

Vietnam

New tax cuts proposed A draft revision of the Law on Corporate Income Taxation was issued yesterday by the Ministry of Finance, with key points including; 1) a cut in corporate tax rates to 23% from the current 25% by 2014, and 2) a reduction in the corporate tax rate to just 20% for small to medium enterprises (SMEs) with earnings below VND20bn and fewer than 20 workers.

View: Should encourage business investment This move should encourage business investment, and helps bring Vietnam's tax rate closer to the regional average. The decline in the SME tax rate is especially important as it could support smaller enterprises currently facing major headwinds from the economic slowdown.

Cambodia

Telecoms Hello and Smart to merge Malaysian mobile operator Hello-Axiata will merge with Smart Mobile, making it the second largest operator in Cambodia, with 5mn subscribers.

View: Order finally returning to telecom universe After years of price wars among 9 competitors (two of which are tiny and unlikely to pose a threat), industry consolidation has finally begun. Beyond the merger, Thailand's Mfone exited the market last month, leaving just five major players. We expect incumbents Metfone (Viettel) and Mobitel to remain in the top three, putting pressure on the next two largest operators, qB and Beeline, with the latter already considering exiting the market.

Laos

Korea Eximbank lends US\$420mn for hydroelectric project Korea Eximbank will provide a US\$423mn loan for a US\$1bn, 410MW hydroelectric power plant. US\$73mn of the loan will go to the Laos government, and \$350mn will be used to establish a special purpose corporation with the Asian Development Bank, of which Korea's SK Engineering and Construction will hold 26%, Korea Western Power 25% and the Laotian government, 24%.

View: Hydroelectric expansion continues as planned Laos continues to progress in its plan to boost hydroelectric capacity to 3,488MW by 2020, from 786MW as of end 2011.

Myanmar

Entry of two foreign firms into oil and gas market Two foreign firms have confirmed their entry into Myanmar's oil and gas market; 1) Malaysia's Scomi Group will provide US\$30mn in drilling fluids and engineering services to PTTEP's projects in Myanmar, and 2) Australia's Woodside announced it will begin seismic surveys with the option for drilling in the Rakhine Basin A-6 Block.

View: New entrants follow political shift Investment into the oil and gas industry has come mainly from Thailand and China in recent years, but with a new political regime installed over the past year, we are now seeing wider interest in the sector from other regional and international players.

Index	Value	% chg
Thailand	1,353.8	-0.06
Vietnam	391.2	0.03
Laos	1,215.8	0.67
Cambodia	661.3	-0.81

Source: Bloomberg

Valuation	P/E	P/B
Thailand	15.0	2.3
Vietnam	10.0	1.7
Laos	6.7	0.8
Cambodia	18.3	n/a

Source: Bloomberg, KT Zmico estimates

Currency	USD:x	% chg
Baht (THB)	30.7	0.07
Dong (VND)	20,840	0.00
Kip (LAK)	7,994	0.12
Riel (KHR)	3,995	0.00
Kyat (MMK)	850	-0.24

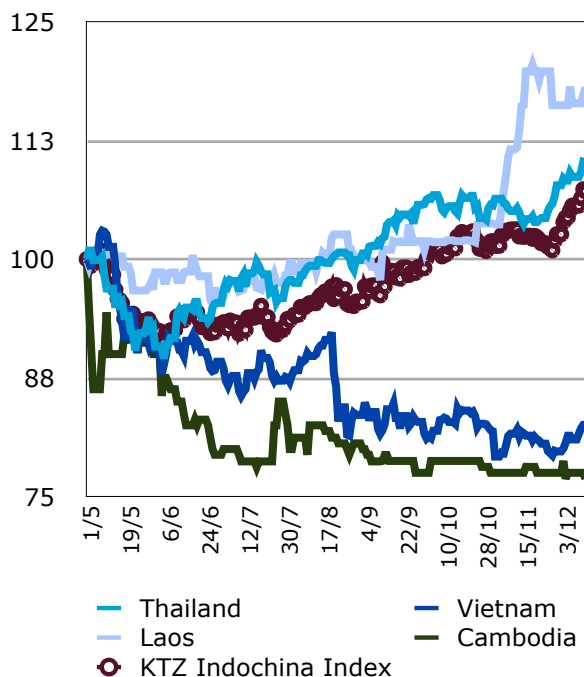
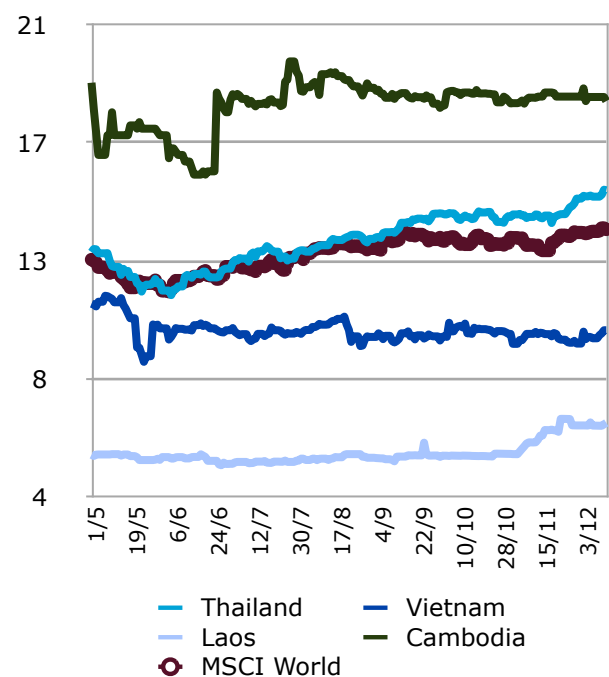
Source: Bloomberg

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Figure 1: Indochina Markets

	Index/ Price*	% chg	Volume('000)	YTD avg daily volume ('000)	Value (US\$ '000)	YTD avg daily value (US\$ '000)
Vietnam (HCI)	391	0.0%	41,120	46,811	20,556	31,660
Vietnam (HNI)	54	0.4%	59,510	44,441	15,844	18,501
Laos (LSX)	1,216	0.7%	17	101	15	68
BCEL*	7,550	-0.7%	13	23	12	20
EDL*	5,800	0.9%	4	78	3	47
Cambodia (CSX)	661	-0.8%	8	45	12	86
PPWSA*	6,150	-0.8%	8	45	12	86

Source: Bloomberg *Laos- LAK, Cambodia - KHR

Figure 2: Relative performance*

Figure 3: Market price to earnings ratio


Source: Bloomberg, KT Zmico estimates, * from May 1, 2012

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