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VIETNAM BUSINESS REVIEW

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FINANCE

VN-Index heading toward strong resistance level of 1,400 points this week: experts

After struggling to find direction, the market hit a new record on the back of bank stocks in the last trading session. Analysts from securities firms said that this will be the driving force for the VN-Index to head toward 1,400 points.

On the Ho Chi Minh Stock Exchange (HoSE), the market benchmark VN-Index witnessed a choppy week of trading with up and down sessions. However, the index finished the week at a new peak of 1,390.12 points.

The HNX-Index on the Hanoi Stock Exchange (HNX) also closed higher in the last session at 318.22 points.

For the week, both benchmarks increased with the VN-Index up 1.27%, while the HNX-Index gained 0.63%.

According to MB Securities Joint Stock Company (MBS), the positive signal in the last trading session of last week triggered a large cash inflow into the market, helping the gaining momentum to get stronger and the VN-Index close at a session high.

MBS believes that the market has entered a new rally wave with the return of the leading stocks including banks and securities stocks.

Technically, the new peak of the VN-Index with strong cash flow is a sign confirming the market's continuing uptrend. With the current rallies, the resistance level of 1,400 points can be conquered, MBS said.

Viet Dragon Securities Corporation (VDSC) also expects that the market benchmark will continue to increase in the near future, but the rally will be slow and cautious due to potential profit-taking pressure in the range of 1,400 - 1,420 points.

Similarly, analysts from SSI Securities Joint Stock Company (SSI) said that with the current situation, the VN-Index has the motivation to keep moving towards the target price level of 1,400 points. However, to break over this level convincingly, it needs to be strengthened from the increase in trading volume, SSI added.

Meanwhile, Saigon-Hanoi Securities JSC (SHS) said that even though the market rallied for the second consecutive week, but the gain slowed down compared to the week before. At the same time, the liquidity also recorded a second straight weekly decline, but still above the recent 20-week moving average, showing that the cash flow has not withdrawn from the market but only got caught in certain caution.

On the technical front, the strong resistance level of the VN-Index in this rising wave will be around 1,400 points. However, because the market liquidity declined, it showed that the buying demand was not really strong and the market could reverse at any time when the selling pressure increased.

Accordingly, the market is likely to move up to 1,400 points this week and fluctuate strongly around this threshold.

Last week, the market liquidity on both exchanges continued to decline compared to the week before with an average of about VND23.7 trillion (US$1.03 billion) per session on the two exchanges.

The trading value on HoSE dropped by 13.1% to nearly VND103.8 trillion, equivalent to a decrease of 11.4% in trading volume to over 3.4 billion shares, while the trading value on the HNX plunged 31.2% to VND14.85 trillion, equivalent to a trading volume of 645 million shares, down 25.8%.

The market rallied slightly amid strong division in pillar stocks. Utilities stocks gained the most, up 3.6% in market capitalisation, mainly boosted by rises of PetroVietnam Gas JSC (PVGAS, GAS) up 5.7%, Pha Lai Thermal Power Joint Stock Company (PPC) up 4.4%, and PetroVietNam Low Pressure Gas Distribution JSC (PGD) up 0.3%.

It was followed by bank stocks with an increase of 1.9% in market capitalisation. Bank stocks with outstanding performance were Vietinbank (CTG), up 5.1%, Asia Commercial Bank (ACB), up 3.9%, and Vietcombank (VCB) and MBBank (MBB) both gaining 3.8%.

Other sectors reporting big gains included gas and oil stocks and information technology stocks.

On the contrary, material stocks posted the biggest losses last week, down 1.4% in market capitalisation. The losses were contributed by Hoa Sen Group (HSG), down 6.5%, Hoa Phat Group (HPG), down 2.7% and Nam Kim Steel JSC (NKG), down 2.6%.

Meanwhile, foreign investors still fled from the market despite the new record high as they net sold more than 45 million shares, worth up to VND1.13 trillion.

Deposit interest rate proposed to gradually lower to 0%

The Vietnam Association of Financial Investors (VAFI) on Tuesday proposed gradually lowering the Vietnamese dong deposit interest rate to zero%.

In a letter sent to the Prime Minister, the Ministry of Finance, the State Bank of Vietnam (SBV), the Ministry of Planning and Investment, and the Central Economic Commission, VAFI said currently, many global and regional countries list deposit interest rates at zero% per year.

Some countries are even maintaining negative deposit interest rates to ensure an extremely low lending rate of only 2-5% to promote the development of the business system and the stock market besides helping low and middle-income people buy houses and spend on necessary consumption to ensure social security.

Other ASEAN countries such as Thailand, Philippines, Malaysia and Singapore also list interest rates of 0% per year for short-term local currency deposits and 0.2-0.7% per year for long-term deposits.

In Vietnam, interest rates for short-term and medium-term dong deposits are at 3.5-6.2% per year, very high compared to the above countries. The high deposit rates lead to high lending rates as a domino effect, causing a great disadvantage for the domestic business community and a large number of low- and middle-income consumers.

VAFI attributed the high interest rates to a lack of solutions to direct savings and idle cash to flow into investment channels that aid the economy instead of the real estate and foreign currency markets.

According to VAFI, Vietnam has many advantages, such as political stability, high-speed economic development, double-digit export growth and a large amount of remittances, to enable it to quickly lower the deposit interest rate to 0%.

Based on such advantages, to gradually lower the deposit interest rate to 0%, VAFI proposed that the Ministry of Finance urgently map out the Law on Property Tax that is expected to limit speculative cash flowing into the real estate market.

At the same time, to control and stop land prices from increasing, it is necessary to apply progressive property tax for second homes onwards. The tax can be low at first, but enough to prevent speculative cash flows, and then gradually increase to high rates like other countries.

According to VAFI, the measures are a prerequisite for quickly lowering deposit interest rates.

Besides, the Government should direct idle cash to flow into the bond market with low mobilising interest rates at less than 2% per year. The banking system therefore will be able to mobilise huge and long-term capital, which will help it offer medium & long-term loans with low interest rates of below 5%.

In addition, when deposit interest rates drop sharply, to prevent some of the idle cash from flowing into foreign currency speculation, the central bank should issue a policy on paying fees for foreign currency deposits at banks to ensure a stable exchange rate policy and macroeconomic balance.

However, banking expert Can Van Luc told Việt Nam News it was not feasible to lower the deposit interest rate to 0% in Vietnam.

Luc said it was irrational to compare interest rates of Vietnam with other countries as Vietnam is rated a higher risk by international credit rating agencies such as Standard & Poor's (S&P) than other countries.

The higher risk a country is exposed to, the higher interest rate it has to offset that risk, he said.

According to S&P, Vietnam ranks BB while Indonesia and Philippines are BBB; Thailand, BBB+; Malaysia, A-; China, A+; South Korea, AA; and Singapore, AAA.

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E-COMMERCE

Tiki – An empire built on trust and commitment to Vietnam

Founded in 2010, the technology start up Tiki is looking back on a journey of wild ups and downs in the Vietnamese market, Richard Trieu Pham, CFO of Tiki Corporation, shared his plan to gather Tiki's synergy combination for the Vietnamese market.

Currently, e-commerce enterprises are all investing heavily in Vietnam. What is Tiki's investment strategy in this regard?

In a nascent market such as e-commerce in Vietnam and for the market to grow to the targeted $35b by 2025, we need more investment, innovation, and co-investors. We consider all our peers co-investors in growing the e-commerce market and pushing each other to create more values to Vietnamese consumers and businesses.

The Vietnam market is our only focus. Tiki's mission is to become the commerce platform of choice for Vietnam, and for this goal, we are investing to build the best platform, from logistics, technology to management talent.

We have invested tens of millions of dollars in our technology and logistics platform each year and expect to accelerate our investments going forward. We measure our return on investment in 2 ways: in how they improve customer experiences and how they contribute to key performance indicators.

Headways in the first aspect are apparent as Tiki has been named best in e-commerce by both YouGov's Best Brands in Vietnam and KPMG's Brands with Customer Experience Excellence in 2020.

We have also been making headways in our key performance indicators. The number of buyers has quadrupled and spending per customer has doubled since 2017. Meanwhile, our logistics cost per order was reduced by over 25% in 2020 and our order return rate was below 1% in 2020.

Tiki is also consistently No.1 when it comes to site credibility, authenticity, good client service, fast delivery, and net promoter score by Nielsen.

As a Vietnamese-founded company with foreign shareholders, Tiki has become one of the top e-commerce platforms. What key strategies has Tiki been pursuing to achieve this? What governmental policy and management mechanisms do you need to develop further in the market?

Interestingly, Tiki is probably the leased funded among its peers, and we got here through our unwavering belief in our mission to create the commerce platform of choice for Vietnam: to deliver the best experience for our buyers, merchants, partners, and employees. We are completely customer-obsessed.

Having said that, we have had many ups and downs in the last 10 years and expect to have many more in the future. Nonetheless, we are very bullish on Vietnam and with that bullishness, our ability to continue to create more values for Vietnamese people and businesses.

In addition, what the tech industry needs to create a fasted flywheel effect is exit opportunities, shall it be mergers and acquisitions or public listing, domestically or internationally. There have been decent amounts of investment into the tech industry in the last few years, but we have not really had notable exits.

This is because exit allows the investors – both foreign and local – to realise returns on their investments, which will create more excitement and more investments into Vietnam. Exit also allows the entrepreneurs and employees to realise the fruit of their labor, and because they are entrepreneurs and locals, most of that money will flow back into the tech ecosystem and the local community.

Exit, or at least public listing, allows the companies to have easier access to capital market to fund their growth. Exit opportunities will accelerate investments from both foreign and local investors, and speed up the flywheel effect not only for the tech industry but also for the rest of the economy.

As shared, one of the strategies at Tiki is to develop into an open technology platform. What is this strategy in specific?

There are two specific open technology areas that Tiki has been investing in: our logistics platform and our app in app platform.

We've built a logistics platform, not a traditional logistics company. We want to be able to seamlessly connect all players in the supply chain to increase speed and to reduce costs in order to deliver the best services at the lowest costs to the buyers and merchants.

For app in app, we are developing our technology infrastructure in order to open up to all other developers/startups to build and launch additional applications easily on our platform to create more value to our buyers, merchants and partners.

Both of these initiatives are win-win for everyone involved. Only way to speed up innovation is to have as many people to contribute as possible.

The logistics platform, all our partners have access to millions and hundreds of thousands of buyers and merchants, respectively, the buyers and merchants experience the best services at the lowest cost possible. App in app, developers can develop applications for millions and hundreds of thousands of buyers and merchants, respectively, and will be able to reach them immediately instead of having to invest years to build the demand base. It is a win for Tiki since we will be able to accelerate the platform development to increase our value proposition to all our constituents.

We've spent tens of millions of dollars on these initiatives and plan to continue to invest aggressively for years to come. This is not a one-time investment but rather never-ending investment and effort.

What's Tiki's unique selling proposition to attract sellers? How many users does Tiki have in Vietnam? There are 3 major differentiations that make Tiki a top choice for sellers to do business with.

First, Tiki is recognized as the most trusted e-commerce platform in Vietnam by a Nielsen survey. In 2020, our return rate was less than 1% of total orders shipped, event with a hassle-free return policy across the platform.

Second, Tiki has a large, fast-growing, and loyal customer base, with much higher annual spending than the e-commerce average.

Third, Tiki is the only e-commerce platform in Vietnam to have official policies to protect the trademarks of our sellers. Our strict input control procedures require clear product origins and documents of eligibility from sellers. All of these are helping sellers to protect and grow their brands on Tiki.

Alibaba betting big on Vietnam e-commerce potential

Fast increasing online groceries demand and the high growth potential of Vietnamese e-commerce market are factors driving Chinese giant Alibaba's investment in Vietnam.

A consortium led by the Chinese e-commerce giant invested $400 million in The CrownX, a subsidiary of conglomerate Masan Group that operates retail chain WinMart.

The investment was seen as a chance for Lazada, Alibaba's e-commerce platform, to create a business relationship with WinMart for the online groceries business, Singapore-based technology media company *Tech in Asia* said.

Kenny Ho, Head of Investment for Southeast Asia at Alibaba, said the combination of Alibaba's online retail expertise, Lazada's e-commerce platform in Vietnam and Masan's leading offline network will be a strong catalyst for modernizing Vietnam's retail landscape.

WinMart will become the preferred grocery retailer on Lazada, while its outlets will be used as pick-up points for online orders, Ho said.

The investment by Alibaba indicates that the company is tapping into a pandemic-fueled growth in the demand for online groceries, *Tech in Asia* reported.

The pandemic has elevated groceries into the hottest e-commerce vertical. Vietnamese consumers who have tried online grocery shopping have doubled in 2020, according to a report from Google, Temasek, and Bain & Company, with over 75% indicating they would continue the practice even after the pandemic has subsided.

Another reason for Alibaba's investment in Vietnam is its high growth potential. The nation's e-commerce market expanded by 18% last year to $11.8 billion, the only country in Southeast Asia to record double-digit growth amid the pandemic, according to the Vietnam e-Commerce and Digital Economy Agency.

A report by market research company Global Data's E-Commerce Analytics said Vietnam's e-commerce is likely to see compounded annual growth of 18.8% between 2020 and 2024, with the value rising to $26.1 billion.

Vietnam has a stable growth economy, which grew by 2.9% last year despite the Covid-19 pandemic. The number of middle-class households in the country is expected to reach 17 million by 2030.

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ENERGY

Malaysia's KAB ventures into Vietnam's renewable energy market

Malaysia-based mechanical and engineering organisation Kejuruteraan Asastera Bhd. (KAB) has inked a deal with Janakuasa Pte., Ltd. via its wholly-owned subsidiary KAB Energy Power Sdn., Bhd. to enter Vietnam's renewable energy market.

As reported by *Focus Malaysia*, KAB Energy Power and Janakuasa will form a special purpose vehicle to scoop up the majority stakes in three hydropower plant projects in the country with an aggregate installed capacity of 180MW. The projects have existing power purchase agreements (PPA) with Electricity of Vietnam (EVN) which will expire between January 2030 and 2039. They have commenced commercial operations between 2015 and 2019

KAB is looking to capitalise on the growing energy demand in Vietnam

Janakuasa, an established private energy investor based in Malaysia and Singapore, is a leading investor in thermal power and renewable energy in Vietnam. Janakuasa has been developing the Ecotech wind farm project since 2015. To date, Janakuasa has over 1,000MW of power projects under construction in Vietnam and a further 300MW of wind and 200MW of mini hydro projects in development.

Janakuasa is teaming up with its partners to construct two power plants in Vietnam, including a coal-fired power plant in Duyen Hai 2 with a capacity of 1,200MW and a wind power plant in Hiep Thanh with a capacity of 78MW. Both are located in Tra Vinh.

"We are proud to be given an opportunity to form a synergistic partnership with Janakuasa as we are able to leverage their experience and knowhow," said KAB's managing director Datuk Lai Keng Onn. "Concurrently, with the huge growing demand for electricity in Vietnam, we are confident that our first foray into the Vietnamese market will be successful."

On the same note, Janakuasa's chairman Ti Chee Liang pointed out, "Given that Vietnam is ASEAN's rising star with the most promising economic growth and growing population, demand for energy has increased exponentially."

Vietnam's rapid economic growth and growing population is driving demand for new energy. The country's strong wind and solar resources make it an attractive investment destination for the development of multiple renewable assets in Southeast Asia. Furthermore, Vietnam has set major renewable energy targets seeking to rise from 0.5 per cent renewable energy reliance in 2016 to 25 per cent by 2030.

Following the partnership, both KAB Energy Power and Janakuasa will actively seek to increase its renewable portfolio in Vietnam and support the Vietnamese government to meet its renewable energy targets in the shortest possible time.

Offshore wind farms worth USD billions line up for approval

Numerous foreign investors are interested in developing offshore wind farms worth billions of dollars in total investment capital in Vietnam.

In late May, La Gan Wind Power Development Corporation, the developer of the 3.5GW La Gan offshore wind farm project signed with Northern Regional Center for Marine Environmental and Natural Resources Planning and Investigation (CPIM) a contract for geophysical survey and a contract for geological research. The La Gan offshore wind power project is owned by Copenhagen Infrastructure Partners, Asiapetro, and Novasia.

Many offshore wind farms are waiting for approval to begin surveys or be added to the planning

The geophysical survey and research are key works to help understand the condition of the seabed and stimulate activities to develop surface models and designs for the foundation.

Previously in February, La Gan Wind Power Development Corporation signed four MoUs with Vietnam-based contractors, including CS Wind Corporation, PTSC Mechanical and Construction (PTSC M&C), Southern Petroleum Construction JSC (Alpha ECC), and Vietsovpetro.

Having the total investment of $10.5 trillion, the project is expected to become one of the largest offshore wind farms in Vietnam. The project will contribute to decreasing a carbon emissions by 130 million tonnes during the operation progress.

Meanwhile, Enterprize Energy Group proposed to develop Thang Long Offshore Wind Power Project in Ke Ga cape, Binh Thuan with a total planned installed capacity of 3,400MW and the total investment of $11.9 billion.

The statistics published by the Ministry of Industry and Trade show that 157 offshore wind farms with a total capacity of 61,000MW are waiting for approval for either surveying or to be added to the planning.

The feed-in tariff (FiT) for offshore wind power currently stands at 9.8 cents per kWh. The FiT for land-based wind power is 8.5 US cents. These rates are applicable to plants that begin commercial operation before November 1, 2021 and for a period of 20 years.

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RETAIL

Seizing the fast-growing retail opportunity in Vietnam

Asian emerging economies are growing two to three times faster than developed economies—and Vietnam is one of the region's great success stories. The country's political stability, recent economic transformation, and growing middle class create an attractive business environment. The buoyant retail sector reflects these strong fundamentals and offers exciting growth opportunities for both regional and global companies.

This report shines a spotlight on the retail opportunity in Vietnam, first by taking a broader view of the country's macroeconomic outlook and then by examining key growth trends in the retail market itself. Finally, the report offers insight into how companies can translate the retail opportunity into profitable, sustainable enterprises.

Vietnam's promising macroeconomic outlook

Vietnam is a strong contender for business investment when considered alongside other major Southeast Asian economies such as Indonesia, Malaysia, the Philippines, and Thailand.

Vietnam outperforms many of these economies on key macroeconomic indicators. It ranks second highest for forecast GDP growth, with a 6.5% compound annual growth rate (CAGR) per year, and has the fastest middle-class growth, forecast at 9.2% CAGR up to 2023. Vietnam's private consumption rate of 68% of GDP is the second highest

in the region. Although Vietnam ranks last among these Southeast Asian economies on urbanization, there is considerable future growth potential.

In terms of business fundamentals, Vietnam outperforms comparable Southeast Asian economies, ranking highest in the region in three out of the four indicators measured. It leads the region in foreign direct investment (FDI) as a percentage of GDP, at 6.3%, and it is ranked highest for political stability and second for logistics competence. Out of the five countries, Vietnam ranks third on the World Bank's Ease of Doing Business index.

Finally, the rise in foreign direct investment (FDI) into Vietnam is a further indicator of the country's attractiveness to business. FDI has grown significantly over the past decade and exceeded $19 billion in 2018.

Vietnam's fast-growing retail market

Vietnam's retail sector is the fastest growing in Southeast Asia and is poised for rapid modernization. The overall retail market is currently worth $108 billion in annual revenues, a figure that is forecast to increase at a 7.3% CAGR over the next five years. Groceries and consumer electronics are the largest segments of the retail market, at 44% and 17%, respectively.2

In consumer electronics, leading players have already driven rapid modernization of the segment. However, in the larger grocery segment, Vietnam's modern trade penetration, at 8% in 2018, is low compared with that of other Southeast Asian countries. This is expected to increase to 26% by 2025, as the groceries market is on the verge of significant modernization. If it follows the S-curve of comparable Southeast Asian countries, the modern groceries market is expected to grow from the current $4 billion to $20 billion by 2025.

Overall, Vietnam's e-commerce penetration is still low, at only 3% of total retail sales, but this is expected to rapidly increase in the next five years and show significant growth in the long term. The drivers of this growth include Vietnam's young population and its high smartphone penetration—which today stands at over 80% of the population that is over 15 years of age.5 The e-commerce sector is still in its early days, and key factors for success in this area include overcoming logistics challenges, especially last-mile delivery, managing the high rate of cash payments, and building consumer trust.

To succeed in Vietnam's retail market, companies will need to embrace three key trends. First, consumers are increasingly loyal to brands—especially local brands. Second, they prefer modern retail formats, as is evident from the rapid growth of such formats. And third, a wave of consolidation is under way across the sector.

These trends are already increasing the competitive intensity of the retail sector, particularly in groceries. In addition to large domestic and international players with an established footing in Vietnam, new competitors have entered the market in the past five years and embarked on a wave of acquisitions and new store openings.

Seizing the opportunity: how to succeed in vietnam retail

McKinsey's observations of high-performing retailers across the region point to six key success factors common across retail winners. To reach Vietnam's consumers and win their loyalty in an increasingly competitive marketplace, it is necessary for retailers to invest in building scale across a broad network. Shaping compelling value propositions and honing attractive, trustworthy brands are also important, as is driving innovation across omnichannel platforms. All these should be backed up by robust operations and other business enablers, as well as relevant local knowledge.

Retail players face growing competition from both foreign and local companies as players are drawn by increasing growth. However, by leveraging lessons in innovative technologies and more advanced markets, players can identify the factors associated with a greater chance of success. According to our research and observations, retailers that are perceived as offering convenience and value for money and that rigorously manage resources and margins will be most likely to succeed in the Vietnamese market. In particular, based on our experiencein working with leading retailers across Southeast Asia, we have observed the following six success factors that stand out as keys to making the most of retail opportunities in the region

The top players in Vietnam have differentiated value propositions

xx # of members · Weak presence · Strong presence

		Aeon	Bach Hoa Xanh	Big C	Lotte	Saigon Coop	VinCommerce
Parent group		Aeon	Mobile World	Central Group	Lotte	Saigon Union	Vingroup
Retail revenue[1] USD mm		322	277	1,446	491	2,812	722
Network and scale	Supermarket	Citimart 28				Co.opmart 109	VinMart 113
	Hypermarket	AEON 4		36	13	Co.opXtra 4	
	CVS/Minimart	112	512			Co.op Food 352	VinMart+ 1901
	Total outlets	144	512	36	13	465	2,014
Value proposition		Premium (Japan quality)	Service/ Price Merchandise	Price	Experience	Price	Merchandise Convenience Service
Business enablers	Distribution	Partnership with Sagawa	Partnership with Sagawa	Owns logistic distribution network	Lotte logistics Vietnam	Owns logistics subsidiary	Owns logistic network + exclusive 3PL
	Proprietary brand (own product[2])	Top Value		Big C brand	L-Brand (Lotte bev./ conf./food)	Coop Mart Private Label	VinMart Home/ Cook/ Good/ Care, VinEco, Vsmart
	Loyalty program /data	AEON member card 1mm		Big C member 6mm	L.Point 1.5mm	4 mm	VinID 7.2mm
Brand equity[3]		#4	Not in top 10	#2	#6	#3	#1
Access and local knowledge		4 shopping malls	No separate real estate business	4 shopping malls	LOTTE LOTTE Invest in VN projects	2 shopping malls	69 shopping malls 19 operating projects
Omni-channel platform		AEON ESHOP			LOTTE.vn		adayroi "Scan & Go" VinMart 4.0

Source: Mckinsey

Mobile World profits rise 26%

Electronics retailer Mobile World reported a 26% increase year-on-year in post-tax profits to VND2.2 trillion ($94.4 million) for the first five months of the year.

Revenues were up 9% to VND51.8 trillion, mainly due to double-digit growth in mobile phone sales, especially of iPhones. Sales of watches jumped 58% to VND810 billion.

Its electronics chains Dien May Xanh and Mobile World accounted for 53% and 26% of the revenues.

Its Bach Hoa Xanh stores, which sell groceries, foods and fast-moving consumer goods, accounted for 21% as sales increased 26% due to social distancing orders, which saw consumers stock up on essential goods.

It started selling bicycles at two Dien May Xanh outlets in HCMC in May and launched a joint program with small retailers at localities where it lacks stores.

Mobile World has 4,532 stores, 2,682 of them Dien May Xanh and Mobile World.

It has temporarily shut over 630 outlets since the end of May in places where social distancing is in force.

It targets revenues of VND125 trillion and post-tax profits of VND4.75 trillion this year, year-on-year increases of 15 and 21% respectively. But it fears that the pandemic will force it to close more outlets, thus affecting business.

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LOGISTICS

Vietnam's aviation sector bears US$1.6 billion short term, due debts

According to the Vietnam Aviation Business Association (VABA), Vietnamese airlines have beared short-term debts and due debts up to VND36 trillion (US$1.6 billion) since the Covid-19 outbreak in the country.

Of the total debts, state-owned carrier Vietnam Airlines has accounted for VND20 trillion (US$867 million).

The total revenue of Vietnamese airlines recorded a reduction of over 60%, equaling to VND100 trillion (US$4.3 billion) in 2020. Vietnam Airlines, Vietjet Air, Bamboo Airways were estimated to suffer from the loss of VND16 trillion (US$694 million).

In particular, in 2021, the third and fourth Covid-19 pandemic waves on the Lunar New Year and the summer period caused a sharp fall in revenue of the country's aviation sector. Notably, the sector recorded a decrease of 90% in the two recent months compared with the same period last year.

For this reason, VABA suggested expanding and performing the credit package for the domestic airlines. Particularly, the association proposed the Ministry of Planning and Investment to report the Government and National Assembly the approval to refinance loans with the total capital of VND5-6 trillion (US$217-260 million) in 12 months.

Besides, the association also proposes a credit package of around VND25 trillion (US$1 billion) with preferential interest rate of 4% for domestic airlines in three to five years, 50% reduction of service fees at passenger terminals to promote the tourism industry, consideration of corporate tax cut for businesses and aviation training establishments from now until the end of 2022.

On the other hand, VABA suggested the Government direct relevant sides to ease travel restrictions and isolation regulations to those who have been fully-vaccinated, step-by-step alleviate immigration regulations for fully-vaccinated travelers and soon reopen international flights.

Vietjet to sell up to 15% stake as Vietnam battles COVID surge

Vietjet has received shareholder approval to sell a stake of up to 15%, the Vietnamese budget airline said on Tuesday, adding it will also consider a $300 million international bond sale.

While cargo shipping made Vietjet one of the few profitable carriers in 2020, it said shareholders at the annual meeting approved "a more cautious business plan for 2021" due to the impact of the coronavirus pandemic.

An "exponential increase in cargo revenue" this year will help the company's revenues reach $945 million, up 20% from last year, said Vietjet, which reorganized its fleet to carry more products instead of people after COVID broke out. Vietnam's exports have boomed as foreign shoppers stocked up on work-from-home goods.

But with one of the world's strictest border measures, Vietnam has very little cross-border travel for airlines to serve. Vietjet originally planned to ferry customers internationally by July 2021.

"However, taking into account the development of the COVID-19 pandemic afterwards, the airline's shareholders have passed a resolution to resettle a more cautious business plan for 2021," the company said.

The Southeast Asian country is fighting its deadliest surge of the virus yet, driven by a more contagious variant and outbreaks in densely-populated areas, while its vaccination rate remains low. That has decimated domestic travel, which was mostly steady before April.

Viejet said it could issue the bonds in 2021 or 2022 to "guarantee sufficient resources for a safe and efficient comeback." It said it would issue shares through a private placement.

Lim Shiu Beng, deputy general director of brokerage firm SBBS, expects the airline to use the financing to tide it over until the pandemic ends.

"The aviation sector all over the world is doing the same," he told Nikkei Asia. "Companies need to raise cash."

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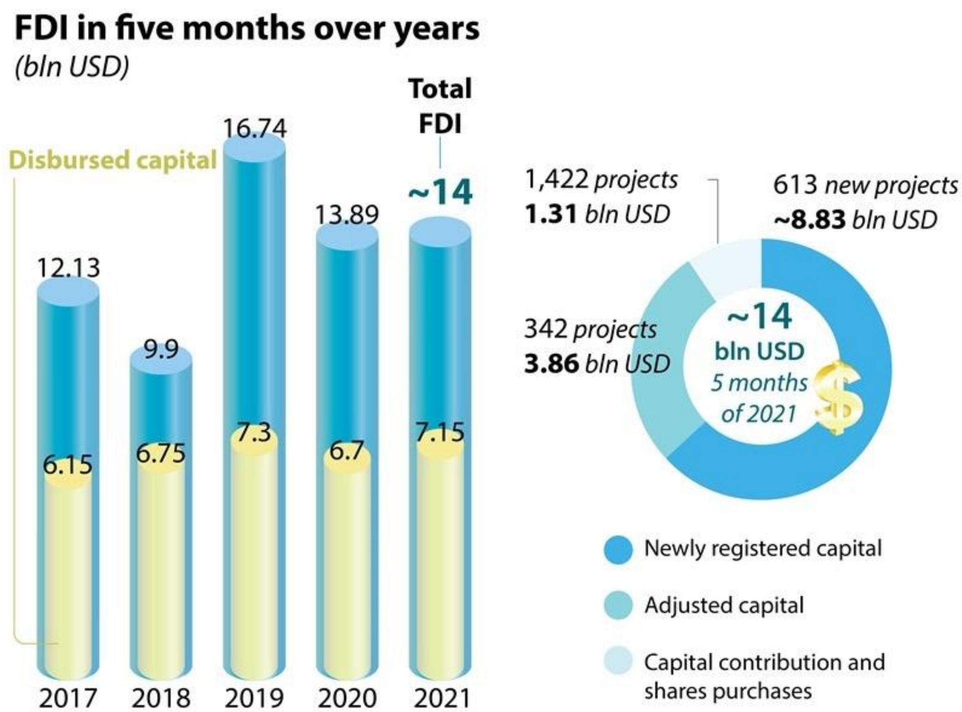
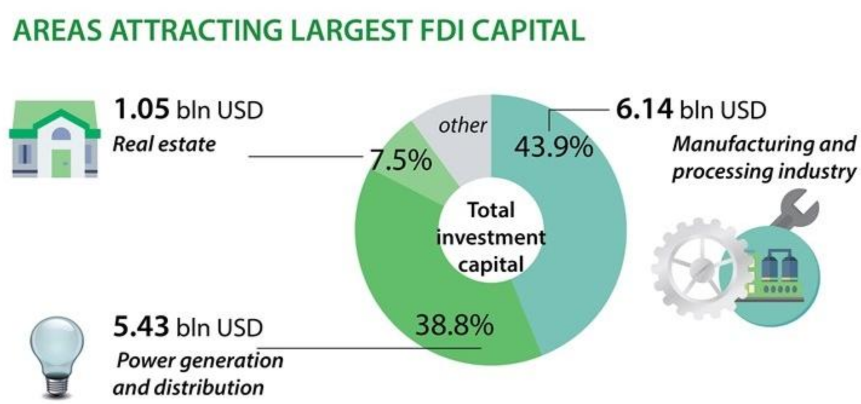
INVESTMENT

FDI reaches nearly 14 bln USD

Vietnam attracted nearly 14 billion USD in FDI in the first five months of this year, up 0.8% over the same period last year.





International investors scoop up major stakes in drugmakers

Dealmaking and investment in pharmaceutical and healthcare businesses are increasing in scope as investors are vying for the controlling stake of key players.

SK Investment Vina III Pte., Ltd., a subsidiary of South Korea's third-largest conglomerate SK Group, has increasingly raised its ownership at Imexpharm Pharmaceutical JSC. According to information revealed by Imexpharm, SK Investment will spend an additional $430,000 to increase its ownership at the drugmaker to 30.70%.

International investors scoop up major stakes in drugmakers

This month SK Investment has already poured over $1.5 million to scoop up 3.4 million shares of the Vietnamese pharmaceutical company to increase its ownership from 24.02 to 29.22%.

On June 7, Pymepharco announced that STADA Service Holdings B.V., a subsidiary of German pharmaceutical company STADA Arzneimittel AG, will make a public offer to buy 356,000 of its shares, equalling 0.47%. STADA and relevant stakeholders are currently holding 75.66 million voting shares or 99.53% of Pymepharco. If the deal goes through, STADA will fully take over Pymepharco.

STADA initially teamed up with Pymepharco by transferring technology, allowing the Vietnamese pharmaceutical maker to produce a number of the German company's branded products.

In January, Japanese drugmaker ASKA Pharmaceutical purchased nearly 5.2 million shares of Ha Tay Pharmaceutical JSC (Hataphar), upping its stake from 4.9% to 24.9%, and becoming a major shareholder. The capital from the deal will help Hataphar to build a high-tech pharmaceutical factory project.

Another pharmaceutical giant, Traphaco, also witnessed active foreign net buying with a volume of up to tens of thousands of units per trading session since the end of May. The current foreign ownership rate of Traphaco is 43.35%, close to the maximum limit of 49%. The largest foreign institutional shareholders are Magbi Fund Ltd., and Super Delta Pte., Ltd., which hold 25% and 15.12% respectively.

Taisho Pharmaceutical Co., Ltd. has acquired 51.01% of DHG Pharmaceutical JSC following a number of transactions and public offerings, and pharmaceutical giant Abbott now holds nearly 52% of Domesco.

Last year was notable for mergers and acquisitions (M&As) in the pharmaceutical sector. According to SSI Research, the total value of M&A deals was VND1.68 trillion ($73 million) and they involved a number of foreign investors.

According to experts, foreign investor interest in local pharma companies will continue increasing, proven by the closing of a number of M&A deals with the value of trillions of VND from big foreign investors. Several pharmaceutical companies from India, Thailand, Japan, Malaysia, South Korea, and the European Union are now still seeking opportunities for their investment into the Vietnamese market.

Investors are not only pinning their hopes on large pharma businesses but also betting on tech-enabled healthcare facilities. AppWorks, a venture capital company that invests in Taiwan and Southeast Asia, has led a $1 million funding round in Vietnam-based healthtech startup Docosan, which offers searching and booking appointments online with doctors 24/7, checking price lists and reviews by patients.

Another local startup called AiHealth, which helps find personal doctors, book appointments, and buy medication online, has announced its successful call for investment from TNBA Vietnam Scout and some other investors in Southeast Asia.

A slew of other healthcare startups are constantly expanding their offerings in Vietnam such as eDoctor, Jio Health, Doctor Anywhere, and Zoop Care. But while tech-enabled businesses continue to grow in Vietnam and potentially disrupt the industry, there are still business issues that have not been fully addressed by the startups.

Phong Quach, head of business development at Ipsos Strategy3 in Vietnam, said that in the Vietnamese healthcare sector, hospitals and institutes are classified by tiers, unlike other developed markets with a structure between primary care, secondary care, tertiary care, and others. For example, a patient can easily access a special tier hospital such as Bach Mai via its out-of-pocket service even on the weekend if that patient has a specific need for on-demand service.

In addition, special tier hospitals such as Bach Mai or Cho Ray are often perceived to be superior compared to lower tier local hospitals and easy access is a driving factor where higher-tier hospitals often attract more traffic to their facilities. Similarly, healthcare practitioner profiles and experiences are also influenced by the facilities that they serve.

Quach said, “It is certainly a key question of how healthcare services from tech-enabled businesses can provide trust to a Vietnamese patient. So if these businesses want to build a solid portrait, they have to attract highly-respected professionals to their services, which is a very challenging task.”

Korean investors establish alliance to develop smart city tech for Vietnam

Three Korean companies have teamed up to develop a smart city system to manage future urban growth in Vietnam, based on Daewoo E&C’s plan for the Starlake City project in Hanoi.

Daewoo E&C Vina has signed a strategic partnership with SparkLabs Korea and Bespin Global to collectively build a smart city platform in Vietnam. The three companies plan to build and operate a smart city-integrated management platform to utilise data generated from Daewoo E&C's Vietnam smart city and smart construction effort. Additionally, they plan to introduce and implement open innovation to discover, invest, and nurture technology startups to be introduced into ASEAN countries with a primary focus on Vietnam.

Daewoo E&C's smart city initiative is seeking to solve urban problems caused by rapid urbanisation following Vietnam's economic growth, and to improve the efficiency of urban infrastructure operations and management. Through this partnership, Daewoo E&C plans to build a core smart city data-management system for a new city project in Vietnam and build an integrated city platform to accelerate the development and commercialisation of smart city element technologies.

Korean investors will bring to bear their tried and tested technologies to develop smart city tech for Vietnam

Bespin Global supports Daewoo E&C's Vietnam smart city platform and strategies. Specifically, it plans to attract R&D and innovation centres, which are essential elements of a smart city platform, and build and support a smart city development platform and cloud infrastructure.

Meanwhile, SparkLabs will operate and foster the "Vietnam Smart Tech Fund", which specialises in smart city solution startup investment and acceleration. Since SparkLabs Group is a leader in early-stage venture capital in Asia, it is ideally suited to partner with Daewoo E&C Vina and lead this new venture capital fund. In addition, it will pilot cloud smart city solutions such as autonomous driving, big data, AI, and machine learning with Bespin Global and other select partners.

"Daewoo Starlake City, which is being developed by Daewoo E&C, is Vietnam's first demonstrative city that is applying smart technologies such as a drone control system, building information modeling (BIM)-based construction and operation management, and air quality measurement system. It has contributed to the improvement of Hanoi's city environment," said Sung-Jin Cho, executive vice president of Daewoo E&C.

Min-Sik Cho, CEO of Bespin Global, said, "In order for a smart city to succeed, it is essential to build a 'smart city platform' that can collect and analyse various data created by facilities and services in the process of urban development and operation, as well as demonstration projects of element technologies."

He added, "I have high expectations because Bespin Global's technology can contribute to the construction of Daewoo E&C's smart city development platform and cloud infrastructure."

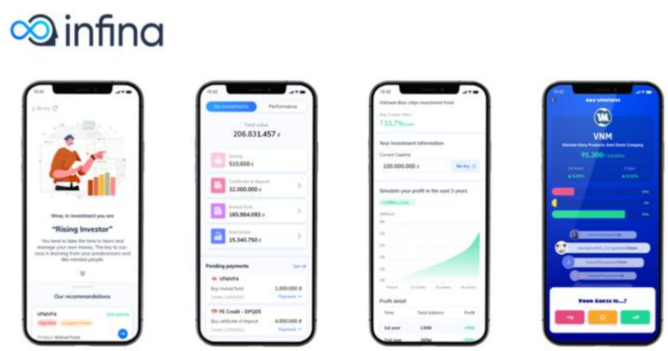
Fintech startup gets $2 mln seed funding from global investors

Vietnamese fintech startup Infina has raised $2 million in seed funding from five global venture capitalists.

The investors are Japan’s Saison Capital, Indonesia’s Venturra Discovery, Singapore’s 1982 Ventures, the U.S.'s 500 Startups, and Korea’s Nextrans.

Some Google and Netflix executives are also taking part in this round.

The startup has developed an investment app called Infina that enables users to make term deposits, invest in certificates of deposit and exchange traded funds. Most users are between the ages of 25 to 40 and looking for alternatives to investing in long-term asset classes like real estate.



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The seed funding will be used to increase the number of users and diversify the investment portfolio, and hire experts to analyze customers' risk preferences.

It plans to expand into other countries in future, but for the time being is focused on the Vietnamese market.

The company said that around 500,000 securities trading accounts were opened in the first five months of 2021, a 20% year-on-year increase, according to the Vietnam Securities Depository.

This along with Vietnam's high Internet penetration rate, which was at around 70% as of January, and the fact that more than three-fourths of Internet users have used online financial services before, enable apps like Infina to gain traction.

Infina was launched in January 2021 by James Vuong, who used to be an engineer in the U.S.'s Silicon Valley before returning to Vietnam to serve as vice president of investment at Vietnam's first venture capital fund IDG Ventures.

Vuong said many Internet users began using digital services, including for investments, with the interest rate cuts by the central bank to help businesses cope with Covid-19 prompting many investors to look for alternatives with higher returns than bank deposits.

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