

Friday July 6, 2012

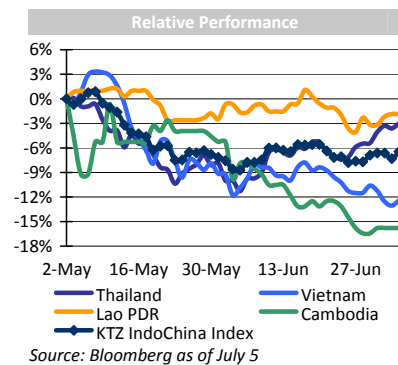
The Market

VN Index Edged Higher in Quiet Trade; LSX and CSX Unchanged with Low Volume

VN Index pared earlier loss on Thursday's morning to close at 413.83, up 0.75%, the first gains so far this month after three consecutive days of losses. Among 30 blue chips in the VN30 Index, Ocean Group (OGC), Saigon Securities (SSI) and Eximbank (EIB) were the active gainers, adding 4.2%, 4.8% and 1.0%, respectively. The HCM market turnover was quiet below VND 600 billion for the second day at VND 463.83 billion (USD 22.2 million). Foreign investors turned into net buyers worth VND 4.4 billion (USD 200,000).

LSX Index was stable at 1,003.33 as both EdL Gen and BCEL closed unchanged at LAK 4,700 and LAK 7,000, respectively. The market turnover was low at LAK 467 million (USD 58,200). Meanwhile, the CSX Index stood at 688.17 for the third day in a row. The market turnover was light at KHR 69 million (USD 16,800).

In Lao stock market, foreign investors continued to be net buyers worth LAK 330 million (USD 41,100) on Thursday. We believe Indochina market is currently offering an opportunity for long-term investors as the stocks are at bargains, particularly leading Vietnamese and Lao stocks.



	Last	Chg	(%)
FTSE ASEAN	562	+1	+0.2
Singapore	2,971	+23	+0.8
Thailand	1,202	+8	+0.6
Malaysia	1,614	+1	+0.0
Indonesia	4,070	-6	-0.1
Philippines	5,370	+15	+0.3
Vietnam	414	+3	+0.8
Lao PDR	1,003	0	0.0
Cambodia	688	0	0.0

Source: Bloomberg as of July 5

Per USD	Last	Chg	(%)
Baht	31.54	+0.08	+0.25
Dong	20,880	-10.00	-0.05
Kip	8,016.00	+2.00	+0.02
Riel	4,107.90	+12.50	+0.31
Kyat	883.47	+5.28	+0.60

Per Baht	Last	Chg	(%)
Dong	662.18	-1.84	-0.28
Kip	254.15	-0.58	-0.23
Riel	129.00	-1.00	-0.77
Kyat	28.01	+0.10	+0.35

Source: Bloomberg as of July 5

The News

- **Lao PDR** - Pacific Securities to Set Up a Joint-Venture Company in Laos
- **Lao PDR** - Laos to Boost Hydro-Electricity Output by a Quarter
- **Myanmar** - Thai Contractor Says Dawei Project Will Go Forward
- **Vietnam** - Vietnam Sees 15% Decrease in Q1 Mobile Phone Sales

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)

- July 4-11: Subscription and Payment Period

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Lao PDR - Pacific Securities to Set Up a Joint-Venture Company in Laos

Pacific Securities said on Wednesday that its board of directors has agreed to set up a joint-venture securities company in Laos. Pacific Securities said it will invest up to 35 million yuan (\$5.51 million) in the joint venture via newly created organizations and direct equity participation in cooperation with local financial institutions. The new company will be registered in the capital city of Laos, Vientiane, with a scope of business including all the securities transactions allowed by local laws. The draft plan still needs to be approved by Chinese regulators. The final plan and details of the deal will be determined according to the input of Laotian authorities. *The Pacific Securities Co., Ltd. is a Kunming-based company principally engaged in the securities industry. The company is listed on the Shanghai Stock Exchange. The company provides securities brokerage, custodian, underwriting, trading and investment consulting services.). We believe it is a good opportunity for the Chinese securities company. Chinese investors were the biggest foreign group in the Lao stock market, according to the Lao Security Exchange (LSX). LSX top official however said that Thai investors might soon overtake the Chinese. "We have more than 8,000 accounts. For Lao accounts, we have around 50% percent. For accounts for other countries, China is the first, Thailand is the second. But maybe Thailand will become the first in the future."*

Lao PDR - Laos to Boost Hydro-Electricity Output by a Quarter

Laos plans to boost electricity output by 26% next year, state media reported Thursday. According to the Ministry of Planning, the completion of four new dams by the end of 2012 should boost the country's electricity output by 664 megawatts, the Vientiane Times reported. Laos currently has 17 operational hydropower plants with a power production capacity of about 2,560 megawatts. The land-locked country exports an estimated 64% of its electricity to neighbouring Thailand, but imports electricity from Thailand, China and Vietnam to meet its domestic needs. The government says it hopes to end electricity imports by 2015. About 78% of households in Laos have access to electricity. *Investors could have exposure in the Lao power industry from the listed subsidiary of Electricite du Lao, EDL-Generation Public (EDL LS). EDL-Gen owns and operates all hydro power plant assets that separated and privatized from the mother company. EDL-Gen will complete of the share investment transfer of four operational IPPs in 3Q12, which will drive its earnings growth. We have a BUY recommendation on the stock with a fair price estimation of LAK 10,277 (USD 1.28). The stock is currently trading at LAK 4,700 (USD 0.59).*

Myanmar - Thai Contractor Says Dawei Project Will Go Forward

Italian-Thai Development Plc (ITD), the contractor for the Dawei deep-sea port project in Burma, said that the gradual withdrawal of its Burmese partner in the US\$ 50 billion project should not affect the viability of the project, although it might set it back temporarily. Italian-Thai has been struggling to find financial backing for the 250-square-kilometre complex on Burma's southern coast that is planned to include a deep-sea port, steel mills, refineries, a petrochemical complex and power plants. It is designed to provide a cheaper transportation route for energy and other material to Southeast Asia. Somchet Thinaphong, the managing director of the Dawei Development Co. Ltd, said a gradual withdrawal by the local strategic partner is unlikely to affect the project's long-term viability. "The viability of such a capital-intensive development project is largely dependent on fund sourcing," he said. "The local company, or even Ital-Thai, does not have the financial capacity to fund such a massive development project. We have to bank on others to provide us financial support." The company has been in talks with various governments and other groups in an effort to line up financing. *The Dawei project has been on a shaky ground since the Myanmar government cancels the 4,000-megawatt coal-fired power plant citing the environmental concerns. Some doubt ITD's capability in continuing with the project given the competition is intensifying from other developed nations.*

Vietnam - Vietnam Sees 15% Decrease in Q1 Mobile Phone Sales

Vietnam's mobile phone sales declined 15% in the first quarter due to economic difficulties and weakened purchasing power after the Lunar New Year holidays, according to an international survey. Feature phone sale declined 14%, as a number of local and Chinese vendors exited the market, the International Data Corporation - a global information technology market research and analysis company - said in its recently revealed Asia Pacific Quarterly Mobile Phone Tracker. "We expect more to leave the market in 2012 as they struggle to recoup investments under current conditions," Vo Le Tam Thanh, senior market analyst for Client Devices Research at IDC Vietnam, said in the statement. The smartphone market, meanwhile, saw a decrease of 21%, as only a few Android phone vendors continued to perform well, according to the survey. In fact, the Android platform has taken up 79% of the Vietnamese smartphone market, Thanh said. He attributed Android's popularity to a number of affordable products from various vendors and the marketing efforts of Samsung and HTC. On the other hand, Windows Phone shipments are not that widespread due to uncompetitive prices and a lack of local apps, the expert said. According to IDC, Nokia, Samsung and LG were the three top mobile phone vendors in Vietnam in the first quarter. *We believe Vietnam market is now saturated. During past decade, the telecom industry in Vietnam has seen rapid development, becoming one of the world's eight most competitive markets for the telecom sector. The development is shown in skyrocketing number mobile subscribers, at over 116 million subscribers by the end of 2011 to 120 million currently, according the latest figures provided in Vietnam News. This figure is 1.5 times higher than the nation's population. The telecommunications market is dominated by three major players, VinaPhone, MobiPhone and Viettel, which hold a combined 95% of the market share, while Beeline, Vietnamobile, S - Fone and EVN Telecom had only 5%.*