



Highlight

Vietnam's e-commerce forecast to grow 20% in Q4

VIETNAM BUSINESS REVIEW

What's in it today?

Vol 42, Oct 21st 2020



FINANCE

Shares rise for eighth consecutive session as cash flow increases

Funds cut stakes at ACB



E-COMMERCE

Vietnam's e-commerce forecast to grow 20% in Q4

Vietnam's mobile commerce is set to open up avenues for startups

Social Bella expands its beauty e-commerce biz into Vietnam on the back of its recent US\$58M funding



INVESTMENT

Japanese investor to build hi-tech R&D hub in Da Nang

Thai billionaire, European brewer lose money in Sabeco investment deal

Investors see agricultural processing sector as ripe for plucking



ENERGY

Rooftop solar power popular in southern provinces

Solar power: projects line up, policy under consideration



LOGISTICS

New FTAs puts logistics in limelight

Government support needed for investment in cold storage, says VASEP

Long Thanh Airport: investment rate high, ACV may lack money



RETAIL

Mobile phone retailers shift to other services as market saturated

Tetra Pak & MM Mega Market to collect used beverage cartons at supermarkets

Nutifood becomes first Vietnamese milk brand available at Walmart

FINANCE

Shares rise for eighth consecutive session as cash flow increases

Shares recovered from early losses on Tuesday to inch upwards, marking the eighth consecutive gaining day as cash flow increased at the end of the session and pushed up many large-cap stocks.



A Vincom Centre developed by Vincom Retail (VRE). VRE rose 0.37% on Tuesday

The benchmark VN-Index on the Ho Chi Minh Stock Exchange gained 0.08% to close trading at 944.42 points. The index had risen 2.8% in the last seven trading sessions.

More than 444.3 million shares were traded on the southern bourse, worth VND9.2 trillion (US\$396.9 million).

Market breadth was neutral with 189 decliners and 200 gainers.

The VN30-Index, which tracks the performance of the 30 largest stocks by market capitalisation and liquidity on

HoSE, increased 0.66% to close Tuesday at 909.49 points.

In the VN-30 basket, 17 stocks gained ground, 10 decreased and three remained flat.

Cash flow was injected into banking stocks like Asia Commercial Joint Stock Bank (ACB), Bank for Investment and Development of Vietnam (BIDV), Vietcombank (VCB), Sacombank (STB), Military Bank (MBB), VPBank (VPB) and Techcombank (TCB).

Other blue-chip stocks also performed well and rescued the VN-Index from early losses such as Vingroup (VIC), Vinhomes (VHM), Vincom Retail (VRE), steel company Hoa Phat Group (HPG) and Masan Group (MSN).

On a sector basis, 13 out of 25 sector indices gained ground, including real estate, retail, energy, banking, rubber production, seafood processing, construction materials, logistics, plastics and chemical production.

On the other side, 12 sector indices lost steam, including wholesale, insurance, securities, information and technology, health care, food and beverage and construction.

The minor HNX-Index on the Hanoi Stock Exchange decreased 0.4% to end Tuesday at 140.33 points.

The northern market index had gained 0.76% to close Monday at 140.88 points.

More than 49 million shares were traded on the northern exchange, worth VND771 billion.

Foreign investors net sold VND952 billion on HOSE. They were net buyers on the HNX with a value of VND6.07 billion. — VNS

Funds cut stakes at ACB

Two investment funds have cut their stakes at Asia Commercial Joint Stock Bank (ACB) after the lender saw its market value soar in the last three months. The two shareholders are First Burns Investments Limited and Asia Reach Investments Limited.

The funds are related to Dominic Timothy Charles Scriven, a member of the board of managers at ACB, also the founder and executive chairman of Viet Nam-focus investment firm Dragon Capital.

First Burns Investments Limited has sold 32.9 million ACB shares to cut its ownership to 53.5 million shares or 2.48% of the capital from 86.4 million shares (4% stake).

Asia Reach Investments Limited has also offloaded 13.7 million ACB shares to cut its stake to 54.3 million shares (2.51% of the capital) from 68 million shares (3.15% of the capital).

The two funds registered their transactions on October 9. The two deals were finalised on October 12.

Three days earlier, nearly 40 million ACB shares were transferred in put-through transactions at VND24,000 (US\$1.03) per share. On October 12, nearly 5.9 million ACB shares were also traded at VND24,000 apiece.

ACB shares, listed on the Hanoi Stock Exchange with code ACB, moved between VND23,000 and VND23,800 per share on October 9-12. The northern lender has recently filed for moving its shares to the Ho Chi Minh Stock Exchange from the Hanoi Stock Exchange.

Accordingly, the bank plans to cancel listing on HNX and switch to list entirely its 2.16 billion shares on HoSE. The bourse-switching plan is expected to complete in the coming weeks.

The Hanoi-based lender has seen its shares rocket in the last three months. ACB shares have soared a total of nearly 51% since July 27.

ACB shares gained 2.4% to VND25,300 apiece on Monday. In the first six months of 2020, ACB reported net revenue of total VND6.53 trillion, up 13.4% on-year.

The result was driven by the bank's impressive earnings from trading securities, which jumped from a loss of VND8 billion in the six-month period of 2019 to a profit of VND662 billion in January-June this year. In addition, income from foreign currency trading surged 98% on-year to VND295 billion in the first half.

However, as income from other business activities slumped 83% on-year to VND102 billion and expenses for salary and bonus, operation, and risk provision rose sharply, ACB posted only a 5.4% on-year increase in pre-tax profit, which reached VND3.82 trillion in the first half of the year. — VNS

[Back to top](#)

E-COMMERCE

Vietnam's e-commerce forecast to grow 20% in Q4

Vietnam's e-commerce market is forecast to climb 20% in the last quarter of this year to reach US\$12 billion by year end if the COVID-19 pandemic is brought under control.

This is the forecast by the Ministry of Industry and Trade (MoIT) in a recent report on Vietnam's e-commerce market against the backdrop of the COVID-19 pandemic.

In the early stages of the pandemic (from February to April), 57% of surveyed e-commerce-related businesses reported their revenue growth was below 30% compared to the same period of 2019 with some even seeing negative growth, the report said.

However, 24% of businesses saw revenue increasing more than 51%.

E-commerce revenue in the first six months declined 6% year-on-year despite the number of transactions increasing by 25%. Most transactions at that time were of low value.

Under circumstances when the disease is kept at bay, the ministry forecasts e-commerce revenue to rise 20% in the last three months to reach \$12 billion.

If the pandemic worsens, impacting production and consumption, supply and operations of transport and catering services, growth could reach only 13% with estimated market value of \$11 billion.

Vietnam is one of the most dynamic e-commerce markets in the world with an average growth rate of more than 30% per year in the last five years.

In May, the Government approved the national e-commerce development master plan for 2021-25, targeting annual industry growth of 25% with more than half of the population shopping online and average spending of about \$600 per person per year by 2025.

The market size is expected to reach \$35 billion by 2025, ranking third in Southeast Asia.

Business-to-consumer (B2C) sales will rise 25% per year, accounting for 10% of total retail sales of goods and services. Cashless payments in e-commerce would make up 50% and about 70% of transactions on e-commerce platforms would have electronic invoices.

At the same time, the gap in e-commerce development between Hanoi and HCM City and other localities is also expected to narrow.

To achieve this goal, the MoIT is building mechanisms and policies to promote digital transformation and enhance the capacity to manage and organise e-commerce activities and boost consumer confidence.

In the first nine months of this year, the authority handled more than 2,200 cases of e-commerce violations and other acts of taking advantage of e-commerce to trade in smuggled goods, goods of

unknown origin, goods infringing intellectual property rights and counterfeit goods with fines worth more than VND16 billion (\$690,000).

A number of cases attracted attention including fake products sold by Ansan Cosmetics chains and through the Kagawa.vn platform, as well as food safety scandal of Minhchay.com.

In addition, since the beginning of the year, the ministry has asked e-commerce platforms to review and remove nearly 223,600 shops and more than one million products, handling more than 30,000 violating shops with nearly 48,000 products. — VNS

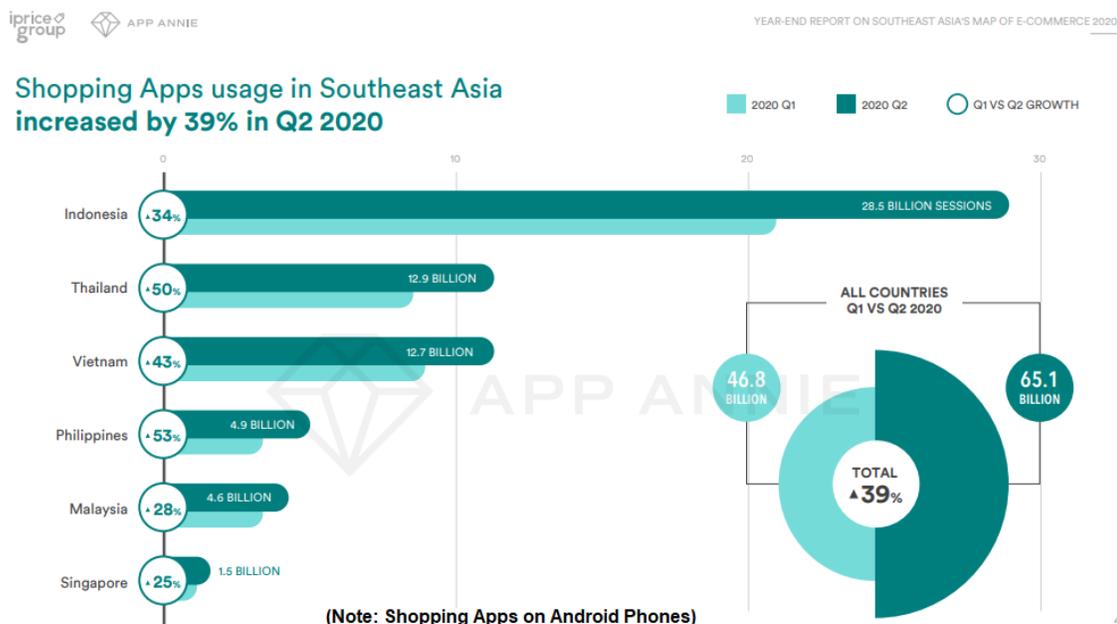
Vietnam's mobile commerce is set to open up avenues for startups

Mobibe commerce platforms in Vietnam enjoyed a huge boost --thanks to the influence of COVID-19. According to iPrice Group and App Annie's data for Android phone users, the total number of sessions on online shopping applications in Vietnam reached 12.7 billion in Q2, the highest ever and up 43 per cent compared to the Q1 2020.

This amazing growth rate is also higher than that of most other countries in the region.

Their data also shows that shopping activity in all of Southeast Asia (SEA) increased by 39 per cent quarter-over-quarter. In Singapore, it increased by 25 per cent while Indonesia is increased by 34 per cent.

In terms of specific numbers, Vietnam also ranks third in SEA in terms of the total sessions on shopping applications (Android phone), accounting for a whopping 19.5 per cent of the region's market share. Vietnam ranks only behind Indonesia and Thailand, missing the second place by only 0.2 billion sessions.



This major development is not a big surprise for anyone who has been following Vietnamese e-commerce closely.

As with many of the e-commerce startups in SEA, online retailers in Vietnam have achieved phenomenal growth in recent years. According to the e-conomy Southeast Asia report 2019 by Google, Temasek, and Bain, the internet economy of Vietnam has reached a value of US\$12 billion in 2019, with an annual growth rate of 38 per cent since 2015 and is expected to surge to US\$43 billion by 2025.

Adsota's 2019 report also put Vietnam among the top 15 countries in the world with the biggest number of smartphone users. With an adoption rate of 44.9 per cent, even higher than Indonesia's 31.1 per cent, Vietnam is truly a mobile-first country and online shopping is not an exception.

E-commerce spreading to mobile applications has been predicted for a long time. By the end of 2019, major e-commerce startups in the country have all started to apply their own new features aiming at mobile users: Tiki has TikiLive, Shopee has Shopee Feed, Sendo has SenLive, etcetera.

Majority of these features encourage users to interact more and stay longer with the shopping apps through entertaining activities such as video games, livestreaming, or flash sales, some of which might not even look like something you would expect from a shopping app.

Last year, for 11.11 campaign, Lazada Vietnam live streamed an entire concert on their app. This year, Sendo experimented with streaming online classes for students who had to stay at home for social distancing.

The sudden arrival of COVID-19 in early 2020 became of definitive turning point for Vietnam's e-commerce to accelerate the process. With more people staying at home, and with the increasing demand for online entertainment, Q2 became the ideal condition for e-commerce startups to apply the features they have been testing. And as data now shows, these efforts have been bringing in great successes.

Notably, at the same time, the total number of visits to the top 50 e-commerce websites in Vietnam decreased slightly by one per cent compared to Q1, according to SimilarWeb's data.

In that context, the competition, unfortunately, seems to be overwhelmed by foreign businesses. According to iPrice Group and App Annie, the top 10 most used online shopping apps in Vietnam in Q2 were Shopee, Lazada, Tiki and Sendo, followed by a series of foreign apps. Thegioididong is the only domestic app apart from Tiki and Sendo in the top 10.

There are then certainly big opportunities for local startups to move in and truly take advantage of this jump in mobile shopping usage.

One such player is VinShop by Vietnam's conglomerate Vingroup who launched their mobile app right this October. Aiming at traditional mom-and-pop retail stores, VinShop wants to connect manufacturers and shops through their app with a B2B2C model.

Social Bella expands its beauty e-commerce biz into Vietnam on the back of its recent US\$58M funding

Vietnam's beauty and personal care market remains resilient despite the pandemic. Indonesia-based Social Bella, which runs a string of internet properties in the beauty commerce space, including e-commerce marketplace Sociolla, has announced its first international entry into Vietnam.



The news comes shortly after company raised US\$58 million in Series E funding round from Temasek, Pavilion Capital and Jungle Ventures in July.

Social Bella said it will expand into the new market through its e-commerce unit Sociolla.

“Vietnam shares many similarities with Indonesia. We believe that it is the right market for our first international expansion plan,” Co-founder Christopher Madiam said.

Launched in 2015, Social Bella has evolved from being beauty e-commerce to a complete ecosystem that seeks to unlock Indonesia’s growing beauty and personal care market. The company claims that it has created several business units and is estimated to serve around 30 million users in 2020.

One of its major goals is to empower customers to use local brands. ESQA, a vegan cosmetics brand in Indonesia, is one of the local brands that joined Social Bella to expand their market to Vietnam.

“Many Indonesian beauty brands are innovative and they have excellent quality while maintaining affordable price points. The objective will not only be to open distribution access but it will also provide end-to-end supports to ensure proper launch there. To this end, we work closely with our partners to develop a holistic growth plan for Vietnam,” CEO of Social Bella, John Rasjid informed.

According to a report by Cosmetics Design Asia, Vietnam’s beauty and personal care market remains resilient despite the pandemic. The beauty sector in Vietnam specifically saw approximately 80 per cent growth incremental beauty spend coming from online channels.

“Even during COVID-19 pandemic, we can maintain our commitment to serving our consumers in a relevant way while remaining competitive. This year, Social Bella steps out to serve customers in our neighbouring country, while supporting more beauty brands,” Rasjid said.

Last year, Social Bella completed its ecosystem as an integrated beauty-tech and end-to-end brand distributor in Indonesia by launching a flagship omnichannel store in Lippo Mall Puri.

At present, Social Bella owns six physical stores across Indonesia.

[Back to top](#)

ENERGY

Rooftop solar power popular in southern provinces

According to the Electricity of Vietnam (EVN), the total capacity of rooftop solar power projects in southern provinces now makes up 60% of its total solar power capacity nationwide.

The Southern Power Corporation (EVNSPC) has developed 15,579 clients so far this year with total solar panel installation capacity of over 572 million kWp, or 63% higher than the target set for 2020 (350 MWp).



In Sept, EVNSPC signed contracts on installing 2-way electricity meters with 3,231 customers with the total installation capacity of 157 mln kWp.

The total electricity output that customers provided to the national grid was 55.3 million kwh in September and 250.7 million kwh so far this year. In the first nine months of the year, the

corporation paid VND360 billion for 171.6 million kwh.

According to Nguyen Van Ly, deputy general director of EVNSPC, as of the end of September, the entire system of EVNSPC had 3,426 MWp of solar power operating on the grid.

This included 54 on-grid solar power projects with the total capacity of 2,674 MWp in the provinces of Binh Thuan, Tay Ninh, Long An, An Giang, Ba Ria – Vung Tau and Ninh Thuan, an increase of 90 MWp over August. More than 26,190 clients installed rooftop solar power systems with the capacity of 752 MWp, which accounted for 60% of total rooftop solar power capacity of EVN.

A high number of EVNSPC's big clients developing rooftop solar power systems are manufacturing enterprises in IZs.

EVNSPC has carried out campaigns and shown businesses the benefits of using rooftop solar power to persuade them to use solar power. From a vague concept, solar power has now become familiar in people's life, bringing a lot of benefits – helping people and businesses save money, protecting the environment and easing the pressure on the national grid.

The southern region has great advantages in natural conditions to develop solar power with relatively high radiation density compared with the country's average level.

In the provinces from Ninh Thuan to the south, the solar energy source is very good and is available all year round, except on rainy days. Solar energy can be used 90% of the time.

With the advantages in climate, Vietnam has great potential in solar power with 1,600-2,700 sunshine hours a year and average radiation level of 4-5 kwh/kWp a day.

EVNSPC's clients are not only households, but also agencies, schools, hospitals, restaurants, hotels and workshops. In an effort to encourage the installation of solar power systems, EVN on September 9 launched the rooftop solar power platform named EVNSOLAR.

EVNSOLAR is on the website at <https://solar.evn.com.vn>, providing comprehensive solutions to investors who are households and businesses with roofs, wishing to develop rooftop solar power projects.

Solar power: projects line up, policy under consideration

Tens of solar power projects are awaiting to be added to the list of power generation projects to be developed. Meanwhile, ministries are still discussing the new pricing mechanism after the preferential FIT expires.



The Prime Minister has agreed on adding another 21 projects with the total capacity of 1,000 MW to the plan, and 103 other projects with the capacity of 10,000 MW have completed procedures to be added to the plan.

The Ministry of Investment and Trade (MOIT) is collecting opinions from ministries and local authorities on the draft Prime Minister decision on launching a pilot program on solar power pricing.

The reason, according to MOIT, is that more time is needed to build the bidding mechanism in accordance with the Prime Minister's Decision No 13.

The FIT (feed in tariff) mechanism stipulated in Decision 13 is applied only to projects put into commercial operation prior to January 1, 2021.

The projects that cannot meet this requirement won't be able to enjoy the FIT mechanism, but the prices will be defined through 'competition'.

In Decision 13, the Prime Minister assigned MOIT to design a bidding mechanism for solar power projects and draft the roadmap for the implementation.

MOIT says it is necessary to create a bidding mechanism to choose investors and investment projects to serve as the foundation for determining solar power purchasing prices.

However, the current laws still don't have regulations on choosing investors for solar power project development in terms of electricity purchasing prices.

The ministry needs more time to study and design a competitive bidding mechanism which ensures transparency in pricing and improves state management efficiency in investment.

This means that after the FIT mechanism stipulated in Decision 13 expires (December 31, 2020), the bidding mechanism for solar power projects would still not be set.

Meanwhile, as reported by MOIT, eight solar power projects which have been added to the national power development plan with total capacity of 610 MW, cannot meet the requirements to enjoy the FIT mechanism stipulated in Decision 13.

The Prime Minister has agreed on adding another 21 projects with the total capacity of 1,000 MW to the plan, and 103 other projects with the capacity of 10,000 MW have completed procedures to be added to the plan.

All these projects will have to wait for the new policy. This means that if MOIT doesn't have a pilot program on defining solar power prices, they will have no other choice than to wait. Projects to become operational prior to July 2022 will get benefits

MOIT said that in the transition period from FIT to bidding mechanism, the projects named in the national power development plan that cannot meet the requirements to enjoy FIT will be subject to the pilot program.

As of the end of August 2020, 92 solar power project had been put into operation with total installation capacity of 6,165 MWp.

MOIT has reaffirmed the high possibility of lacking electricity in 2021-2024. The volume of electricity in deficiency will rise from 400 million kwh in 2021 to a peak of 13.3 billion in 2023 before decreasing to 11 billion kwh in 2024.

One of the solutions to mitigate the risk is stepping up the development of renewable power, especially solar power, which can be implemented rapidly and put into operation in 2021. The total solar power capacity expected to be developed is 14,450 MW by 2025 and 20,050 MW by 2030.

According to MOIT, the pilot program aims at several goals, including ensuring the continuity of policies on encouraging solar power, thus mobilizing power sources and ensuring supply amid the risk of electricity shortage in the southern region.

Under the draft decision on launching the pilot program, from November 2020 to May 2021, projects will be selected based on the prices to be offered. From 2021 to June 2022 procedures and implementation of projects will be followed.

The pilot program will be applied to solar power projects listed in the national power development plan and it will be valid only to floating and on-grid solar power projects.

[Back to top](#)

RETAIL

Mobile phone retailers shift to other services as market saturated

The mobile phone retail business is believed to be saturated and will continue to face difficulties in growth.

To solve the problem of revenue and profit, leading businesses in mobile phone retail are making strong changes, expanding into many different business fields.

There are not many retail businesses distributing mobile phones on the stock exchange.

Large companies on the stock exchange include Mobile World Group (MWG), FPT Digital Retail JSC (FRT) and Digiworld Corporation (DWG).

Despite the heavy impact of COVID-19, MWG's net revenue and pre-tax profit in the first six months of this year still recorded growth of 7.8% and 2.2% respectively over the same period last year.

In the first six months of 2020, MWG's market share in the mobile phone segment has risen to more than 50% from 48% at the end of last year.

However, the group's The Gioi Di Dong chain's revenue decreased by 15% year-on-year as the mobile phone market has been saturated and people were tightening their spending due to COVID-19.

To increase revenue, MWG has implemented more related services such as payment instalments money transfer, electricity and water bill collection.

The implementation of these services does not incur any additional costs, so net profit margin will improve as revenue from these services increase.

A MWG representative told the Vietnam News Agency that the monthly revenue from these services is over VND10 trillion (US\$), which is greater than the revenue of its The Gioi Di Dong chain.

The group's management board sees instalment service as a new opportunity for MWG, therefore, they will focus and exploit the service.

MWG recorded about VND3.6 trillion (US\$) in revenue from other services in the six months, equivalent to a contribution of about VND200-300 million in revenue per store per month.

For FRT, this is the second largest mobile phone retail chain in terms of market share and network in Vietnam.

FRT's after-tax profit was more than VND15.8 billion in the first quarter of this year, declining 90% compared to the same period last year.

VietCapital Securities (VCSC) assessed that FRT's mobile phone segment still faced many challenges in the context of economic disruption related to COVID-19, low growth of the industry and competition from top companies like MWG.

FRT's mobile phone segment in the second quarter decreased by 24% compared to the same quarter last year.

Facing difficulties from the mobile phone retail segment, FRT has accelerated the opening of pharmaceutical retail stores.

FRT had 596 mobile phone stores by the end of the second quarter, while there were 593 stores at the end of last year.

However, its pharmacy chain has increased from 70 stores by the end of last year to 135 stores by the end of the second quarter.

The two leading companies in the mobile phone retail market have made big moves in order not to depend too much on revenue from this segment. However, there are also businesses that take advantage of the opportunity, increase market share and revenue in the mobile phone retail segment even in the difficult context.

For example, DGW, although the impact of the COVID-19 pandemic reduces the consumption of the mobile phone segment, the company still achieved a high growth rate thanks to effective market development for Xiaomi, which currently accounts for about 10% of the mobile phone market share in Vietnam.

DGW's mobile phone segment ended the first half of the year with revenue reaching nearly VND2.3 trillion, up 48% over the same period last year. — VNS

Tetra Pak & MM Mega Market to collect used beverage cartons at supermarkets

Swedish food processing and packaging solutions provider Tetra Pak has cooperated with MM Mega Market Vietnam to launch public drop-off stations for collecting used beverage cartons at seven MM Mega Market centres in HCM City and Hanoi in 2020.

Consumers can take used beverage cartons to those public drop-off stations for recycling. Cartons are then collected periodically twice a month by Lagom and NHC – Tetra Pak's partners – and transported to Dong Tien paper factory in Binh Duong Province for recycling.

MM Mega Market is a large wholesaler and retailer in Vietnam with a network of 20 centres in 15 provinces and cities nationwide. MM Mega Market is known as a pioneer in environment protection with practical initiatives such as encouraging customers to use reusable bags and cardboard boxes for goods packaging instead of plastic bags.



Tetra Pak has cooperated with MM Mega Market Vietnam to launch public drop-off stations for used beverage cartons at seven MM Mega Market centers in HCM City and Hanoi — Tetra Pak

As a Sweden-based company with a strong commitment to quality and sustainability placed at the core of its business, Tetra Pak has continuously promoted the collection and recycling of beverage cartons provided by the company to the Vietnamese market. To date, Tetra Pak has 56 public drop-off stations in Vietnam so that consumers can bring their used beverage cartons for recycling.

In addition, the company piloted the School Recycling programme in HCM City in 2017 and officially implemented it on a large scale in Hanoi in 2019. Tetra Pak also collaborated with other leading consumer goods and packaging companies to establish the Vietnam Packaging Recycling Organization (PRO Vietnam) with a common goal of all packages by PRO members to be recycled by 2030. — VNS

Nutifood becomes first Vietnamese milk brand available at Walmart

The Vietnam Nutrition Food JSC (Nutifood) has announced that its soymilk products are now available in 450 Walmart supermarkets across China, making it the first Vietnamese milk brand to be accepted by the US-based multinational retail chain.



Nutifood products on Walmart shelves

According to Nutifood CEO Tran Thi Le, the company had to meet more than 250 strict criteria from Walmart, including those relating to material quality and production processes, transportation security, human resources policies, and social responsibility.

The success has helped Nutifood gain better access to China's market of 1 billion people, who collectively consume up to 15 billion litres of soymilk each year - the largest amount worldwide.

In addition to the Chinese market, Nutifood's products are also on the shelves of Walmart stores in the US. Its Pedia Plus milk products were given the green light by the US Food and Drug Administration in 2018.

[Back to top](#)

LOGISTICS

New FTAs puts logistics in limelight

New-generation free trade agreements are increasing the importance of domestic logistics groups, with Vietnam emerging as a safe yet high-return market for overseas parties pouring money into new developments.

Sydney-based growing logistics developer LOGOS last week announced completion of its first acquisition in Vietnam – a 13-hectare development site located in the northern province of Bac Ninh’s Vietnam-Singapore Industrial Park. The move follows the establishment of LOGOS Vietnam Logistics Venture last month, which has an initial forecast portfolio of approximately \$350 million by gross asset value.

Similarly, TM Insight, an Asia-Pacific consulting company specialising in supply chain, property advisory, and property management services, has recently acquired XAct Solutions, a supply chain and industrial property advisory firm based in Australia with a footprint across Asia, including Vietnam.

Some of the solutions with which TM Insight plans to support businesses in Vietnam include diversifying sourcing. With Vietnam now becoming a location of choice for businesses seeking manufacturing capabilities outside of China, TM Insight sees the opportunity to work with businesses here to leverage this situation.

Most recently, South Korea’s KCTC Vietnam Ltd. also tied up with Tan Cang Cai Mep Container Terminal JSC (TCCT) to develop the port warehouse and logistics industries in Vietnam. Established in 2008, KCTC Vietnam is a foreign-invested enterprise with 49% South Korean funding. The company focuses on multimodal transport business, good storage, as well as cargo handling, warehousing, and logistics consulting services.

Meanwhile, TCCT is a subsidiary of Saigon Newport Corporation, established in 2007. Put into operation in 2009, TCCT is Vietnam’s first deep-water seaport, capable of receiving ships up to 160,000 deadweight tonnage. TCCT has teamed up with KCTC to handle Out of Gauge shipments in the Cai Mep port area. The new partnership is expected to pave the way for promising development for both firms in logistics.

In August, the International Finance Corporation, a member of the World Bank Group, provided a financing package of \$70 million to Vietnam’s Indo Trans Logistics Corporation (ITL) in an aim to support the development of the logistics sector, thus facilitating trade and enhancing the competitiveness of the country’s economy during COVID-19.

This funding will help ITL transform and grow by acquiring new assets, developing new warehouses and facilities, and deploying advanced information technology systems.

Likewise, some European investors are keen on developing a \$1-billion logistics complex in the southern province of Ba Ria-Vung Tau to capitalise on the growing trade demands from the entry of the EU-Vietnam Free Trade Agreement.

At last month's meeting with Prime Minister Nguyen Xuan Phuc, the Netherlands' Ambassador to Vietnam Elsbeth Akkerman and Belgian Ambassador to Vietnam Paul Jansen said that they both support the project, which will help enhance cooperation and investment between the EU and Vietnam.

Julien Brun, managing partner at CEL Consulting, told VIR that this is a very favourable time for Vietnamese logistics investment, with Vietnam still set to enjoy economic growth in 2020 while all other countries in ASEAN are going to face recession.

According to Brun, when industrial production volume grows, logistics needs to absorb this increase of volume. Furthermore, as industries mature, the need for more advanced logistical solutions becomes critical as a way to optimise cost.

"A good example is the cold chain where seafood manufacturers have to show that not only manufacturing is compliant to international norms, but also the whole supply chain. Traceability can only happen with modern logistics as it requires to record every single transfer from raw materials to final consumer. Without proper IT infrastructure, this traceability cannot happen," Brun said.

Brun also pointed out that more manufacturers are willing to outsource their logistics to third-party logistics companies. As logistics is very demanding from an operational standpoint, it becomes quickly more cost-efficient to delegate the logistics operations to a specialised company. VIR

Government support needed for investment in cold storage, says VASEP

The COVID-19 pandemic has worsened the shortage of cold storage space in HCM City and surrounding areas as goods pile up as a result of lack of demand.

Nguyen Thanh Khue, director of a food import company in the city, said: "Goods cannot be exported, imported goods cannot be sold because people limit spending, and so inventories continue to increase. Many enterprises that plan to import have to stop because there is no storage space."

The price of renting cold storage in city is US\$0.8-1 per tonne per day. But since investing in cold storage is very expensive, enterprises mainly rent space, he said.

General Secretary of the Vietnam Association of Seafood Exporters and Producers (VASEP), Truong Dinh Hoe, said seafood companies face a severe shortage of cold storage space, forcing them to cut purchases of fresh produce.

It would be difficult for Vietnam to find new markets after the pandemic, he said.

VASEP has asked the Ministry of Agriculture and Rural Development for policy support to help companies build their own cold storage facilities with a minimum capacity of 5,000 pallets including long-term loans without interest for the first two years and a 50% rate cut for the next four and a 50% cut corporate income tax for the first two years for cold storage businesses.

The domestic market too needs cold storage for the distribution of foods, and this demand is increasing with the development of modern retail, it said.

"Seafood processing factories now have cold storage facilities in place but their capacity is small and only meets a part of demand, and the rest must be outsourced. If their storage capacity is larger, businesses can buy more from farmers."

Real estate research firm CBRE Vietnam told the media that the lack of cold storage units was an opportunity for the cold storage sector. The growth of online sales and multi-channel retail could be an advantage for firms that have cold storage units near cities.

Last month ABA Cooltrans, Vietnam's leading cold chain logistics provider, inaugurated a new refrigerated distribution centre at the Linh Trung II Export Processing Zone in HCM City's Thu Duc District.

It is the company's third distribution centre after one more in HCM City and another in Hanoi. It increases the company's total area to around 5,000 square metres and capacity to 8,000 tonnes.

With its strategic location, the new centre, which cost VND250 billion (\$10.76 million), is expected to meet ABA customers' expanding storage, distribution and delivery needs for frozen and fresh foods in HCM City and other cities in the south-east.

According to a report by FiinGroup, an integrated service provider of financial data, business information, industry research, and other services, Vietnam's total cold storage capacity stood at 600,234 pallets in 2018.

It said due to rising demand for cold storage services, many providers are expected to expand.

Ken Research, a global publisher of market intelligence, said in 2016-21 Vietnam's cold chain industry achieved estimated CAGR of 10.4% thanks to its growing number of supermarkets and seafood exporters.

It estimated the market to grow to \$1.8 billion by next year. VNS

Long Thanh Airport: investment rate high, ACV may lack money

The Ministry of Finance (MOF) has warned about problems with the Long Thanh International Airport project, citing capital arrangement capability.

MOF has sent a document to the Ministry of Planning and Investment (MPI), showing its opinions about the draft report on the results of the feasibility study evaluation of Long Thanh International Airport (phase 1).

The draft report showed that the total investment capital after the verification and update in accordance with the Decree 68/2019 is VND109.111 trillion, or \$4.66 billion.

Verification consultants, after considering the figures about the investment rates of some airports in the world, noted that the investment rate per million of clients of Long Thanh, \$188 million per 1 million passengers, is 'at a high level'.

Meanwhile, the consultants pointed out that many materials, equipment and machines to be used for the project are available in the domestic market, and friendly to the environment.

Therefore, MOF has requested that MPI ask the verification consultancy firm to explain why the investment rate of Long Thanh project is higher than the other projects, as well as advantages and distinctive characteristics of Long Thanh compared with the projects (if any).

MOF also expressed its worries about the financial capability to implement the project, especially in the context of Covid-19.



Under a National Assembly resolution, the project will be implemented with capital to be mobilized from investors, without the government's guarantee. The component projects No 2 (the works that serve flight control) are worth VND3.176 trillion, will be implemented with capital from VATM (Vietnam Air Traffic Management Corporation), including VND1.588 trillion from

VATM equity and VND1.588 trillion from loans.

As for component projects No 3 (the essential works of the airport), the investment value will be VND93.088 trillion and will be developed with capital from the Airports Corporation of Vietnam (ACV), including VND36.102 trillion from ACV and VND56.989 trillion from mobilized capital.

This will be a huge amount of capital. Meanwhile, ACV is investing in a series of projects.

ACV has to allocate its resources to the upgrading of 21 out of 22 operational airports and terminals. Besides, it has proposed building the Dien Bien Airport, capitalized at VND1.539 trillion, and Na San Airport at VND2.295 trillion, and upgrading the T2 Terminal at Noi Bai Airport at VND4 trillion and T3 Terminal at Tan Son Nhat Airport at VND11.43 trillion.

VATM has also been assigned to implement many projects on building and upgrading airports, terminals and air traffic control station, and buying equipment to ensure flight operations.

Since March, Covid-19 has hit the whole economy hard and affected the aviation sector.

"The business results and the resource accumulation of ACV and ATM in 2020-2021 and in the time to come may be not as high as planned," MOF warned.

[Back to top](#)

INVESTMENT

Japanese investor to build hi-tech R&D hub in Da Nang

Authorities in Da Nang have approved an investment proposal by Fujikin Incorporated from Japan for an R&D centre at Da Nang High-Tech Park worth a total of US\$35 million.



An artist's impression of the Fujikin Da Nang R&D centre. Fujikin Incorporated from Japan plans to develop the centre with investment of US\$35 million at Da Nang Hi-tech Park. Photo courtesy Da Nang Hi-tech Park and Industrial Zones Authority

The Da Nang Hi-tech Park and Industrial Zones Authority (Da Nang HPIZA) said Fujikin Inc plans to produce air valves using semi-conductor production lines, as well as medical equipment, robots, new energy tech using hydrogen, facilities for the environment and Artificial Intelligence (AI).

It said the project will involve Nobel prize winner Amano Hiroshi (awarded together with Isamu Akasaki and Shuji Nakamura for the invention of efficient blue light-emitting diodes).

Fujikin Incorporated has inked a human resources training deal with Da Nang College for Science and Technology under

the Da Nang University to provide manpower for the Fujikin Da Nang R&D Centre.

It will be the first R&D centre of Fujikin in Vietnam as the company had developed one centre and three factories in Osaka and Tsukuba in Japan as well as plants in the US, South Korea and Ireland.

The company also plans to manufacture new technology, nano-tech and smart city-related information technology at the Da Nang-based R&D centre.

According to Da Nang HPIZA, a series of investors including aerospace components manufacturer Universal Alloy Corporation (UAC) of the US; Tokyo Keiki Precision Technology Inc and Niwa Foundry from Japan; and Dentium company from South Korea have already opened factories at the park.

The 1,100ha 'green' hi-tech park has attracted 22 projects worth \$400 million from FDI and VND6.3 trillion (\$274 million) from domestic investors.

Da Nang and LG agreed to develop an R&D Centre for car components at the park. — VNS

Thai billionaire, European brewer lose money in Sabeco investment deal

The Sabeco price has seen a strong recovery in the last half a year, but is still at a low price. Both Thai billionaire and the big brewer Heineken have lost money because of the drop in Sabeco share price.

According to Bloomberg, Heineken may sell 25.2 million SAB shares of Sabeco at the current market price of VND180,000 per share, a loss of VND4 trillion compared with the price peak since late 2017 and early 2018.



In late 2017, the Ministry of Industry and Trade (MOIT) sold 53.59% of SAB shares

Heineken, through Able Win Gain Lit and Heineken Asia Pacific, is holding SAB shares. In November 2019, Heineken Asia Pacific announced the selling 5.2 million SAB, the move leading to the ownership ratio decreasing from 1.2% to 0.39%.

With the move, Heineken is no longer a big shareholder of Sabeco, as its total ownership ratio has reduced to 4.32%.

Sabeco is a 'big guy' in the brewery industry in Vietnam, but has been facing difficulties recently because of the two outbreaks of Covid-19 and the Decree

100 which imposes heavy fines on drunk drivers. The enterprise reported a 31% decrease in profit in H1 to VND1.93 trillion.

Sabeco has set low business targets for 2020: revenue of VND23.8 trillion, a decrease of 37% compared with the previous year, and post-tax profit of VND3.25 trillion, a decrease of 39%. These are the lowest levels in the last five years.

Beer shops and restaurants have been hit hard by Covid-19. Meanwhile, the Decree 100 has changed Vietnamese people's beer drinking habit. Some analysts predict that the volume of liquor and beer consumed in Vietnam in 2020 may decrease by 19%.

The State Capital Investment Corporation (SCIC) has announced a plan to divest all of its 36% of SAB, or 231 million shares. With the current price of VND180,000 per share, the State would be able to earn VND41.6 trillion, or \$1.8 billion.

In late 2017, the Ministry of Industry and Trade (MOIT) sold 53.59% of SAB shares and got VND110 trillion, or \$5 billion. At that moment, the price was very high, at VND320,000 per share. The buyer was Vietnam Beverage, the company related to Thai billionaire Charoen Sirivadhanabhakdi.

The Thai billionaire suffered the most in the Sabeco deal as the SAB price dropped sharply. The capitalization value of his investment in Sabeco has decreased by \$2 billion as estimated by analysts.

ThaiBev has recently denied information about the sale of Sabeco's brewery division and has also denied a rumour about the sale of SAB to a Chinese investor.

After taking over Sabeco in late 2017, the Thai billionaire began weeding out Vietnamese from key positions in Sabeco in a move to reshuffle the biggest brewer in Vietnam, which was completed in mid-2018.

Two Chinese Singaporeans hold the highest positions in Sabeco. Neo Gim Siong Bennett is now the CEO of Sabeco, while Koh Poh Tiong has been the chair of the board of directors since July 2018.

Investors see agricultural processing sector as ripe for plucking

On September 27 construction of a US\$66 million hi-tech agricultural complex began in the Central Highlands province of Dak Lak.

The complex is being built in Ea M's droh Commune in Cu M'gar District by Đắc Lắc DHN Agricultural High Tech Joint Stock Company, a joint venture between the province, Hùng Nhơn Group based in the southern province of Bình Phước and the De Heus Group from the Netherlands.

The 200ha complex will be completed in the fourth quarter of 2025 with an 80ha farm for breeding pigs imported from the Netherlands, a 30ha chicken breeding area and a 15ha plant for slaughtering pigs and production of organic fertilisers.

Once completed, it will become a leading centre in the use of hi-tech in animal husbandry, creation of chained products, and production of the country's best animal feed, organic fertilisers, and commercial livestock products.

The farming system will be operated and supervised using technology 4.0 by SKIOLD, a multinational corporation headquartered in Denmark.

The complex will produce solar power for its use in accordance with global trends of producing clean and sustainable products from animal feed to high-quality breeds.

After acquiring a 1,000 hectare milk farm from Hoàng Anh Gia Lai Joint Stock Company two years ago, Nutifood, Vietnam's first large dairy company, recently announced its NutiMilk Cow Farm, which has 7,000 heads of dairy cattle.

The cows and calves here are being raised using high technology to international standards.

As a result the farm is now able to produce fresh milk with 3.5g of protein and 4g of fat per 100 ml, which match European standards.

Analysts said never before have so many enterprises invested in the agricultural sector, especially in post-harvest processing.

In the last three years the number of enterprises directly investing in agriculture has increased almost four fold from 3,000 to 11,000, and they are in almost all segments of the industry including production, processing and consumption. But the post-harvest processing segment has attracted the most investors, both domestic and foreign, especially in recent years.

The post-harvest sector includes all points in the value chain from production in the field to the food placed on table, including harvesting, handling, storage, processing, packaging, transportation, and marketing.

The main concern is post-harvest losses (PHL), which occur at every stage of the supply chain. Eliminating those losses is a way to increase food availability without requiring additional resources or placing additional burdens on the environment.

Since 2013 the post-harvest processing segment has been growing at an annual rate of 5-7%.

The country now has about 7,500 establishments processing farm products. In 2018-19 alone 30 were set up with combined capital of US\$1 billion.

Among them was Intimex, which set up a \$30 million instant coffee manufacturing plant equipped with advanced technology.

This year, the TH Group will complete the second phase of a plant that produces drinking water, herbal water and juices and has a capacity of 36,000 bottles per day.

Early in October Masan Group's MEATLife commissioned a VND1.8 trillion (US\$77.6 million) meat processing complex in Long An Province that can slaughter and process 1.4 million pigs a year.

In its first phase, it will produce 140,000 tonnes of frozen meat a year and 15,000 tonnes of processed meat such as ham, sausage, pork floss, and others.

According to Nguyen Quoc Toan, director of the Ministry of Agriculture and Rural Development's agricultural product processing and market development department, by 2030 the price of Vietnamese processed agricultural products would increase by 7-8% a year from now to 2030.

Highly processed products with high value addition would make up 30% of its exports or more, and over 50% of agricultural processing establishments would be equipped with advanced technologies and machinery, he said.

Vietnam now has some giant enterprises involved in the processing of agricultural, forestry and fishery products, all with modern equipment and highly competitive, he said.

Besides making highly processed products, they have also improved their awareness and management of food safety, from testing of finished products to supply chain risk management. Analysts said the agriculture sector would create huge surplus values if it invests in deep-processing technologies.

To do this, it is necessary for agribusinesses to set up a closed production chain to ensure supply of high-quality raw materials, production of high-quality products and modern distribution networks, they said.

Renovation of technology and modernisation of processing equipment are also imperative for processors to be able to diversify products, control product quality and ensure safety while cutting costs and protecting the environment, they said.

Minister of Agriculture and Rural Development Nguyen Xuan Cuong said, however, agribusinesses now account for only 8% of the total number of businesses in the country, and 80% of them were small or medium-sized. As a result, they have yet to meet the market's requirements, he said.

Land funds, capital and policies are the biggest challenges faced by those that want to invest in the agricultural sector, especially farm processing.

Deputy director of the Hà Nội Department of Agriculture and Rural Development, Ta Van Tuong, said high-tech agricultural models always require lands of 100-150 hectares, something very difficult to find in most places.

Agribusinesses need more efforts to fully tap EVFTA

According to the Vietnam Association of Seafood Exporters and producers, the Vietnam-European Free Trade Agreement is likely to help fisheries exports to the EU rise from the record figure of \$1.48 billion in 2018 to \$3.5 billion this year.

Nguyen Dinh Tung, general director of Vina T&T Import – Export Service Trading Co Ltd, said from now to the end of the year his company expects to increase exports to the EU by 20% from the same period last year. The company exports fruits to many countries around the world.

Since the EVFTA took effect on August 1 the company has received many export orders, one of which was for 20,000 fresh coconuts, 12 tonnes of grapefruit and three tonnes of dragon fruit from the EU.

The EVFTA has eliminated 95% of 547 tariffs applied earlier to fruit and vegetable exports from Vietnam to the EU. The deal has given a big boost to Vietnamese agribusinesses that export to the EU, Lê Quốc Doanh, Deputy Minister of the Agriculture and Rural Development, said.

Analysts said Vietnamese exporters need to improve their production capacity and meet all technical requirements of EU countries in future.

Doanh agreed with them, saying the EU is ready to cut tariffs but has very stringent farm produce quality standards to protect public health and high technical standards and regulations related to packaging and labelling.

Besides being fully aware of Vietnam's commitments under the EVFTA, Vietnamese enterprises must also comply with the EU's regulations on exports like rules of origin, especially with traceability regulations becoming increasingly stringent, he said.

They are also required to meet standards related to corporate social responsibility and transparency of information on labour and the working environment, he warned.

Vietnamese firms should adopt advanced production and processing systems to ensure strict control over goods' authenticity, quality and origin, he added.

[Back to top](#)

For more information, please contact us:

SEIKO IDEAS - 14th Anniversary
Research & Consulting Division

Our services	Marketing Research Business Matching Investment Consulting Translation - Interpretation Training (Language & Soft skills)
Our clients	Think tanks, Universities Japanese & Vietnamese Government Organizations Manufacturers, Retail companies Advertisement agencies, Mass media
Head Office	Floor 5 th – A Chau Building No.24 Linh Lang Str., Ba Dinh Dist., Hanoi, Vietnam
Rep. Office	〒220-0012, 8F Wework, Ocean Gate Building 3-7-1 Minatomirai, Nishi ward, Yokohama Kanagawa, Japan
Telephone	+84-24-6275-5246 ; +84-24-6273-6989
Fax	+84-24-6273-6988
URL	www.seiko-ideas.com
PIC	Tram Nguyen (Ms.)
Email	tram.nguyen@seiko-ideas.com

**You are receiving this because you [subscribed](#) to our weekly business newsletter or you gave us your address via name card.*