

# Vietnam: SUGA's Story of China + 1

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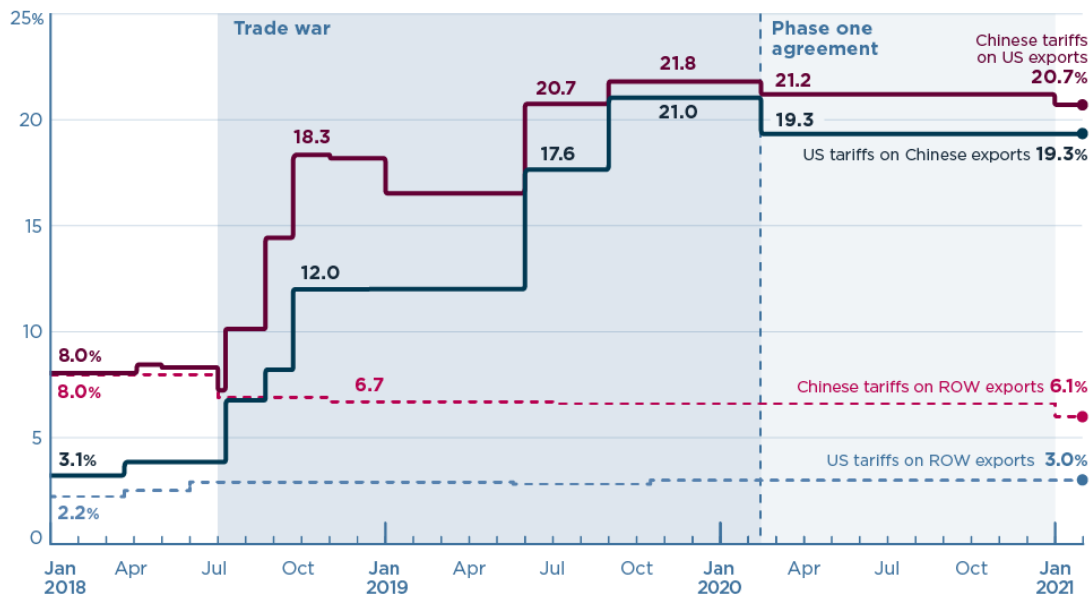
Once upon a time in 2018 ...



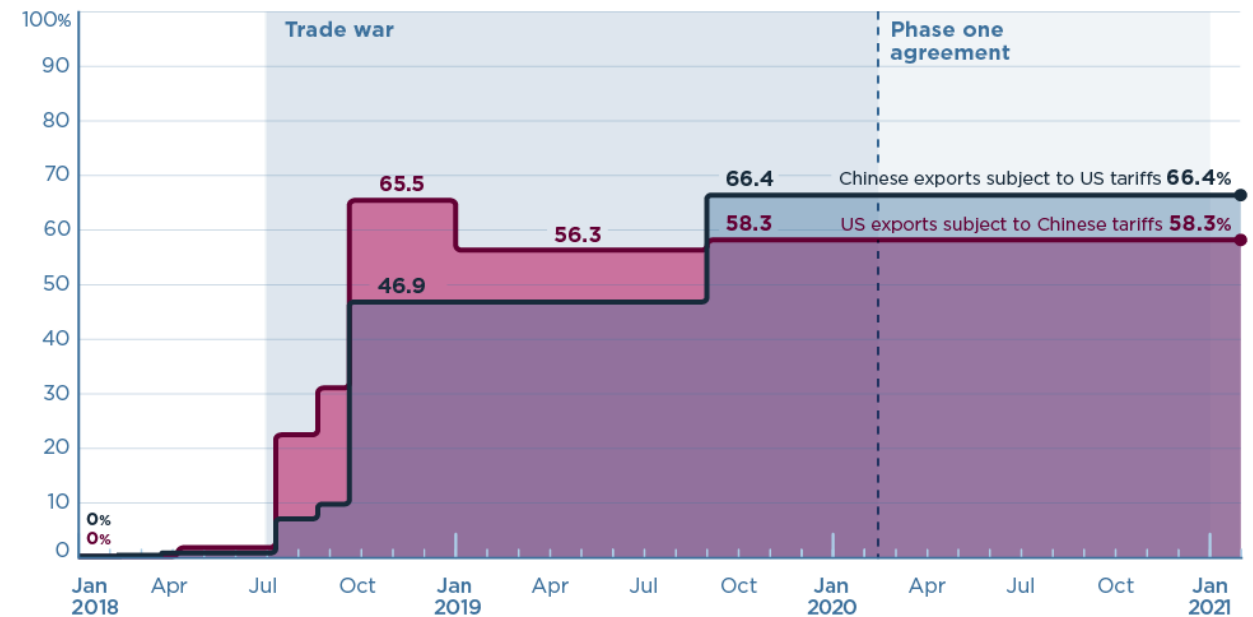
# Trade War Impact

## US-China trade war tariffs: An up-to-date chart

a. US-China tariff rates toward each other and rest of world (ROW)



b. Percent of US-China trade subject to tariffs



Courtesy of Peterson Institute for International Economics (PIIE)

# China + 1 Candidates



Suga Electronics Ltd.



Possible country

- Vietnam
- Thailand
- Malaysia
- Indonesia

# Comparison

	Vietnam	Thailand	Malaysia	Indonesia
Distance from (SZ)	Close	Far	Farther	Farthest
Population	~96M	~70M	~32M	~26400M
Country areas	~329K km <sup>2</sup>	~513K km <sup>2</sup>	~33K km <sup>2</sup>	~1904K km <sup>2</sup>
Average Monthly Salary (Dollar/M)	~300	~530	~530	~300
Political and economic stability	Steady	Unsteady	Steady	Unsteady
Worker stability	Steady	Steady	Steady	Unsteady
Religion	Buddhism, Catholicism, Hoahaoism	Buddhism	Islam, Buddhism, Hinduism, Christianity	Islam, Christianity, Catholicism
natural disaster	Floods, tropical storms	Floods, tropical storms, earthquakes	flood	Tsunamis, earthquakes, volcanic eruptions, floods
Major problems in factory operation	Frequent labor strikes & lower productivity	political instability	harder to get workers	Frequent labor strikes & safety issues
Supply chain	Developing	Mature	Mature	Developing

- Closest to Shenzhen
- Lower Regular wage



# Vietnam Tax and Tax Incentive

- Corporate tax rate 20% (China 25%). Potentially qualified for lower tax rate for high tech/social sector
- Two years of tax exemption and four subsequent years of 50% reduction (for SUGA business, other sectors can potentially enjoy more exemption)

# Labour

- Young population: median 32.5 in 2020 (China 38.4 in 2020)
- Work-life-balance: Prefer to work close to home and family
- Working hours: 8 hrs/day or 40 hrs/wk, OT cannot exceed 50% of normal working hours

# SUGA Vietnam Timeline



- **3 December 2018:** Factory 1 (4000 sqm) started operation in Vietnam



- **1 January 2020:** Factory 2 (6000 sqm) started operation in Vietnam



- **28 April 2020:** Sublease of land in Bac Ninh Province, Vietnam



- **15 October 2020:** Signing of the Construction Contract of Factory 3



- **18 September 2020:** Start of construction



- **30 April 2021:** Construction completed



- **1 July 2021:** Begin to transfer of SMT/machinery to Factory 3 (36000 sqm)



## Que Vo 3 Industrial Park, Bac Ninh



- **Location:**
  - 44 km away from Noi Bai Airport;
  - 80 km away from Hai Phong Port;
  - 124 km away from Friendship Pass
- **Land price:** 74 USD/m<sup>2</sup>
- **Total area:** 303.8 hectares
- **Regional labor force:** 668,000
- **Basic salary level:** 161 USD
- **Type of the settled enterprises:**
  - mainly in the electronics industry

## Details

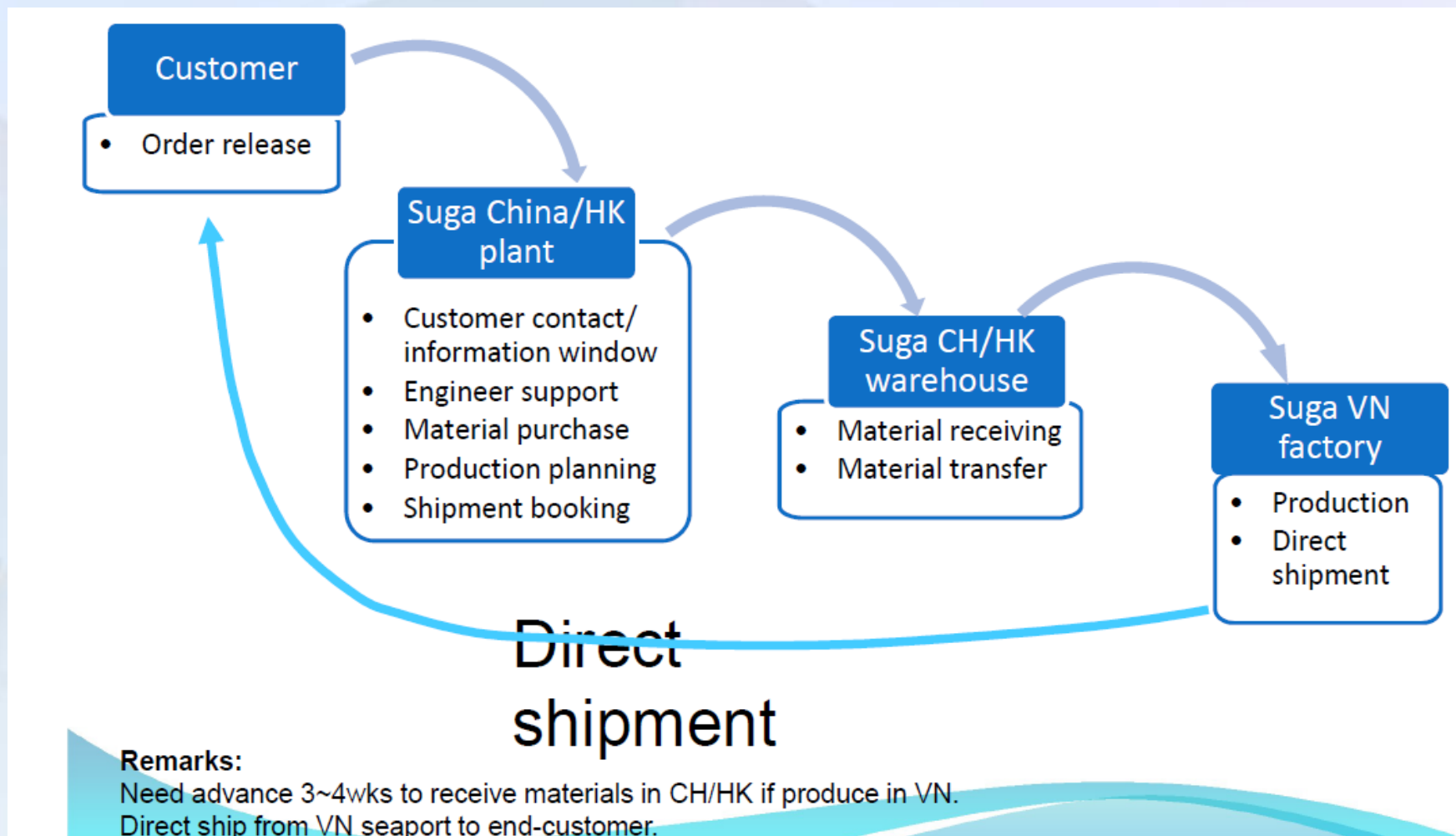
- **Land sublease price in Vietnam:** VND79,696 million (equivalent to approximately HKD26.3 million)
- **Total construction price:** VND108,400 million (equivalent to approximately HKD35.8 million)
- **New plant area:** Total building area: 17,975.1m<sup>2</sup>, total building floor area: 36,431m<sup>2</sup>; total land area: 40,251.5m<sup>2</sup> (remaining construction floor area: approximately 16,000m<sup>2</sup>)
- **Estimated number of recruits:** 1500







# Challenges: Supply Chain



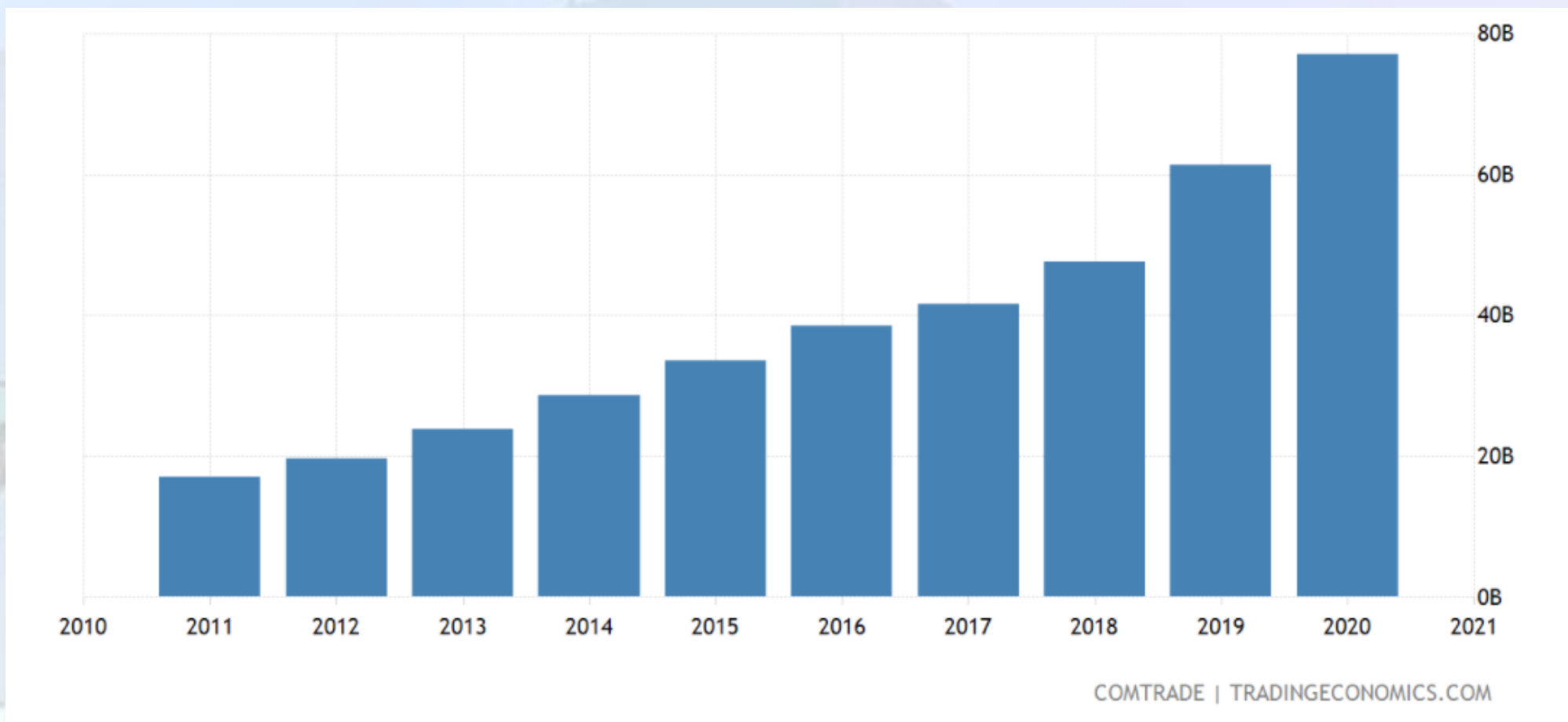


# Challenges: Covid-19 Measures in Vietnam

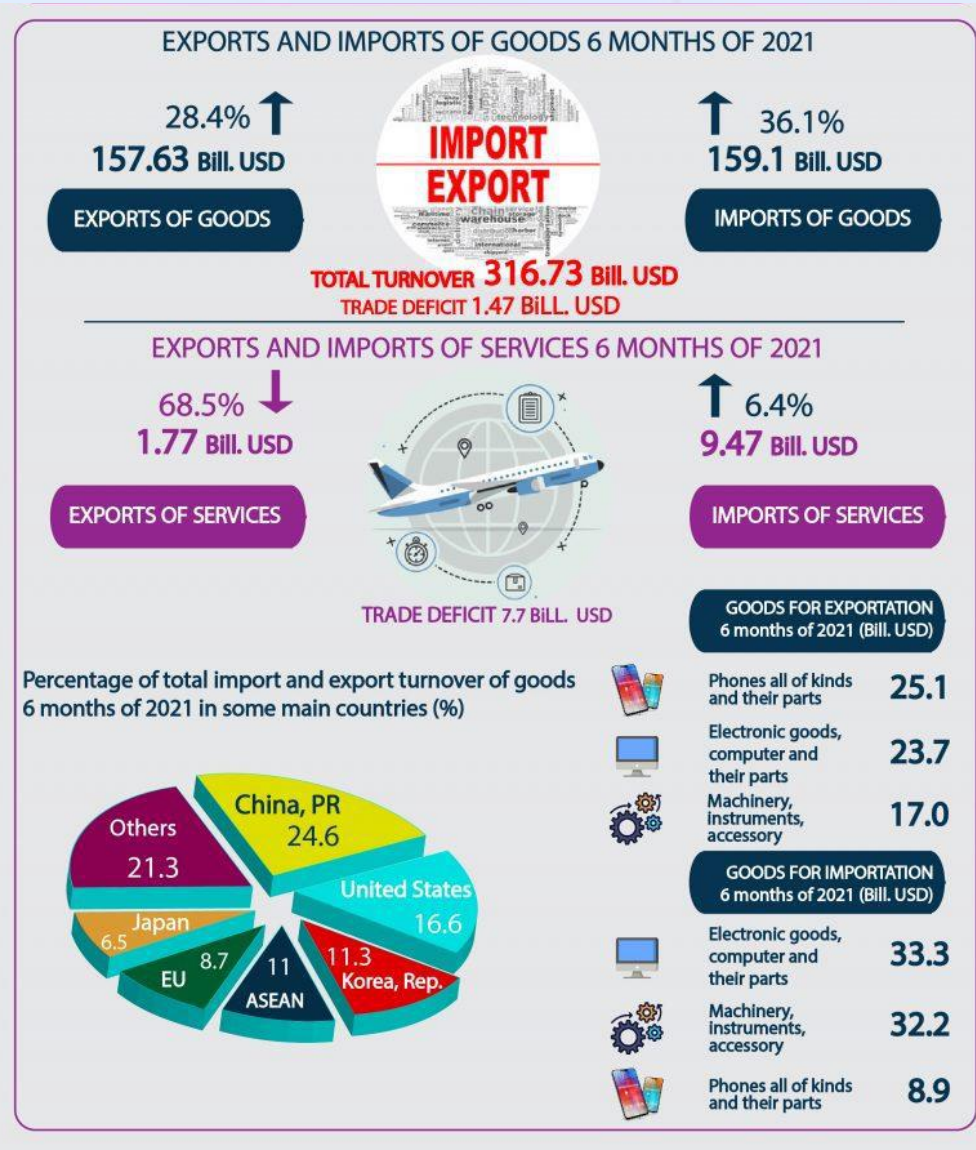
- One of the regions with tougher measures
- Vietnam has suspended the entry of all foreigners except diplomats, officials, foreign investors, experts, and skilled workers
- 21-day quarantine period (pilot vaccine passport with 7-day quarantine in discussion)
  - Many Chinese employees have stayed in Vietnam since beginning of pandemic!
- Low vaccination rate (4.4% as of July 2021) due to supply problem
- Restrict factory workers movement and require them to station in factory
  - May require factory to build dormitory for long term



# Vietnam is a popular China + 1 choice



Export Figures from Vietnam to US in USD



Import is growing rapidly indicating a blooming local market too!

# Thank You!

