



VIETNAM DAILY NEWS

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Market Analysis

1. VN-Index rally extends for third day

The VN-Index of the Hochiminh Stock Exchange closed up 0.31%, or 2.72 points, at 871.28 today, June 22, buoyed by fertilizer stocks and some bluechips.

The HCMC exchange saw 205 gainers and 172 losers, with trade volume amounting to over 350.4 million shares worth VND5.3 trillion changing hands, down 20.4% in volume and 29% in value against the session earlier. Block deals contributed VND997 billion to the total value.

In the VN30 basket, 11 stocks gained ground, including lenders VCB, TCB, and CTG, gas firm GAS and dairy giant VNM.

Housing developer VHM was among key supporters of the southern bourse, ending the day up 2.3%, while construction firm CTD shot up to the ceiling price.

Many stocks in the fertilizer group continued the upward spiral, with DPM, DCM and VAF standing at their ceiling prices. In addition, BFC and LAS soared by 6.3% and 4.5%, respectively.

Besides this, some fertilizer stocks also traded actively on the southern market, with DPM seeing 8.8 million shares and DCM seeing 6.1 million shares changing hands.

Among penny stocks, industrial zone developer ITA, food enterprise SJF and real estate firm SCR hit the ceiling prices, with some 20.2 million ITA shares changing hands.

On the Hanoi Stock Exchange, coming under selling pressure, the bluechip group sent the HNX-Index down.

At the close, the index of the northern bourse lost 0.63 point at 114.72, with trade volume reaching 57.4 million shares valued at VND511.5 billion.

The three bank stocks ACB, SHB and NVB tumbled by 1.2%, 1.4% and 1.1%, respectively.

Other bluechips such as chemical firm DGC, insurer PVI and construction firm VCG were also in negative territory.

Macro & Policies

2. Online TV battle for post-pandemic market share

Media firm Dat Viet VAC on June 12 announced it was launching an "entertainment super-app" named VieON after four years of conducting research and development in cooperation with U.S.-based corporate investment firm BCG Digital Ventures.

The application offers 100 TV channels, more than 100,000 hours of content with a diverse genre ranging from feature films to TV shows to exclusive content.

"Domestic Over-The-Top (OTT) platforms have not met the needs of users, while foreign OTT platforms are still strange and not really suited to the tastes and culture of the Vietnamese people," Dat Viet VAC said in a statement, adding that it was seeking to fill this market gap.

OTT refers to film and television content provided via a high-speed Internet connection rather than a cable or satellite provider.

Netflix, Vietnam's second most popular streaming site according to market data firm Statista, has also moved quickly to capture more audiences as the pandemic abates in the country. In early May, it announced partnerships with Vietnamese filmmakers to release 13 movies which were shown in cinemas to international users between May 8 and June 19, but specifically serving the Vietnamese market.

"This content helps reflect the diversity of Vietnamese cinema, offering a variety of genres that are popular with watchers such as romantic comedy, horror and action," Raphael Phang, Southeast Asia's content manager for Netflix said in the announcement.

Between February and March-end, the average amount of time a consumer spends watching TV rose from around 250 minutes to 270 minutes per day, according to a report by market research firm Kantar Vietnam on four key cities, Hanoi, Ho Chi Minh City, Da Nang and Can Tho.

TV engagement continued to rise the next month, peaking at nearly 290 minutes per day in April,

when Vietnam observed a 22-day nationwide social distancing campaign. In April 2019, TV engagement had reached 250 minutes at its highest point that month.

Indoors more, online more

Online streaming or on-demand TV services have also greatly benefited from the epidemic. Kantar found that before Vietnam detected its first Covid-19 patient on January 23, consumers spent an average of 231 minutes per day on the internet, but this rose to 256 minutes between February and March, an increase of 11 percent.

In particular, consumers spent around 58 minutes per day watching online videos before January 23, but this number increased to 81 minutes between then and March-end.

During the epidemic period, Vietnamese consumers also upped the use of social networks significantly. The top five social networks used by Vietnamese – Facebook, YouTube, Facebook Messenger, Instagram and TikTok all saw usage rise by between 46-79 percent. All the networks offer video streaming services.

Streaming services provided over the internet, formally known as over-the-top TV (OTT TV), can fundamentally be divided into four sub-segments: AVOD – free and based on ads (Facebook Watch, YouTube, TikTok); SVOD – paid based on subscription (MyK+, Netflix, HBO GO); TVOD – paid based on the content users watch (pay-per view); and EST – paid based on download.

And last year, two OTT TV services from giant Chinese providers, WeTV (Tencent) and iQIYI (Baidu), entered the market, attracting customers by posting several episodes of "hot" movies on YouTube, then inviting users to subscribe to see the remainder on their platform.

Vietnam's OTT TV market size was \$86 million in 2019 and is expected to grow at a compound annual rate of 10.39 percent per year, to \$141 million by 2024, Statista had forecast in a March report.

3. Database of Vietnamese manufacturing and support industries launched

The system aimed to facilitate linkages between Vietnamese suppliers and multinational corporations. Furthermore, steps were taken to enhance the regulatory effectiveness, efficiency and development of policies on supporting industries, improve the quality of statistics and ensure the availability of timely, complete and accurate data.

The database features a large number of firms and a variety of sectors for users to build sustainable relationships, including 500 enterprises in mechanical engineering, 347 in automotive, 750 in electronics, 1,145 in textiles and garments and 910 in footwear.

Speaking at the event, Minister Tran Tuan Anh said: “The database is an important milestone to address the needs of a business-to-business (B2B) network to link local and foreign businesses. It will help businesses and investors search for information in a quick and accurate manner, meeting the demand for investment matching, enhancing opportunities for co-operation between Vietnamese and FDI businesses as well as multinational corporations. Particularly in the context of the COVID-19 pandemic with direct trade activities having experienced many difficulties, the database will likely be even more efficient in helping businesses connect and grasp opportunities presented by new generation free trade agreements to which Viet Nam is a party, such as the CPTPP or most recently EVFTA.”

Kyle Kelhofer, Country Manager of IFC – a key partner in developing the database – said: “The database has been launched at a pivotal time with the COVID-19 pandemic having strongly impacted global value chains. In this context, the stability of supply and capacity of local suppliers has become extremely important. Improved linkages between

domestic businesses and multinational corporations through this database, together with Viet Nam’s stable and low-risk business climate – as evidenced by the country’s success in quickly controlling the COVID-19 pandemic – are promising to help confirm Viet Nam as a key manufacturing hub in the region.”

Bui Minh Hai, chairman of the management board of the Ha Noi Plastics Joint Stock Company – a member of An Phat Holdings Group – said in the context of COVID-19, when all trade promotion activities are stalled or switched to online trading, the database system is extremely important.

“Domestic and foreign businesses have actively sought ways to exchange and co-operate but have not yet brought about the expected efficiency. We really need a national industry support portal for key industries to update relevant information regularly and connect to a database of support industry businesses. This could help support domestic firms to capture the customers’ needs,” he added.

Considered the backbone of the economy, manufacturing is a key driver of growth for the national industrial sector. With an average annual growth rate of 10.6 per cent, manufacturing is a “bright spot” for Viet Nam’s industry in the context of the global economic downturn due to the COVID-19 pandemic.

In addition, the manufacturing industry is also an important sector attracting foreign direct investment (FDI). In 2019, out of 3,478 new FDI projects nationwide, the manufacturing sector contributed the highest proportion worth US\$21.6 billion, accounting for 67.8 per cent of total registered investment capital.

4. Viet Nam aims to enhance value of building materials

Dung visited the Viet Nam Institute for Building Materials on Thursday where he discussed the development strategy plan of the local building material industry for the next 10 years and towards 2050.

According to the Ministry of Construction (MoC), the building material industry has been invested in, innovated and developed well in the past year. Some products have design capacity and output two and

three times higher than they had in the last 10-15 years.

The MoC also said many local products with diverse models and better quality have been replacing imported goods and have been exported. Local materials have been exported in great numbers such as cement, clinker and construction ceramics.

Tran Ba Viet, Vice Chairman of Viet Nam Concrete Association told Vietnam News Agency: "Viet Nam is ranked fifth in the world in terms of cement production capacity, but the export value of cement is not high, while the manufacturing industry consumes much energy and resources."

Viet suggested they work to export products with much higher economic value and lower exports of clinker and cement in the near future.

Noting that building materials play an important role in construction works and infrastructure, Deputy PM Dung said there should be better investment in the industry.

"Some investment of construction materials is not rational, small-scale, dispersed while the export of construction materials still has a high content of raw materials and low added value," he said.

"New construction materials are underdeveloped, there are not many new products to meet domestic demand and yet to compete in the region and the world. In addition, research and development activities have not been paid attention to or have had ineffective investment from businesses," Dung added.

Dung also told the MoC and the institute to choose materials to export carefully to avoid losses to the nation's resources, asking them to be based on quality, standards and environmental criteria.

"In the next phase, the process of industrialisation and urbanisation will continue very strongly in Viet Nam. Therefore, the development of building materials to meet the demand for domestic construction is a critical mission," he said.

He also said there was an increasingly high demand in the world and the industry should aim to improve export value.

"We should strengthen new, environmentally friendly and high value-added materials to gradually replace traditional construction materials," said Dung.

5. More foreign investment inflows into Vietnam

The Japan-based newspaper Nikkei Asian Review recently cited sources as saying that the American tech giant Apple would for the first time produce from three million to four million AirPods wireless earphones in Vietnam. This amount of AirPods is about 30% of the total AirPods production in the second quarter of this year.

In fact, Apple once requested its key suppliers to appraise plans to move around 15% to 30% of its hardware production out of China when Washington-Beijing tensions heightened last year. At present, the Covid-19 pandemic only speeds up the process. GoerTek, a key AirPods assembler which is based in China, began preparing to shift production to Vietnam as early as October 2018; It started a test production last summer.

Luxshare Precision Industry, known as Luxshare-ICT, another supplier, initiated new investment in Vietnam last year, producing the wireless headphones here. Inventec, another AirPods assembler, is building a plant in Vietnam, at the request of Apple.

Apple is gradually forming a complete audio system supply chain in northern Vietnam, where the California-based technology giant Cupertino has long sourced its traditional EarPods, the wired headphones that come with iPhones, from factories run by their suppliers there.

Meanwhile, Merry Electronics, Apple's audio system component supplier, is collaborating with Luxshare in building here in Vietnam facilities slated to be put into operation soon.

Two major iPhone builders, Foxconn and Pegatron, and iPad maker Compal Electronics are all expanding their production in Vietnam.

Speaking at a conference bringing together Prime Minister Nguyen Xuan Phuc and the business community last month, representatives of foreign companies reaffirmed their interest in investment in Vietnam.

Vietnam's measures to cope with the acute respiratory disease Covid-19 have helped maintain the confidence of European enterprises, according to Chairman Nicolas Audier of the European Chamber of Commerce in Vietnam (EuroCham).

Meanwhile, Hong Sun, vicechairman of the Korea Chamber of Business in Vietnam (KorCham), said his agency would continue acting as a bridge linking qualified investors with Vietnam.

Talking about the US\$2.2 billion stimulus package provided to help Japanese manufacturers shift their production out of China, move it back to Japan, or open their plants in Southeast Asia, Hirai Shinji, chief representative of the Japan External Trade Organization (JETRO) in HCMC, said Japanese enterprises have paid more attention to Vietnam. "Risk management capacity of keeping the pandemic under control demonstrated by the Vietnamese Government will also be positively evaluated by Japanese companies," he said.

6. Vietnam parliament approves long-awaited PPP law

Vietnam's National Assembly has approved the long-awaited public-private partnership (PPP) law with the endorsement of 92.75% of its deputies present.

Ahead of the voting, the NA Standing Committee informed there were opinions against the inclusion of build-transfer (BT) contract into the PPP law, saying this is actually not of public-private partnership nature.

Moreover, many deputies urged the suspension of new BT projects, which are causing severe economic consequences and frustration from the public, especially in cases where land used to exchange for infrastructure was often undervalued, causing huge losses to the state budget.

As a result, BT projects would not be regulated in the PPP law, while new BT projects would now be suspended from operation, starting from August 15.

The PPP law would consist of seven types of contracts, including: build – operate – transfer (BOT); build – transfer – operate (BTO); build – own – operate (BOO); operation and maintenance (O&M); build – transfer – lease (BTL); build – lease – transfer (BLT); or mixed contract.

The law also stipulates five sectors in which the PPP contracts are permitted, which are transportation; power plants and power grids (except for hydro-

power plant and cases under state monopoly according to the Electricity Law); irrigation; clean water supply; water drainage, sewage and waste treatment; healthcare and education – training; and IT infrastructure.

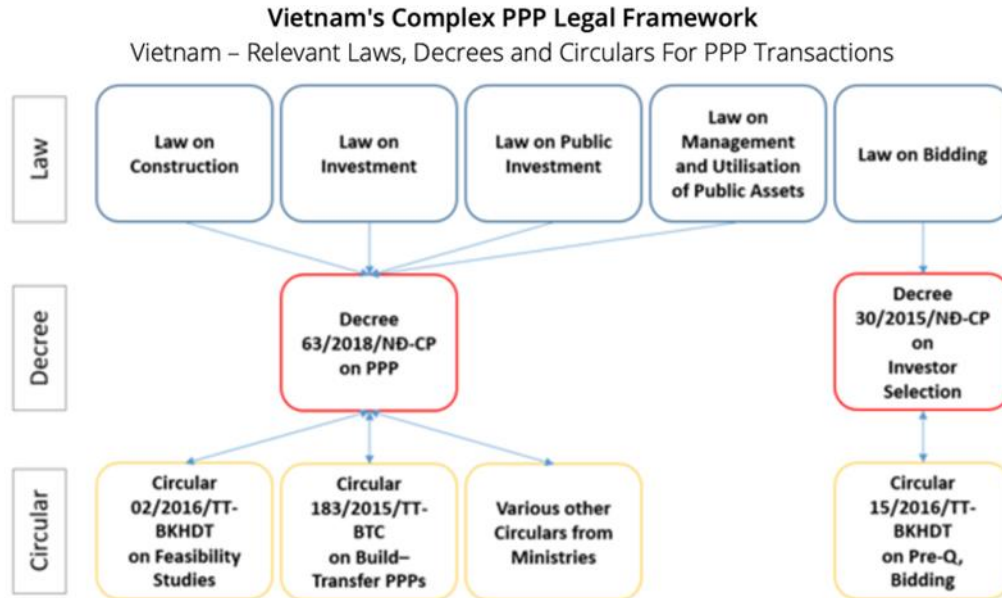
Except for O&M contract, the PPP mechanism would only apply to projects with investment capital of at least VND200 billion (US\$8.57 billion), and the such an amount is halved in poor provinces/cities.

Notably, the competitive bidding method would be applied for all PPP projects, while other methods such as competitive negotiation, direct contracting and selection of investors in special cases are subject to specific criteria.

The law maintained the government's proposal on the threshold to trigger the risk sharing mechanism when the actual revenue is 25% less than the financial plan. On the contrary, when the actual revenue is above 125% of the plan, the government would request investors to share the increased revenue amount.

The introduction of this law would address the issue of lacking a unified legal framework governing PPP in Vietnam similar to that seen in some of its regional peers (e.g. the Philippines, Thailand).

Instead, there are provisions covering PPP dispersed in other pieces of legislation, such as the



Source: National Sources, Fitch Solutions

Law on Investment, Law on Construction and the Law on Bidding, government directives on PPPs alongside Decree 63. As such, in a bid to further improve the current PPP legal framework, the Standing Committee of the National Assembly had passed a resolution for the formulation of a PPP law back in 2017.

While certain types of government guarantees are provided for through various laws and decrees, the inadequacy of these guarantees and the lack of clarity of related articles and provisions have been a common stumbling block for foreign participation in Vietnamese PPPs.

Fitch Solutions, a subsidiary of Fitch Group, said a lack of a unified PPP legal framework is the main

factor that Vietnam's infrastructure sector growth potential is capped at 6.1% per year through 2029, despite having one of the fastest growing economies in the world.

Fitch forecast Vietnam's economy to grow at an average of 6.4% year-on-year in real terms over the next decade through 2029, as it emerges as a choice for manufacturing hub and continues to attract foreign direct investments.

“A comprehensive PPP law is currently being crafted and discussed in Parliament. When passed, we believe the law will reduce project risk and be a boost to growth of Vietnam's PPP market,” stated Fitch.

Corporate News

7. GAS: GAS signs an Auditing Contract

↑ 0.69%

PetroVietnam Gas Joint Stock Corporation has signed an auditing contract with

PricewaterhouseCoopers Viet Nam Company Limited to audit its financial statements in 2020.

8. PDR: Notice of bond redemption

↑ 6.90 %

Phat Dat Real Estate Development Corp announces the redemption of all bonds in the third issue of 2019 as follows:

- Issuer: Phat Dat Real Estate Development Corp
- Bond name: Bond of Phat Dat Real Estate Development Corp
- Bond type: non-convertible secured bond, no warrants
- Par value: VND100,000,000/bond
- Total issued value: VND550,000,000,000
- Outstanding value: VND500,000,000,000
- Bond term: 05 years from the issue date
- Interest rate:
 - For the first four interest periods: 10.5%/year

- For subsequent interest periods: equal to the sum of (i) at least 3.5%/year, and (ii) the postpaid individual saving interest rate with a term of 24 months of Military Commercial Joint Stock Bank at 11:00 am on a determination date.

- Issue date: June 03, 2019
- Maturity date: June 03, 2024
- Purpose of bond redemption: to reduce/restructure liabilities
- Estimated repurchase volume: 2,500 bonds
- Total repurchase value at par value: VND250,000,000,000
- Trading date: July 10, 2020
- Payment date: July 10, 2020.

9. PDR: Board resolution on the second bond issue of 2020

↑ 6.90 %

On June 17, 2020, the Board of Directors of Phat Dat Real Estate Development Corp approved the plan for the second bond issue of 2020 as follows:

- Issuer: Phat Dat Real Estate Development Corp

- Bond type: non-convertible, secured bond, no warrants
- Par value: VND100,000,000/bond
- Issue volume: 3,000 bonds
- Total issue value: VND300,000,000,000

- Currency unit: VND
- Bond term: 01 year from the issue date
- Interest rate: 13%/year (365 days)
- Selling price: 100% par value
- Interest payment period: once every three months
- Issue time: in Quarter 3 of 2020.

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