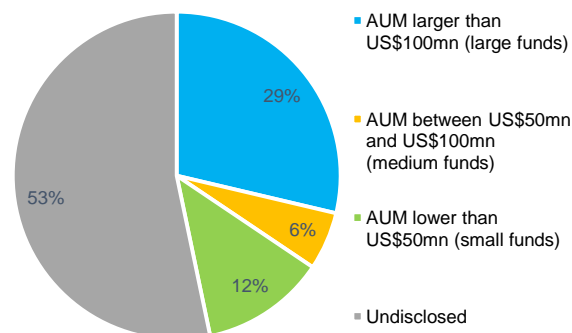
- The survey was conducted online via SurveyMonkey.com over the period of 2 months from 15 July 2016 until 15 September 2016

Figure 28: Respondents who had investments in Vietnam in the past 12 months



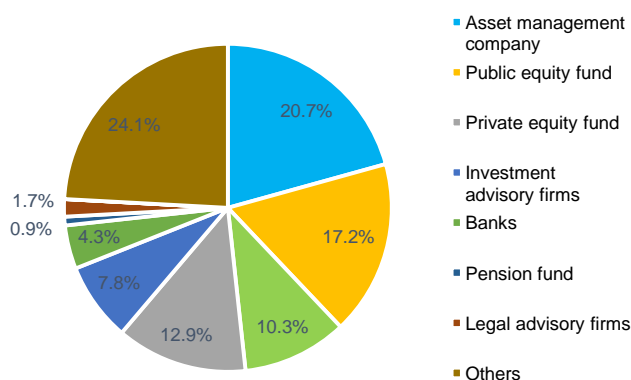
Source: StoXPlus

Figure 29: Type of Respondent Company’s AUM by size



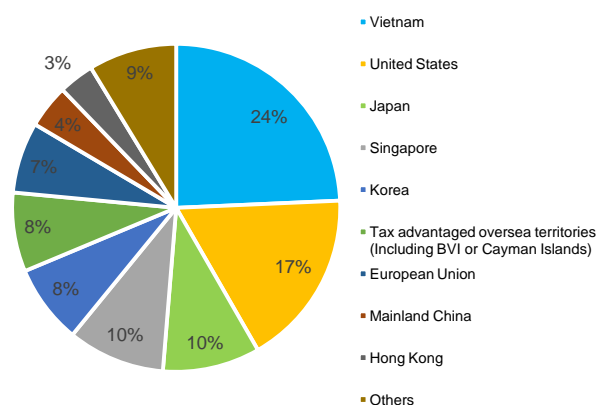
Source: StoXPlus

Figure 30: Type of Respondent Investment Institution



Source: StoXPlus

Figure 31: Respondent Organization Headquarter



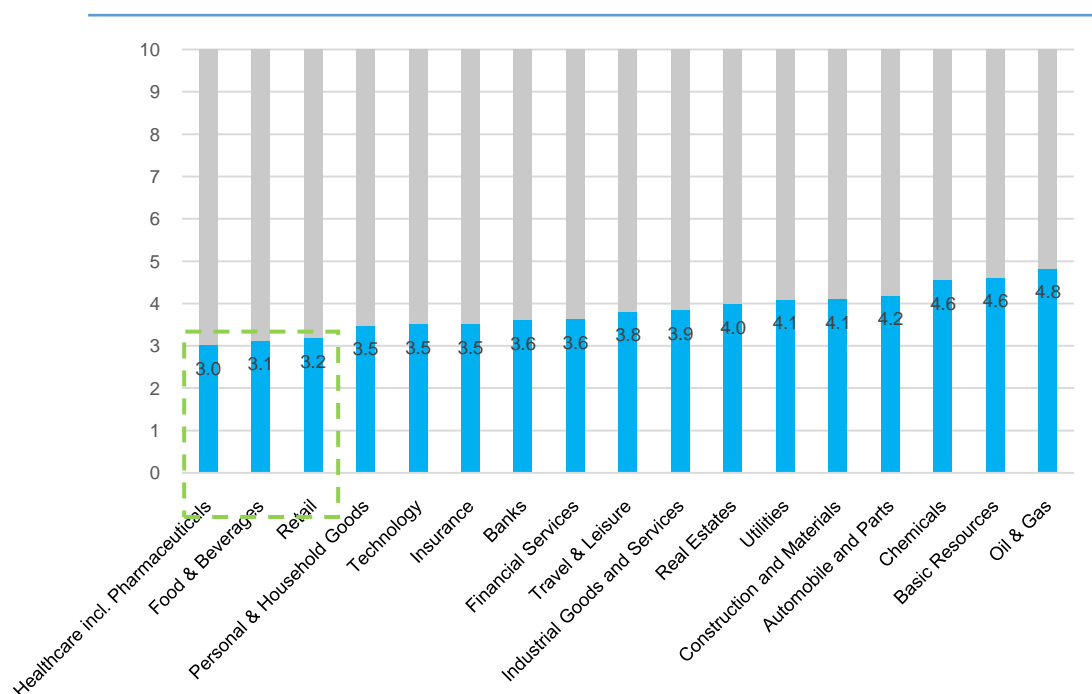
Source: StoXPlus

5.2 Their Views on FOL

Industries that serve mass market consumer are most wanted by foreign investors for removal of FOL

- Health Care, Food & Beverages, and Retail were the top three most attractive industries to foreign investors. As reflected by the current ownership percentage of companies in HOSE, these are the sectors that serve mass market of nearly 90 million Vietnamese consumers with increasing disposable income.
- If foreign ownership limit were removed completely, these three sectors themselves could absorb an additional US\$6.8bn in market liquidity, nearly half of total possible additional liquidity of all sectors in HOSE and HNX combined. Food & Beverage would become the most active sector as it holds the largest additional market liquidity at US\$6bn.
- Sectors with the least interest are heavily regulated ones like Chemicals, Basic Resources, and Oil & Gas.

Figure 32: What industries that your organization are most awaiting for the removal of Foreign Ownership Limit? Please rank the sectors from 1 to 10 (1 most wanted, 10 least wanted) – Average Rating



Source: StoxPlus

Figure 33: Top 3 industries most waited for the removal of Foreign Ownership Limit (VN100)

Sector	No of co.	Market cap (US\$m)	Ownership 30 Sep 2016			FOL	FOL	Potential Foreign Room
			State %	Foreign %	Other %	Identified*	Change	
						%	%	US\$m
Retailing	3	986.6	0.0%	27.2%	72.8%	100.0%	72.8%	718.6
Food Beverage	9	13,068.8	16.1%	27.9%	56.0%	74.1%	46.2%	6,035.4
Pharmaceuticals, Biotechnology & Life Sciences	2	587.2	41.1%	50.9%	8.0%	63.5%	12.6%	74.2

Source: StoxPlus

5.2 Their Views on FOL

Regulation and the caution of being taken over through M&A are the top two reasons why companies have not considered to increase FOL.

- Legal constraints (e.g. restricted by other laws and WTO commitments) is the main reason discouraging companies from increasing FOL. This was evident in our review of VN100 foreign ownership whereas companies maximum FOL were limited due to one or a few restricted business area. This is an external constraint that could be lessened by the government in terms of providing more clarity as well as increasing the maximum FOL of other business areas.
- Another main reason came from internal of companies which is the caution of being taken over through M&A. This is especially shared across top largest companies in Vietnam.
- Other reasons include Commercial constraints (e.g. drugs players cannot be eligible for direct sales to public hospitals when increase foreign ownership to 51% and treated as a foreign enterprise) as well as Technical constraints (e.g. a securities firm has a limit to the exposure of G-bonds).

Figure 34: Do you currently have ownership in a public company that has not yet loosen the FOL ?

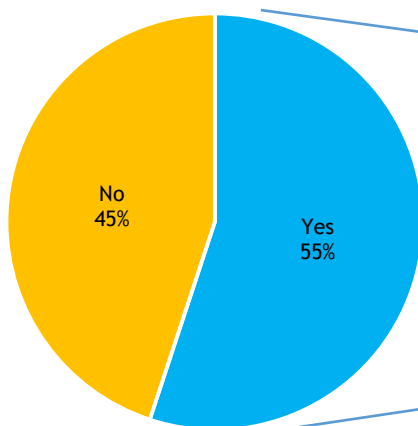
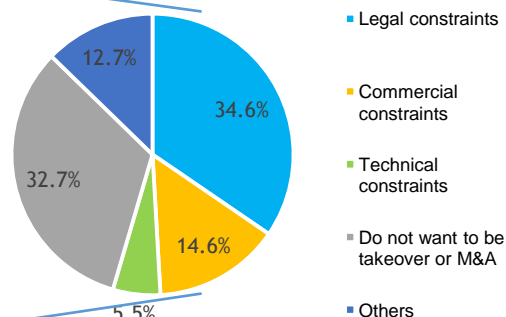


Figure 35: If yes, reasons that the company has not considered to increase foreign ownership room?

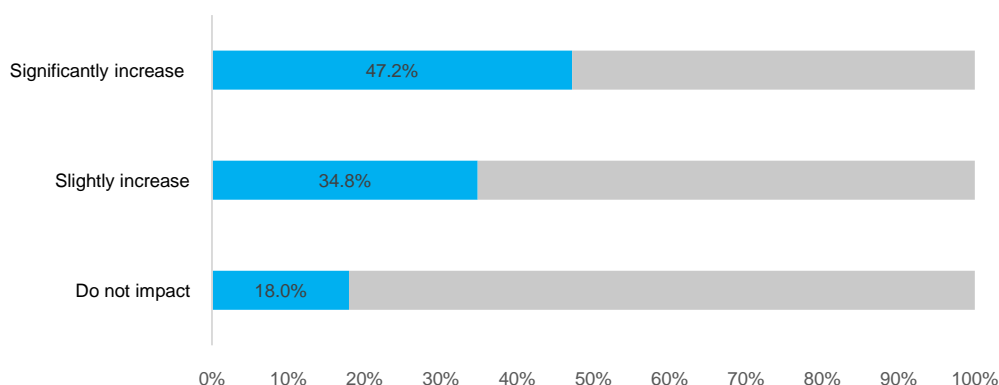


Source: StoxPlus

More than 80% respondent would increase investment in Vietnam should FOL be removed in all companies in HOSE and HNX

- FOL removal would be an encouraging sign for foreign investors as almost half of our respondents would significantly increase their investment in Vietnam. Therefore, it can be implied that foreign investors already have significant interest in Vietnam market and are awaiting for FOL to be lifted.

Figure 36: If FOL is removed to all companies in HOSE and HNX as per Decree 60 (meaning foreign investors can be able to have 100% equity ownership), how would this change your organization's investment strategy for Vietnam?



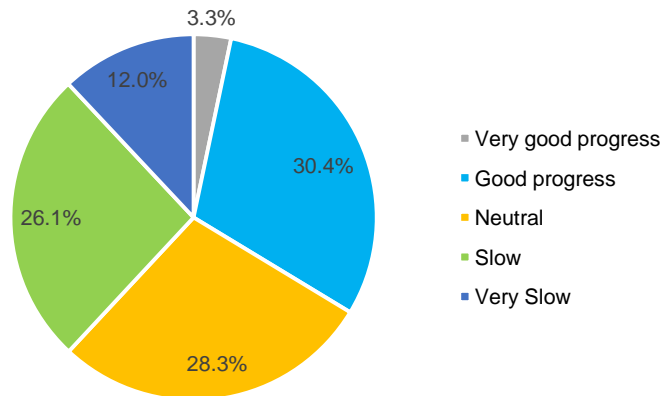
Source: StoxPlus

5.3 Their Views on the Progress of Emerging Markets

The promotion of Vietnamese Stock Market from Frontier to Emerging market received mix perception

- Respondent perception of the progress to promote the Vietnamese Stock Market from Frontier to Emerging Market by the Vietnamese government is split closely equally among Very Good and Good (combined 33.7%), Neutral (28.3%), and Slow and Very Slow (38.1% combined).
- However, respondents from large funds were less positive about the progress as 52% considered it Slow while only 16% considered it good. On the other hand, 75% of respondents from medium funds deemed the promotion was progressing well.

Figure 37: Based on your expectation, how do you evaluate the progress that the Vietnamese government is doing to promote the Vietnamese Stock Market from Frontier to Emerging Market?:

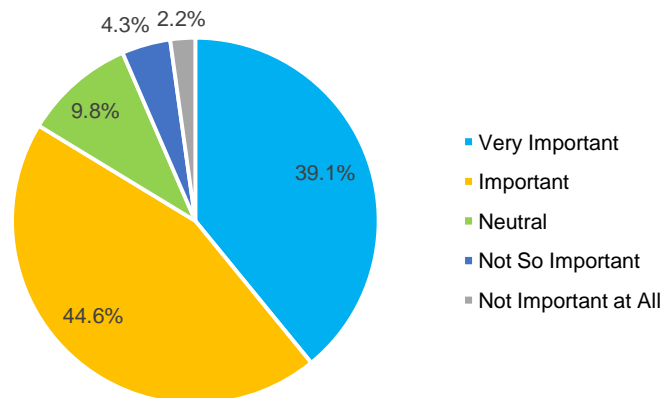


Source: StoxPlus

Vietnamese Stock Market qualified as Emerging Markets is considered important by most respondents.

- More than 80% of respondents felt the qualification as Emerging Market of the Vietnamese Stock Market is important (39.1%) or very important (44.6%). This should be an encouraging signal for the Vietnamese government to speed up the progress of promoting the Vietnamese Stock Market since it will have a great impact on these foreign institution strategy to invest in Vietnam Market.

Figure 38: How do you rate the importance of making the Vietnamese Stock Market qualified as Emerging Market classification by MSCI to your investment strategy in Vietnam?

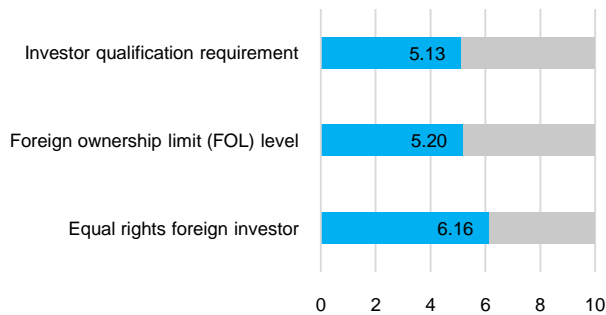


Source: StoxPlus

5.3 Their Views on the Progress of Emerging Markets

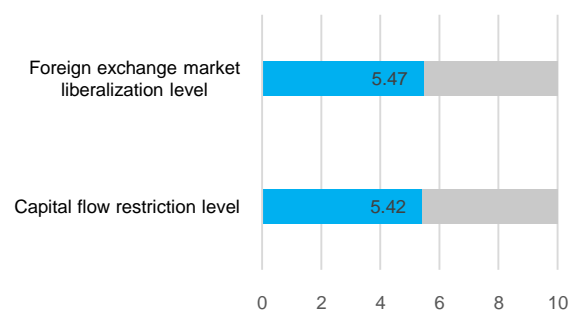
- Respondents were mostly neutral about the openness to foreign ownership of Vietnamese Stock Market. FOL level had a more negative impact on their view of Vietnam Market Openness. This correlates with the legal constraints faced by the companies that they own which are yet to loosen their FOL.
- Capital flow restriction level and foreign exchange market liberalization level do not pose much difficulty for foreign investors. -> appear/suggest/imply to not pose difficult

Figure 39: How do you evaluate OPENNESS TO FOREIGN OWNERSHIP for Vietnam Stock Market? Please rank the categories below from 1 to 10 (1 MOST attractive, 10 LEAST attractive)



Source: StoxPlus

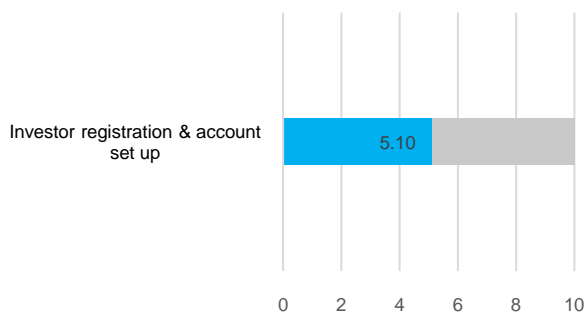
Figure 40: How do you evaluate EASE OF CAPITAL INFLOWS/OUTFLOWS for Vietnam Stock Market? Please rank the categories below from 1 to 10 (1 MOST attractive, 10 LEAST attractive)



Source: StoxPlus

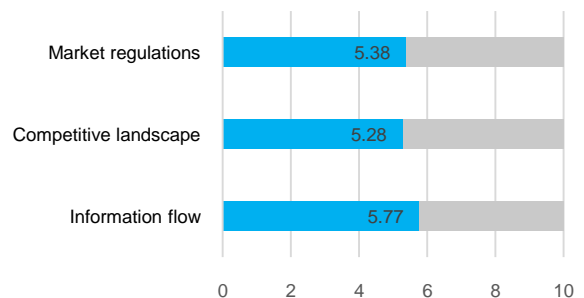
- Similar to **OPENNESS TO FOREIGN OWNERSHIP** and **EASE OF CAPITAL INFLOWS/OUTFLOWS**, foreign investors remained neutral about **MARKET ENTRY** and **MARKET ORGANIZATION** of Vietnam Market, with a slight concern regarding Information flow.
- While it is certainly a good sign that no aspect of the market was viewed negatively by the respondents, we can also see that there was no outstanding aspect either, which still leaves much room for improvement towards promotion to Emerging market.
- Elaborate information flow

Figure 41: How do you evaluate MARKET ENTRY for foreign investors in Vietnam Stock Market? Please rank the category below from 1 to 10 (1 MOST attractive, 10 LEAST attractive)



Source: StoxPlus

Figure 42: How do you evaluate MARKET ORGANIZATION for foreign investors in Vietnam Stock Market? Please rank the categories below from 1 to 10 (1 MOST attractive, 10 LEAST attractive)

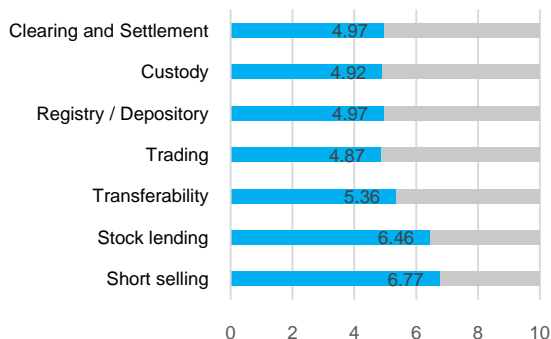


Source: StoxPlus

5.3 Their Views on the Progress of Emerging Market

- Clearing & Settlement, Custody, Registry/Depository, and Trading were perceived better by respondents than Transferability, Stock lending, And Short selling.

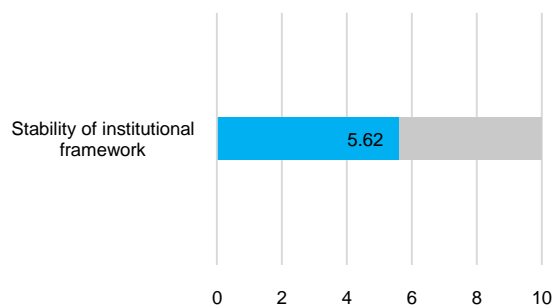
Figure 43: How do you evaluate MARKET INFRASTRUCTURE for foreign investors in Vietnam Stock Market? Please rank the categories below from 1 to 10 (1 MOST attractive, 10 LEAST attractive).



Source: StoxPlus

- Foreign investors felt slightly less confident in the STABILITY OF INSTITUTIONAL FRAMEWORK.

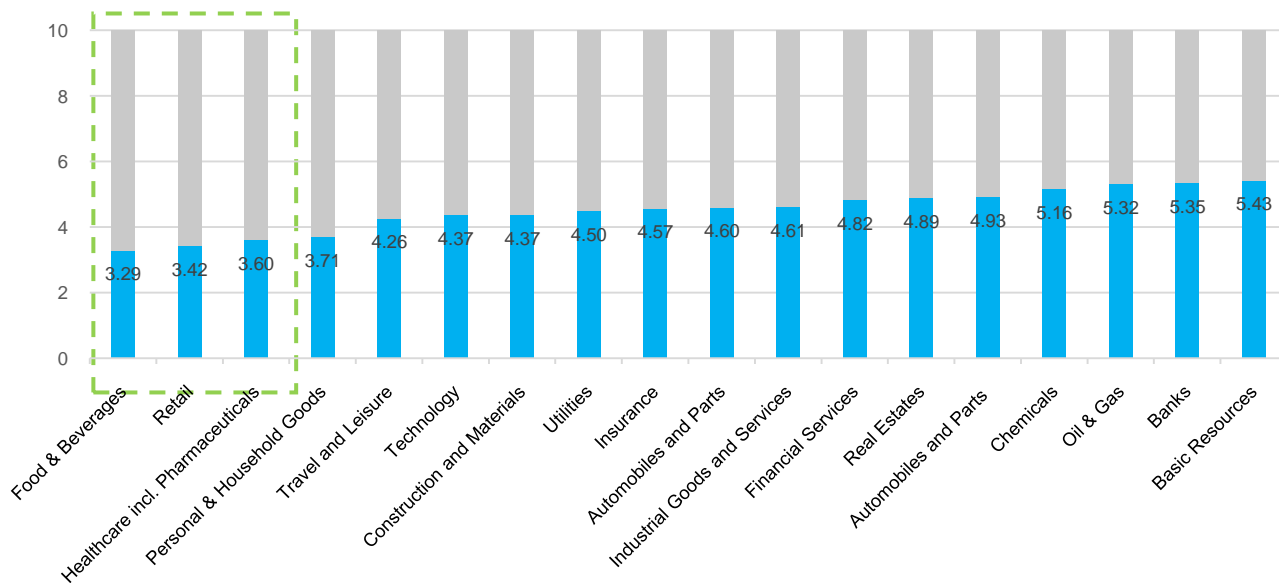
Figure 44: How do you evaluate the STABILITY OF INSTITUTIONAL FRAMEWORK for foreign investors in Vietnam Stock market? Please rank the choices below from 1 to 10 (1 MOST attractive, 10 LEAST attractive).



Source: StoxPlus

- In terms of industry attractiveness, the result is similar to the industries that foreign investors are most waited for the removal of FOL with the top three being Food & Beverages, Retail, and Healthcare. Food & Beverages being at the top further proves that foreign investors have seen the potential of this industry and more companies in this industry should lift their FOL to absorb US\$2.7bn market liquidity.

Figure 45: How do you rank the INDUSTRY ATTRACTIVENESS for the Vietnamese Stock Market?. Please rank the sectors from 1 to 10 (1 MOST attractive, 10 LEAST attractive).



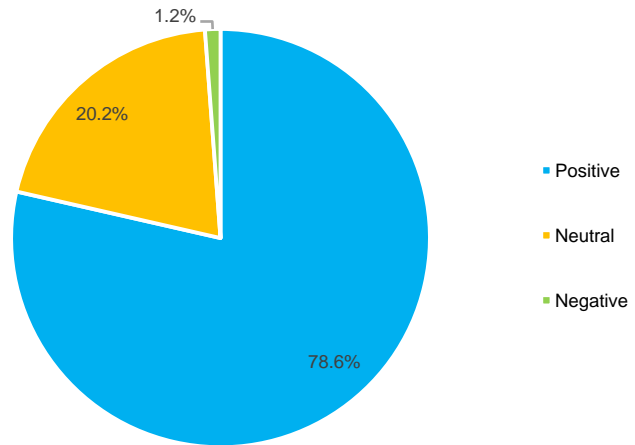
Source: StoxPlus

5.4 Their Views on Market Sentiments

Most respondents have positive outlook for Vietnam economy over the next 12 months

- 78.6% of survey respondents expressed positive sentiment towards the outcome of Vietnam economy for the next 12 months.

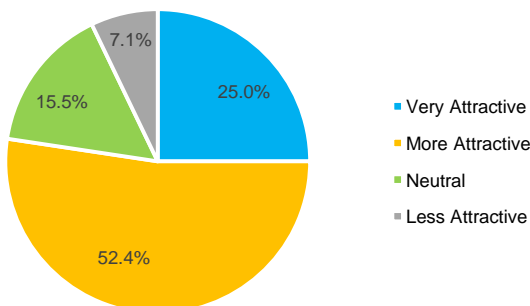
Figure 46: Based on your view on Vietnam at present, what is your general outlook for Vietnam economy over the next 12 months?



Source: StoxPlus

- Vietnam Stock Market is mostly (78.4%) perceived to be attractive by foreign investors of all types of fund size: 50% respondents from large funds, 75% from medium funds, and 100% from small funds shared this view.

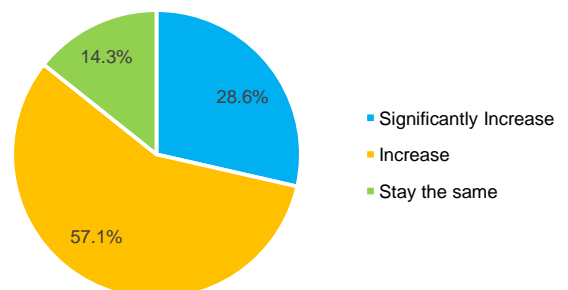
Figure 47: In today's global economic and capital market environment, how do you currently rank Vietnam in terms of investment attractiveness in Vietnam Stock Market?



Source: StoxPlus

- Most respondents expected trading activity in Vietnam Stock Market to increase (50.7%) and increase significantly (33.8%)

Figure 48: Based upon your current view, how do you expect the level of investment or trading activity in Vietnam Stock Market?



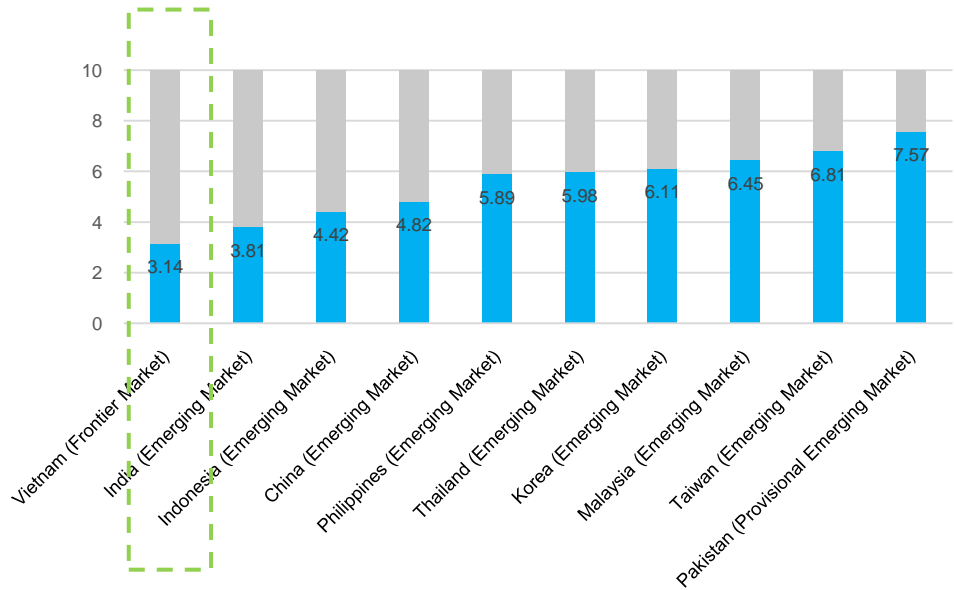
Source: StoxPlus

5.4 Their Views on Market Sentiments

Vietnam is considered to be more attractive compared to other Emerging Markets

- When compared with 8 emerging markets in Asia region and Pakistan as “provisional” Emerging Markets, Vietnam was perceived to be the most attractive. The two markets that came close were India and Indonesia. China, with a declining growth rate, was not as attractive as before.

Figure 49: Comparing Vietnam with the 9 markets in Asia Pacific region which are classified by MSCI as Emerging, how do you rank its attractiveness with upside potential? (1 MOST attractive, 10 LEAST attractive).

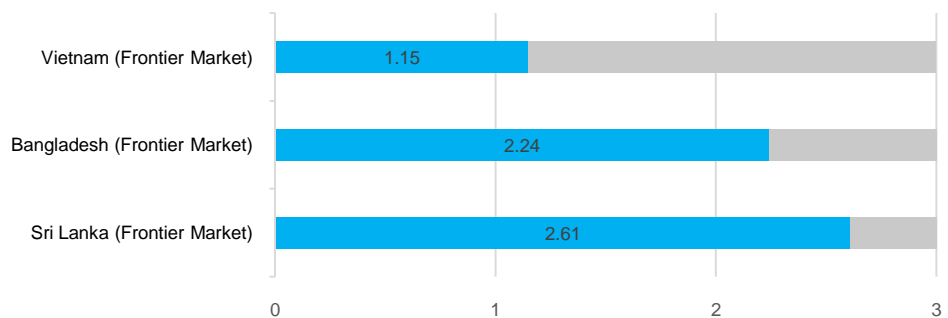


Source: StoxPlus

Vietnam market is much more attractive than the two other Frontier Markets Bangladesh and Sri Lanka

- Most respondents chose Vietnam as the number one frontier market with the most potential compared to Bangladesh and Sri Lanka.

Figure 50: Comparing Vietnam with the two markets in Asia Pacific region which still are classified by MSCI as Frontier, how do you rank its attractiveness with upside potential? Please tick the number from 1 to 3.

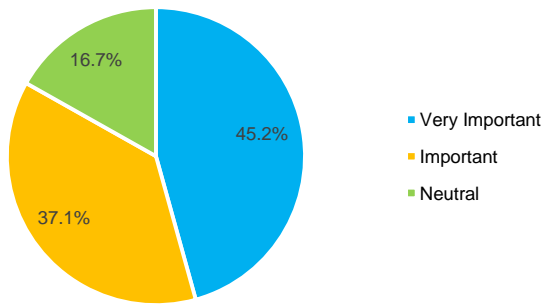


Source: StoxPlus

5.4 Their Views on Market Sentiments

- Survey result indicated that most foreign investors recognized the importance of speeding up SOE privatization and having them to go listing on Exchanges when considering to invest in Vietnam. This suggests that the faster SOEs are privatized and listed, the more active foreign investors will participate in Vietnam Stock Market

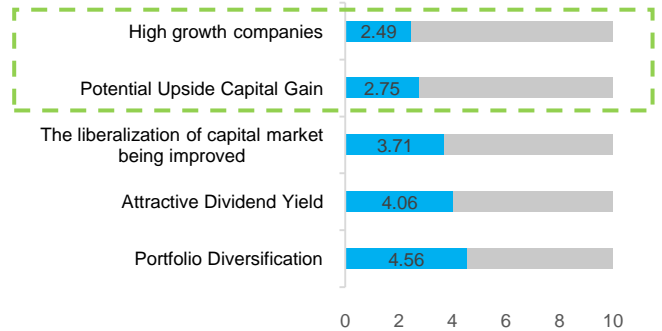
Figure 51: Based on your view, how do you rate the importance of speeding up SOE privatization and having the privatized SOEs to go listing on Exchanges to your investment consideration into Vietnam?



Source: StoxPlus

- High growth companies and Potential upside capital gain were perceived by respondent to be the greatest opportunities when investing in Vietnam Stock Market.
- Portfolio Diversification had the least opportunity. This means foreign investors are more likely to focus on a selected few industries with high growth companies.

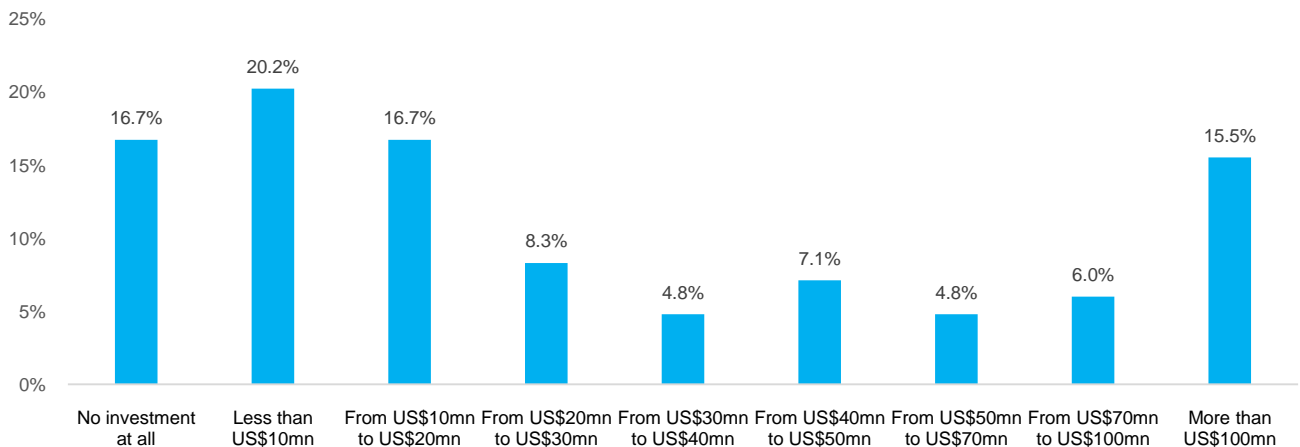
Figure 52: What do you believe are the greatest opportunities when investing in Vietnam Stock Market? Please rank the sectors from 1 to 10 (1 most attractive, 10 least attractive).



Source: StoxPlus

- While foreign investors expressed positive sentiments towards Vietnam market promotion to Emerging Markets, many organizations do not have big investment plans for Vietnam market. Only 15.5% respondents would consider increasing their AUM to more than US\$100mn while 20.2% would increase less than US\$10mn and 16.7% would not invest at all. This is due to the pool of respondents with different AUM size. Their answers mostly corresponded with their AUM size, meaning they only consider to increase AUM no larger their current size.
- However, it is worth noting that only 34.5% of respondents from large funds would consider increasing more than US\$100mn while 6.67% of respondents from smaller funds would consider increasing from US\$50mn to US\$70mn (which is larger than their current AUM).

Figure 53: In an approximation, what is the range of investment size that your organization would consider to increase the AUM for Vietnam market if Vietnam Stock Market is officially upgraded to Emerging Markets classification in the next 12 months?



Source: StoxPlus

Section 6: Recommendations

We summarized below the most critical issues for consideration of related Government agencies and company shareholders and management with regard to the FOL implementation as allowed under Decree 60. The recommendations have been drawn up from our review of FOL in VN100 on HOSE and in-depth interviews with companies who completed their procedures with related Government agencies in changing their FOL. Our recommendations were also prepared based upon our Foreign Investor Survey 2016.

1. Further guidance to Decree 60 should be issued

Facts

- Our interviews with management of 8 companies in different industries has revealed that it is very difficult for them to reconcile their business lines with international and domestic regulations. It is apparent that companies could not reconcile without support from an experienced legal firm.
- Decree 60 puts forth the term 'business investment line with conditions applicable to foreign investors' for setting the FOL at 49% in case where there is not yet any specific provision on foreign ownership ratio for such business investment line, however, there is not any definition and interpretation of such term. And even though where such term is referred to the Investment Law and the guiding Decree No. 118/2015/ND-CP for interpretation, determining which are business lines and industries with conditions applicable to foreign investors is not easy.
- In addition, the process including working with line ministries as required by the Decree 60 is not yet guided and this creates difficulty for companies to find out the related Government agencies in seeking a review and opinion from such line ministries. In some interviews, management released that it would take 4 months in a line ministry to get their final opinion on the restriction.

Implications

- The current process is complicated and time consuming to many companies. The current legal framework would make the FOL implementation under Decree 60 slow especially for companies who are keen to loosen their limit.

Recommendations

It is recommended that the Government should consider to provide further detailed guidance on the FOL matter including, but not limited to, the following:

- Issuing a complete list of industries with conditions applicable to foreign investors (including restrictions by other laws and WTO commitments) which clearly sets forth: (i) the detailed FOL imposed on each business line under WTO commitments and the other laws; and (ii) business lines with conditions applicable to foreign investors but there is not yet any specific provision on FOL (then the FOL of 49% will be applicable).
- Specific guidelines, agreed among government departments regarding ambiguous and unspecified business lines with foreign ownership limits to facilitate companies in lifting their FOL. This will significantly shorten the process of companies checking with competent State agencies.

2. The “lowest room applicable” rule should be considered for revision

Facts

- The “lowest room applicable” rule is applied when considering foreign restriction when company operating in multiple lines of business. The fact is that most Vietnamese companies register and operate in multiple business lines. Our FOL review of 100 companies under VN100 on HOSE has indicated that there are 1925 business lines registered on their Enterprise Registration Certificates and on average, each company has 19 different business lines.
- In addition, many public companies there are operating under a holding business model and it is not clear under Decree 60 and Circular 123 whether the restrictions will be applied at their subsidiary entity level. The entity listed on Exchanges are the consolidated entities and this makes those companies very difficult in reviewing all their subsidiaries.

Implications

- The rule is a big challenge for opening of the FOL in practice. We noticed a number of companies operating in multiple business lines do not find it clear to loosen FOL although they are keen on doing so.

Recommendations

- We propose to consider for replacing the “lowest room applicable” rule under Decree 60 by a rule which bases on the main business line of public companies for determination of their FOL. The “main business line” can be defined based on the actual contribution such as in sales or net earnings to the company.

3. Definition of the “Deemed Foreign Investors” under the Investment Law (2014) should be revised

Facts

- The Investment Law, Article 23.1 stipulates that if 51% or more of charter capital of a company is held by foreign investors, such company must satisfy the conditions and carry out investment procedures in accordance with regulations applicable to foreign investors upon investment for establishment of an economic organization; investment in the form of capital contribution or purchase of shares or portion of capital contribution to an economic organization; or investment on the basis of a business cooperation contract.

Implications

- The ownership of foreign investors in a listed company may be changed constantly day by day due to securities trading of such foreign investors. For example in a securities firm, when their actual ownership increased to more than 51%, they would find it hard to engage in new business such as ETF. Because under the current regulation, when they are defined as a foreign investor and making investment in an ETF, the procedures in opening trading account, trading code and related operations will have to change accordingly. The main problem here is that after they changed its operation process and foreign ownership is reduced to less than 51% on the next day, would they have to redesign their operation then?
- For a securities company, it is also stipulated under Decree 135/ND-CP dated 31 December 2015 about outbound indirect investment that securities or investment funds with foreign ownership of more than 51% will be not allowed to make indirect investments oversea.
- In another case, it derives another issue when this company with more than 51% foreign owned invests in another public company. The stake of this company will be calculated as foreign ownership and in turn fills up the foreign room for its subsidiaries.
- Consequently, it causes confusion in practice how such listed companies are to comply with Article 23.1 of the Investment Law.

Recommendations

- We recommend for considering an amendment to such provision of Article 23 of the Investment Law to a way that such Article 23.1 shall not be applicable to listed companies.
- In addition, companies and market stakeholders are awaiting for further regulations to provide specific and consistent guidance for companies upon they changed their FOL in accordance with the current regulation especially governing the situation when companies have more than 51% foreign ownership. A number of matter categories in need of review especially for listed companies including:
 - Exceptions to the Investment Law 2014 on their investment activities
 - Taxation matters
 - Offshore investments
 - Investment in other companies
 - Financial trading and investment activities including G-bonds
 - Credit and applying for bank loans

4. Not only legal constraints but commercial constraints in post-implementation are the main hindrance for FOL issue in Vietnam

Facts

- In addition to the legal constraints, it is indicated from our review that commercial constraints upon loosening FOL is more important factor in the consideration of public companies.
- Many companies find it very straight forward in removing business lines which are restricted for foreign investors because it is not their business in practice and they just included its in their Enterprise Registration Certificate for the purpose of declaration.
- For example, we noticed a IT service provider company where their main business are not restricted for foreign investors as per our reconciliation with relevant domestic and international laws. However, there is an item “advertising services” included in their registration certificate. In practice, it would take them few days to remove the business line and make them qualified for loosening the FOL to 100%. However, they don’t do it because of the commercial constraints i.e. they said when loosening their FOL and foreign ownership increased to more than 51%, it would make them very difficult in bidding process in Government-funded IT and system projects for line ministries and government agencies.

Implications

- Legal restrictions are complicated for companies to go through but it is a half of story only. It is more a matter of business strategy and commercial aspects in post-FOL implementation that make many companies still skeptical in implementing FOL as allowed by Decree 60.

Recommendations

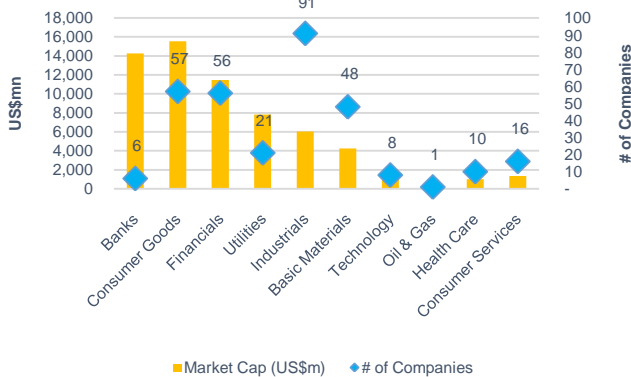
- We received many proposals from our interviews that the FOL will be lifted to some threshold or even the maximum 100% for all companies and no need for the review and resolutions via their AGMs or Board Meetings. The restriction will be made voluntarily by companies if they wish to restrict foreign ownership based on their specific business needs including the commercial constraints that they will encounter during the day-to-day business.

Appendices

The data has been compiled by StoxPlus from its FiinPro Platform and other relevant sources including HOSE, HNX and SSC. The date of data is 30th September 2016 otherwise it is explicitly noted.

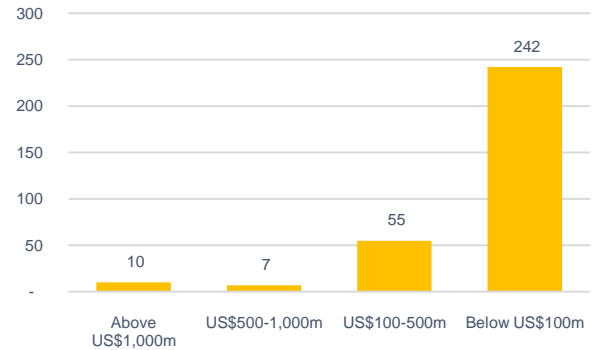
Appendix 1: Vietnam Stock Market Factsheets - HOSE

Figure 1: Composition of HOSE by Sector Market Cap, 30 Sep 2016



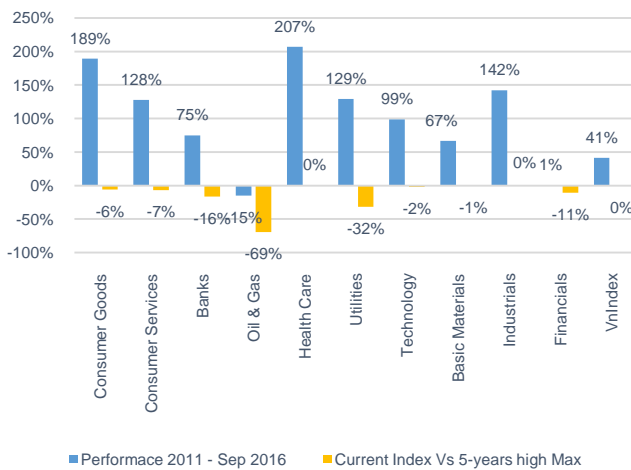
Source: StoxPlus

Figure 2: HOSE Distribution of Market Cap, 30 Sep 2016



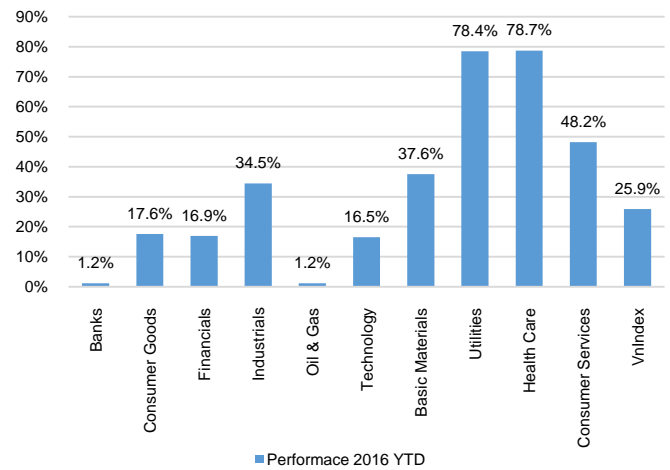
Source: StoxPlus

Figure 3: HOSE - Current Index vs 5-years highs, and over the past 5 years



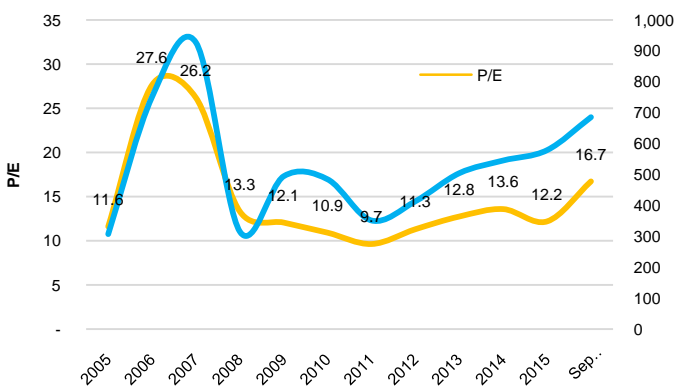
Source: StoxPlus

Figure 4: HOSE Sectorial YTD2016 Performance



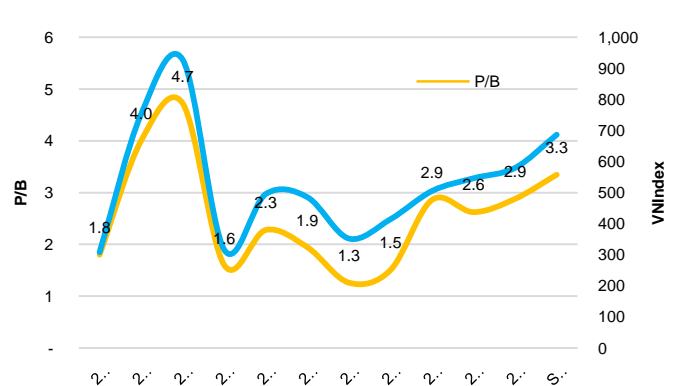
Source: StoxPlus

Figure 5: VNIndex - P/E historical 2005 - Sep 2016



Source: StoxPlus

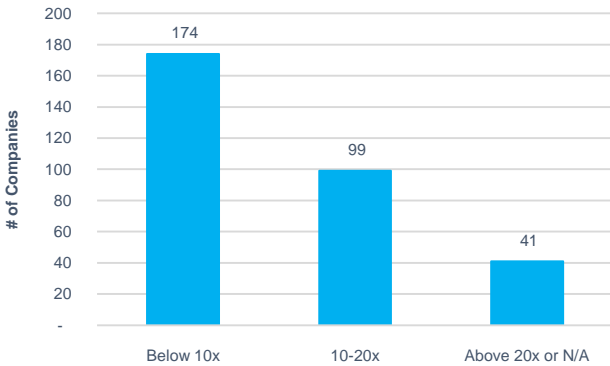
Figure 6: VNIndex - P/B historical 2005 - Sep 2016



Source: StoxPlus

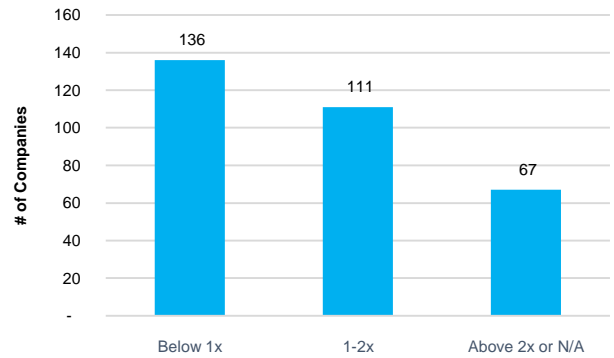
Appendix 1: Vietnam Stock Market Factsheets – HOSE (cont'd)

Figure 7: HOSE - PE Dispersion (number of companies)



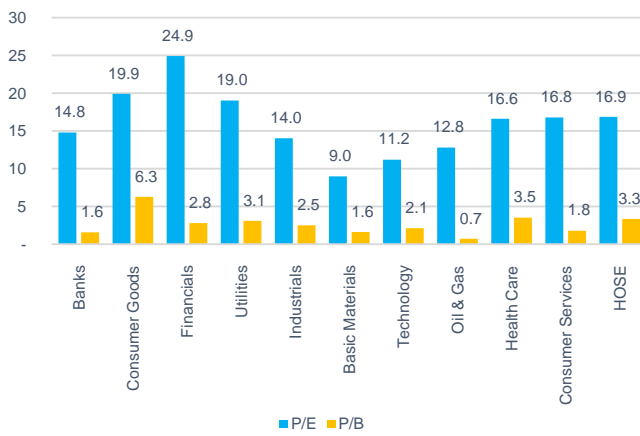
Source: StoxPlus, HOSE

Figure 8: HOSE - PB Dispersion (number of companies)



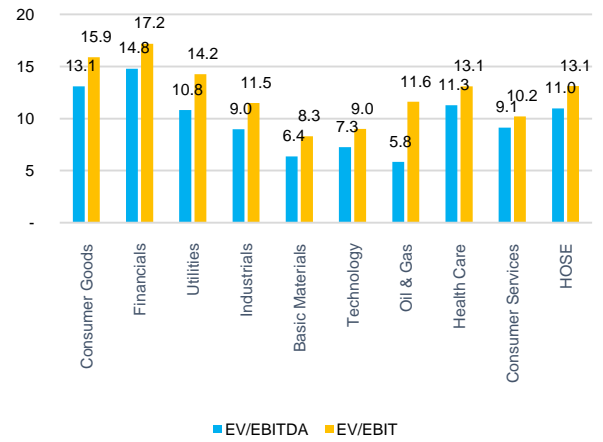
Source: StoxPlus, HOSE

Figure 9: HOSE - P/E & P/B by Sector



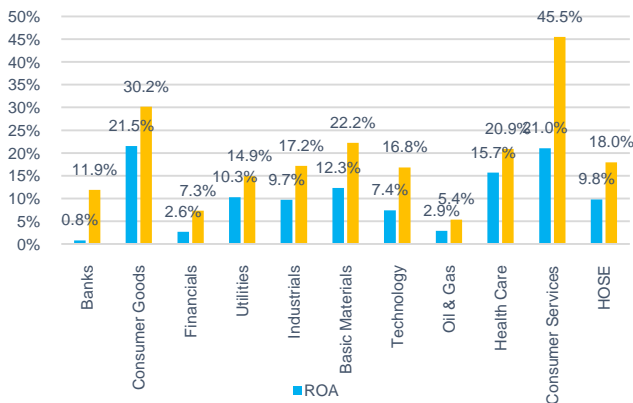
Source: StoxPlus. Data excluded JVC with huge loss as it is a noise

Figure 10: HOSE - EV/EBITDA & EV/EBIT by Sector



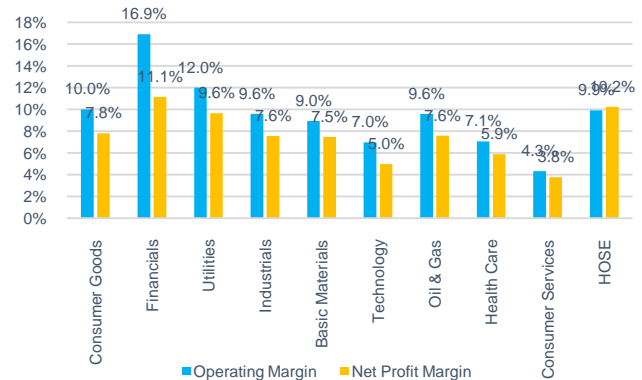
Source: StoxPlus

Figure 11: HOSE - ROE & ROA by Sector



Source: StoxPlus

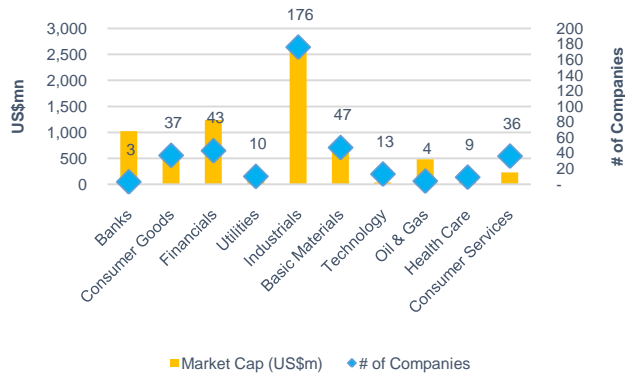
Figure 12: HOSE - Operating Margin & Net Profit Margin by Sector



Source: StoxPlus

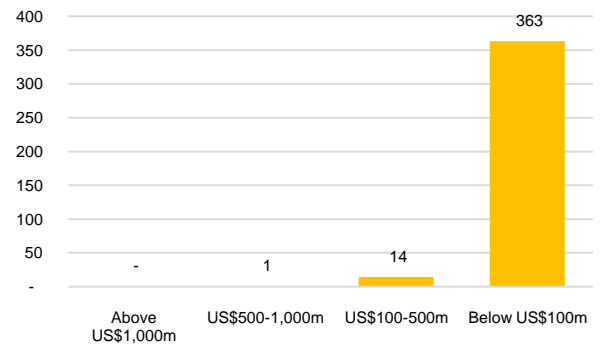
Appendix 1: Vietnam Stock Market Factsheets – HNX

Figure 1: Composition of HNX by Sector Market Cap, 30 Sep 2016



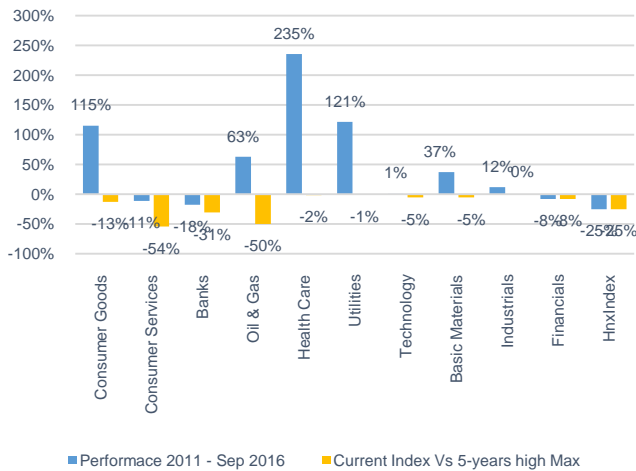
Source: StoxPlus, HOSE

Figure 2: HNX Distribution of Market Cap, 30 Sep 2016



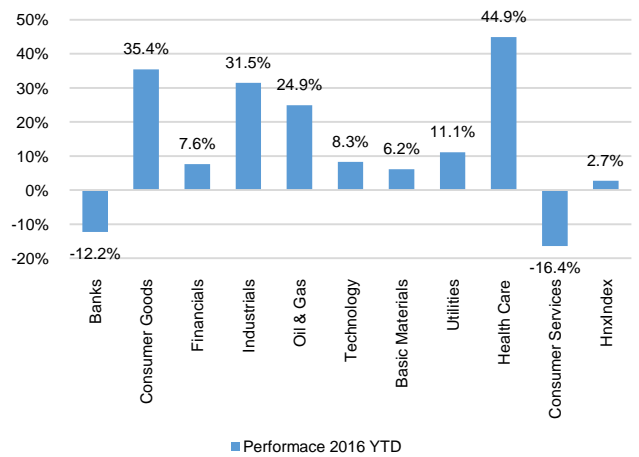
Source: StoxPlus, HOSE

Figure 3: HNX - Current Index vs 5-years highs, and over the past 5 years



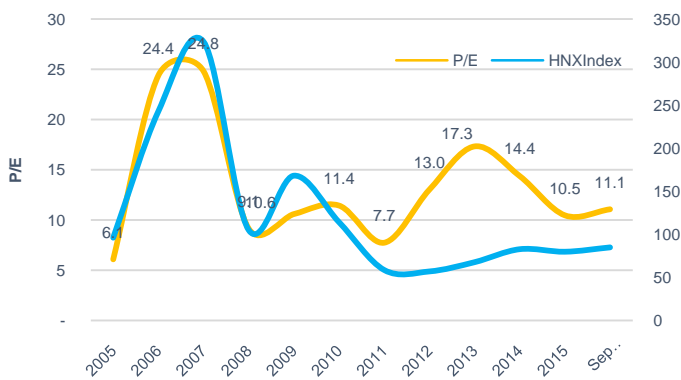
Source: StoxPlus

Figure 4: HNX Sectorial YTD2016 Performance



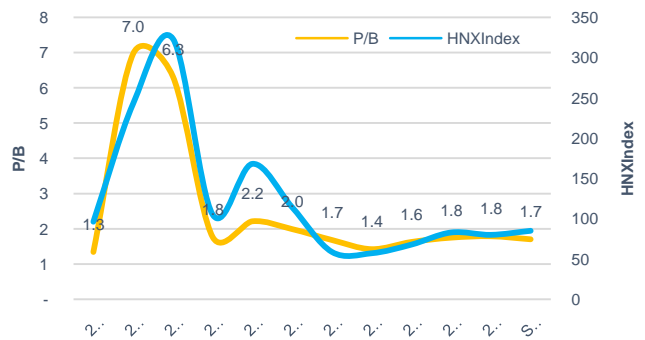
Source: StoxPlus

Figure 5: HNX - P/E historical 2005 - Sep 2016



Source: StoxPlus

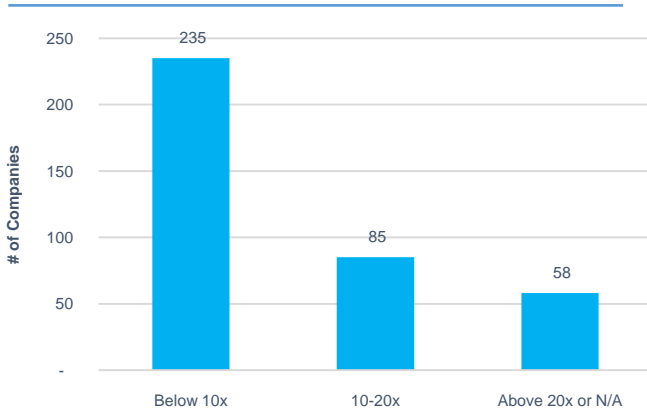
Figure 6: HNX - P/B historical 2005 - Sep 2016



Source: StoxPlus

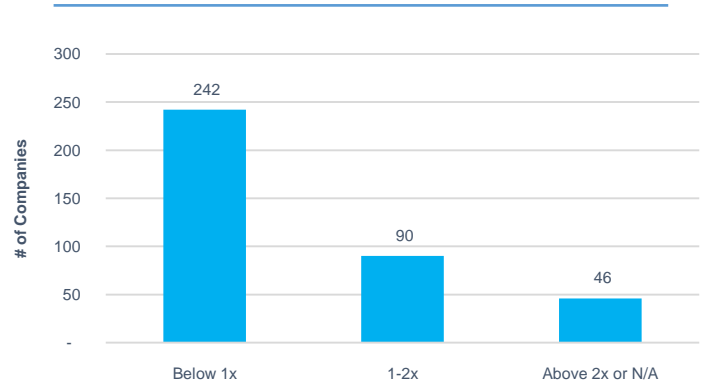
Appendix 1: Vietnam Stock Market Factsheets – HNX (cont'd)

Figure 7: HNX - PE Dispersion (number of companies)



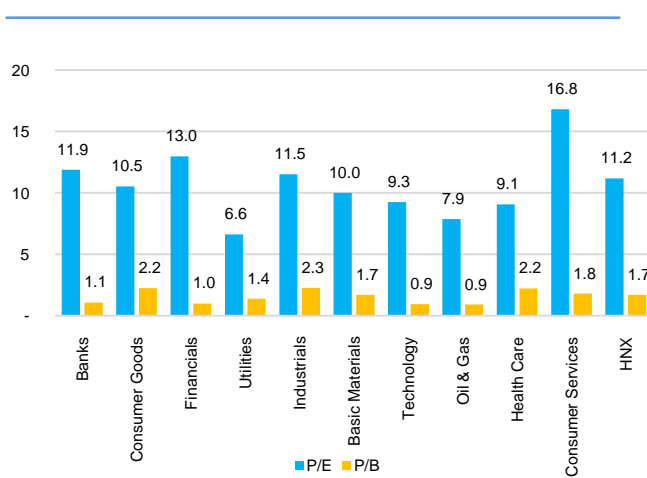
Source: StoxPlus, HOSE

Figure 8: HNX - PB Dispersion (number of companies)



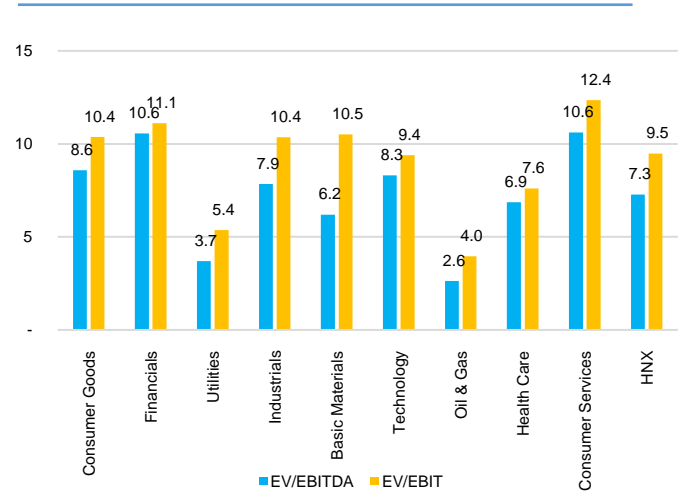
Source: StoxPlus, HOSE

Figure 9: HNX - P/E & P/B by Sector



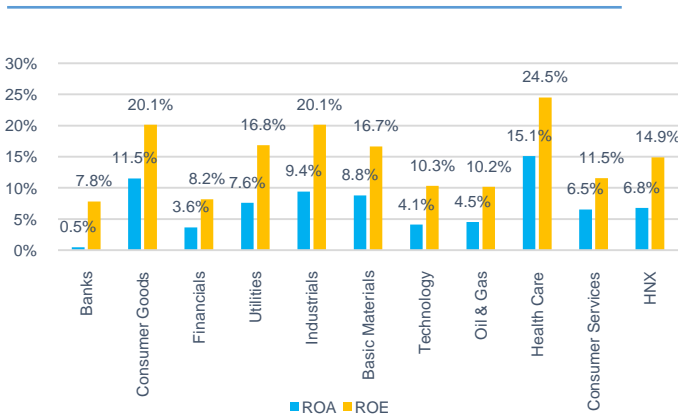
Source: StoxPlus

Figure 10: HNX - EV/EBITDA & EV/EBIT by Sector



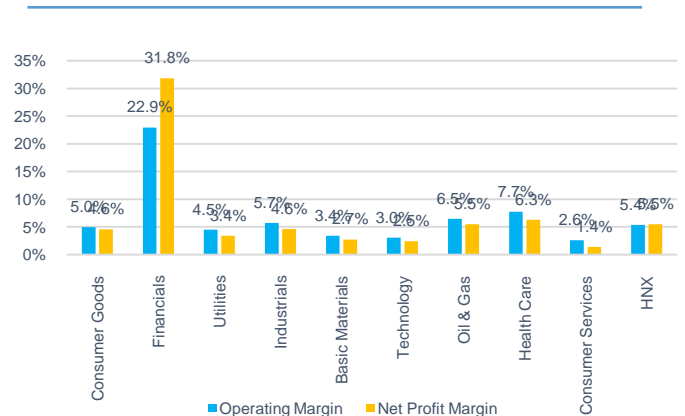
Source: StoxPlus

Figure 11: HNX - ROE & ROA by Sector



Source: StoxPlus

Figure 12: HNX - Operating Margin & Net Margin by Sector



Source: StoxPlus

Appendix 2: MSCI Assessment Results – Vietnam - June 2016

MSCI evaluation of Vietnam market	Results
I. Openness to foreign ownership	
Investor qualification requirement	++
Foreign ownership limit (FOL) level	-/?
Foreign room level	-/?
Equal rights to foreign investors	-/?
II. Ease of capital inflows/outflows	
Capital flow restriction level	++
Foreign exchange market liberalization level	-/?
III. Efficiency of the operational framework	
1. Market entry	
Investor registration & account set up	-/?
2. Market organization	
Market regulations	+
Information flow	-/?
3. Market infrastructure	
Clearing and Settlement	-/?
Custody	++
Registry / Depository	++
Trading	++
Transferability	-/?
Stock lending	-/?
Short selling	-/?
IV. Stability of institutional framework	
	+

++: no issues; +: no major issues, improvements possible;

-/? : improvements needed / extent to be assessed

Source: MSCI Global Market Accessibility Review, June 2016

Appendix 3: FOL Review Results from VN100 Companies on HOSE

3.1: List of Companies Changed or Plan to change its FOL under VN100 Index

The tables below summarized companies under VN100 Index on HOSE who have revised their FOL and who planned for FOL loosening with a specific level in its 2016 AGM's resolutions.

No.	Ticker	Name	Sector (GICS)		Marcap	Ownership 30 Sep 2016			Old FOL Cap	FOL Status	Changed FOL	FOL Change	Potential Foreign Room
			Level1			State	Foreign	Other					
					US\$mnn	%	%	%	%	%	%	%	US\$mnn
					[1]	[2]	[3]	[4]	[5]	[6]	[6]	[8]=[6]-[5]	[9]=[8]*[1]
1	VNM	Vinamilk	Consumer Staples		9,258.0	44.7%	48.1%	7.2%	49.0%	Implemented	100.0%	51.0%	4,721.6
2	VIC	VinGroup	Financial		5,347.8	0.0%	11.4%	88.6%	29.0%	AGM passed	39.0%	10.0%	534.8
3	MBB	MBBank	Financial		1,107.3	32.4%	20.0%	47.6%	10.0%	Implemented	20.0%	10.0%	110.7
4	DPM	Phu My Fertilizer	Materials		508.1	59.6%	22.9%	17.6%	49.0%	AGM passed	49.0%	0.0%	-
5	SSI	SaiGon Securities Inc.	Financial		487.7	0.0%	57.7%	42.3%	49.0%	Implemented	100.0%	51.0%	248.7
6	BMP	Binh Minh Plastics	Industrials		401.6	29.5%	49.0%	21.5%	49.0%	AGM passed	100.0%	51.0%	204.8
7	REE	Refrigeration Electrical Engi.	Industrials		305.1	1.3%	49.0%	49.7%	43.7%	Implemented	49.0%	5.3%	16.2
8	VHC	Vinh Hoan Corp.	Consumer Staples		247.3	0.0%	31.7%	68.4%	49.0%	Implemented	100.0%	51.0%	126.1
9	PAN	The PAN Group	Industrials		224.0	0.0%	46.3%	53.7%	49.0%	Implemented	100.0%	51.0%	114.2
10	BIC	BIDV Insurance	Financial		193.4	51.0%	47.1%	1.9%	21.5%	Implemented	49.0%	27.5%	53.2
11	HCM	Ho Chi Minh Securities	Financial		170.3	29.5%	49.0%	21.5%	49.0%	AGM passed	49.0%	0.0%	-
12	DMC	DOMESCO Medical	Health Care		142.4	34.7%	55.7%	9.6%	49.0%	Implemented	100.0%	51.0%	72.6
13	VSC	Vietnam Container Shipping	Industrials		141.1	0.0%	49.0%	51.0%	49.0%	AGM passed	51.0%	2.0%	2.8
14	GTN	GTNFOODS	Consumer Staples		128.8	0.0%	40.3%	59.7%	17.8%	Implemented	100.0%	82.2%	105.9
15	HQC	Hoang Quan Real Estate	Financial		100.7	0.0%	10.0%	90.0%	49.0%	AGM passed	60.0%	11.0%	11.1
16	HHS	Hoang Huy Investment Services	Industrials		72.0	0.0%	12.6%	87.4%	49.0%	AGM passed	100.0%	51.0%	36.7
17	FIT	F.I.T Investment	Financial		44.2	0.0%	23.0%	77.0%	49.0%	AGM passed	100.0%	51.0%	22.5
18	FCN	FECON	Industrials		43.3	0.0%	31.9%	68.1%	31.9%	AGM passed	49.0%	17.1%	7.4
19	TSC	Can Tho Techno-Agricultural	Consumer Discretionary		21.3	0.0%	3.8%	96.2%	49.0%	AGM passed	100.0%	51.0%	10.9
					18,944.5								6,400.3

3.2: List of Companies Who would increase its FOL to 100%

The tables below summarized companies who can increase its FOL to the maximum level. This is simply the review by the reconciliation of its business lines as per Enterprise Registration Certificate to the domestic and international laws. The review has been jointly conducted with support from legal firm Indochine Counsel.

No.	Ticker	Name	Sector (GICS)		Marcap	Ownership 30 Sep 2016			Old FOL Cap	FOL Status	Changed/ Identified FOL	FOL Change	Potential Foreign Room
			Level1			State	Foreign	Other					
					US\$mnn	%	%	%	%	%	%	%	US\$mnn
					[1]	[2]	[3]	[4]	[5]	[6]	[6]	[8]=[6]-[5]	[9]=[8]*[1]
1	HVG	Hung Vuong Corporation	Consumer Staples		102.7	0.0%	6.9%	93.1%	40.5%	Not yet	100.0%	59.5%	61.1
2	MSN	Masan Group	Consumer Staples		2,402.5	0.0%	29.9%	70.1%	48.1%	Not yet	100.0%	51.9%	1,246.2
3	MWG	Mobile World Investment	Consumer Discretionary		929.7	0.0%	49.0%	51.0%	49.0%	Not yet	100.0%	51.0%	474.2
4	CTD	COTECCONS construction	Industrials		581.1	0.0%	39.1%	60.9%	49.0%	Not yet	100.0%	51.0%	296.4
5	PVD	PetroVietnam Drilling & Well	Energy		421.8	50.4%	30.5%	19.2%	49.0%	Not yet	100.0%	51.0%	215.1
6	KBC	Kinh Bac Urban Development	Financial		406.6	0.0%	32.5%	67.6%	49.0%	Not yet	100.0%	51.0%	207.4
7	KDC	KIDO Group	Consumer Staples		353.7	0.0%	19.2%	80.9%	49.0%	Not yet	100.0%	51.0%	180.4
8	DCM	PetroVietnam Camau Fertilizer	Materials		293.1	75.6%	5.6%	18.8%	49.0%	Not yet	100.0%	51.0%	149.5
9	DRC	Da Nang Rubber	Consumer Discretionary		227.3	50.5%	32.6%	16.9%	49.0%	Not yet	100.0%	51.0%	115.9
10	KDH	Khang Dien House	Financial		226.3	0.0%	45.5%	54.6%	49.0%	Not yet	100.0%	51.0%	115.4
11	NLG	Nam Long Investment	Financial		144.4	0.0%	47.7%	52.3%	49.0%	Not yet	100.0%	51.0%	73.6
12	NCT	Noi Bai Cargo Terminal Services	Industrials		113.6	55.1%	13.2%	31.7%	49.0%	Not yet	100.0%	51.0%	57.9
13	SJS	SUDICO	Financial		128.6	36.3%	13.8%	49.9%	49.0%	Not yet	100.0%	51.0%	65.6
14	CAV	Vietnam Electric Cable	Industrials		129.2	0.0%	9.8%	91.2%	49.0%	Not yet	100.0%	51.0%	65.9
15	BMI	Bao Minh Insurance	Financial		117.8	50.7%	41.9%	7.4%	49.0%	Not yet	100.0%	51.0%	60.1
16	CSM	The Southern Rubber Industry	Consumer Discretionary		109.5	51.0%	6.8%	42.2%	49.0%	Not yet	100.0%	51.0%	55.9
17	IJC	Becamex IJC	Industrials		96.3	78.8%	6.7%	14.5%	49.0%	Not yet	100.0%	51.0%	49.1
18	BFC	Binh Dien Fertilizer	Materials		101.1	65.0%	15.8%	19.2%	49.0%	Not yet	100.0%	51.0%	51.5
19	LIX	LIX Detergent	Consumer Staples		87.1	51.0%	24.0%	25.0%	49.0%	Not yet	100.0%	51.0%	44.4
20	CSV	South Basic Chemicals	Materials		64.2	65.0%	18.3%	16.7%	49.0%	Not yet	100.0%	51.0%	32.8
21	STK	Century Synthetic Fiber	Consumer Discretionary		45.8	0.0%	12.0%	88.0%	49.0%	Not yet	100.0%	51.0%	23.4
22	TMT	TMT Motor	Consumer Discretionary		35.3	20.0%	5.6%	74.5%	49.0%	Not yet	100.0%	51.0%	18.0
23	HTL	Trung Long Auto	Consumer Discretionary		35.5	0.0%	47.4%	52.6%	49.0%	Not yet	100.0%	51.0%	18.1
24	AGR	AgriBank Securities	Financial		23.0	74.9%	0.1%	24.9%	49.0%	Not yet	100.0%	51.0%	11.7
25	DGW	Digiworld Corporation	Information Technology		28.0	0.0%	16.2%	83.8%	49.0%	Not yet	100.0%	51.0%	14.3
					7,204.4								3,703.9

Appendix 3: FOL Review Results from VN100 Companies on HOSE (continued)

3.3: List of Companies whose FOL would be restricted to less than 51%

The tables below summarized companies who would keep its current FOL or increase marginally to 51%. The Identified FOL has been determined purely based on our reconciliation of its business lines as per Enterprise Registration Certificate to the domestic and international laws. The review has been jointly conducted with support from legal firm Indochine Counsel.

No.	Ticker	Name	Sector (GICS)		Marcap	Ownership 30 Sep 2016			Old FOL Cap	FOL Status	Changed/ Identified FOL	FOL Change	Potential Foreign Room	Restrictions	Legal Reference	
			Level1			State	Foreign	Other								
					US\$m	%	%	%	%	%	%	US\$m				
					[1]	[2]	[3]	[4]	[5]	[6]	[6]	[8]=[6]-[5]	[9]=[8]*[1]			
1	GMD	Gemadep	Industrials		239.5	0.0%	30.0%	70.0%	20.4%	Not yet	49.0%	28.6%	68.5	Transport services: Air Transport, Maritime, Internal Waterways	CPC 7111, 7112, 7222 WTO	
2	CII	Ho Chi Minh Infrastructure	Industrials		322.9	8.8%	49.0%	42.2%	49.0%	Not yet	51.0%	2.0%	6.5	Collection of hazardous waste	CPC 9402 WTO	
3	HBC	Hoa Binh Real Estates	Industrials		131.7	0.0%	31.2%	68.8%	49.0%	Not yet	51.0%	2.0%	2.6	Sawmilling and planing of wood; wood reservation	CPC 881 WTO	
4	VFG	Vietnam Fumigation	Materials		73.7	0.0%	20.0%	80.0%	49.0%	Not yet	51.0%	2.0%	1.5	Freight transport by road	CPC 7123 WTO	
5	PAC	Dry Cell and Storage Battery	Consumer Discretionary		84.7	51.3%	25.3%	23.4%	49.0%	Not yet	51.0%	2.0%	1.7	Freight transport by road	CPC 7123 WTO	
6	PHR	Phuoc Hoa rubber	Consumer Discretionary		63.3	66.6%	12.4%	21.0%	49.0%	Not yet	51.0%	2.0%	1.3	Support activities for crop production; Post-harvest crop activities; Sawmilling and planing of wood; wood reservation	CPC 881 WTO	
7	CNG	CNG Viet Nam	Energy		52.0	0.0%	26.7%	73.3%	49.0%	Not yet	51.0%	2.0%	1.0	Freight transport by road	CPC 7123 WTO	
8	TCM	Thanh Cong Textile Garment	Consumer Discretionary		41.7	0.0%	49.0%	51.0%	49.0%	Not yet	51.0%	2.0%	0.8	Freight transport by road	CPC 7123 WTO	
9	ITA	Tan Tao Industrial Park	Industrials		178.3	0.0%	10.6%	89.5%	49.0%	Not yet	49.0%	0.0%	0.0	Other information service activities n.e.c	CPC 75292 WTO	
1	VCB	Vietcombank	Financial		6,277.9	77.1%	20.7%	2.2%	30.0%	Not yet	30.0%	0.0%	-	Monetary intermediation	Commitments WTO; Law on Credit Institutions	
2	CTG	VietinBank	Financial		2,875.4	64.5%	30.0%	5.5%	30.0%	Not yet	30.0%	0.0%	-	Monetary intermediation	Commitments WTO; Law on Credit Institutions	
3	BID	BIDV	Financial		2,647.9	95.3%	1.8%	2.9%	30.0%	Not yet	30.0%	0.0%	-	Monetary intermediation	Commitments WTO; Law on Credit Institutions	
4	BVH	Hau Viet Group	Financial		2,198.1	74.2%	25.2%	0.6%	49.0%	Not yet	49.0%	0.0%	-	Data processing, hosting and related activities; Web portals	CPC 843, 7523 WTO	
5	FPT	FPT Group	Information Technology		976.3	6.0%	49.0%	45.0%	49.0%	Not yet	49.0%	0.0%	-	Other telecommunication activities	CPC 75292 WTO	
6	STB	Sacombank	Financial		765.9	0.0%	10.6%	89.4%	30.0%	Not yet	30.0%	0.0%	-	Monetary intermediation	Commitments WTO; Law on Credit Institutions	
7	EIB	Eximbank	Financial		576.9	11.3%	28.0%	60.7%	30.0%	Not yet	30.0%	0.0%	-	Monetary intermediation	Commitments WTO; Law on Credit Institutions	
8	DHG	Hau Giang Pharmaceutical	Health Care		444.8	43.6%	49.0%	7.4%	49.0%	Not yet	49.0%	0.0%	-	Travel agency, tour operator and other reservation service activities	CPC 7471 WTO; Law on Tourism 2005: 44/2005/QH11	
9	HT1	Ha Tien 1 Cement	Materials		405.6	79.7%	10.8%	9.5%	49.0%	Not yet	49.0%	0.0%	-	Freight rail transport; Sea and coastal freight water transport; Inland freight water transport	CPC 7112, 7222 WTO	
10	HSG	Hoa Sen Group	Materials		376.1	0.0%	29.8%	70.2%	49.0%	Not yet	49.0%	0.0%	-	Inland freight water transport	CPC 7222 WTO	
11	PGD	PV Gas Distribution	Utilities		175.9	50.5%	6.1%	43.4%	49.0%	Not yet	49.0%	0.0%	-	Real estate activities with own or leased property	CPC 821	
12	SKG	Superdong - Kien Giang Fast Ferry	Industrials		135.8	0.0%	48.0%	52.0%	49.0%	Not yet	49.0%	0.0%	-	Transport services; Travel agency, tour operator and other reservation service activities	CPC 7111, 7112, 7221, 7222 WTO; CPC 7471 WTO; Law on Tourism 2005: 44/2005/QH11	
13	DVP	Dinh Vu Port Investment	Industrials		135.4	51.0%	15.4%	33.6%	49.0%	Not yet	49.0%	0.0%	-	Transport services; Travel agency, tour operator and other reservation service activities	CPC 7111, 7112, 7221, 7222 WTO; CPC 7471 WTO; Law on Tourism 2005: 44/2005/QH11	
14	DQC	Dien Quang bulbs	Industrials		110.5	0.0%	28.2%	71.8%	49.0%	Not yet	49.0%	0.0%	-	Other information service activities n.e.c	CPC 75292 WTO	
15	PTB	Phu Tai Co	Financial		120.4	0.0%	10.2%	89.8%	49.0%	Not yet	49.0%	0.0%	-	Other land transport of passenger	CPC 7112, 7222 WTO	
16	VNS	Vietnam Sun	Industrials		111.8	0.0%	42.0%	58.0%	49.0%	Not yet	49.0%	0.0%	-	Land transport of passengers by urban or suburban transport systems; Sports activities	CPC 7111, 7112 WTO	
17	BHS	Bien Hoa Sugar	Consumer Staples		105.0	0.0%	8.7%	91.3%	49.0%	Not yet	49.0%	0.0%	-	Real estate activities with own or leased property	CPC 821	
18	BCI	Binh Chanh Construction	Financial		88.1	0.0%	8.4%	91.7%	49.0%	Not yet	49.0%	0.0%	-	Sports activities	CPC 964 WTO	
19	DIG	DIC Corp	Industrials		75.2	56.7%	31.2%	12.1%	49.0%	Not yet	49.0%	0.0%	-	Inland passenger water transport; Land transport of passengers by urban or suburban transport systems	CPC 7111, 7112, 7221, 7222 WTO	
20	SAM	Cables and Telecom Materials	Industrials		67.3	0.0%	12.5%	87.5%	49.0%	Not yet	49.0%	0.0%	-	Sports activities	CPC 964 WTO	
21	PGI	PJICO Insurance	Financial		73.1	57.2%	1.9%	40.9%	49.0%	Not yet	49.0%	0.0%	-	Real estate activities with own or leased property	CPC 821	
22	DLG	Duc Long Gia Lai Group	Industrials		51.8	0.0%	17.5%	82.5%	49.0%	Not yet	49.0%	0.0%	-	Transport via bus; Sports activities	CPC 7111, 7112 WTO	
23	CMG	CMC Corporation	Information Technology		51.3	0.0%	5.1%	94.9%	49.0%	Not yet	49.0%	0.0%	-	Other information service activities n.e.c	CPC 964 WTO	
24	HAH	Hai An Transport	Industrials		42.2	0.0%	18.6%	81.4%	49.0%	Not yet	49.0%	0.0%	-	Transport services: Maritime, Internal Waterways, Road Transport	CPC 75292 WTO	
25	OGC	Ocean Group	Financial		19.7	0.0%	6.5%	93.5%	49.0%	Not yet	49.0%	0.0%	-			
					20,096.2								83.9			

Appendix 3: FOL Review Results from VN100 Companies on HOSE (continued)

3.4: List of Companies who FOL would be reduced to less than the current cap 49%

The tables below summarized companies who would have legal constraints in loosening their FOL. Their business lines registered on its Enterprise Registration Certificate that would be restricted when reconciled with the domestic and international laws as indicated on the table below. The review has been jointly conducted with support from legal firm Indochine Counsel.

No.	Ticker	Name	Sector (GICS) Level1	Marcap US\$m [1]	Ownership 30 Sep 2016			Old FOL Cap [5]	FOL Status % [6]	Restrictions	Legal Reference
					State	Foreign	Other				
					[2]	[3]	[4]				
1	HAG	HAGL Corporation	Financial	188.9	0.0%	9.2%	90.8%	42.6%	Not yet	Wholesale of tobacco products; Manufacture of basic precious and other non-ferrous metals; Electric power generation, transmission and distribution	Appendix 02, 03 Circular 34/2013/TT-BC; Paragraph 3 Article 4 Decree 24/2012/ND-CP; Article 4 Electricity law 28/2004/QH11
2	GAS	PetroVietnam Gas	Utilities	6,145.7	95.8%	2.7%	1.6%	49.0%	Not yet	Wholesale of solid, liquid and gaseous fuels and related products	WTO, FTAs, ACIA, Decree 23/2007/ND-CP, Circular 34/2013/TT-BCT
3	HPG	Hoa Phat Group	Materials	1,754.7	0.0%	35.8%	64.2%	49.0%	Not yet	Wholesale of solid, liquid and gaseous fuels and related products	WTO, FTAs, ACIA, Decree 23/2007/ND-CP, Circular 34/2013/TT-BCT
4	NT2	Nhon Trach 2 Power	Utilities	491.9	65.0%	21.6%	13.4%	49.0%	Not yet	Electric power generation, transmission and distribution	Article 4 Electricity law 28/2004/QH11
5	PNJ	Phu Nhuan Jewelry	Consumer Discretionary	335.8	0.0%	49.0%	51.0%	49.0%	Not yet	Manufacture of basic precious and other non-ferrous metals	Paragraph 3 Article 4 Decree 24/2012/ND-CP
6	SBT	Bourbon Tay Ninh	Consumer Staples	275.1	0.0%	10.5%	89.5%	49.0%	Not yet	Electric power generation, transmission and distribution	Article 4 Electricity law 28/2004/QH11
7	HNG	Hoang Anh Gia Lai Agricultura	Consumer Staples	195.7	0.0%	1.6%	98.4%	49.0%	Not yet	Manufacture of basic precious and other non-ferrous metals	Paragraph 3 Article 4 Decree 24/2012/ND-CP
8	PPC	Pha Lai Thermal Power	Utilities	208.7	51.0%	14.6%	34.4%	49.0%	Not yet	Electric power generation, transmission and distribution	Article 4 Electricity law 28/2004/QH11
9	PVT	PVTrans	Energy	185.3	51.0%	23.8%	25.2%	49.0%	Not yet	Human resources provision and management of human resources functions	Decree 126/2007/ND-CP
10	VSH	Vinh Son - Song Chinh Hydropower	Utilities	145.2	54.6%	16.3%	29.2%	49.0%	Not yet	Electric power generation, transmission and distribution	Article 4 Electricity law 28/2004/QH11
11	ASM	Sao Mai Group	Financial	156.8	0.0%	4.2%	95.8%	49.0%	Not yet	Wholesale of rice; Electric power generation, transmission and distribution	Rice is excluded from the commitments; Article 4 Electricity law 28/2004/QH11
12	FLC	FLC Group	Financial	149.1	0.0%	10.9%	89.1%	49.0%	Not yet	Manufacture of basic precious and other non-ferrous metals	Paragraph 3 Article 4 Decree 24/2012/ND-CP
13	PDR	Phat Dat Real Estate	Financial	118.1	0.0%	7.1%	92.9%	49.0%	Not yet	Hunting, trapping and related service activities	CPC 881 WTO
14	DXG	Dat xanh real estate	Financial	77.4	0.0%	43.8%	56.2%	49.0%	Not yet	Market research and public opinion polling	CPC 86402 WTO
15	SHP	Southern Hydropower	Utilities	83.7	48.9%	3.6%	47.6%	49.0%	Not yet	Electric power generation, transmission and distribution	Article 4 Electricity law 28/2004/QH11
16	DPR	Dong Phu Rubber	Materials	61.2	55.8%	24.3%	19.9%	49.0%	Not yet	Wood logging	Article 6 Law on Investment
17	SJD	Can Don Hydro Power	Utilities	60.6	51.0%	33.8%	15.3%	49.0%	Not yet	Electric power generation, transmission and distribution	Article 4 Electricity law 28/2004/QH11
18	NBB	NBB Investment	Financial	49.8	1.8%	33.2%	65.0%	49.0%	Not yet	Electric power generation, transmission and distribution	Article 4 Electricity law 28/2004/QH11
19	QCG	Quoc Cuong Gia Lai	Financial	52.6	0.0%	11.8%	88.2%	49.0%	Not yet	Electric power generation, transmission and distribution	Article 4 Electricity law 28/2004/QH11
20	PET	Petrovietnam General Services	Industrials	45.6	25.0%	23.3%	51.7%	49.0%	Not yet	Wholesale of rice; Wholesale of solid, liquid and gaseous fuels and related products	Rice is excluded from the commitments; WTO, FTAs, ACIA, Decree 23/2007/ND-CP, Circular 34/2013/TT-BCT
21	PXS	Petroleum Equipment Assembly	Energy	35.3	0.0%	12.8%	87.2%	49.0%	Not yet	Wholesale of solid, liquid and gaseous fuels and related products	WTO, FTAs, ACIA, Decree 23/2007/ND-CP, Circular 34/2013/TT-BCT
22	VHG	Quang Nam Rubber Investment	Industrials	16.0	0.0%	2.9%	97.1%	49.0%	Not yet	Electric power generation, transmission and distribution	Article 4 Electricity law 28/2004/QH11
				10,833.3							

Appendix 4: List of FOL Interviews conducted

No	Company	Persons of Interview	Date of Interview
1	Hoa Sen Group	Mr. Bui Thanh Tam, Head of Assistance & Legislation Division	06 October 2016
2	Vinamilk	Ms. Le Thanh Liem, Executive Director – Finance cum Chief Accountant	07 October 2016
3	SSI	Mr. Nguyen Kim Long, Director Legal & Internal Control	08 October 2016
4	Vingroup	Ms. Nguyen Thi Diu, Deputy CEO – External Finance and M&A	11 October 2016
5	FPT	Mr. Nguyen The Phuong, Deputy CEO cum CFO	11 October 2016
6	Masan Group	Mr. Tran Phuong Bac, General Counsel	12 October 2016
7	HSC	Mr. Johan Nyvene, CEO and Ms. Tran Thi Hoai Mien, Legal Manager	12 October 2016

Appendix 5: List of FOL Regulatory Documents

1. Vietnam Commitments made on accession to the World Trade Organization - Part II - Schedule of Specific Commitments in Services (the “WTO Commitments”);
2. Law on Securities No. 70/2006/QH11 passed by the National Assembly, 29 June 2006, effective as of 1 January 2007, as amended in 2010 (the “Securities Law”);
3. Law on Investment No. 67/2014/QH13 passed by the National Assembly on, 26 November 2014, effective as of 1 July 2015 (the “Investment Law”);
4. Decree No. 140/2007/ND-CP of the Government, date 05 September 2007 providing detailed regulations on the Commercial Law regarding conditions for engaging in logistic services business, and limitations on liability of logistic services business entities (“Decree 140”);
5. Decree No. 25/2011/ND-CP of the Government, dated 06 April 2011, detailing and guiding the implementation of a number of articles of the Law on Telecommunications (“Decree 25”);
6. Decree No. 58/2012/ND-CP of the Government, dated 20 July 2012, detailing a number of articles of the Securities Law, as amended by Decree No. 60/2015/ND-CP of the Government, dated 26 June 2015 (“Decree 58”);
7. Decree No. 01/2014/ND-CP of the Government, dated 03 January 2014, on foreign investors' purchase of shares of Vietnamese credit institutions (“Decree 01”);
8. Decree No. 118/2015/ND-CP of the Government, dated 12 November 2015, detailing a number of articles of the Investment Law; and
9. Circular No. 123/2015/TT-BTC of the Ministry of Finance, dated 19 August 2015, guiding foreign investment activities on the securities market of Vietnam (“Circular 123”).

About HOSE



Established in July 2000, Hochiminh Securities Trading Center (HoSTC) – now known as Hochiminh Stock Exchange (HOSE) – was the first organized stock market in Vietnam. The establishment of HoSTC brought the Vietnam securities market to regulated stage of operation, aiming at building an effective and long-term capital mobilization channel for economic development as well as securing the investor's confidence. On August 2007, HoSTC was transformed to become HOSE, bringing Vietnam securities market closer to other developed markets in the region and the world.

After 16 years of development, the Exchange has affirmed its key role as the major equity market in the country, by contributing to the acceleration of state-owned enterprises' restructuring process through equitization, and improving enterprises' operational efficiency post-equitization through enhancing information transparency and corporate governance standards of listed companies. Currently, HOSE has more than 300 listed companies with total market capitalization of USD 60 billion, 76 securities members and over 1.6 million trading accounts. The average trading value of 2016 for the first 9 months was more than USD 105 million, with around 130 Million shares traded daily.

Understanding the need of liquidity enhancement as well as diversification of investment instruments, HOSE is focusing on researching and developing new products such as Exchange Trade Fund Certificate, Real Estate Investment Trust, and Covered Warrant as well as promoting new indices such as Sector Indices and establishing the Sustainability Index to widen the range of product availability on the market. Recently, VNXAllshare, a common representative index between HOSE and Hanoi Stock Exchange (HNX), comprised of stocks from both exchanges in Vietnam – was launched, adding a unique reference for investors on the performance of the whole Vietnam securities market in a broader scope.



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