



VIETNAM DAILY NEWS



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Market Analysis

1. Market ends higher, VN-Index inches closer to 1,190 point-level

Viet Nam's stock market increased on Tuesday as many large-cap stocks rebounded in the afternoon session.

The market benchmark VN-Index on the Ho Chi Minh Stock Exchange (HoSE) rose 0.91 per cent, equivalent to 10.68 points, to 1,186.36 points. The market breadth was back to positive as 270 stocks climbed while 165 stocks declined. It was quite volatile in the morning session as big stocks faced strong selling pressure, limiting the upward trend.

The market's liquidity was also high with over 780.73 million shares being traded on the south bourse, worth nearly VND16.95 trillion.

Earlier, in a daily report to investors, analysts from Bao Viet Securities Co. expected that the VN-Index might fall as it tries to test the resistance level of 1,180 - 1,185 points in this session.

"In general, after recovering from the supportive territory of around 1,150 points, the index continues to fluctuate sideways at 1,150 - 1,200 points. This trend might continue in the near term," Bao Viet said.

"The cash inflows will focus on small-cap and mid-cap stocks. Large-cap stocks will recover some how, but the main trend is still sideways accumulation."

The VN30-Index also increased nearly 10.8 points, equivalent to 0.91 per cent, to 1,190.86 points. Of the 30 biggest stocks in the VN30 basket, twenty rose, of which one stock hit the maximum daily gain of 7 per cent, while eight stocks slid and two stocks stayed unchanged.

Sai Gon Thuong Tin Commercial Joint Stock Bank (Sacombank, STB) was the stock with the biggest daily gain, up 6.77 per cent.

Real estate, banking and materials stocks continued to dominate the market's trend yesterday. Top five stocks influencing the rally were Vingroup JSC (VIC), Masan Group (MSN), Viet Nam International Commercial Joint Stock Bank (VIB), STB and SeABank (SSB).

SSB shares still maintained their outstanding performance as they hit the biggest daily gain for five consecutive sessions since debuting on HoSE last Wednesday.

Meanwhile, Vietcombank (VCB) posted the biggest loss on Tuesday, down 0.52 per cent. Stocks in retails sectors also had poor performance.

Gas and oil stocks like PetroVietnam Power Corporation (POW) also bounced back in the afternoon session after plunging in the morning trade despite crude prices surging in the global market.

On the Ha Noi Stock Exchange (HNX), the HNX-Index edged higher on large-cap stocks, up 1.8 per cent to 281.14 points. The HNX30-Index climbed 2.17 per cent to 415.47 points.

Domestic investors poured over VND2.78 trillion into the northern market, equivalent to a trading volume of nearly 169.2 million shares.

Regarding foreign investors, they net sold a value of VND196.55 billion. Of which, they net sold a value of VND286.96 billion on HoSE while net bought a value of VND76.67 billion on HNX and VND13.74 billion on UPCOM.

Macro & Policies

2. Direct power purchase mechanism – a new entrant to be for Vietnam power sector

The Electricity Regulatory Authority of Vietnam under the Ministry of Industry and Trade (MoIT) has released a draft circular guiding the implementation of the pilot programme on the direct power purchase agreement (DPPA) mechanism between renewable power generation companies and power consumers.

Compared to the previous draft DPPA decision released at the beginning of 2020, the new draft circular still follows the virtual model where the power consumer will indirectly purchase power from the power generation company through the Vietnamese wholesale electricity market (VWEM); while introducing several new requirements for participating power generation companies and power consumers.

The circular is now under review and is expected to be promulgated in 2021. Under the draft, the DPPA programme will be piloted nationwide with a scale ranging from 400 to 1,000MW. If the total capacity of all qualified applications exceeds 1,000MW, then the interested participants of the programme (including power generation companies and power consumers) will be selected on a first-come, first-served basis.

Power generation companies and power consumers who wish to join the programme must jointly prepare and submit an application dossier as co-applicants and must satisfy several conditions.

As for the power generation company, it must own a grid-connected solar or wind energy project having an installed capacity of more than 30MW that has been included in the approved power development master plan. At the time of application for the DPPA pilot programme, it must already enter into a binding in-principle agreement with power consumer(s) and secure financial support for the power project from financial institutions or banks, evidenced by written documents.

The in-principle agreement shall follow the template provided under Annex 1 of the draft circular, in which the parties shall agree on the main contents of

the DPPA (that is, power supply commitments and strike price) to be signed between the parties after being selected into the programme. In addition, the power generation company must put the relevant power plant into commercial operation and participate in VWEM no later than 270 working days after being selected for the pilot.

For power consumers, they must purchase electricity for industrial manufacturing purposes at the voltage level of 22kV or higher. Similar to power generation companies, consumers also need to demonstrate that they already have a binding in-principle agreement with a power generation company or companies.

At the time of application for DPPA pilot programme, the power consumer is required to make a commitment on renewable energy usage target and on the ratio of annual renewable energy consumption supplied by the participating power generation company or companies; to total annual energy consumption supplied by the power corporation (PC), which shall be at least 80 per cent in the first three years of participation in the pilot programme.

DPPA mechanism

Under the proposed mechanism, the power generation company will not directly sell the generated electricity to the power consumer. Instead, through the VWEM and in accordance with the relevant power purchase agreement (PPA), it will sell all generated electricity to Vietnam Electricity (EVN), which in turn will sell such electricity to PC, and the power purchaser will purchase the power generation company's generated electricity from PC.

The sale and purchase of electricity on the VWEM will be conducted at the spot market price in accordance with the MoIT's regulation on the operation of VWEM (that is, current Circular No.45/2018/TT-BCT dated November 15, 2018, as amended). As for the purchase of electricity from PC, the power consumer must pay PC additional DPPA services fees (including transmission fees,

distribution fees, market operation and dispatch charges, and auxiliary services fees) which are calculated on each kWh.

The PPA between the power generation company and EVN shall terminate after 20 years from the commercial operation date of the power plant and as of date mainly follow the model PPA applicable to solar and wind projects, except for certain necessary modifications related to the DPPA mechanism.

In addition, the power generation company and the power consumer will enter into a DPPA in the form of a Contract for Differences with a term decided by the parties which shall be at least 10 years but not more than 20 years. The contract mainly governs the power supply commitments of the power generation company; and the strike price which the power consumer agrees to pay the power generation company.

If the agreed strike price is higher than the spot market price, then the power consumer shall pay the power generation company the differences between the agreed strike price and the spot market price. By contrast, if the agreed strike price is lower than the spot market price, the power generation company shall pay the power consumer such differences.

With the above mechanism, the risk of spot market price fluctuations can be eliminated, which is indeed beneficial for the power generation company. It will be easier for the power generation company to make a good and effective financial forecast for the power project.

Proposed timeline

The DPPA pilot programme is planned to be implemented for two years, from 2021 to 2023.

However, when it will be launched will depend on the official promulgation of the DPPA circular by the MoIT after considering all opinions from relevant agencies and stakeholders. The timeline for implementation will tentatively be as follows:

- Within 15 working days after the DPPA Circular comes into effect, the MoIT will announce the DPPA pilot programme;
- Within 15 working days after the announcement, the MoIT will open the online registration portal;
- Within 45 working days after the opening of the online registration portal, power generation companies and power consumers will submit application dossiers through the online registration portal;
- Within 45 working days after the closing of the online registration portal, the MoIT will conduct evaluation and selection process and announce the list of selected power generation companies and power consumers;
- Power generation companies will complete the construction of the power plant and put the power plant into commercial operation within 270 working days after being selected for the programme;
- Based on the result of the programme which is evaluated during the period of one year starting from the expiry of the 270-working-days period mentioned above, the MoIT will report to the prime minister for his consideration and decision on official application of the DPPA mechanism.

The launch of the DPPA pilot programme is expected to bring a gigantic boost for the renewable energy power sector in Vietnam. Although the draft circular has not been finalised, the outcome is much awaited.

3. Casino investment to boost Vietnam GDP growth by 2%, says businessperson

Investment from Las Vegas-based casino and resort group Global Gaming Asset Management (GGAM) is estimated to boost Vietnam's GDP growth by 2%.

“A casino project financed by the late Founder and CEO of Las Vegas Sands Corporation Sheldon Adelson in Singapore helped the country GDP to expand by an additional of 1.8%. So there are major

advantages for tourism and economic development.”

President of the Imex Pan Pacific Group (IPPG) Jonathan Hanh Nguyen gave the assessments as saying he is in partnership with some US businesspeople, who are specialized in the fields of finance, casino and financial legal regulations, during a press conference on March 29 announcing

the master planning for Danang until 2030, with vision to 2045.

“CEO of GGAM William Weidner is calling for investment funds for casino projects in Asia. In Vietnam, the US corporation is seeking authority's permission for the investment in a financial center and a resort complex in Danang,” he added.

“We have been planning for a financial center in Vietnam over the past five years. My friends are placing their trust on me and Vietnam,” Hanh Nguyen said.

Hanh Nguyen, William Weidner and Paul Steelman, CEO of Steelman Partners, put forth the idea of a Singaporean-style financial center integrated with a resort complex in Danang.

The three expected the building would have the best quality in the world and totally transform investment and tourism landscapes in Vietnam.

According to Hanh Nguyen, global uncertainties are forcing financial centers around the world to redefine their activities.

In this regard, “Vietnam and Danang in particular should grasp this opportunity to build a continental-level financial center to attract investment capital inflow,” Hanh Nguyen suggested.

Hanh Nguyen expected the upcoming financial center should be the focal point to attract funds from billionaires and multinationals, in turn laying the foundation for further investment activities from smaller investors.

On the same day, Danang People's Committee signed a financing agreement with the IPPG for the study project of turning the city into an Asian finance hub.

4. Over 40,000 businesses leave market in Q1

Among them, 23,800 businesses registered to temporarily suspend their operations, rising 28.2% year-on-year; 11,300 halted their operations pending dissolution, falling 7.3% and 5,200 completed procedures for disbandment, increasing 26.4%.

On average, 13,400 businesses were closed down each month, much higher than the average figure of 8,475 in 2020, according to the General Statistics Office of Vietnam.

On the other hand, 14,700 businesses resumed operations in the first three months of the year, falling 0.5% compared with the same period last year.

The sectors with a large number of businesses quitting the market were education and training, accommodation and catering services, job services, tourism, real estate, entertainment and the arts.

In a recent survey, Vietnam Report found that nearly 42% of Vietnamese retail companies have been seriously impacted by Covid-19, while 50% said the

impact has not been too serious and over 8% experienced only minor effects.

Many businesses decided to temporarily suspend operations to seek a new direction or wait for the implementation of the Government's rescue policies. Some businesses said the new Covid-19 cases reported recently due to illegal immigration into Vietnam have complicated the situation, while they have not recovered from the previous outbreaks.

The director of a travel company in HCMC said his company had suspended operations for over 10 months and is now preparing to operate tours for some customers. However, he was worried that the six contracts he had signed for tours in May would be terminated after some new Covid-19 cases were reported.

According to a report conducted by the Vietnam Chamber of Commerce and Industry in collaboration with the World Bank, the Covid-19 pandemic has had a serious impact on businesses in Vietnam. The pandemic mainly influenced firms'

access to customers, cash flow, labor and supply chains.

The report, which surveyed 10,197 enterprises nationwide, found that 87.2% of the enterprises were majorly affected, while just 11% were “not affected by anything” and nearly 2% reported a “mostly positive” impact.

Data of the Business Registration Department indicated that in 2020, some 102,000 businesses in Vietnam withdrew from the market, the first time that the number of suspended businesses in Vietnam had surpassed 100,000 in a single year.

Some experts warned that the number of businesses pulling out of the market would continue to rise if the Government's rescue policies were not implemented judiciously and effectively.

5. Suez Canal blockage may affect some of Vietnamese businesses

The stranding of the 400m-long container ship Ever Given in the Suez Canal where over 10 percent of global cargo and 7 percent of the world's oil are transshipped is raising concerns about affecting of several Vietnamese enterprises, despite initial successes in the attempt to rescue this megaship.

First Secretary of the Vietnamese Embassy in Egypt and head of the embassy's Trade Office Nguyen Duy Hung said that there is currently no official statistics on the number of Vietnamese commodities exported to other countries on ships waiting off the Suez Canal, as a number of shipping companies such as Maersk and CMS CGM decided to divert ships round Cape of Good Hope (South Africa) to Europe with the calculation of faster time.

The Vietnam Trade Office in Egypt recommended Vietnamese companies coordinate closely with shipping companies to get updated on the transport capacity, the time of docking and goods loading as

well as their insurance against delays or possible damage of goods, especially aquatic products.

Businesses also need to work with importers to address possible problems related to slow delivery to avoid any trade disputes. For support, affected businesses should soon contact with the Vietnam Trade Office.

The 200,000-tonne MV Ever Given veered off course in the Suez Canal on March 23. The incident causes global economic losses of up to 9 billion USD each day, worsening the supply chain which is seriously affected by the COVID-19 pandemic.

The course of the ship has been corrected by 80 percent with the stern of the ship currently 102m from the shore, instead of 4m.

According to the Suez Canal Authority, the number of ships jammed is over 350 and it takes at least 3-6 days to circulate all of the above.

6. Forestry exports up 41.5 percent in Q1

Vietnam earned about 1.52 billion USD from wood and forestry exports in March, raising the value in the first three months of this year to over 3.94 billion USD, up 41.5 percent year-on-year.

Of which, exports of wood and wooden products nearly touched 3.7 billion USD, up 41.5 percent, and exports of non-timber forestry products reached 243 million USD, up 38.4 percent.

According to the Vietnam Administration of Forestry under the Ministry of Agriculture and Rural Development, major export markets for Vietnamese timber and forestry products were the US, Japan, China, the EU, and the Republic of Korea (RoK), accounting for up to 90 percent of the total value.

Meanwhile, the import value of wood and wooden products was estimated at 227 million USD in March and 709.6 million USD in the first quarter, up 31 percent over the same period last year.

The domestic forestry sector ran a trade surplus of over 3.23 billion USD in the three-month period, up 43.4 percent year-on-year.

Vietnamese enterprises have been importing wood and forestry products from China, the US, Cameroon, Thailand, and Chile, accounting for about 55 percent of the accumulative import revenue.

The rise in the import value was due to higher prices of raw materials and increasing demand.

The Vietnam Administration of Forestry also reported that localities nationwide planted 31,498 hectares of forest so far this year, up 16 percent as compared with the same period last year.

7. Vietnam-UK trade deal to officially take effect from May

Vietnam will announce to the UK side its ratification of the UK-Vietnam Free Trade Agreement (UKVFTA) this month, so the deal can officially come into force from May 1.

According to the European-American Market Department under the Ministry of Industry and Trade (MoIT), the ministry has promptly and closely coordinated with the UK in the signing and completion of necessary procedures in order to put the pact in place as soon as possible.

The Vietnamese Government's recent adoption of a resolution ratifying the UKVFTA will see the deal, which temporarily took effect from January 1, become officially effective.

Figures released by the General Department of Vietnam Customs show that in the first two months of this year, trade between Vietnam and the UK

reached over 1.02 billion USD, up 20.05 percent year-on-year.

The figure reflects the momentum created by the UKVFTA to recover bilateral trade.

Economic and trade cooperation will continue to be a bright spot in the relationship between the two sides, given the UK has rolled out mass COVID-19 vaccinations and has a positive economic outlook according to international institutions.

After Vietnam and the UK signed the UKVFTA in London on December 29, 2020, the two sides completed domestic procedures to temporarily put the pact in place from January 1 (Vietnamese time).

The MoIT will continue to coordinate with other relevant ministries and agencies to complete an implementation plan to bring into full play the opportunities generated by the agreement.

Corporate News

8. HPG: Hoa Phat's dizzy growth seems set to continue

↑ 0.32%

It eyes revenues of VND120 trillion (\$5.2 billion) and post-tax profits of VND18 trillion, the highest ever since it began operation in 1992.

Last year revenues rose by 41 percent to VND91 trillion, and profits were up 78 percent to VND13.5 trillion.

The company plans to pay dividends for 2020 in shares at a ratio of three for every 10 owned and in cash at a rate of VND500 (\$0.02) per share.

It plans to build the Hoa Phat Dung Quat 2 plant in the central province of Quang Ngai with a capacity of 5.6 million tons of steel a year.

To cost VND85 trillion, the plant will take three years to build.

9. CRE: Cen Land sets 2021 revenue target touching \$175 million

↑ 2.28%

In 2021, Cen Land, a top player in the northern real estate brokerage market, continues to expand its ecosystem and restructure its operations to promote development from now to 2023. To meet the needs of the market, Cen Land has been perfecting new subsidiaries in deploying potential quality products to meet customers' needs and boost the project portfolio in Vietnam.

Adding to its elite salesforce, Cen Land has recruited more sales consultants to improve the quality of its sales team. New sales forces are trained and classified for the right tasks and products. To improve professionalism in customer-facing operations, the company has also been building customer service teams specifically for domestic and foreign investors.

Cen Land is developing connected agencies across the country. This year, the connected agency development team set the revenue target of VND500billion (\$21.74 million). In addition, Cen Land launched Cen Housing with over 1,000 realtors for the secondary and retail market, generating revenue of VND300 billion (\$13 million).

In investment, Cen Land strengthens the investment department to promote the search,

analysis and selection of investment opportunities so that the company can reach the target of doubling the annual growth in secondary investment from now to 2023

Recognising the important role of technology in its development, Cen Land has also invested in Cen Homes proptech platform and recruited more specialists to upgrade the platform with new technologies such as peer-to-peer connectivity, big data, and AI.

In its investment activities, Cen Land strengthened its investment department to promote the search, analysis, and selection of investment opportunities so that the company can acquire potential projects, with the target of doubling the annual growth in secondary investment from now to 2023. Moreover, Cen Land is looking for opportunities to expand the Cen X Space co-working space.

Cen Land plans to grow 89 per cent in revenue and 18 per cent in profit this year. Along with this, the company's revenue in 2021 is expected to reach VND4 trillion (\$173.9 million), in which revenue from real estate brokerage is VND1.551 trillion (\$67.43 million), revenue from real estate transfer is VND2.372 trillion (\$103.13 million). After-tax profit is VND355 billion (\$15.43 million), signifying an 18 per cent jump on-year.

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