

Vietnam

Changes planned for industrial/export zone regulation The government has released draft amendments to a decree regulating industrial export zones, including; 1) limiting the domestic sales of operators in these zones to 10% of total revenue, and 2) only allowing industrial zones to open when they have 60% occupancy.

View: Some exporters with material domestic sales The first change was imposed because some exporters have a relatively high proportion of domestic sales even as they were receiving tax benefits intended only for exporters. The second is to avoid dispersion of investment between many low occupancy industrial zones, and to concentrate operations in the most popular zones.

Cambodia

Draft 2013 budget released The government has released its draft budget for 2013, targeting a 16% increase in spending to US \$3.0bn. Defense and security spending will rise 13% to US \$400mn, while education spending will rise 14% to US\$280mn, and health expenditure will expand 16% to US\$225mn.

View: Increased spending in important sectors The growth in education and health spending at close to the rate of defense spending is a good sign that there is an improving balancing between immediate security needs and sectors crucial to long term development. Cambodia will likely continue to run a large budget deficit in 2013, almost entirely funded by foreign loans and grants.

Laos

Laos-Vietnam high-speed rail project to start 01/13 Malaysia's Giant Consolidated is targeting January 2013 for the start of construction of a 220km, 120km/hour high-speed railway, from Savannakhet to the Vietnamese border. The US\$5bn project is expected to take four years to complete, and has a 50 year concession.

View: Improving regional connectivity The railway will provide an important link not just between Laos and Vietnam, but also allow for easier shipment of goods between Thailand and Vietnam as Savannakhet is close to the Thai border.

Myanmar

Air KBZ receives new aircraft Domestic airline Air KBZ (owned by one of the country's major banks, Kanbawza) has received an ATR 72-500 (for a total of four) and two more ATR 72-600 aircraft will arrive in Q1/2013, for a total fleet of six aircraft by early 2013.

View: New airline riding growth of domestic market Air KBZ launched only last year, and it has been undergoing an aggressive expansion. Domestic and foreign investment is growing following major economic reforms, and development is reaching smaller provincial cities. Demand for flights by both local and international travellers to these more peripheral destinations is likely to increase rapidly over the next several years.

Index	Value	% chg
Thailand	1,274.0	-0.41
Vietnam	386.9	-0.21
Laos	1,196.4	0.09
Cambodia	666.7	0.00

Source: Bloomberg

Valuation	P/E	P/B
Thailand	14.0	2.1
Vietnam	9.9	1.7
Laos	6.2	0.8
Cambodia	18.4	0.0

Source: Bloomberg, KT Zmico estimates

Currency	USD:x	% chg
Baht (THB)	30.7	0.03
Dong (VND)	20,850	0.00
Kip (LAK)	8,023	-0.03
Riel (KHR)	3,992	0.00
Kyat (MMK)	850	-0.07

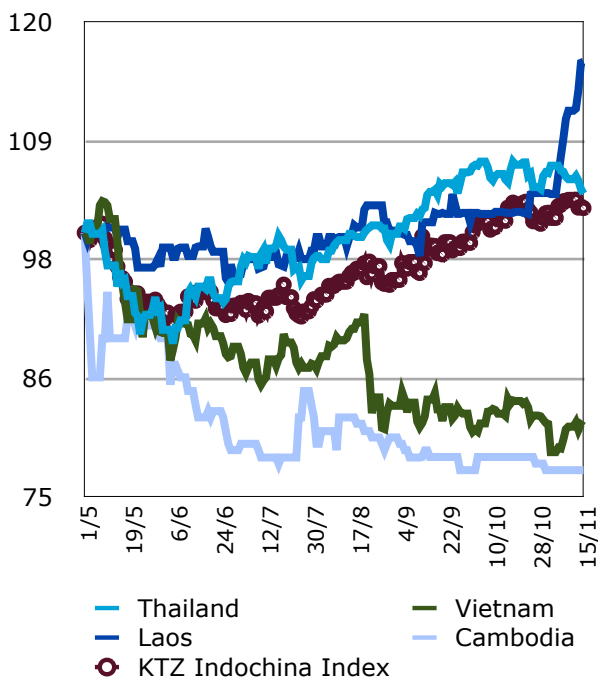
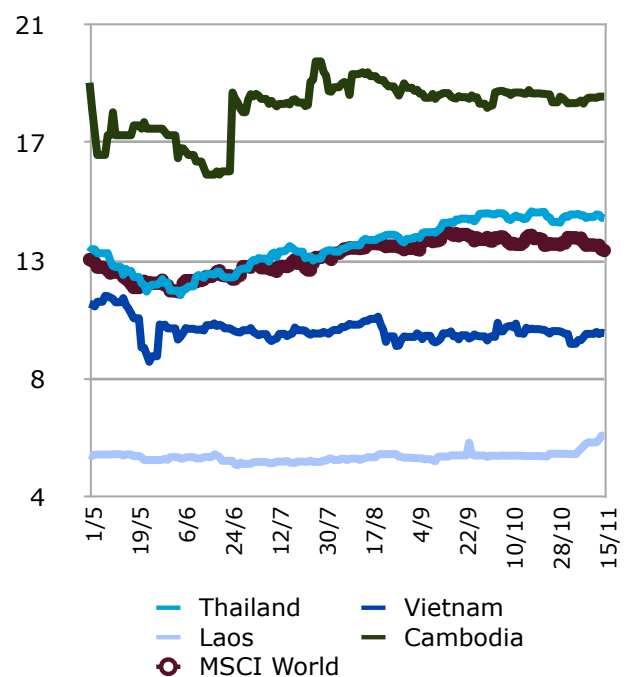
Source: Bloomberg

Graeme Cunningham, CFA
 KT ZMICO Indochina Research
 Head of Indochina Research
graemec@ktzmico.com
 66 (0) 2695 - 5942

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)	387	-0.2%	23,829	48,934	13,726	33,352
Vietnam (HNI)	52	-1.2%	26,212	46,295	7,274	19,575
Laos (LSX)	1,196	0.1%	157	106	120	71
BCEL*	7,500	0.7%	40	24	37	22
EDL*	5,700	0.0%	117	82	83	49
Cambodia (CSX)	667	0.0%	10	49	15	94
PPWSA*	6,200	0.0%	10	49	15	94

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

This document is produced using open sources believed to be reliable. However, their accuracy and completeness cannot be guaranteed. The statements and opinions herein were formed after due and careful consideration for use as information for the purposes of investment. The opinions contained herein are subject to change without notice. This document is not, and should not be construed as, an offer or the solicitation of an offer to buy or sell any securities. The use of any information contained in this document shall be at the sole discretion and risk of the user.