

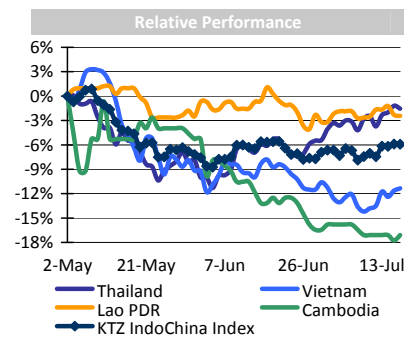
The Market

VN Index Closed Higher; LSX Fall on BCEL's Profit Taking; CSX Rebounded

VN Index closed higher at 418.83, up 0.31% on Wednesday. Vietcombank (VCB) and Petrovietnam Gas (GAS), the two largest contributors to the index added 0.35% and 0.26% respectively. The HCM market turnover improved to VND 790.71 billion (USD 37.9 million), up 1% from Tuesday's figure. Foreign investors continued to accumulate key stocks worth VND 28.6 billion (USD 1.4 million) on a net basis, up 34% from a day earlier.

LSX Index fall a further 0.11% to close at 997.74 led by BCEL on profit taking. BCEL dipped 0.69% to close at LAK 7,150, after reaching its 7-month high on Monday. EdL Gen was unchanged at LAK 4,650, the lowest level since June 27. The market turnover was relatively low at LAK 368 million (USD 45,900), 72% higher than the day earlier. Meanwhile, the CSX Index rebounded from a record low level to close at 677.42. PPWSA, the only listed company closed at KHR 6,300, the same level as its IPO in April. The market turnover was thin at KHR 187.5 million (USD 45,900), down 3.6% from Tuesday's figure.

Vietnam stock market bucked the regional trend to close higher on Wednesday. Foreign investors have accumulated key stocks worth VND 88.2 billion (USD 4.2 million) net so far this week. They sold VND 101.2 billion (USD 4.9 million) net last week. Buying momentum is likely to continue through out the week. However, in the medium-term, we are skeptical on the Vietnam recovery path as nonperforming loans in the system are still rising quickly. Monetary measures are yet to feel through the economy as banks are reluctant to lower their lending rates and the corporate access to banks loan are still limited.



Source: Bloomberg as of July 18

	Last	Chg	(%)
FTSE ASEAN	567	-0	-0.0
Singapore	3,017	+2	+0.1
Thailand	1,220	-4	-0.3
Malaysia	1,645	+6	+0.4
Indonesia	4,082	+1	+0.0
Philippines	5,221	-65	-1.2
Vietnam	419	+1	+0.3
Lao PDR	998	-1	-0.1
Cambodia	677	+5	+0.8

Source: Bloomberg as of July 18

Per USD	Last	Chg	(%)
Baht	31.70	+0.13	+0.41
Dong	20,853	+13.00	+0.06
Kip	8,014.00	-4.00	-0.05
Riel	4,080.40	-3.70	-0.09
Kyat	878.44	+4.60	+0.53

Per Baht	Last	Chg	(%)
Dong	657.76	-2.35	-0.36
Kip	252.82	-1.20	-0.47
Riel	129.00	0.00	0.00
Kyat	27.71	+0.03	+0.10

Source: Bloomberg as of July 18

The News

- **Lao PDR** - Xayaboury Power Commits Extra Funding to Better Dam Design
- **Myanmar** - Myanmar Renewed a Call for Foreign Firms to Explore New Offshore Blocks
- **Vietnam** - HSBC To Exit Vietnam Insurance Business, Sell Stake In BaoViet
- **Cambodia** - Gov't Revised Down 2012 GDP Growth to 6.9% as Garment Export Slow

Upcoming Market Holiday:

Thailand

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

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Lao PDR - Xayaboury Power Commits Extra Funding to Better Dam Design

Xayaboury Power Company has agreed to spend more than US\$100 million in additional funding for the redesigned run-of-the-river Xayaboury dam project, if it receives final approval. The latest move is part of the project developers' efforts to address the concerns of environmentalists and lower Mekong nations about the downstream impacts of the dam. "We have redesigned the dam and we expected an increase to the investment cost. However, the increase is still within the funding framework," Deputy Managing Director Mr Rewat Suwanakiti, said on Tuesday as he led a group of Lao media personnel to visit the Xayaboury project site. Swiss engineering firm Poyry and Compagnie Nationale du Rhone from France, both reputable dam consultants, have recommended the Xayaboury dam project developers go ahead with the redesigned project, and build the first ever transparent dam in the world. A number of representatives from MRC member countries and development partners were surprised by the transparent dam concept which was unveiled in Luang Prabang recently. Despite technical explanations from the consultants concerned, there were still questions as to whether the new dam concept would prove to be practical for the Mekong River. *If the Xayaboury Power receives a green light to go ahead with the project, we believe it will greatly benefit to Ch. Karnchang, the Thai construction company and also the 30% shareholder of Xayaboury Power. The Lao government holds a 20% stake in the dam project, Natee Synergy Co. Ltd. holds 25%, and PT holds 5%. Two Thailand listed companies EGGO holds 12.5% and Bangkok Express Way Public Company holds 7.5%. The dam will generate an income of US\$450 million a year. The Lao government expects to receive about US\$3.9 billion in revenue from the dam project over the 29 year under the power purchase agreement with Thailand's Electricity Generating Authority of Thailand (EGAT). US\$1.9 billion of that figure will be from royalties, US\$637 million from taxes and US\$1.4 billion as a dividend.*

Myanmar - Myanmar Renewed a Call for Foreign Firms to Explore New Offshore Blocks

At a Singapore investment conference this week, Burmese officials renewed their call for foreign oil and gas companies to explore 23 new offshore blocks. The offer is likely to lure major US energy companies and others, since the EU, US and other nations have lifted or suspended sanctions of various types. The offer covers 17 deep-water blocks and six shallow-water blocks located in the Rakhine, Mottama and Tanintharyi offshore areas in the Bay of Bengal and Andaman Sea. The offshore blocks will be awarded through "direct negotiations" with Burma's state energy company Myanma Oil and Gas Enterprise (MOGE), which will hold a stake of between 15 to 25% in each project. The foreign companies also will be required to partner with a local Burmese company. The offer was presented by Aung Kyaw Htoo, a senior energy ministry official. The foreign firms would have up to a six-year exploration period followed by a three-year tax holiday upon the start of production. The contractor will pay a 30% income tax and a 12.5% royalty will apply. From a report in June, MOGE had signed nine agreements to allow firms including Malaysia's Petronas, Thailand's PTT and India's Jubilant to explore for oil and natural gas onshore. The new blocks have not been explored by foreign firms, officials said. *Myanmar has 17 oil fields and five gas fields in production on land. Two offshore gas fields – Daewoo International's Shwe project and PTT Exploration & Production's Zawtika project – are currently under development and are due to begin production next year. Myanmar has a reserve of 2.1 billion barrels and 25 trillion cubic feet of gas, according to the energy ministry's presentation. In July last year, Myanmar called for tenders for exploration of 18 onshore blocks, which resulted in 7 companies being awarded 9 onshore blocks. The companies included Thailand's PTTEP, Malaysia's Petronas, Swiss firm GeoPetro, CIS Nobel Oil from Russia, EPI Holding Ltd from Hong Kong and Jubilant Oil from India. Last month, U.S. senators pressed the Obama administration to allow investment by US energy companies as part of its loosening of sanctions on Myanmar, voicing fear that US companies would lose out to foreign competitors.*

Vietnam - HSBC To Exit Vietnam Insurance Business, Sell Stake In BaoViet

HSBC Holdings has put its Vietnam insurance business on the block, sources said, in a deal that could fetch about \$400 million for Europe's biggest bank as it pushes to exit non-core operations globally. HSBC is seeking buyers for its 18% stake in government-controlled Baoviet Holdings, the country's top insurer, and is in talks with Japan's Sumitomo Life for a potential deal, according to Reuters report. The stake has a market value of \$250 million, but HSBC is expecting a hefty premium due to Baoviet's market position and the potential to raise the ownership level at a later stage. The planned exit from Vietnam comes 4 months after it sold its global general insurance business to AXA SA and Australia's QBE Insurance Group Ltd for \$914 million. HSBC paid a total of \$360 million to buy the 18% stake, which was acquired in two tranches in 2007 and 2009. Vietnam has 29 non-life insurers and 14 life insurers, according to an April report from insurance ratings agency A.M. Best. Total insurance revenue rose 21.6% to 37.5 trillion dong (\$1.8 billion) in 2011, according to statistics from the Association of Vietnamese Insurers. *We believe it might be a good opportunity to expand into the young market as Vietnam. The country has low insurance penetration of less than 1% in both the life and non-life insurance markets, according to the figures from the A.M. Best. Vietnam has 94 million people, ranked 14th in the world.*

Cambodia - Gov't Revised Down 2012 GDP Growth to 6.9% as Garment Export Slow

Minister of Economy and Finance Keat Chhon projected 6.9% year-on-year GDP growth for 2012, down a tenth of a percentage point from the government's original outlook of 7%. Year-on-year garment export growth decelerated to 12% in 2Q12 from 22.8% growth in 1Q12. The minister said the lower prediction is due to a slow increase in garment exports in April and May. The United States is the prime destination of Cambodian garment exports, followed by the European Union and East Asia. GDP predictions skipped and bounced throughout last year as the government and international financial institutions tried to appraise the effects of Western financial turmoil and a devastating flood at home. In May, the World Bank projected 6.6% GDP growth for the year. Asian Development Bank said the Cambodian economy would grow by 6.5% in 2012. *We believe the slowing developing economy has limited impact to Cambodia prospects. Investments from regional countries are increasing and would be the major driver for Cambodia economy going forward, particularly after the trade liberalization among Asean members by 2015. Nearly 47% of inbound FDI in Cambodia came from Asean+3 (10 Asean member countries + China, Japan, and South Korea). Imports from Asean+3 to Cambodia stood at 68% while exports from Cambodia to Asean+3 stood at 15%.*