



VIETNAM DAILY NEWS

September 24th, 2020



Table of content

Table of content

1. Shares end higher on two local bourses
2. Tech solutions to elevate logistics
3. 11 sectors proposed to be off-limits for foreign investors
4. Vietnam encourages private investment in power industry with new master plan
5. Apple partner Pegatron mulls US\$1-billion investment in hi-tech projects in Vietnam
6. Exporters bank on EU trade pact for pandemic relief
7. Central city green-lights ready-built factory project
8. HBC: HBC wins new construction projects
9. SBT: BOD resolution on holding AGM 2019 - 2020

Market Analysis

1. Shares end higher on two local bourses

Shares ended on a positive note on Wednesday on both local bourses, with financial stocks leading gains and supporting the market.

The VN-Index on the Ho Chi Minh Stock Exchange gained 0.70 per cent to close trading session at 912.50 points.

More than 392.5 million shares were traded on the southern bourse, worth VND6.5 trillion (US\$279.4 million).

Market breadth was positive with 250 gainers and 161 losers.

High market liquidity with positive market breadth showed signs of good sentiment. The VN-Index might retest the 920-point level in the next few sessions, said BIDV Securities Co.

“Investors can consider increasing the proportion of good fundamental stocks in their portfolio,” it said.

The VN30-Index, which tracks the performance of the 30 largest stocks by market capitalisation and liquidity on HoSE, increased 0.65 per cent to close Wednesday at 858.30 points.

Gainers in the VN-30 basket included Vinhomes (VHM), increasing 0.9 per cent, Vietinbank (CTG), climbing 1.7 per cent, PetroVietnam Gas JSC (GAS), rising 1.1 per cent, National Petroleum Group (PLX), advancing 2.4 per cent, Masan Group (MSN), going up 2 per cent, Mobile World Group (MWG), up 2.3 per cent, VPBank (VPB), rising 1.7 per cent and PVPower (POW), increasing 4 per cent.

Shares of banks and securities companies were also among the best performers.

The Big Three – Vietcombank (VCB), Vietinbank (CTG) and BIDV (BID) – were the biggest gainers with growth of 1.7 per cent each.

Large securities firms such as Saigon Securities Inc (SSI), Ho Chi Minh Securities (HCM), VNDirect Securities (VND) and Viet Dragon Securities (VSD) also advanced and supported market.

On a sector basis, 13 out of 25 sector indices gained ground, including retail, wholesale, mining, securities, banking, agriculture, food and beverage, construction materials, logistics.

Decliners were information and technology, insurance, real estate, healthcare, seafood processing and rubber production.

The minor HNX-Index on the Ha Noi Stock Exchange rose 0.34 per cent to end Wednesday at 132.64 points.

It had risen 1.23 per cent to end Tuesday at 132.19 points.

Nearly 59.4 million shares were traded on the northern exchange, worth VND772 billion.

Foreign investors net bought VND125.10 billion on HOSE. They were net sellers on the HNX with the value of VND9.11 billion.

Macro & Policies

2. Tech solutions to elevate logistics

At the national conference on Developing e-Government Contribution to Online Public Services towards Digital Government – Models and Technology Solutions, many technology models and solutions have been introduced to enterprises to encourage digital transformation among logistics companies.

When it comes to port logistics, Nguyen Hong Minh, vice president of Sao Bac Dau Technology Group showcased its Terminal Operating System (VTOS) to assist port logistics operations.

According to statistics from Sao Bac Dau, 75 per cent of ports, ICDs, and depots have yet to apply modern technology into their operations. These places mainly use labour in combination with simple stand-alone software, resulting in the suboptimal organisation of freight traffic.

Vietnamese ride-hailing platform Be Group also exhibited its integrated ride-hailing application as an effective transport solution for drivers. Be's app gives out 3 technologies consisting of Virtual BOT, DriverBuddy, and beMobility to ease traffic as well as assist drivers on their way.

The representative of Be Group said that Vietnam's population density is only lower than Singapore and the Philippines in Southeast Asia with 290 people per square kilometre.

In contrast, the number of new roads and corresponding infrastructure have only increased by 0.39 per cent a year. Also, land reserved for traffic is only 8.65 per cent, while as per Decision 11/NQ-CP, it should be 20-25 per cent.

Because of the COVID-19 pandemic, many logistics companies are moving to apply technology in their operations, offering a potential market for logistics investment.

A representative of Hongbang International University said that the logistics market in Vietnam is growing increasingly vibrant, highly competitive, and larger as big logistics companies in the world have been entering. Also, domestic enterprises have merged and innovated according to the trend. Additionally, logistics technology in Vietnam is developing day by day, along with expansion and development of e-commerce logistics.

3. 11 sectors proposed to be off-limits for foreign investors

The Ministry of Planning and Investment's Department of Legislation has just proposed the list of the 11 sectors that foreign investors are not allowed to join to the minister for approval. Once the proposal is approved, the draft will be released for public comments. The 11 sectors are:

- Trading items and services exclusive to the state;
- Media and collecting news/information in any way;
- Fishing and seafood exploitation;
- Services related to securities;

- Judicial administrative services like judicial assessment, property auction, notary services, and acting as trustees;
- Taking employees to work overseas;
- Operation of cemetery and park cemetery;
- Polling services;
- Use of explosives in mining;
- Inspection and certification of means of transport;
- Importing and scrapping used ships.

These areas have yet to be stipulated in the Decree No.118/2015/ND-CP guiding some articles of the Law on Investment, a gap the draft decree will fill.

In addition to the 11 sectors of prohibition, as many as 40 sectors will be subject to business conditions for foreign investor involvement, with little apparent changes compared to current conditional business lines.

4. Vietnam encourages private investment in power industry with new master plan

The eight version of National Power Development Plan, or PDP VIII for short, will encourage private sector investment in the energy sector to feed Vietnam's demand in the next decade.

The Electricity and Renewable Energy Department (ERED) under the Ministry of Industry and Trade (MoIT) is working with the Institute of Energy to draft National Power Development Plan VIII (PDP VIII) and expects to submit it to the ministry by the end of this September, according to General Director of ERED Hoang Tien Dung.

Earlier, at the Vietnam Energy Summit 2020 in July, Minister of Industry and Trade Tran Tuan Anh announced that the ministry will submit PDP VIII for 2021-2030 and the National Energy Development Master Plan to Prime Minister Nguyen Xuan Phuc in October and by the end of 2020, respectively.

Accordingly, PDP VIII is required to address the limitations of the current PDP VII, and be open, creating a space to mobilize and promote resources of enterprises.

Increasing electricity demand

Vietnam's electricity demand is expected to increase by 8.5% per year until 2025 and 7% per year until 2030, making Vietnam an attractive market for foreign energy investors.

Speaking at the seminar on the development of Independent Power Producers (IPP) on September 18, Deputy Minister of Industry and Trade Hoang Quoc Vuong said that from now to 2030, electricity demand will increase on average by about 7.5-8% per year.

According to the preliminary results of the PDP VIII report, electricity demand in the base scenario by 2030 is forecast to exceed 526 billion kWh,

corresponding to the installed capacity of the whole system of up to 131,000MW. Thus, from now to 2030 the power industry will need to develop an additional 75,100MW of capacity, averaging 7,500MW per year.

Until 2019, all power projects had been built and operated by state-owned enterprises. However, up to now, the scale and proportion of private investors has been increasing.

Specifically, as of the end of 2019, some 19,253MW had been developed by the private sector (including power plants invested in the form of IPP and build-operate-transfer (BOT)), accounting for 34.4% of the total national capacity.

Potential for private investors

From now to 2030, some US\$7-8 billion is needed to develop 7,500MW of power capacity each year, indicating large potential of the power industry, Deputy Minister Hoang Quoc Vuong said.

In recent years, a spate of incentive policies have attracted private invest into energy development in Vietnam. However, in this process, private investors have faced a wide range of hurdles such as out-of-date policies; poor transmission system; lack of coordination between state agencies and local authorities in supporting investors (land compensation and site clearance).

Besides, Dung from the ERED stressed the importance of the planning of electricity system development which sets the direction for the development of the electricity industry and orientation of target power supply values; determines the scale and progress of power source and grid works, and proposes solutions for implementation of the planning.

5. Apple partner Pegatron mulls US\$1-billion investment in hi-tech projects in Vietnam

Taiwan-based Pegatron, manufacturing partner of the world's major tech firms such as Microsoft, Apple or Sony, has plans to invest US\$1 billion to build a manufacturing complex at Nam Dinh Vu industrial park in the northern city of Hai Phong, according to a report from the Ministry of Planning and Investment (MPI).

Following the report, the investment would be channeled into three projects which are:

The first one is the Pegatron Vietnam 1 that will have an investment of US\$19 million. The project already acquired investment license from the Management Board of Hai Phong economic zone on March 17.

For the Pegatron Vietnam 2 (US\$481 million), the investor is currently applying for an investment license.

The Pegatron Vietnam 3 (US\$500 million) is scheduled to be implemented in the 2026 – 2027 period.

Meanwhile, Pegatron is also planning to move its R&D center from China to Vietnam in an appropriate time which should be around the realization of the Pegatron Vietnam 3 in 2026 – 2027.

At present, the Taiwanese firm is submitting a proposal of the Pegatron Vietnam 2 to the Management Board of Hai Phong economic zone. Once completed, the plant would produce household appliances, computers, phones, electronic components, among others.

These projects are expected to create 22,500 direct jobs and contribute around VND100 billion (US\$4.31 million) to the state budget per year.

With the move, Pegatron would join Apple's two other iPhone assemblers -- Wistron Corp. and Hon Hai Precision Industry Co. -- in developing manufacturing facilities or building extra capacity in Vietnam.

The report also revealed that the MPI is working with Universal Global Technology, a member of ASE Technology Holding (Taiwan, China), in investing in a manufacturing plant specialized in making circuit board for watches, smart phones, headphones for Lenovo and Samsung.

The total investment of the first phase of the project is estimated at US\$200 million, and the amount could rise to US\$400 million after three years in operation.

The MPI suggested these hi-tech projects would lay the foundation for Vietnam to further attract investors being suppliers of transnational tech giants and form an electronic production hub in Hai Phong.

Taiwanese companies have been particularly active in their search for options, with companies from Inventec Corp. to Foxconn Technology Group either moving production back home or to more distant regions around Asia, seeking to escape US tariffs.

Head of the Taipei Economic and Cultural Office in Hanoi Richard Shi in a meeting with the MPI's representatives on August 31 said a second wave of investment from Taiwanese investors to Vietnam is happening following the first one in the 1990s.

6. Exporters bank on EU trade pact for pandemic relief

Trung An Hi-Tech Farming Jsc in the Mekong Delta city of Can Tho exported its first batch of Vietnamese rice to the E.U. last month with zero tariffs under the

EU-Vietnam Free Trade Agreement (EVFTA) that took effect August 1.

It shipped 150 tonnes out of a total 3,000 tonnes that will be delivered to Germany and France this year.

Buyers paid \$1,000 for a ton of the company's ST20 rice grown in the southern province of Soc Trang. This is the highest price ever recorded for Vietnamese rice.

Another exporter, Thoai Son Food in the southern province of An Giang, plans to export 126 tonnes of Jasmine 85 rice to the E.U. by the end of this month.

At least six other companies have registered to export 4,300 tonnes of rice to the E.U. this month, according to the Ministry of Industry and Trade.

The rising number of orders from the E.U. follows the EVFTA giving Vietnam a tariff-free rice export quota of 80,000 tonnes a year.

Other types of agriculture produce also enjoy reduced or zero duties under the pact.

Several exporters this month have announced or shipped their first batch of coffee, passion fruit, coconut, green grapefruit and dragon fruit to the E.U.

One of them, the Vina T&T Group in Ho Chi Minh City, plans to export 20,000 coconuts, 12 tonnes of grapefruit and three tonnes of dragon fruit to the bloc soon.

Rising orders

Its CEO Nguyen Dinh Tung said the company will export about 20 tonnes of fruits weekly to the E.U. from now on. He said that since the trade pact was implemented, there has been an increase in the number of orders from this market.

The trade pact has helped lower the prices of Vietnamese fruit, making them more competitive

than those from Thailand, Indonesia, China and Malaysia, he added.

Seafood exporters are also reaping benefits of the new trade agreement. Shrimp exports to the E.U. rose nearly 16 percent year-on-year in August to \$58.8 million after duties on the giant tiger prawn were eliminated, according to the Vietnam Association of Seafood Exporters and Producers (VASEP). Earlier the duties stood at 4.2 percent.

Nguyen Van Kich, CEO of Cafatex Fishery Jsc in the Mekong Delta province of Hau Giang, said since the trade pact took effect, many buyers have started to place orders again after months without any major activities due to Covid-19 impacts.

He added Vietnamese shrimp quality is higher than that of India, Thailand and China, and therefore the zero tariff will give exporters a major advantage.

"The EVFTA could urge European buyers to replace shrimp from Thailand, India and China with that from Vietnam. We expect increasing number of customers."

VASEP said rising exports of shrimp to the E.U. will contribute to a total shrimp export growth of 8 percent this year to \$3.6 billion.

The recent increase in exports to the E.U. bloc has been a fillip to Vietnamese agriculture and seafood producers who were hurting from travel restrictions and dwindling global demand as a result of the pandemic.

Exports to the E.U. in the first eight months fell 8.9 percent year-on-year to \$29 billion, with declining value in smartphones, textile and garment and agriculture produce, according to Vietnam Customs.

7. Central city green-lights ready-built factory project

The park's management board said the project will have total investment of VNĐ600 billion (US\$26 million) to build factories from 5,000sq.m to 20,000sq.m and infrastructure facilities.

It's the second such investment made at the park after Long Hậu Corporation poured \$46.4 million into boosting logistics services for hi-tech investors.

Sài Gòn Invest Group said it had projects in 30 industrial zones nationwide, and the new project in Đà Nẵng would offer more favourable conditions to lure investment from domestic and foreign companies in the coming years.

According to the board, one foreign direct investment project worth \$60 million and 12 domestic projects valued at VNĐ1.25 trillion (\$54.35 million) had been licensed at the park and IZs in the first nine months this year.

To date, the city's IZs and Hi-Tech Park have attracted 490 projects including 128 FDI projects with a total of \$1.6 billion, and \$1.1 billion from 362 domestic investors.

The 1,100ha Đà Nẵng Hi-Tech Park in Hòa Vang District, 20km west of the city, was designed as a 'green' hi-tech hub for the development of the northwest region. It alone drew 22 projects worth \$400 million from FDI and VNĐ6.3 trillion (\$274 million) from domestic sources.

In March, the Universal Alloy Corporation (UAC) from the US launched the first stage of the Đà Nẵng-based Sunshine Aerospace components manufacturing plant.

UAC said it planned to manufacture over 4,000 different aerospace parts at the Đà Nẵng-based plant to supply Boeing, Airbus, Embraer and Bombardier, and would export these parts to North America, Europe and Asia.

It's also the first aerospace parts project of the UAC in Việt Nam and Asia, with total investment of \$170 million.

Other FDI enterprises – Tokyo Keiki Precision Technology Inc and Niwa Foundry from Japan; Dentium company from South Korea – have already operated factories at the park to meet export and domestic market.

Đà Nẵng has been calling for investment from Silicon Valley and the US in healthcare, hi-tech industries, Artificial Intelligence, education, real estate and automation at the Đà Nẵng Hi-tech Park and IZs.

Corporate News

8. HBC: HBC wins new construction projects

↑ 6.70%

Hoa Binh Construction Group Joint Stock Company has assigned new construction packages with the total contract value of nearly VND780 billion, including:

1. Project: Sea Stars Ha Long Hotel Project
- Investor: Gia Minh Quang Ninh Travel and Investment Joint Stock Company
- Location: Bai Chay, Ha Long city, Quang Ninh province.

2. Project: Samsung Ha Noi Development and Research Complex

- Investor: Samsung Electronics Vietnam

Location: lot B1CC3, Tay Ho Tay Urban Area, Bac Tu Liem District, Hanoi.

3. Project: Lotte Mall Trading Center

- Investor: Lotte CM

- Location: Phu Thuong Ward, Tay Ho District, Hanoi.

9. SBT: BOD resolution on holding AGM 2019 - 2020

↑ 0.35%

The Board resolution dated September 21, 2020, the Board of Directors of Thanh Thanh Cong – Bien Hoa Joint Stock Company approved to hold the fiscal year 2019 - 2020 Annual General Meeting of Shareholders as follows:

- Record date: October 13, 2020
- Meeting date: October 28, 2020
- Meeting venue: Tan Hung Commune, Tan Chau District, Tay Ninh Province.

Research Team:**Tsugami Shoji**

Researcher

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

Website: www.japan-sec.vn