



# VIETNAM DAILY NEWS

August 26th, 2020



## Table of content

### Table of content

1. VN-Index maintains green streak in third straight session
2. Competitive factors make Viet Nam a destination for foreign investors
3. Vietnam's semiconductors market to grow by \$6.16 billion in next five years
4. Vietnam ramps up efforts to build more LNG facilities
5. Professional liability insurance revenue surges
6. Foreign capital pouring into pharmaceuticals
7. Enhanced protection and conditions for EU entrants
8. GEX: GEX to purchase VGC shares
9. VNM: Stock issuance to raise capital

## Market Analysis

### 1. VN-Index maintains green streak in third straight session

The VN-Index rose 0.63 percent to 874.12 points Wednesday, with total trading volume reaching yet another monthly high.

The Ho Chi Minh Stock Exchange (HoSE), on which the VN-Index is based, saw 209 tickers rise and 179 fall.

Total trading volume hit VND7.5 trillion (\$323.62 million), the highest daily liquidity achieved this month, and much higher than last month's average of VND4.5 trillion (\$194.17 million).

Nearly VND6 trillion of these trades were order-matched transactions, with no news on any major M&A deals taking place, which usually results in higher put-through orders, to have boosted liquidity this session.

The VN30-Index for the market's 30 largest caps gained 0.68 percent, with 16 tickers in the green and 8 in the red. However, blue chips continued to attract less than half of total trading volume as they had done in the past week, accounting for 44 percent this session.

Topping gains this session was MWG of electronics retailer Mobile World, which surged 4.2 percent, followed by PLX of petroleum distributor Petrolimex, up 3.9 percent, and SBT of agricultural firm TTC-Sugar, with 3.1 percent.

The real estate sector was a mixed bag this session. KDH of Khang Dien House and TCH of Hoang Huy Group were two of the biggest gainers, both climbing 2.9 percent, ROS of FLC Faros was flat,

while NVL of Novaland and VHM of Vinhomes fell 0.2 percent and 0.5 percent, respectively.

VIC of private conglomerate Vingroup, HoSE's largest cap, gained 2.2 percent, while VRE of its retail arm Vincom Retail edged up 0.2 percent.

The banking sector also saw mixed performances. Of Vietnam's three biggest state-owned lenders by assets, CTG of VietinBank added 1.2 percent, VCB of Vietcombank kept its opening price, while BID of BIDV shed 0.4 percent.

TCB of Techcombank and MBB of state-owned Military Bank were the only mid-sized lenders in the green, up 1.7 percent and 1.4 percent respectively, EIB of Eximbank and HDB of HDBank were flat, while STB of Sacombank and VPB of VPBank dropped 0.4 percent and 0.9 percent, respectively.

POW of electricity generator PetroVietnam Power and HPG of leading steelmaker Hoa Phat Group led losses this session, both down 1 percent.

Meanwhile, the HNX-Index for the Hanoi Stock Exchange, home to mid- and smaller-caps, edged up 0.17 percent, while the UPCoM-Index for the Unlisted Public Companies Market gained 0.36 percent.

Foreign investors were net sellers for the third straight session to the tune of VND485 billion (\$20.93 million) on all three bourses this session, with selling pressure mostly on VHM of Vinhomes and VNM of dairy giant Vinamilk, up 0.7 percent.

## Macro & Policies

### 2. Competitive factors make Viet Nam a destination for foreign investors

According to experts, Viet Nam is a new market to businesses from Japan, Germany and the United States. Compared to other countries in ASEAN, Viet Nam is considered a relatively potential business environment, evidenced through its political stability and promising economic growth.

Specifically, in the face of the COVID-19 pandemic, Viet Nam's gross domestic product (GDP) still grew by 1.81% in the first half of 2020.

The main drivers of such growth were the manufacturing industry (growing by 4.96%) and the market service sectors (wholesale and retail up 4.3%, finance-banking-insurance activities up 6.78%). As a result, investors are considering Viet Nam a more transparent destination to do business.

For example, a recent survey conducted by the German Chamber of Industry and Commerce in Viet Nam found that up to 72% of German enterprises in Viet Nam would still continue their investment plans in the country, and 27% of them said they would hire more workers.

Most recently, the Bavarian Chamber of Commerce and Industry (Germany) issued a release on its website lauding Viet Nam as an extremely favorable investment and development environment for its businesses in the near future.

Accordingly, the EVFTA will wing the economic relationship between Viet Nam and the Bavarian State. The Southeast Asian country will become an ideal investment destination of choice and can replace China as Bavarian companies wish to further expand their operations in the fertile Asian market.

For Japan, the East Asian country is currently the second largest investor in Viet Nam with a registered capital of more than US\$60 billion (out of the total US\$380 billion FDI inflows).

Terence Alford, Director of Capital Markets & Investment Services at Colliers International in Viet Nam, highlighted that amid the constant evolution of the COVID-19 pandemic and the U.S.- China trade tensions, Japan's financial institutions and businesses see Viet Nam as a new attractive and more stable destination to establish new companies as well as relocating their existing businesses from China.

However, in order to take advantage of the plus points as assessed by foreign enterprises above, Viet Nam still has a lot to do such as improving infrastructure and logistics, solving issues related to intellectual property rights, enhancing administrative reforms, and reducing sublicenses.

### 3. Vietnam's semiconductors market to grow by \$6.16 billion in next five years

The growth in the use of the Internet of Things (IoT) is one of the major drivers for the growth of the semiconductors market in Vietnam as it allows the transfer of data over a network without requiring human-to-computer or human-to-human interaction.

Moreover, smart devices and connected devices are embedded with software, electronic components, and sensors with computer network connection capability, which enable them to collect and transmit data. IoT devices require ultra-low-power processors which increases their performance. Therefore, the increase in power efficiency

enhances the battery life of devices, which is important for mobile computing devices such as notebooks, ultra-portables, and wearables.

Additionally, IoT devices also require ICs which ensures that the microprocessor or microcontrollers start in the same condition, which protects the device. Hence, the increasing use of IoT in Vietnam will lead to the growth of the semiconductors market in the country during the forecast period.

The growing demand for high processing power for mobile and other computing devices also contributes to the growth of the semiconductors market in the consumer electronics segment. The demand for consumer electronics is high due to the availability of low-cost labour and favourable investment incentives.

In general, Vietnam's semiconductors market is fragmented, and the degree of fragmentation will remain the same during the forecast period. Samsung Electronics Co., Ltd., SK Hynix Inc.,

STMicroelectronics NV, Texas Instruments Inc., and Toshiba Corp. are some of the major market participants.

Although the growing use of IoT will offer immense growth opportunities, the cyclic nature of the semiconductor industry will challenge the growth of the market participants. To make the most of the opportunities, market vendors should focus more on the growth prospects in the fast-growing segments, while maintaining their positions in the slow-growing segments.

#### 4. Vietnam ramps up efforts to build more LNG facilities

In the new Power Development Plan (PDP) 7 that covers the 2025-2030 period, Vietnam will need new LNG to power facilities with a total capacity of approximately 15,000-19,000MW to meet the rapid growth in electricity power demand, mostly in the southern part of the country.

According to the Master Plan for Vietnam's Gas Industry Development to 2025, the country needs to build more new facilities to accommodate imported LNG, which is expected to reach 1-4 billion cubic metres per year in 2021-2025 and approximately 6-10 billion cu.m per year in 2026-2035. Most of the imported LNG will be used for electricity generation, fuelling the country's socioeconomic development.

Angelin Energy is one of several promising new players in Vietnam's fledgling LNG sector. This ambitious Ho Chi Minh City-based company is pushing for greater LNG use in the country and already has several strategic partnerships in place, including Japan Petroleum Exploration Co., Ltd. (JAPEX) which has over 36 years in the LNG business and over 65 years in the international oil and gas business.

Bui Thi Hong Van, managing director of Angelin Energy recently highlighted four reasons why the Vietnamese government is paying close attention to LNG.

First, LNG, is the cleanest burning of all hydrocarbons, and as such has a less negative impact on the environment. According to a report "LNG: An Energy of the Future" published on elengy.com, a thermal power plant fuelled by LNG rather than coal emits 81 per cent less carbon

dioxide (CO<sub>2</sub>), 8 per cent less nitrogen oxide (NO<sub>x</sub>), and 100 per cent less sulfur (SO<sub>2</sub>) and fine particles. The report shows that if coal-fired power plants were replaced by thermal power plants fueled by natural gas, the CO<sub>2</sub> emissions of the European energy sector would be reduced by 60 per cent, and 20 per cent globally.

Second, Qatar, Australia, the United States, Russia and a growing list of others are the world's main LNG producers. As such, it does not depend on the quantity of gas ore in Vietnam. Also, the amount of electricity generated from natural gas is not only stable but also easy to control without reliance on natural power like solar and wind energy.

Furthermore, once solar and wind reach economies of scale in the future and more technological development, LNG can also serve as backup fuel for power plants when wind and solar becomes unstable during non-windy or non-sunny days.

Third, a 2019 International Group of Liquefied Natural Gas Importers (GIIGNL) report indicated that Asia accounted for the world's largest share of LNG consumption, at 240 million tonnes, around 70 per cent of the global market share. Thus, there is no shortage of supply or any increasing shipping costs to Vietnam due to disruptions in trade flow.

Van stressed that LNG is mainly used in power plants and industrial parks housing businesses in need of gas.

The main hurdle currently is the lack of LNG storage warehouses and gas power plants. However,

Vietnam has attracted more than 10 local and foreign investors who want to develop such receiving terminals, storage tanks, and power plants, including PV Gas, Hai Linh, America-based AES Corporation, Japan's Marubeni Corporation, DOE Singapore, Gen X Energy, GENCO3, and others. Among them, Hai Linh and PVGas are building an LNG storage warehouse in Ba Ria-Vung Tau.

For tenants in industrial parks, LNG will be delivered by LNG Trailer or ISO tank container trucks to factories after it is shipped to the ports.

“In general, the infrastructure facilities for LNG are being set up in Vietnam, which will gradually solve the storage and transport problems,” Van added.

## 5. Professional liability insurance revenue surges

The Vietnam Insurance Association's preliminary statistics showed by the end of June, compulsory liability insurance for construction investment consultants and construction workers jumped 791 and 848 per cent over the same period last year, respectively.

Professional liability insurance revenue in medical examination and treatment also increased by nearly 60 per cent against the same period last year.

According to representatives of the Post and Telecommunication Joint Stock Insurance Corporation (PTI), improved awareness of compliance with Circular No 329/2016/BTC on compulsory insurance in construction investment among construction contractors contributed significantly to the rise in revenue.

Though the circular took effect in 2016, firms have started buying professional liability insurance for their employees recently after authorities stepped up inspections.

In addition, a rise in the number of new FDI construction projects in the first six months of this

year also contributed to the increase in sales of the professional liability insurance revenue.

Though there has been an improvement in the growth rate, compared to other insurance products, the proportion of professional liability insurance has remained very modest, at only 2 per cent of the insurance industry's total revenue.

In Viet Nam, the potential for the growth of liability insurance and professional liability insurance is relatively significant. Currently, foreign insurance companies dominate the business segment and they also serve only foreigners in Viet Nam.

Some Vietnamese names provide the products including Bao Viet Insurance, Bao Minh Insurance, PTI, PVI or MIC, but their new premium is modest.

Industry insiders attribute the struggles of Vietnamese insurance companies in the business segment to their lack of experience.

In addition, the business segment isn't attractive to Vietnamese insurance companies as cross-border insurance for foreign customers is allowed when the new Insurance Business Law comes into effect.

## 6. Foreign capital pouring into pharmaceuticals

Merger and acquisition (M&A) activities between domestic and foreign pharmaceutical companies are being seen in both production and distribution.

Most recently, Japan's Aska Pharmaceutical signed an agreement to acquire a 24.9 percent stake in Vietnamese pharmaceutical company Hataphar, formally the Ha Tay Pharmaceutical JSC.

Other major names in global pharmaceuticals are present in Vietnam, including the Abbott Group from the US and the Adamed Group from Poland.

In the context of COVID-19, pharmaceutical companies are expected to enjoy substantial benefits and breakthroughs into the future.



The greatest challenge at the moment is that 80-90 percent of raw materials are imported, primarily from China and India. In the first two months of this year, when the pandemic first broke out, material imports from the two countries fell 30 percent and 25.8 percent, respectively, to 27.2 million USD and 9.4 million USD.

Market researchers IBM said the size of Vietnam's pharmaceutical industry could reach 7.7 billion USD in 2021 and 16.1 billion USD in 2026, while researchers IMS Health forecast that per capita spending on pharmaceuticals in the country would rise to 50 USD this year.

## 7. Enhanced protection and conditions for EU entrants

Firstly, the EVFTA has and will have a far-reaching impact on the legal system of Vietnam. Before it could come into effect, two important domestic laws – the Law on Investment and the Law on Enterprises – had to be adjusted. Specifically, a myriad of conditional business lines have been cut, opening the doors for EU businesses in areas where it used to be very challenging to invest in Vietnam.

Furthermore, many cumbersome administrative procedures were struck down to create a simpler and more efficient business environment. For instance, regulations have been simplified for livestock breeding, which is one of the industries of interest for European businesses highlighted in the EVFTA. These changes removed many unnecessary conditions and stages of quality inspection for imported livestock products.

Another highlight is the protection of intellectual property rights. The first issue of note is geographical indications (GIs). Specifically, Vietnam has agreed to provide legal protection for 169 GIs from the EU. Indeed, this is important for the EU, since products bearing GIs bring great benefits to EU countries from money to reputation, especially in the sectors of wine, agricultural products, foodstuff, and spirits which have accounted for a large part of the value of the EU's exports.

Hence, the protection of GIs from the EU means the protection of the rights and interests of EU enterprises. This will help European businesses not only expand their markets to Vietnam but also give them the right to deal with infringements and unauthorised use of GIs by other parties or failure to meet the standards of goods derived from products bearing GIs. The GIs now enjoying protection in Vietnam include well-known indications such as French Champagne, Greek Feta, Italian Parmigiano Reggiano, Spanish Rioja, and Scottish Whisky.

However, there are some exceptions in the EVFTA. For example, during the 10-year transition period from the date of entry into force of the agreement, the protection of the GI “Champagne” does not prohibit the use of this indication nor the translation or transcription of the indication in Vietnamese territory as long as it is used in a fair and commercial manner for a product in the class of “wine”.

In addition, through the EVFTA, Vietnam made a commitment to extend the protection for industrial design (ID) by acceding to the Geneva Act of the Hague Agreement within two years of the EVFTA. With this, Vietnam will protect partial designs.

In addition, within three years of the EVFTA taking effect, Vietnam shall also join the World Intellectual Property Organization to protect the copyright of materials on digital networks by adding regulations for the protection against infringements of technological measures.

In terms of tariffs, since the EVFTA took effect, Vietnam has removed 48.5 per cent of tariff lines on EU goods, equivalent to 64.5 per cent of EU exports to Vietnam. Within seven years from the date of effectiveness, 91.8 per cent of tariff lines (97.1 per cent) shall be eliminated and the rate shall reach 98.3 per cent (99.8 per cent) after 10 years.

Moreover, for the 1.7 per cent of remaining tariff lines, Vietnam has also committed to applying tariffs as described in its World Trade Organization (WTO) commitments or apply special elimination schedules. This applies for products like cigarettes, petroleum, beer, cars and components, and motorbikes. For example, motorbikes and motorcycles over 150 cubic centimetres shall be subject to 0 per cent import tariffs within seven and 10 years, respectively. Another instance is cars which have a committed tax reduction schedule of 10 years, except for cars with larger engines.

The reduction of these tariffs will benefit EU enterprises and create a fair business environment between Vietnamese and EU companies.

In terms of market access, the elimination of customs duties on goods exported from the EU have created many opportunities to access the Vietnamese market and open the road for EU enterprises to invest in Vietnam. Besides, EU enterprises have great expectations in the pharmaceutical market in Vietnam. Since the EVFTA, customs duties were abolished for around half of the pharmaceutical products imported from the EU and the rest shall be duty-free within seven

years. This provides far more access for EU enterprises.

For services, apart from those lines subject to WTO commitments, Vietnam has made deeper commitments in the EVFTA by opening many more sectors.

The EVFTA brings many opportunities for EU enterprises in the Vietnamese market. This has shown an aspiration for deeper integration and trade relations with the EU and for developing relations for sustainable development in the future.

## Corporate News

### 8. GEX: GEX to purchase VGC shares

↑ 4.47%

Viet Nam Electrical Equipment Joint Stock Corporation (GELEX) announces the plan for public tender offer for the shares of Viglacera Corporation - JSC (stock code: VGC) as follows:

- Target company: Viglacera Corporation – JSC (stock code: VGC)
- Number of VGC shares owned by GELEX and its member company GELEX Electric Equipment JSC before trading: 11,927,600 shares (24.96% of VGC's charter capital)

- Number of VGC shares expected for purchase: 95,000,000 shares (21.19% of VGC's charter capital)
- Buying price: VND17,700/share
- Trading time: from August 26, 2020 to September 25, 2020
- The securities company trusted to execute transactions: IB Securities Joint Stock Company.

### 9. VNM: Stock issuance to raise capital

↑ 0.69%

Viet Nam Dairy Products Joint Stock Company announces the information on stock issuance to raise capital from the owner's equity as follows:

- Stock name: Viet Nam Dairy Products Joint Stock Company
- Stock type: common share
- Par value: 10,000 dongs/share
- Number of shares issued: 1,741,687,793 shares
- Number of outstanding shares: 1,741,377,694 shares

- Number of treasury shares: 310,099 shares
- Number of shares expected to be issued: 348,275,538 shares
- Total value (based on par value): VND 3,482,755,380,000
- Issue ratio: 1:5
- Record date: September 30, 2020
- Plan to deal with fractional shares: The distributed shares will not be rounded down, the fractional shares will be cancelled.



**Research Team:****Tsugami Shoji**

Researcher

[jsi@japan-sec.vn](mailto:jsi@japan-sec.vn)**Disclaimer:**

*Copyright 2015 Japan Securities Incorporated (JSI). All rights reserved. This report has been prepared on the basis of the information believed to be reliable at the time of publication as provided by StoxPlus (www.stoxplus.com) - An associate company of Nikkei Inc. and QUICK Corp. JSI makes no representation or warranty regarding the completeness and accuracy of such information. This report is provided, for information purposes only and does not constitute an offer or solicitation to buy or sell any securities discussed herein any jurisdiction. Investors must make their investment decisions based upon independent advice subject to their particular financial situation and investment objectives. This report may not be copied, reproduced, published or redistributed by any person for any purpose without the written permission of an authorized representative of JSI.*

***Japan Securities Incorporated – JSI***

Address: 14F, TNR Tower, 54A Nguyen Chi Thanh, Lang Thuong, Dong Da, Hanoi

Tel: (024) 3791 1818

Fax: (024) 3791 5805

Email: [info@japan-sec.vn](mailto:info@japan-sec.vn)

Website: [www.japan-sec.vn](http://www.japan-sec.vn)