



VIETNAM DAILY NEWS

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Market Analysis

1. VN-Index ends three session gaining streak

The VN-Index edged down 0.07 percent to 873.47 points Wednesday, with drag coming from banking blue chips.

The Ho Chi Minh Stock Exchange (HoSE), on which the VN-Index is based, saw 209 tickers falling and 182 rising. Total trading volume dropped around 10 percent over the previous session, to VND6.23 trillion (\$268.54 million), but remaining far above last month's daily average of VND4.5 trillion.

The VN30-Index for the market's 30 biggest capped tickers slumped 0.35 percent, with 20 tickers losing and 7 gaining. This basket continued to account for less than half of trading volume, at 43.7 percent this session.

Topping losses this session were HPG of leading steelmaker Hoa Phat Group, down 1.4 percent, PNJ of jewelry retailer Phu Nhuan Jewelry and SAB of major brewer Sabeco, both having fallen 1.2 percent, and REE of appliances maker Refrigerated Electrical Engineering, with 1.1 percent.

State-owned banks were some of the worst performers this session. Of this group's three biggest lenders by assets, VCB of Vietcombank led with 0.5 percent, BID of BIDV 0.3 percent, while CTG of VietinBank kept its opening price.

MBB of state-owned mid-sized lender Military Bank also shed 0.8 percent this session.

Of private banks, TCB of Techcombank dropped 0.9 percent, followed by STB of Sacombank and VPBank, both having shed 0.4 percent. EIB of Eximbank was flat, and HDB of HDBank was the only ticker in the green, up 0.2 percent.

Other major losing stocks this session included FPT of IT services giant FPT, which slipped 0.9 percent, GAS of energy giant PetroVietnam Gas, down 0.4 percent, and MWG of electronics retailer Mobile World, with 0.3 percent.

VIC of private conglomerate Vingroup, HoSE's largest cap, kept its opening price. VHM of its real estate arm Vinhomes shed 0.1 percent, while VRE of its retail arm Vincom Retail gained 0.9 percent.

In the opposite direction, PLX of petroleum distributor Petrolimex led gains with 2 percent, followed by TCH of truck dealer Hoang Huy Group, up 1.4 percent, and VJC of budget carrier Vietjet Air with 1.1 percent.

Meanwhile, the HNX-Index for the Hanoi Stock Exchange, home to mid- and small-capped stocks, gained 0.42 percent, and the UPCoM-Index for the Unlisted Public Companies Market added 0.57 percent.

Foreign investors continued to be net sellers to the tune of VND377 billion on all three bourses, with selling pressure mostly on HPG of Hoa Phat Group and VNM of dairy giant Vinamilk, which edged down 0.2 percent this session.

Macro & Policies

2. Work starts on Cà Ná Sea Port Complex

The first phase of the project, worth more than VNĐ1.46 trillion (US\$63 million), covers 108 hectares on Cà Ná Beach in Thuận Nam District's Phước Diêm Commune.

The new seaport complex in Phase 1 is designed to handle about 3.3 million tonnes of cargo each year. It will have two wharves capable of receiving ships with deadweight tonnage (DWT) of up to 70,000-100,000, and one wharf handling ships of 20,000DWT.

It will also include berths, rafts, trees, yards, warehouses, logistic services, and ancillary, technical and traffic infrastructure.

The complex will apply smart technology, which will help speed up cargo handling.

The project will create favourable conditions for businesses located in industrial and processing parks and industrial clusters in the province and other localities in the south-central and Tây Nguyên (Central Highlands) regions, according to the project contractor Trung Nam Construction Investment Corporation (Trung Nam Group).

It will play an important role in supporting the transport of equipment for renewable energy projects in the province.

Trung Nam Group Chairman Nguyễn Tâm Thịnh said the group would accelerate work on the project.

One of the two wharves for 70,000-100,000DWT ships will be completed by the end of 2022, and the other put into operation in October 2025.

The wharf for 20,000DWT ships is expected to open in August 2026.

The group has put into operation eight renewable energy projects with a total capacity of more than 600MW in the province. A 450MW solar power plant will come into operation this year.

It has funded more than VNĐ7.7 billion (\$332,250) to support Thuận Nam District in infrastructure construction and repair of social welfare and education facilities.

3. Digital transformation kicks M&A in healthcare into higher gear

As the digital transformation is all the rage in the sector, more and more tech companies are setting eyes on healthcare, raising the prospect of future M&A deals.

Alexander Feldman, chairman of US-ASEAN Business Council said that healthcare equipment, medical care, and pharmaceuticals are the most appealing sectors for companies. Many Silicon Valley-based technology firms are planning to set foot in Vietnam by either direct investment or M&A.

In March, 45 US science and technology companies through the US-ASEAN Business Council came to Vietnam to discover investment and expansion opportunities.

In the global market, Microsoft in March launched the AI for Health project specialised in using AI to prevent diseases. The Gates Foundation invested about \$40 million in the first phase of the project to begin testing.

Since last year, Apple has accelerated investment in healthcare by integrating related applications to the iPhone and iWatch to keep track of users' state of health.

The local healthcare market will spike at 9-10 per cent in 2020, driven by the ageing population, resulting in a hike in healthcare expenses, according to SSI Securities Corporation.

SSI also lays great store on the local M&A prospects in healthcare. Specifically, the trend will keep growing as some deals will materialise once the local government reduces its ownership in pharmaceutical companies.

The latest name joining the M&A bandwagon in healthcare, a 100-year-old, Japan-based pharmaceutical company ASKA has just finished the purchase of more than 6.5 million stocks of local firm Ha Tay Pharmaceutical JSC (HNX: DHT – Hataphar), equalling 24.9 per cent of the shares.

Hataphar previously planned to issue more than 5.2 million stocks for its strategic investors at VND70,000 (\$3.04) per share. DHT is currently on trade at around VND60,000 (\$2.61) per share.

Along with welcoming the new investor, Hataphar is implementing a high-tech pharmaceutical manufacturing facility with a total investment of

VND1.35 trillion (\$58.7 million) at Hoa Lac Hi-tech Park. Its estimated production capacity is about 2 billion medicine items and the factory will be put into operation in the second quarter of 2023.

The local healthcare industry has long included US giant Abbott which entered through acquisitions of 51.7 per cent of Domesco and the entirety of Glomed.

The market is also an M&A playground for other overseas investors. Poland-based Adamed Group spent \$50 million on 70 per cent of Davipharm, while Pymepharco has raised the foreign ownership limit to 100 per cent and allowed Stada Service Holding to increase its ownership to 72 per cent.

In the coming time, Imexpharm and Traphaco are the most promising names for M&A. Currently, their foreign ownership rates are 47.8 and 47.1 per cent, respectively.

4. Intel plans another major investment into Vietnam

Apart from its largest chip assembly and testing plant worth more than US\$1 billion in Ho Chi Minh City, US multinational technology corporation Intel plans to continue expanding its production in Vietnam.

The information, revealed by General Manager of Intel Products Vietnam (IPV) Kim Huat Ooi at the Ho Chi Minh City – US Business Summit on August 25, partly dispelled the skepticism of local insiders about the fate of Intel's factory in Vietnam.

Earlier, Intel CEO Bob Swan shared his intention with industry analysts to quit the fabrication business altogether and outsource its designs to a competitor's manufacturing facilities.

Starting with a factory in the Saigon Hi-tech Park (SHTP) in District 9 14 years ago, the US investor became the first high-tech company in Vietnam with total registered capital of US\$1 billion.

Stretching an area of 46,000 square meters, Intel factory in SHTP becomes the largest among Intel's inspection and assembly factories globally. Intel products labeled "Made in Vietnam" are shipped from IPV to many parts of the world.

The factory has produced two billion products as of March, and every second it can produce 25 units of semiconductor chips, computer processing chips, and devices. Intel factory in SHTP is creating jobs for about 5,000 skilled workers, Ooi said.

IPV has contributed an average value of more than US\$ 3.6 billion per year to HCMC over the past 10 years. With another investment in Ho Chi Minh City in the coming time, the export revenue will increase further, Ooi stated at the summit.

The company's manufacturing activities are quite favorable thanks to the skilled workforce, the increasingly better production infrastructure and the favorable high-tech investment attraction policy so that it can continue to pour investment capital. And the story of the Covid-19 pandemic is a very good example of overcoming challenges for success, Ooi added.

In Vietnam, Intel sees rapid action and sharp policies from the government on disease control, even during this second outbreak.

IPV operations in the second half of 2020 continue to be in full gear, production volume increases by

30% compared to the normal period and has contributed three quarters of Intel's total chip test production volume worldwide, Ooi said.

In addition to Vietnam, Intel also has chip testing and assembly plants in Malaysia and China.

Referring to this outsourcing issue, a representative from IPV said that some local news sites and newspapers translated international news stories

into Vietnamese in an incomplete and inaccurate manner.

At a meeting on July 23, CEO Swan only mentioned its outsourcing for the 7-nanometer chips to keep up with its commitment to customers and Intel still focuses resources on 10-nanometer technology to meet the demand of the global technology market in the context of the pandemic.

5. New bailout put forth to aid recovery

Amidst the complicated global impacts of the COVID-19 crisis, Minister of Planning and Investment Nguyen Chi Dung last week proposed another bailout in a bid to dispel difficulties in production and business, as well as aiming to retain social stability. Minister Dung highlighted that solutions should focus on small- and medium-sized enterprises (SMEs), create a large number of jobs while avoiding firing employees, and boost business so they can resume operations. “Big companies that are facing some challenges, because fixed costs and maintenance costs are too huge while revenues decrease significantly, will also be beneficiaries of the new bailout,” he stressed.

At first, Minister Dung proposed to extend the policy effects in the previous bailout to 2021 if the pandemic continues unabated. Such policies as delaying the payment timelines of VAT, corporate and personal income tax, and land rental fees, and all policies in Decree No.41/2020/ND-CP released in April on tax and land rent deferrals will be extended to the end of the year.

Circular No.01/2020/TT-NHNN, enacted in March on debt rescheduling exemption or reduction of interest and fees, is also being considered for extension of implementation to support corporate clients affected by COVID-19. It could even be amended for businesses to more easily enjoy the policies.

“It is necessary to provide better financial policies to strengthen production and consumption, as well as deliver vouchers, or government supply of goods to people who suffer difficulties caused by social distancing, in order to guarantee essential needs and

promote local consumption,” Minister Dung proposed.

He emphasised the importance of the new bailout, which should not only strengthen development of various industries and attract foreign direct investment and innovation, but also should be robust enough to strengthen the economy as well as cover a variety of beneficiaries.

According to the Ministry of Planning and Investment (MPI), the pandemic has hurt most socioeconomic sectors, especially aviation, tourism, and catering. Many have already gone bankrupt or been dissolved, or had operations suspended or scaled down.

Meanwhile, employee incomes have also been affected significantly, as unemployment rises. The incomes of around 17.6 million people have dropped during the pandemic, leading to a fall in local consumption. The number of enterprises suspending their operations in the first seven months of the year jumped by 41.5 per cent on-year to 32,700. The performance of the first bailout, valued at tens of billions of US dollars including a VND62 trillion (\$2.7 billion) package to support the poor and unemployed, has not been as successful as intended. As of mid-July, around VND11 trillion (\$478.2 million) was delivered to 11 million people as well as 9,400 business households.

After the issuance of Decree 41, the Ministry of Finance estimated that the number of firms that could enjoy the support was about 700,000, or 93 per cent of the total across the country, while the amount of tax and land rental fees with extended timelines was estimated at VND182 trillion (\$7.9

billion). However, in fact, only 179,000 documents were sent to tax agencies and localities as of the end of July to delay the payment of tax and land rental fees, with the amount over VND53.6 trillion (\$2.3 billion), equivalent to 29 per cent of expectations.

Nguyen Duc Huy, deputy chief of office at the General Department of Taxation, explained that COVID-19 pulled most enterprise revenues and profits to zero or even a loss, and so they do not require extension of payment timelines. “Also, some of those with good business do not need to delay the tax or land rental payment timeline,” said Huy.

6. Aquatic exports set to reach US\$8.3 billion amid signs of recovery

According to figures released by the General Department of Customs, July witnessed the country's seafood export turnover reach a figure of US\$796.3 million, up 0.8% compared to the previous July. As a result, seafood exports in July continued to undergo a recovery after recording a 0.3% rise in June.

predicted to hit US\$8.26 to US\$8.3 billion, a drop of 3.8% from last year.

Over the course of the opening seven months of the year, aquatic export turnover reached a figure of US\$4.4 billion, representing an annual drop of 6%.

Moreover, there remains plenty of optimistic signs for exports as retail sales in the global market remain stable, with increased demand for frozen, canned, chilled, and smoked seafood with a longer shelf life.

Throughout the reviewed period, aquatic exports to the United States continued to enjoy positive growth with an increase of 20.8% on-year to US\$184.35 million, bringing seafood exports during the seven-month period to US\$838.44 million, up 4.5% from the corresponding period the previous year.

At present, global seafood trade is stagnant due to interrupted shipping, although the trend of electronic transactions and online retail will partly offset plummeting market demand.

Furthermore, seafood exports to the EU market also witnessed an improvement, with a drop of a mere 2.3% from last July, while the decrease in previous months stood at over 18%. Elsewhere, aquatic exports to Japan are still facing several difficulties, whilst exports to China have fallen once again.

The VASEP also states that the EU-Vietnam Free Trade Agreement (EVFTA), which came into effect from 1 August, could serve as a “boost” for the nation's seafood exports during the remaining months of the year. This could particularly apply to items which are entitled to enjoy a tax rate of 0% as soon as the agreement comes into effect, such as tiger shrimp, frozen white shrimp, and processed octopus and squid.

The VASEP believes that with the novel coronavirus pandemic yet to be brought under control globally, it will continue to affect Vietnamese seafood exports to foreign markets during the second quarter of the year. After enduring a decline of 16% in May to US\$639 million, seafood exports in June suffered a further decline of 10% to US\$626 million.

“The EVFTA will serve as a catalyst for the fisheries sector to increase its competitive advantage over countries which have FTAs with the EU, such as Ecuador, India, and Thailand. According to many studies, after the trade deal enters into force, seafood exports to Europe may increase 20% compared to before as a result of the competitive advantage over other nations. For example, European partners will increase their buying of Vietnamese tuna which will enjoy a tax rate of 0%, instead of buying from other markets with higher tax rates,” VASEP Secretary General Truong Dinh Hoe analyses.

Despite these falls to various markets, the VASEP anticipates that seafood exports will gradually witness a recovery during the third and fourth quarters, with the entire year's export turnover

7. VN needs to improve post-harvest technologies for farm exports to be competitive: experts

Poor harvesting and preservation technologies result in a decline in their value, and with the growing competition, the country needs to invest heavily in processing of fruits and other farm produce to hold its own in export markets.

According to Ho Thi Thu Hoa, head of the Viet Nam Logistics Research and Development Institute, only 0.3 per cent of agricultural products in Viet Nam benefit from the use of cold chain logistics technologies compared to 3 per cent in Germany, 2.6 per cent in England and 1 per cent in the US.

Post-harvest losses in Viet Nam are significant at around 25 per cent farm since the country has little in the way of post-harvest technologies and machinery.

According to the Food and Agriculture Organisation of the United Nations, Viet Nam loses 10 per cent of its rice output, 10-20 per cent of root and tuber crops and 10-30 per cent of fruits and vegetables.

In the Mekong Delta, a major rice bowl, post-harvest rice losses are worth more than VND3 trillion (US\$132 million) a year, or 10-12 per cent of total output.

"Packaging farm products plays a very important role in preserving them after harvest, but Vietnamese businesses are not paying attention to that," Hoa said.

Some 70 per cent of fruit and vegetable exports have been to China, mostly in fresh and unprocessed form.

Little went to South Korea, Japan, the US, or the EU because of Viet Nam's limitations with regard to storage and post-harvest processing, experts said.

The country's seafood faces similar issues, particularly with ocean tuna. Japan is a big market for this fish and willing to pay high prices for it. A number of Japanese experts have attempted to assist Vietnamese fishermen in post-harvest processing, but there has been little progress so far.

Le Duy Hiep, chairman of the Viet Nam Logistics Business Association (VLA), said to reduce post-harvest losses it was necessary to make further investments in agriculture, the Government needed to offer incentives to encourage farmers apply high-technology to reduce losses after harvest.

Nguyen Thi Thanh Thuc, chairwoman and director of Bagico Company, said to preserve produce, factors that affect quality must be tackled directly such as vegetables being desiccated before packing.

The country exports its agricultural products to 120 countries and territories, with key products being rice, coffee, pepper, and seafood.

However, in large and fastidious markets like the EU, the US, Japan, and Australia, many of its exports have been refused entry due to microbial infections and residues of veterinary drugs and heavy metals.

Corporate News

8. HBC: HBC wins a new construction project

↑ 0.00%

Hoa Binh Construction Group Joint Stock Company has assigned a new construction package with the total contract value of nearly VND297 billion as follows:

- Project: Ha Long Sun Grand City Feria Project

- Investor: Olympia Industrial Construction Limited Liability Company (under Sun Group)

- Location: Bai Chay, Ha Long city, Quang Ninh province

- Value of package: nearly VND297 billion.

9. MSN: BOD approved to raise its charter capital

↓ -0.19%

The Board resolution dated August 25, 2020, the Board of Directors of MaSan Group Corporation approved to raise its charter capital with the following details:

- Charter capital before increasing: VND 11,689,464,470,000

- Additional increase: VND 57,367,990,000

- Charter capital after increasing: VND 11,746,832,460,000.

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