

## Welcome to the first edition of **Asia Counsel Insights**

Our Asia Counsel Insights provide a summary overview of the key trending legal and business issues in Vietnam and how they may impact on your business. Please enjoy your read.

### About Asia Counsel

Asia Counsel is a dynamic international corporate and commercial law firm dedicated to serving clients in Vietnam. We are committed to helping clients achieve their business strategies and providing outstanding legal services.



## Banking Wrap

### Direction for 2015

The Governor of the State Bank of Vietnam issued a directive setting out SBV's strategic directions for the economy in 2015. These include:

- Reducing the bad debt ratio to 3% by the end of 2015. Banks must report to the SBV on a monthly basis on how they achieve the target.
- Banks are required to settle 60% of their bad debts by 30 June 2015 and sell at least 75% of their bad debts to VAMC.
- Credit growth will be at 16-18%. Target inflation at 5% and economic growth at 6.2%.

### Bank Purchase

The SBV has nationalized Vietnam Construction Bank (VNCB) after purchasing the failed bank for VND-0- per share.

## Enterprises Law

### Voting

As you know, the new Law on Enterprises will take effect on 1 July 2015. Each week we want to let you in on changes that impact you. This week we look at **voting**. Under the new law:

- Ordinary resolutions of a shareholding company are passed with a majority of at least 51% of votes cast by shareholders attending a shareholder meeting.
- Special resolutions require a majority of at least 65%. These resolutions include new share issues, change in business lines, asset sale or investment of at least 35% of the company assets and corporate dissolution.
- In a multiple member limited liability company, the threshold to pass an ordinary resolution remains at least 65% of the total capital of attending members, **unless the charter provides otherwise**. This is at least 75% for certain prescribed special resolutions.
- Charters of existing companies will need to be amended to take advantage of the changes.

## Property

### Foreign ownership of Property

According to the Ministry of Foreign Affairs, 7,000 overseas Vietnamese have registered as owners of property in Vietnam. With the relaxing of restrictions for foreign ownership in Vietnamese property, the numbers of foreign property owners are expected to rise after July 2015 when the law will permit foreigners with a valid entry visa to purchase apartments.

### Phu Quoc Casino

The Prime Minister has approved the investment policy for the development of a casino tourism zone on Phu Quoc island. This paves the way for a future operator to obtain a license to operate a casino on Phu Quoc.

### Old Apartment Complex

A draft decree of the Ministry of Construction proposes to permit foreign investors to redevelop old unit complexes.

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If you have any questions on any of the items discussed above, please do not hesitate to contact us.

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## Business

### New Labour Decree

The new labour decree No. 05/2015 took effect on 1 March. This prescribes the mandatory content for labour contract and regulates severance and retrenchment issues.

### Minimum Wage

The minimum wage from 1 January 2015 for employees in major cities will be VND3.1 million per month and VND2.15 million per month for rural employees.

### Women in the Workforce

Vietnam is ranked 76 out of 108 countries on the index of women participation in senior management. Only 7% of CEOs of major companies are women.

## The Financial Markets

### Insurance Sector

In 2014, a total of 52,000 billion VND (USD2.4 b) insurance premium was collected by Vietnamese insurers. 27,000 billion VND was from life insurance and 25,000 billion VND was from non-life insurance.

### Foreign Ownership

Talks continue on foreign ownership limits in public and listed companies in Vietnam. The Ministry of Finance has recently discussed grouping these companies into industry sectors with ownership in an industry grouping that are not subject to restrictions under Vietnam's WTO commitments being able to have a cap of more than the current 49%. An increase in the overall cap from 49% to 60% has been on the cards for over a year but has not yet been adopted. The SSC signaled these issues are set to be settled in the second half of this year.

## Consumer

### Retail Investments

News reports indicated that the Japanese Aeon group proposes to purchase two major Vietnamese convenience store and supermarket operators. Aeon is to invest 30% of Fivimart which operates 20 stores in the north and 49% of the southern Citimart chain with 27 stores.

Thai Central Group has also taken a 49% strategic stake in the consumer electronics retailer, Nguyen Kim. Lotte has also aggressively expanded its operations. These acquisitions are positive developments and will test how the Ministry of Industry and Trade and local Departments of Planning and Investment across the country will interpret the trading and distribution laws under Circular 08 and Decree 23. In particular, how the economic needs test will be implemented. This will allow greater foreign competition in the retail space and will benefit Vietnamese consumers.

## Vietnam Fact Box

GDP USD171 billion

GDP Growth 6.19%

Basic Interest Rate 9%

USD/VND 1 USD = 21.458,00 VND

Population 90.73 million

CPI increased 0.94% in January compared to the same period in 2014

Average office rental grade A is USD39.1 per sqm per month.

6,867 new enterprises were established in January 2015

## Infrastructure

### Airports for Sale

Vietnam Airlines and VietjetAir are seeking to purchase Terminal 1 of Noi Bai Airport in Hanoi. This follows news that Phu Quoc Airport is proposed to be sold with the Vingroup having a keen interest in the acquisition. The corporatisation or equitisation of Vietnam Airport Corporation is proposed to be finalized in the second quarter of 2015 and will also add to the reforms in the Vietnamese airline industry.

### PPP Decree

The Government has issued the long-awaited decree No 15/2015 on investment in the form of PPP. The decree takes effect on 10 April 2015 and paves the way for the licensing of PPP projects by the MPI and the local people's committee.

