

Executive Summary

The Lao Securities Exchange

The wind of change has once again turned the tide on the Lao securities exchange. The market rallied as EDL-Gen blazed to 5,300 Kip (+3.92%). Compared to yesterday, its trading volume spiked fifteen times as high to almost 29K shares, helping turnover pierce through the LAK 152 million. BCEL has been clinging to the same price since Monday. Today the bank only rooted deeper to the 8,150 Kip; Its meager volume worsened to 7K shares (-19%), weakening turnover further to LAK 58 million.

- ▶ **Farmers to grow leucaena for animal feed** Lao Agro 2000 Company will join forces with the Bio-Energy Development Company of Thailand to promote the cultivation of leucaena (ton kathin) trees in Laos to supply the companies for the manufacture of animal feed and production of renewable energy. Lao Agro 2000 will encourage farmers to grow 3,000 hectares of leucaena in Vientiane province and capital by 2015 – a major increase from the current 500 hectares. Leucaena is a bean family crop and is used for animal feed and as a renewable energy source.
- ▶ **Hydro plant set to power up Huaphan** The Nam Sim Power Company signed agreements with the Ministry of Planning and Investment Ministry and Electricite du Laos (EDL) on Monday in Vientiane to develop the Nam Sim hydropower plant in Huaphan province and a power purchase agreement with EDL. The project will cost about 144 billion kip (US\$18 million) and will be owned by the company for 25 years. The plant will have two Francis turbines with capacity of 9 MW each. The generated electricity will be transferred through a distant of 5km via a 22kV transmission line to the EDL grid.

Exchange Rates: 16/06/2011

	Bid	Change	Ask	Change
USD	8,017.00	3.00	8,039.00	2.00
CAD	8,116.00	(66.00)	8,225.00	(70.00)
THB	262.00	(0.85)	262.50	(0.85)
EUR	11,368.00	(177.00)	11,409.00	(182.00)
GBP	12,869.00	(112.00)	13,034.00	(119.00)
CNY	1,212.00	-	1,228.00	-
JPY	98.03	(0.54)	99.35	(0.54)

Exchange rates, quoted for the Lao Kip by the Bank of Laos

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Issue Name	Current Price	Change (Kip)	Change (%)	52-week	
				High	Low
BCEL	8,150	-	-	15,500	7,900
EDL-Gen	5,300	↑ 200	3.92	8,850	4,550

The Lao Securities Exchange

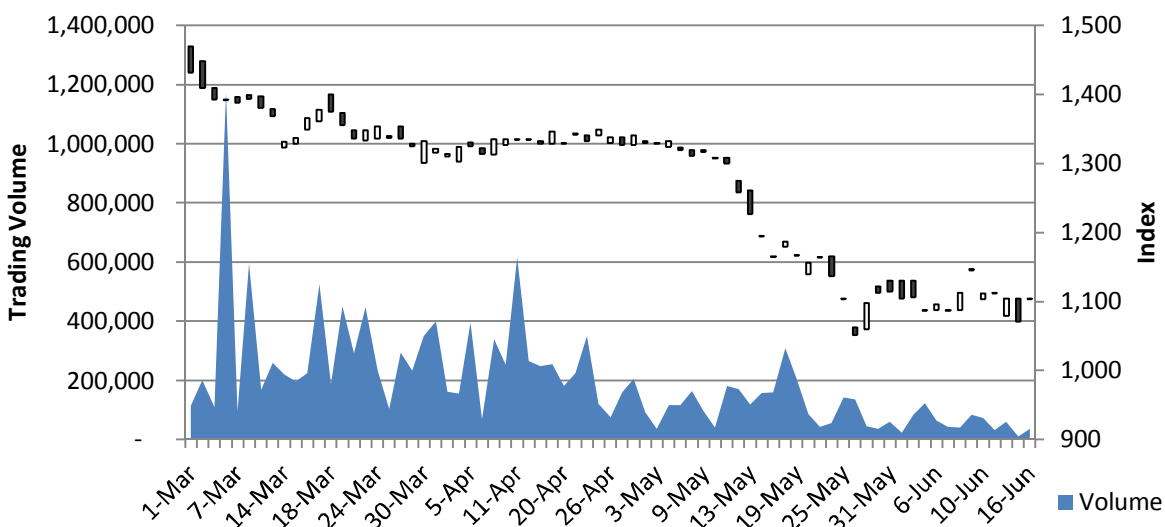
The Lao stock market

The price chart of BCEL has completely gone flat amid the diminishing trades. The bank's weekly volume is now averaging out to 22K shares per day, which is still a relief from last week's 14K shares. Today demand continued to bear South from 22K shares to 15K shares (-31%). The suppliers gestured a slight disappointment, reducing from 41K share to 32K shares (-23%). These indications do not necessary hint to an imminent price fall on the public bank, however they do points to an unavoidably poor liquidity. We can expect that much for tomorrow.

On the other hand, EDL-Gen has been projecting on a more bizarre path as its trading volume has showed no consistency whatsoever. The amount of trades can quickly reduce to nothing and then rebound vigorously. The resilient trades made it difficult to forecast the next movements. Total demand surged upward to 87K shares (+402%) as supply eased down to 29K shares (-44%). The generation might enjoy a slight appreciation tomorrow however it will be short-lived.

The LSX Index 1,104.06 ↑ 33.57 [0.75%]

The EDL-Gen's rally has tranquilized the yesterday's agitation and helped the Lao index get back to 1,104 points. Total trading volume splashed toward 36K shares (+236%) as turnover approached the LAK 210 million (+159%).



The Lao Economy

Sectors Watch & Business News

Farmers to grow leucaena for animal feed

Lao Agro 2000 Company will join forces with the Bio-Energy Development Company of Thailand to promote the cultivation of leucaena (ton kathin) trees in Laos to supply the companies for the manufacture of animal feed and production of renewable energy. An agreement was signed in Vientiane by Lao Agro 2000 Company Director General Ms Bouahom Vongsiprasom and Bio-Energy Development Company Managing Director Chumroen Benchavitvilai. Under the agreement, Lao Agro 2000 will encourage farmers to grow 3,000 hectares of leucaena in Vientiane province and capital by 2015 – a major increase from the current 500 hectares. Leucaena is a bean family crop and is used for animal feed and as a renewable energy source, Mr Chumroen said. Many people eat leucaena with papaya salad as it is high in protein and therefore an ideal crop to feed cattle, goats and sheep, he said.

Australia grows more of the crop than any other country in the world due to the high number of livestock breeders. Every year, Australia exports hundreds of cattle and sheep to South-East Asian countries, said Mr Chumroen. Laos has ideal conditions for growing leucaena for sale and export, he added. The crop can be harvested within eight months and processed and exported within a further three weeks. Lao Agro 2000 and Bio-Energy Development companies are now ready to support farmers with seed credit, provide consultation on the production of saplings and advise farmers on harvesting and export preparation.

The company guarantees a fair price to those wishing to grow the crop and is also interested in hearing from people who currently have leucaena growing naturally on their land. The Bio-Energy Development Company is already promoting the cultivation of leucaena in Thailand, Cambodia and Myanmar. Regarding the production of animal feed, Mr Chumroen explained that leucaena trees and branches are chipped by machine or cut by knife to make pellet sized pieces, sun dried and then processed into various sizes depending on which animals the pellets will feed. “The trees are also cut into larger pieces and used as firewood or processed into charcoal,” he said. During the ceremony attendees were shown how to grow leucaena seedlings at the demonstration park of the Lao Agro 2000 Company in Veunkham village, Xaythany district. *[Sources: The Vientiane Times]*

Hydro plant set to power up Huaphan

A joint venture hydropower company signed agreements with the Ministry of Planning and Investment Ministry and Electricite du Laos (EDL) on Monday in Vientiane. The Nam Sim Power Company signed a concession agreement with the ministry to develop the Nam Sim hydropower plant in Huaphan province and a power purchase agreement with EDL. The project will cost about 144 billion kip (US\$18 million) and will be owned by the company for 25 years, according to a handout issued at the signing ceremony. The company is a joint venture between Norpower AS of Norway, which holds a 75 percent share, and the domestic Electrical Construction and Installation State Enterprise, holding a 25 percent share on behalf of the Lao government. “Project construction will start this year and be completed in 2013,” EDL Managing Director Mr Khammany Inthirath said.

Nam Sim Power Company Managing Director Mr Ove Bugge said two Francis turbines will generate up to 9 megawatts (MW) of electricity, which will be transferred about 5km via a 22kV transmission line to the EDL grid. The handout noted that the two turbines come from a French company, MECAMIDI, and will generate about 32,500Gkwh per year. Mr Khammany said “EDL will buy all the power produced for 25 years at a cost of 2.25 US

cents per kWh.” “We will also buy all the power produced if the investor enlarges the project.” The power grid in Huaphan is currently under development. At present, electricity for use in the province is imported from Vietnam, but it is inadequate for industrial and agricultural purposes. “We will buy electricity generated by the Nam Sim project to reduce power imports and also to promote investment in the energy sector,” Mr Khammany said.

Huaphan faces a considerable shortage in power supply, and load shedding is common. Mr Bugge said only 25 percent of households in the province are connected to the grid, and many new customers are waiting for connections. The lack of a stable electricity supply has been a major factor in slowing socio-economic development in the province. The project aims to relieve the present shortage of power in the existing transmission and distribution grid and make Huaphan less dependent on imports from Vietnam. The developers signed a memorandum of understanding with the government in 2003 and a project development agreement in 2007. The government is promoting the rapid development of small and medium sized power plants for local supply to reduce the need for imported electricity. These plants have installed capacities ranging from 2-100MW.

[Sources: The Vientiane Times]

Central bank proposes measures to tackle inflation

The Bank of the Lao PDR has proposed that the government provide low interest loans to food producers as a way to address high inflation. The bank's proposal is based on the premise that the current high inflation rates are partially due to a shortage in the supply of principal food products such as vegetables, rice and meat, leading to higher prices. The agriculture sector has been hit hard by flooding in recent years, particularly in rice farming areas in the south of the country, and also livestock deaths in Xieng Khuang province due to disease outbreaks. The shortage of food in the domestic market has forced Laos to import more food from neighbouring countries which are also facing high inflation, meaning that Laos has been unable to counteract the effects of inflation.

The central bank says it would encourage the state-owned Agriculture Promotion Bank and Nayoby Bank to provide more loans for enterprises to stockpile rice, a move that would enable the government to stabilise prices of the grain during times of peak demand. The Ministry of Industry and Commerce has already received funding from the government to stockpile rice during the upcoming harvest. The central bank also says it would encourage commercial banks to provide loans for enterprises to stockpile large amounts of imported goods to secure supply for the domestic market for a period of at least three months. The stockpile of imported goods will help the government to address the shortage in supply of goods that typically occurs in the wet season, the bank says.

The bank suggested the government stop issuing loans to new infrastructure construction projects as it believes such projects will be unable to help boost food supply in the short period of time required to address inflation. The central bank also plans to reduce money supply and curb inflation by selling bonds to the public. The bank is expected to keep its interest rate unchanged despite many countries in the region raising rates in an attempt to rein in inflation. Money supply saw 23 percent growth in March compared to September last year, according to a report from the central bank. The government considers the battle against price rises to be a top priority, as the current inflation rate is now higher than GDP growth. Economists and the public have called on the sectors involved to provide accurate and up to date economic data so everyone can take part in seeking solutions to the nation's inflation woes. *[Sources: The Vientiane Times]*

Stock Boards

▶ Second session: 10:00 – 11:30, Closing

BCEL

Current	8,150
Volume	7,073
Previous Day Closing Price	8,150
Change	0
Turnover	57,644,950

Sell Remaining Qty	11:30:00	Buy Remaining Qty
5,000	8,550	
10,477	8,500	
5,000	8,400	
3,954	8,150	
Exp exe Price	8,000	7,740
Exp exe Qty		
24,431	Total	7,740

Opening Price	8,150
High Price	8,150
Low Price	8,150
Price Limit	8,550 / 7,750

EDL-GEN

Current	5,300
Volume	28,762
Previous Day Closing Price	5,100
Change	▲ 200
Turnover	152,438,600

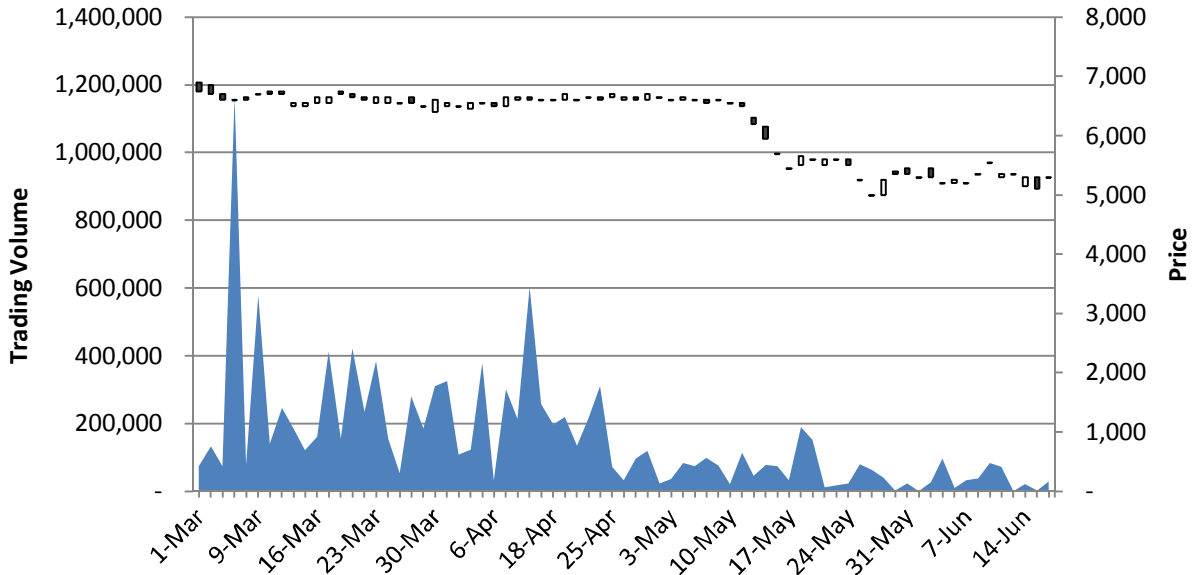
Sell Remaining Qty	11:30:00	Buy Remaining Qty
Exp exe Price	5,300	346
Exp exe Qty	5,250	3,907
	5,150	21,000
	5,100	26,798
	5,000	6,748
	Total	58,799

Opening Price	5,300
High Price	5,300
Low Price	5,300
Price Limit	5,350 / 4,850

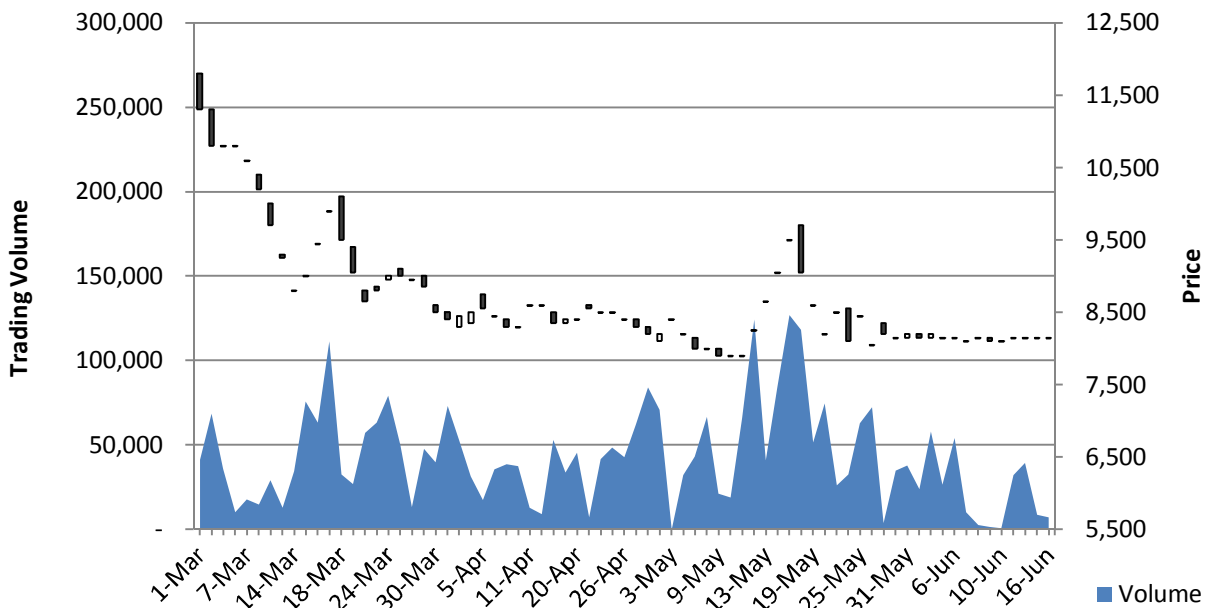
Appendix

► Securities Charts

EDL-Gen



BCEL



Appendix

▶ Daily Market Data

LSX Index

Date	Current Index	Change (Points)	Change (%)	Trading Vol. (Share)	Trading Value (Kip)	High	Low
2011/06/14	1,104.66	↓8.39	0.75	61,125	434,783,850	1,104.67	1,079.49
2011/06/13	1,113.06	↑1.32	0.12	32,250	262,557,500	1,113.06	1,113.06
2011/06/10	1,111.74	↓33.57	2.93	83,868	391,838,650	1,111.74	1,103.35

EDL-Gen

Date	Closing Price	Change (Kip)	Trading Vol. (Share)	Trading Value (Kip)	Market Cap. (mil. Kip)	High	Low
2011/06/14	5,300	↓50	21,714	113,584,200	4,603,564	5,300	5,150
2011/06/13	5,350	-	100	535,000	4,646,994	5,350	5,350
2011/06/10	5,350	↓200	72,474	387,505,150	4,646,994	5,350	5,300

BCEL

Date	Closing Price	Change (Kip)	Trading Vol. (Share)	Trading Value (Kip)	Market Cap. (mil. Kip)	High	Low
2011/06/14	8,150	-	39,411	321,199,650	1,113,107	8,150	8,150
2011/06/13	8,150	↑50	32,150	262,022,500	1,113,107	8,150	8,150
2011/06/10	8,100	-	535	4,333,500	1,106,279	8,100	8,100

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