



VIETNAM DAILY NEWS

June 8th, 2020



Table of content

Table of content

1. VN-Index up third session in a row
2. EVFTA paves the way for Vietnam to join new supply chains post Covid-19
3. Vietnam raises taxable income threshold 22 pct
4. Vietnamese firms show interest in developing renewable energy
5. Investors keen on Danang's US\$2-billion casino complex project
6. Vietnam spells out ambitious e-governance targets
7. SAV: Notice of stock issuance for capital increase
8. ROS: BOD approved the contents related to the merger
9. GAS: PV Gas's Jan-May revenue surpasses goal despite pandemic

Market Analysis

1. VN-Index up third session in a row

The VN-Index edged up 0.26 percent to 886.22 points Friday, with many small-capped stocks hitting their ceiling prices.

231 stocks gained and 132 lost on the Ho Chi Minh Stock Exchange (HoSE), on which the VN-Index is based. Of 34 stocks on this bourse that hit their ceiling prices this session, only one was a blue chip.

Total trading volume remained above average, reaching VND6.37 trillion (\$276.75 million), but only 43 percent of which went into the VN30, a basket of the market's 30 biggest capped stocks. The VN30 usually accounts for over 50 percent of daily trading.

The VN30-Index for stocks in this basket rose 0.33 percent, with 12 stocks gaining and 11 losing.

ROS of real estate developer FLC Faros topped gains again with 6.8 percent, its ceiling price. However, because ROS is the smallest cap in the VN30, it is the most volatile in this basket, often fluctuating from floor to ceiling prices between two sessions.

Private banks were some of the best performers, with VPB of VPBank rising 2.1 percent, TCB of Techcombank adding 1.2 percent, and EIB of Eximbank gaining 0.3 percent.

Other gainers included CTD of construction giant Coteccons and HPG of leading steelmaker Hoa Phat Group, both rising 1.7 percent, followed by VNM of

dairy giant Vinamilk, up 1.2 percent, and BID of BIDV, the country's biggest state-owned bank by assets, which gained 0.7 percent.

In the opposite direction, GAS of energy giant PetroVietnam Gas topped losses with 1.3 percent. In oil and gas, both POW of electricity generator PetroVietnam Power and PLX of petroleum distributor Petrolimex fell 0.5 percent and 0.3 percent respectively.

Among losers in the banking sector, HDB of HDBank fell 1.1 percent, CTG of state-owned banking giant VietinBank, 0.8 percent and MBB of state-owned midsized lender Military Bank, 0.6 percent.

Other losers included VIC of private conglomerate Vingroup, the market's largest cap, which fell 1 percent, while MSN of food conglomerate Masan Group shed 0.8 percent.

Meanwhile, the HNX-Index for stocks on Hanoi Stock Exchange rose 0.56 percent and the UPCoM-Index for stocks on Unlisted Public Companies Market edged up 0.18 percent.

Foreign investors' net sell on all three bourses rose again, by 25 percent, reaching VND200 billion (\$8.69 million). Selling pressure was mostly on HPG of Hoa Phat Group, and the E1VFN30, an exchange-traded-fund which imitates the composition, and in turn the performance of the VN30.

Macro & Policies

2. EVFTA paves the way for Vietnam to join new supply chains post Covid-19

The EU – Vietnam Free Trade Agreement (EVFTA) clears the pathway for Vietnamese enterprises to access the European market and take part in new global supply chains formed in the post-Covid-19 era, according to Minister of Industry and Trade Tran Tuan Anh.

“Along with the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), the EVFTA is the last puzzle in Vietnam’s international integration strategy,” Anh stressed at a conference on June 5.

While the EVFTA is expected to further boost Vietnam’s trade relations with the EU, its key partner even before the trade deal takes effect, the EVFTA’s significance also lies in the fact that the deal basically covers most of the sustainable development fields of a country, Anh stated.

“Strict requirements in the EVFTA are a favorable platform for developing countries like Vietnam to continue the reform process and perfect its legal environment, a key step in enhancing state management capability and taking the country forward,” Anh asserted.

According to Anh, not only in the aspect of state management, each economic component would have an opportunity to access international markets of high standards via the EVFTA and bring benefits for the business community.

Good international practices in the forms of strict requirements for product quality, environmental protection, food safety or laborers’ working conditions, among others, in the EVFTA would eventually help Vietnamese SMEs to improve their competitiveness if they can face up to these challenges, Anh said.

Need for local enterprises to understand EVFTA

Chairman of the Vietnam Association of Small and Medium Enterprises (SMEs) said from staying behind others in global economic integration, the EVFTA has now pushed Vietnam ahead of regional peers in the process, given the fact that deal is the

second one the EU has signed with a Southeast Asian country and the first of its kind with a developing country in Asia, according to Nguyen Van Than.

Than expected the EVFTA to help Vietnamese SMEs, which account for 97% of total enterprises in Vietnam, overcome the hardship caused by the Covid-19 pandemic.

However, huge challenges remain for Vietnamese companies to gain from the deal, Than said, adding they have to change their mindset of doing business to meet the EU’s strict requirements, or face the risk of being sidelined from the European market, which is one of the biggest in the world with GDP of over US\$18 trillion, accounting for 22% of global GDP, and has a population of over 500 million.

Than recommended local enterprises actively search for new opportunities from the EVFTA, as well as prepare for potential challenges.

“A lack of understanding of the deal would mean we are highly likely to lose even before starting a fight,” Than noted.

Additionally, Than raised the issue of enterprises’ lacking of funds to meet the deal’s requirements.

In this regard, Minister Anh said he would work with the State Bank of Vietnam to provide more favorable framework for local SMEs to access banks’ loans.

The EVFTA, officially signed last June after six years of negotiations, has been dubbed “the most ambitious” FTA the EU has ever reached with a developing country, according to the European Commission. It not only includes the almost full elimination of bilateral tariffs, but also a substantial reduction of non-tariff barriers. Moreover, it includes provisions to protect intellectual property, labor, environmental standards, and fair competition, while promoting regulatory coherence.

On March 30, the European Council (EC) adopted a decision on the conclusion of the EVFTA following the ratification by the European Parliament on February 12. This decision clears the path, on the EU side, for the entry into force of the agreement.

Vietnam's National Assembly is set to ratify the deal at a meeting on June 8. Once the process is completed, the agreement can enter into force 30 days after the mutual notification between Vietnam and the EU that legal procedures have been completed.

A Pre-Covid-19 study from Vietnam's Ministry of Planning and Investment suggested the EVFTA and the EU – Vietnam Investment Protection Agreement (EVIPA) would help Vietnam's GDP grow an

additional 4.6% and boost the country's exports to the EU by 42.7% by 2025.

Meanwhile, the European Commission estimated the bloc's GDP would be added US\$29.5 billion by 2035, along with additional growth of 29% in exports to Vietnam.

In 2019, bilateral trade turnover between Vietnam and the EU stood at US\$56.45 billion, of which Vietnam exported goods worth US\$41.54 billion and imported goods worth US\$14.9 billion.

3. Vietnam raises taxable income threshold 22 pct

Prime This means that a person with an income of less than VND11 million per month will not have to pay personal income tax. The current threshold is VND9 million (\$392).

The threshold will increase by VND4.4 million (\$192) for each dependent a person claims, also up 22 percent from now.

This means a person with a monthly income of VND15 million (\$653) with one dependent will no longer have to pay personal income tax, compared to a tax of VND120,000 (\$5.2) now.

A person making VND20 million (\$870) a month with two dependents will pay VND10,000 (44 cents) instead of VND190,000 (\$8.3) now.

The new threshold will exempt an addition of one million people from personal income tax obligations, the government had estimated earlier.

But experts had also expressed opposition to the increase, saying it was too small compared to the fast-growing economic growth the country has recorded in recent years.

Nguyen Khac Quoc Bao, head of the finance department at the HCMC University of Economics, suggested a 55 percent increase to VND14 million (\$609) so that more people will be exempt from tax duties.

By the end of last year, there were 6.88 million income taxpayers who contributed over VND79.2 trillion (\$3.41 billion) to state's coffers, according to the Ministry of Finance.

The ministry estimates that revenue from income tax would fall 13 percent to VND68.92 trillion (\$2.96 billion) with the new threshold.

4. Vietnamese firms show interest in developing renewable energy

Trinh Bamboo Capital JSC (BCG) is a new player that is keen on the Vietnamese renewable energy market and the firm has paid billions of U.S. dollars over the past two years.

BCG has, so far, made investments worth up to VND30 trillion (US\$1.28 billion) in 10 solar power projects through its subsidiary BCG Energy, which was founded in 2017.

BCG Energy has invested some VND15 trillion (US\$642 million) in six projects in the Mekong Delta province of Long An and roughly VND9 trillion (US\$385 million) in three projects in the neighboring province of Ben Tre.

Late last month, Clean Energy Vision Development JSC, a subsidiary of BCG Energy, broke ground for a 330-megawatt solar power plant, which requires a

total investment of VND6.2 trillion (US\$265 million) in the south-central province of Binh Dinh.

As consumption is predicted to grow faster than that of new power supplies, Vietnam will face a serious power crunch, noted Pham Minh Tuan, general director of both BCG Energy and Clean Energy Vision Development JSC, at the groundbreaking ceremony.

There will be a shortage of some 20 billion kilowatt hours of electricity, which will double by 2025. “In recent years, BCG Energy has focused on the research and implementation of renewable energy projects to create an alternative supply,” stated Tuan.

He added that the firm has been working closely with leading partners in the solar energy industry over technology solutions, engineering structures, construction options, environmental solutions and the analysis and research of local energy demand.

A top official at the Refrigeration Electrical Engineering Corporation (REE) told shareholders at a recent meeting that that firm is focusing on renewable energy this year.

REE is carrying out a wind power project whose capacity will double later this year. The firm is on the lookout for a contractor so that construction work on the project can begin in August this year and the plant will be up and running by the end of next year.

The company plans to embark on a rooftop solar power project as well.

REE Chairwoman Nguyen Thi Mai Thanh said the energy industry remains a basic sector rather than a high risk-high return one, so the investment in the industry is geared to the sustainable growth.

Stating that REE does not intend to chase “hot” revenues and profits, she stressed that solar power projects are expected to have a slightly faster capital recovery rate, which takes roughly seven to eight years.

Although the firm revealed its strategy for renewable energy, its investment plan and scale remain undisclosed.

Meanwhile, the Thien Tan Group has detailed its investment plan for a US\$2-billion solar power project in the south-central province of Binh Thuan.

The group established its foothold in the renewable energy industry in 2017 as it spent VND1.4 trillion on the construction of the 50-megawatt Thien Tan Solar Ninh Thuan plant.

After the plant was completed and connected to the national power grid in March 2020, the firm unveiled its new plan.

The firm noted that the plant was part of the first phase of its major solar power project in Binh Thuan Province. Work on the second phase will begin once the firm receives the necessary approvals from the provincial government and other state agencies.

Covering around 1,400 hectares, the plant will turn out a total capacity of 1,000 megawatts, and require an investment of some US\$2 billion.

Government incentives

In April 2020, Prime Minister Nguyen Xuan Phuc issued a new mechanism to encourage investments in the country’s solar energy sector and remove the bottlenecks facing electricity prices over the past few months, which came into effect from May 22 and will end on December 31, 2020.

The highest buying price of electricity is set at VND1,943 per kilowatt hour (kWh), equivalent to 8.38 U.S. cents per kWh.

Meanwhile, the feed-in tariff, referring to the price of electricity sold to the national grid, for floating solar power projects is at VND1,783 or 7.69 U.S. cents per kWh.

The respective feed-in tariffs for ground-mounted and rooftop solar power systems are VND1,644 (7.09 U.S. cents) and VND1,943 (8.38 U.S. cents) per kWh.

The December 31 deadline poses a major obstacle to solar energy investors, and small companies are finding it challenging to secure enough equipment to build their plants.

The current devices are only able to generate several dozens of kWh. In case of higher electricity volumes, they have to be ordered from abroad and these deliveries take roughly 20 to 30 days.

Moreover, the coronavirus pandemic has wreaked havoc on supply chains, so the delivery could take even longer.

Nguyen Tuan Anh, director of Nam Kha Solar Power Co., Ltd., said that in an attempt to secure preferential prices, his company is allocating its

resources to implement rooftop solar power projects before the deadline comes.

Major firms, such as BCG, Thien Tan and REE, are more likely to meet the deadline thanks to their financial and technological advantages.

“Right now, we have to operate at full capacity to build and complete (the plant), and connect it to the [national] electrical grid by the end of this year to enjoy preferential prices,” said REE Chairwoman Nguyen Thi Mai Thanh.

5. Investors keen on Danang’s US\$2-billion casino complex project

They are the T&T Group, the Imex Pan Pacific Co.,Ltd and the joint venture of three businesses including Newtechco Import-Export JSC and two Singapore-based businesses Sakae Holding Ltd and Fission Holdings Pte. Ltd.

The municipal People's Council on June 4 asked the city's government to consider and approve the zoning adjustment of the trade-finance-casino complex project in Son Tra District, before carrying out procedures calling for an investment.

Covering an area of 8.4 hectares, the project will include premium apartments, hotels, a financial center, a casino, a convention center and a twin tower. It is part of the district's land use plan that had been approved by the municipal government.

The Natural Resources and Environment Department will submit an auction plan for the project's land use rights to the city's government once the zoning adjustment has been approved.

6. Vietnam spells out ambitious e-governance targets

A government program to turn Vietnam into a digital nation approved by Prime Minister Nguyen Xuan Phuc on Wednesday, wants, by 2025, 80 percent of level 4 public services - which allow online fee payment - to be provided on several platforms, and 90 percent of documents at ministry and province levels and 80 percent at the district level to be processed online.

The program, which is also expected to create digital businesses that can compete globally, then aims for all level 4 public services to be provided on multiple platforms and all documents at the ministerial and provincial levels and 90 percent of documents at the district level to be processed online by 2030. Confidential documents will not be processed online.

All national databases related to population, land, business registration, finance, and others will be made public by 2025.

The government wants 80 percent of the population to carry out transactions digitally, and aims to provide broadband Internet and 5G connections nationwide.

The country also hopes to eventually be among the top 50 countries in the U.N.'s E-Government Development Index (EGDI) and Competitiveness Index, and in the top 30 in innovation and cybersecurity.

Vietnam targets climbing 10-15 places in the EGDI rankings and into the top four in Southeast Asia by 2025.

This would help government agencies and local administrations improve their e-governance, according to the Ministry of Information and Communications.

In the biennial EGDI report, in 2018 Vietnam ranked 88th out of 193 countries with a score of 0.59, its highest ever, and is steadily rising.

Singapore led the region with 0.88 followed by Malaysia with 0.71 and Brunei with 0.69. Thailand and the Philippines shared third position with 0.65.

The EGDI, besides making with an assessment of website development patterns in a country, also incorporates access characteristics such as infrastructure and educational levels to reflect how

a country is using information technology to promote access and inclusiveness.

For years there have been complaints from the public and investors that it takes too long to complete administrative procedures and there is too much paperwork.

Official data shows it can take up to 218 hours and cost VND64.1 million (\$2,700) to complete a single administrative procedure.

Corporate News

7. SAV: Notice of stock issuance for capital increase

↑ 1.40%

Savimex Corporation announced the information on a stock issuance to increase its share capital from the owner's capital:

- 1) Stock name: Stock of Savimex Corporation
- 2) Stock type: common share
- 3) Par value: VND10,000/share
- 4) Total issued volume: 13,923,773 shares
- 5) Outstanding volume: 13,528,003 shares

- 6) Treasury volume: 395,770 shares
- 7) Expected issue volume: 676,400 shares
- 8) Total issue value: VND6,764,000,000.
- 9) Issue ratio: 5%/par value
- 10) Record date: June 25, 2020.
- 11) Plan to deal with fractional shares: The distributed shares will be rounded down. The fractional shares (if any) will be cancelled.

8. ROS: BOD approved the contents related to the merger

↑ 6.81%

The Board resolution dated June 03, 2020, the BOD of FLC FAROS Construction Joint Stock Company approved the stock conversion ratio to implement the merger plan of FLC FAROS Construction Joint Stock Company (stock code: ROS) into FLC Mining Investment & Asset Management Joint Stock Company (stock code: GAB). Details are as follows:

- Expected conversion ratio: 1:15 (15 ROS's shares are converted 01 share of GAB).
- Issuance object: shareholders of ROS.

9. GAS: PV Gas's Jan-May revenue surpasses goal despite pandemic

↓ -1.28%

The PetroVietnam Gas Corporation (PV Gas), a subsidiary of the Vietnam Oil and Gas Group (PetroVietnam), reported nearly 27.6 trillion VND (1.18 billion USD) in revenue between January and May, more than 6 percent higher than its target for the period.

Pre-tax profit stood at over 4.5 trillion VND, exceeding the target by 34 percent. It also

contributed close to 2 trillion VND to the State budget, 62 percent higher than expected.

According to PV Gas General Director Duong Manh Son, its operations were impacted by the COVID-19 pandemic triggering a fall in oil prices.

PV Gas has made every effort to sustain its business, reduce inventory, and clear several construction hurdles, he said.

As such, the company produced and distributed nearly 3.8 billion cubic metres of gas in the first five months of this year, meeting its target. Production

and distribution of LPG and condensate stood at 720,000 and 26,000 tonnes, respectively, 41 and 10 percent higher than targeted.

Research Team:**Tsugami Shoji**

Researcher

jsi@japan-sec.vn**Disclaimer:**

Copyright 2015 Japan Securities Incorporated (JSI). All rights reserved. This report has been prepared on the basis of the information believed to be reliable at the time of publication as provided by StoxPlus (www.stoxplus.com) - An associate company of Nikkei Inc. and QUICK Corp. JSI makes no representation or warranty regarding the completeness and accuracy of such information. This report is provided, for information purposes only and does not constitute an offer or solicitation to buy or sell any securities discussed herein any jurisdiction. Investors must make their investment decisions based upon independent advice subject to their particular financial situation and investment objectives. This report may not be copied, reproduced, published or redistributed by any person for any purpose without the written permission of an authorized representative of JSI.

Japan Securities Incorporated – JSI

Address: 14F, TNR Tower, 54A Nguyen Chi Thanh, Lang Thuong, Dong Da, Hanoi

Tel: (024) 3791 1818

Fax: (024) 3791 5805

Email: info@japan-sec.vn

Website: www.japan-sec.vn