

lion per person at most. In the Factory, the new wage rate has been applied. many exams in skill were organized, all retired workers received their pension on time.

Health care service is supplied to workers in forms of regular medical examination, free medicament, better meal for workers, etc. The Factory has also create favorable conditions for its personnel taking part in physical activities, excursion trips, foreign language study, house-work study, clubs, etc.

All Factory's worker receive congratulation and gift from the management on their birthday.

A pension fund is formed by 1% of workers' monthly salary in order to help retired workers lead a stable life.

After many years of operation, the Factory could draw the following lessons from its experience:

1. In the market economy, operating in an industry of over 30 rival factories and being competed keenly by unofficially imported cigarette, one factory should decide on a product strategy, should improve both quality and appearance of products in order to gain a firm foothold in the market. As for product quality, one should secure a stable source of raw materials of good quality, otherwise its output can not be marketed and its business will meet with difficulties.

2. Co-ordinating production and distribution: the producer and consumer should be well connected. Timing of a new product should be well calculated in order to protect benefits of both consumer and producer.

3. The factory should invest intensively in weak parts of the production process in order to improve the product quality, moreover, all finished products of bad quality should be expelled.

4. Important parts of the production process should be studied carefully and technical innovations should be introduced to these parts. The factory should have an engineering shop of its own in order to manufacture equipment necessary for improving the product quality.

5. Training an army of managers, technicians, skilled workers, etc. is also a matter of great importance to the business performance of the factory. Factory's management should create conditions favorable for developing their skills.

6. Human resources are always the decisive factor in the development of a factory, so a lot of attention should be given to improving worker's living standard by realizing incentive schemes, social insurance and other policies.

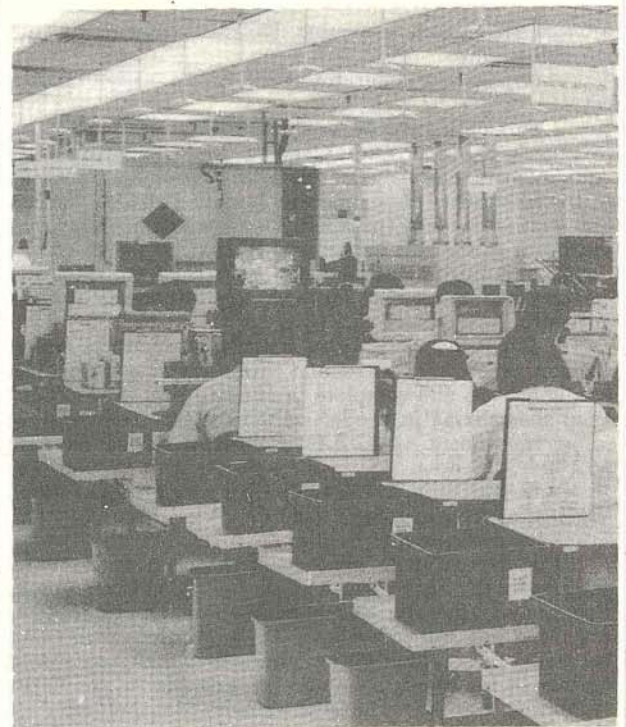
Corporate efforts of both workers and management in the past, especially in the past five years, are appreciated by the Government and the Party, and the Factory was awarded many honors recently:

- Labor Order of the second grade given by the State Council in 1989.
- Pennant of excellent contestant by the Ministry of Food Industry in 1990.
- Rotatory Pennant of the Council of Ministers in 1991.
- Rotatory Pennant of the Government in 1992.
- Pennant of excellent contestant of the Ministry of Light Industry in 1993.
- Rotatory Pennant of the Government in 1994
- Pennant of excellent contestant of Vietnam Trade Union.
- Pennant of leading contestant for years of HCMC.

With its creativeness and activeness as a tradition, and appropriate help and support from the Government and the Party, the Saigon Tobacco Factory can make better progress in the coming years■

FOR SUCCESS IN SECURITY SPECULATION

by LÊ TUYẾT HOA



A short time later on, the VN's stock market will be formed and operational in HCMC. The preparation of the last stage is being put into execution with great efforts by relevant branches and levels from the Central Government to local authorities within their power and responsibilities.

In order to welcome the event of great significance in the socio-economic life, as well as to help the stock market achieve initial success, the public should recognize their interests in participating into security speculation. Moreover, they should be provided with basic knowledge to speculate in shares profitably. The people's success in stock speculation is also one of important factors to develop the security exchange since their energetic participation is a reason and material source for the existence of the security exchange. As a matter of fact, if a market is full of commodities but has no buyers, it will be closed sooner or later.

Thus, in this article, some issues concerning basic understanding are presented to assist those who want to become regular members of the stock market in reducing their first difficulties when they set their first feet on this unusual market.

Security speculation starts when the speculator buys a share issued on the primary market. Then transaction of shares incessantly occurs on the secondary market. Trading in shares is so complicated and diversified just in here. Therefore the speculator should grasp certain knowledge so as to earn income.

At first, he/she should determine which security to speculate in. Obviously, the entity we choose must be good business at present and in the future. The problem is which is good business. To solve this problem we should quantify the target by depending on the following norms for assessment of a company's profitability.

* Sales: This is a major norm concerning the company's income. We should compare this figure with that of planned targets and previous year with a view to knowing the difference. By this way, we can understand the results of the company's business performance at present and in the past and foresee its trend in the future.

* Net profit: This norm shows the rate of the company's profitability. It can be calculated as follows:

$$\text{Net profit} = \text{Gross sales} - (\text{total cost} + \text{tax})$$

* Net profit per share: This norm expresses the company's ability of dividing its profits. It can be determined by the following formula:

$$\text{Net profit per share} = \frac{\text{Net profit} - \text{Preference dividend}}{\text{Total issued shares}}$$

This norm has rather close relation with the fluctuation of share price on the market. It should be compared with that of the past with a view to judging the trend in the future.

* To compare net profit with private capital: This norm shows the efficiency of the company's capital use. It is expressed as follows:

$$\frac{\text{Net profit (the present year)}}{\text{An average of private capital of previous years}}$$

The higher the ratio is, the better the company's prospect becomes.

Thus, we can initially find out good businesses. In the upper part, we mentioned the norm "net profit per share", that is, we examine theoretically how much the company's dividend is. Whether this figure comes true or not depends upon the company's policy of distributing its profits. This policy will be presented by the ratio of profit distribution. It's hard to give a typical ratio because it is formulated on the base of each company's expansion of production and

trading. In America, for example, there was a period some big companies such as Commodore International, Prime Computer...didn't divide profit, they kept the total profit so as to install more machinery, equipment and build more workshops. On the contrary, American Home Products distributed its profits with a high ratio: 60%. The ratio of profit distribution, in the last analysis, only have effect on the fact that share holders receive their dividends soon or late.

In accordance with each person's circumstance and target, he/she can select the company which will distribute more, less or temporarily no profit. Retired people, for example, who need funds for daily expenses, should choose the company with high profit distribution ratio. Contrarily, young people who do not need immediate income yet, can speculate in the company which temporarily distribute no profits to focus on expanding production.

Nevertheless, if you want to feel certain about your income, select the company with high dividend so as to reduce risks in speculation.

* Divident-price ratio: To compare the efficiency of investment capital is a common sense of investors. So we should determine the relation between the current dividend rate and the market price of a security as follows:

$$\text{Divident-price ratio} = \frac{\text{divident}}{\text{price of a security}} \times 100\%$$

Any company which has high dividend-price ratio will attract more speculation than others. As a result, we can see if a company still lasts its policy of dividing profit with a zero-ratio or two low one (although the company is not a loss-making one), its power of attraction can be lowered.

Besides the above-mentioned norms, in the course of understanding the share issuing company, we should also consider its financial position. That is, we should know its debt and ability of debt repayment. To analyze this, we can determine two following norms:

* Long-term debts

* Total used capital

The higher the norm is, the less ability the company has to repay its debts.

* Current assets

* Current liabilities

The higher the norm is, the more power the company has to repay its debts.

After choosing the right company to speculate in, it is noteworthy that we should not buy a security at any price. Remember the motto: "buying at low price, selling at high one". How can we know it? It's not simple to answer the question but we can consider it by price-earnings ratio (P/E ratio). This ratio is the present market price of an ordinary share divided by the company's net earnings (distributable profits) per share usually after tax. This ratio is much used as a guide when comparing share prices. We should know this ratio of the company in the past and even at present and in the future since we hope to enjoy the increase of our share price in addition to dividend income. Moreover, the bank interest rates on the market also have strong effect on prices of securities on the stock market. Usually, if dividend income is kept unchanged, then share price will go down and vice versa. Therefore we should buy securities when the current bank interest rates are high (but tend to drop) and vice versa.

At last with the above-mentioned measures used for analyzing and considering the situation before speculating in the stock market, we hope to help you succeed in your desired security speculation ■