

Thursday June 28, 2012

The Market

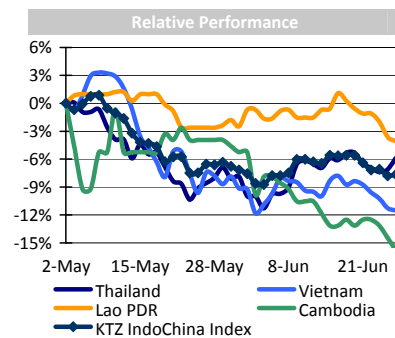
VNX Pared Gains in Thin Trade; LSX Vol Hit 1-Yr High, Led by EdL; CSX Hit New Record Low
VN Index pared its 0.7% gains in the morning to close at 418.04, down 0.27% on Wednesday. Among 30 blue chip stocks in the VN30 Index, ten stocks posted gains while nine stocks left unchanged. HCM City Infrastructure (CII), Ocean Group (OGC) and Refrigeration Electrical Engineering (REE) were the active gainers, adding 2.96%, 0.84% and 0.64% respectively. The HCM market turnover was at VND 739.9 billion (USD 35.3 million), the lowest level since May 31. Foreign investors turned into net sellers worth VND 11.3 billion (USD 500,000), snapping their four straight days of net buying.

LSX Index continued to fall for the third day in row, to close at 980.83, the lowest level since March 27. The market turnover reached LAK 2.38 billion (USD 200,000), the highest level since April last year. The high volume was driven by EdL Gen with 476,410 shares traded whilst its closing price unchanged at LAK 4,600. BCEL shares slumped 2.86% to close at LAK 6,800 with only 28,880 shares traded. Meanwhile, the CSX Index plunged 1.54% to close at 688.17, a new record low since its debut in April. The market turnover was low at KHR 136 million (USD 33,200).

We envisage the Indochina market will be sluggish with poor liquidity in the final week of 2Q12. Investors are likely to adopt a wait and see approach ahead of EU leaders meeting during June 28-29. Given the undemanding valuation, we recommend accumulate key Indochina stocks on their weakness.

The News

- **Vietnam** - SBV Allowed Temasek Unit to Raise Stake in Mekong Development Bank
- **Vietnam** - French Businesses Eye Vietnamese Power Market
- **Myanmar** - Indonesia Cement Company Plans Burma Plant
- **Lao PDR** - EDL to Purchase Nam Samoy Electricity
- **Lao PDR** - BCEL Launches New System for Payment of Electricity Bills



Source: Bloomberg as of June 27

	Last	Chg	(%)
FTSE ASEAN	540	+6	+1.1
Singapore	2,842	+36	+1.3
Thailand	1,166	+15	+1.3
Malaysia	1,602	+8	+0.5
Indonesia	3,935	+53	+1.4
Philippines	5,258	+64	+1.2
Vietnam	418	-1	-0.3
Lao PDR	981	-5	-0.5
Cambodia	688	-11	-1.5

Source: Bloomberg as of June 27

Per USD	Last	Chg	(%)
Baht	31.88	+0.06	+0.19
Dong	20,890	-35.00	-0.17
Kip	8,013.50	+3.50	+0.04
Riel	4,065.00	-31.15	-0.76
Kyat	860.04	+4.24	+0.50

Per Baht	Last	Chg	(%)
Dong	655.30	-2.51	-0.38
Kip	251.38	-0.43	-0.17
Riel	128.00	0.00	0.00
Kyat	26.98	+0.08	+0.28

Source: Bloomberg as of June 27

Upcoming Market Holiday:

Thailand

- Aug 2: Asarnha Bucha Day
- Aug 13: Substitution for H.M. The Queen's Birthday

Corporate Action:

Lao PDR

1) EdL Gen's Right Offering (RO)

- June 21: Ex-Right Date (XR)
- June 22: Record Date
- June 26-July 6: Subscription Period
- July 31: New Shares Listing Date

2) EdL Gen's Public Offering (PO)

- Subscription Period to be Informed Later

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Vietnam - SBV Allowed Temasek Unit to Raise Stake in Mekong Development Bank

The State Bank of Vietnam (SBV)'s governor, Nguyen Van Binh, on June 25, 2012 issued a Dispatch No 3844/NHNN-TTGSNH approving the proposal to raise holding of Fullerton Financial Holdings (FFH) in Mekong Development Joint Stock Commercial Bank (MDB). In particular, the central bank's governor allowed FFH to raise its holding in MDB from 15% stake to 20% via receiving the share transfer from Tin Phat Fund Management Joint Stock Co (TPF) but the total stake holding of FFH and related people would not exceed 20% of chartered capital of MDB. Earlier, on December 9, 2010, MDB officially finalised its chartered capital increase from one trillion dong to three trillion dong. In this chartered capital increase, MDB sold 15% stake for its strategic partner namely FFH. FFH is a financial investment firm with 100% stake held by Singapore-based Temasek Holdings Pte.Ltd Group. This company plans to raise its holding to 20% stake in MDB in 2011. FFH bought 45 million MDB shares at the issuing price of 20,000 dong/share. *Numbers of foreign banks have been entering Vietnam during the past few years. Mizuho Corporate Bank (MHCBS) has acquired a 15% stake in Vietcombank earlier this year. Sumitomo Mitsui Banking Corporation currently holds 15% stake in Vietnam Export Import Commercial Joint Stock Bank (Eximbank-EIB). Many European banks in Germany, Switzerland, and France have also expressed their interest in purchasing stake in Vietnam's banks to step up their footholds in emerging markets. However, the key issue is that these foreign banks are allowed to hold only small stakes and couldn't run the Vietnam bank effectively. Given the urgent need for further consolidation in the industry, we believe M&A activities among Vietnamese banks would rise further in the coming 1-2 years.*

Vietnam - French Businesses Eye Vietnamese Power Market

Eight French businesses will visit Vietnam from June 25 to 29 to learn more the power market in the country, according to the French Trade Commission (UbiFrance). They will study Vietnam's policies, key projects and challenges for foreign investors in power projects. Their visit also offers a good chance for businesses from both countries to develop a sustainable partnership in trade, industry and technology. The French businesses are scheduled to work with and introduce their products and services to the Electricity of Vietnam Group (EVN), PetroVietnam Power Corporation, and Vietnam National Coal and Mineral Industries Group (Vinacomin). They will also work on the possibility of cooperation with the General Department of Energy, the Ministry of Industry and Trade and Institute of Energy. *Demand for power in Vietnam has been rising rapidly along with its strong economic growth. The demand has been occasionally outpacing supply. Electricity has been cut regularly in big cities of Hanoi and HCM City. The average growth in consumption is expected at around 17-20% per year from now until 2015. According to Vietnam's Master Plan VII, generation capacity has to be increased of 75 GW by 2020 and 146.8 GW by 2030. The Vietnamese electricity industry is dominated by hydropower (40% of installed capacity) but coal, oil and gas are also used.*

Myanmar - Indonesia Cement Company Plans Burma Plant

An Indonesian company will build a US\$ 159 million cement plant in Burma with up to 1 million tonnes capacity a year, officials announced on Tuesday. PT Semen Gresik, Indonesia's biggest cement maker, will build the plant next year, chief executive Dwi Soetjipto said, according to domestic Indonesia media. "We will set up a joint-venture with a local partner to build a factory with a capacity of 600,000-1 million tonnes a year," he said, based on anticipated demands for infrastructure as foreign companies move into Burma in the coming years. *Given the need for infrastructure developments, demand for building materials in Myanmar is expected to rise rapidly in coming years. Earlier in February, a Myanmar press Mizzima reported that Siam City Cement Plc (SCCC) of Thailand was looking at building a cement plant in the country. SCCC Managing Director Philippe Arto said the firm sees the real potential and is positive about Myanmar. SCCC was chosen as one of the prospective cement companies to be involved in the Dawei deep-sea port industrial project. The firm is also looking at acquiring other assets in Myanmar.*

Lao PDR - EDL to Purchase Nam Samoy Electricity

Electricite du Laos (EDL) signed a power purchase agreement with Nam Samoy Hydropower in Vientiane on Tuesday. The purchase agreement was signed between EDL Managing Director Mr Sisavath Thiravong and Nam Samoy Hydropower President Mr Khamsai Siththiphone, witnessed by Deputy Minister of Energy and Mines Mr Somboun Rasasombath and Vientiane provincial Deputy Governor Ms Singkham Khongsavanh. Under the terms of the agreement, EDL will purchase electricity from the Nam Samoy hydropower plant, at an average cost of 6.25 US cents per kWh throughout the 25 years of the contract period. The plant, worth more than US\$17 million, is currently being built in the Phachao area of Kasy district in Vientiane province. It will have an installed capacity of 5MW and generating capacity of about 28 million kWh per year. Power purchase is expected to begin in June 2015, when construction of the plant is scheduled to be completed. *Lao power industry has been expanding rapidly to serve the strong local demand and for exports. Laos currently has 16 hydropower plants with installed capacity of 2,559.7MW. Hydropower is the most important energy resource, with potential estimated at about 26,000MW, with yet-to-be counted small scale hydropower sites below 15MW though to have a potential of about 2,000MW. To capture the growth in the Lao electricity market, we recommend BUY on EdL-Generation (EDL LS), a 75% owned subsidiary of Electricite du Laos, with an implied fair value of LAK 10,227 (USD 1.28). The stock was traded at LAK 4,600 (USD 0.6) yesterday.*

Lao PDR - BCEL Launches New System for Payment of Electricity Bills

Vientiane residents who have an account with Banque pour le Commerce Extérieur Lao (BCEL) can now pay their electricity bills through the bank's BPay service. This means bank customers don't need to waste time going to pay their bills at various customer service outlets and no longer have to provide exact change in order to pay them. The official launch of the BPay service was held in Vientiane on Tuesday. It was attended by the Deputy Governor of the Bank of the Lao PDR, Mr Sonexay Sithphasay, and officials from both the bank and Electricite du Laos (EDL). Customers now have three ways to pay their electricity bills via BCEL: using a BCEL-UnionPay ATM card at any BCEL ATM nationwide; through an SMS by mobile phone; or transferring or depositing money into EDL's account branch or the BCEL Head Office. "This BPay service is being utilised in different countries around the world, but this is a first for Laos," BCEL Managing Director Mr Vankham Voravong said. *Lao's banking industry has been on modernizing course during the last several years. Electronic banking platform and ATM has begun in 2007. VISA and MasterCard services were introduced in 2010. We believe the E-banking services in Lao will be the growing area for the banks' fee-base income going forward.*