

Executive Summary

The Lao Securities Exchange:

The weekend drizzles have left a muggy flavor on the Lao bourse. The securities market desiccated quickly to rigid mud as both stocks relinquished most of their liquidity. BCEL flattened out on the 8,100 Kip as 3,200 shares (-46%) exchanged for a tiny LAK 26 million. EDL-Gen tried to balance out the poor trades by exhausting its price further to 5,150 Kip; unfortunately, the effort was only enough to attract 2,900 shares (-84%), which in turn generated a mediocre turnover of LAK 15 million.

- ▶ **Lao, Chinese energy developers ink hydropower deal** China International Water & Electric Corp (CWE) and Electricite du Laos (EDL) last week signed a shareholders agreement on the Nam Ngiep 2 hydropower development project, based in Xieng Khuang province, after more than a year of negotiations. The project involves investment of about 2.8 trillion kip (US\$345 million), of which EDL will initially hold a 10 percent share and the rest will belong to CWE. When the plant is operational, it will have installed capacity of 180 megawatts (MW) with two generators that will produce 723GWh per year.
- ▶ **Ratchaburi to boost investment in Lao energy** Ratchaburi Electricity Generating Holding Plc. (RATCH), the largest electricity generator in Thailand, has approved investment funding of about 540 billion kip (2 billion Thai baht) to build the Xe-Pian Xe-Namnoy hydroelectric power plant in Laos. According to RATCH, it will hold 25 percent of the new joint operating company for the 390 megawatt electricity plant. Korea-based SK Engineering and Construction will control 26 percent, 25 percent will be owned by Korea Western Power (Kowepo), and 24 percent by Lao Holding State Enterprise (LHSE).

Exchange Rates: 20/06/2011

	Bid	Change	Ask	Change
USD	8,015.00	(2.00)	8,036.00	(2.00)
CAD	8,082.00	4.00	8,188.00	3.00
THB	262.00	0.39	262.65	0.40
EUR	11,421.00	47.00	11,466.00	51.00
GBP	12,817.00	(2.00)	12,984.00	(2.00)
CNY	1,214.00	-	1,230.00	-
JPY	98.98	0.59	100.27	0.59

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	8,100	-	-	15,500	7,900
EDL-Gen	5,150	↓ 50	1.90	8,850	4,550

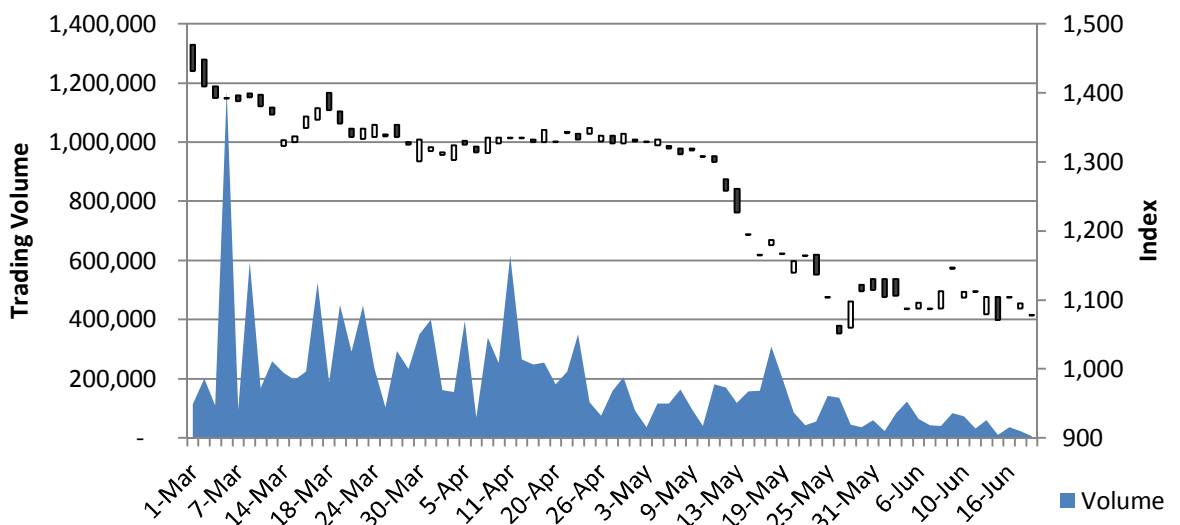
The Lao Securities Exchange

The Lao stock market

The liquidity problem we have talked so much about has become a big issue. Both stocks shared the same bag of limited demand, which only get lighter as trades drag on. The discretionary traders have gradually altered their mind set from “no, that’s too low” to “anything can happen now.” Demands have not flourished for many other reasons. On the standpoint of local investors, they are trading solely by intuition; it can take years for the majority to comprehend what stock market really is, and even longer than that for them to start using trading tools. Once they have lost money, their confidence is as fragile as candle in the wind. Additionally, physical appearance at the LSX building is required for the real time access to the stock-board; hence investors from other provinces are being kept out from what is going on in Vientiane. However, Lane Xang Securities Company will soon provide investors a solution with its online stock-board, which is at the final development stage before publishing. On the standpoint of foreign investors, their biggest concern is the lack of transparency, not to mention the size of the Lao securities market. In other words, they hunger for information. Hopefully as soon as other companies get listed on the LSX, new capitals will flood in to revive the pale demand.

The LSX Index 1,078.17 ↓ 16.78 [1.53%]

The Lao benchmark stiffened up as the result of volume distillation; almost 17 points were removed from the index, pulling it down to 1,078 points. Market’s liquidity barely got over 6K shares (-75%), which has become the lowest trades figure since Jan 11th. Turnover has accumulated to LAK 41 million, a 71% decline since Friday.



The Lao Economy

Sectors Watch & Business News

Lao, Chinese energy developers ink hydropower deal

Two energy investors last week signed a shareholders agreement on the Nam Ngiep 2 hydropower development project, based in Xieng Khuang province, after more than a year of negotiations. The agreement was signed between China International Water & Electric Corp (CWE) and Electricite du Laos (EDL). “We have had many negotiations on the agreement, starting since early last year,” EDL Managing Director Mr Khammany Inthirath said at the signing ceremony. The project involves investment of about 2.8 trillion kip (US\$345 million), of which EDL will initially hold a 10 percent share and the rest will belong to CWE. EDL Business-Finance Division Director, Mr Bounma Manivong, said “EDL can buy a further 10 percent of the share three years after the start of commercial operation of the plant.” When the plant is operational, it will have installed capacity of 180 megawatts (MW) with two generators that will produce 723GWh per year.

CWE President Mr Wang Yu said the plant is expected to be built and generating energy for supply to the EDL grid by 2015. “EDL will buy all the power produced for local supply, mainly in central Laos,” Mr Khammany said. Mr Bounma said a power purchase agreement will be signed within the next few months between CWE and EDL, after which the two parties will sign a project concession agreement with the government. CWE signed a memorandum of understanding for the project with the Lao government in December 2008 and a project development agreement in August last year. An electricity transmission line is currently under study and design. Some construction work has already begun, including an access road to the project site,” Mr Bounma said.

Mr Khammany said Nam Ngiep 2 is the sixth project involving cooperation between the two parties. They previously teamed up on five energy development projects - Nam Leuk, Nam Mang 3, Nam Lik 1-2, and two transmission line installations and upgrades. Mr Wang said CWE has been in Laos for 15 years. The company built the Nam Leuk project with an installed capacity of 60MW from 1996 to 2000, and the 40MW Nam Mang 3 plant was built from 2002 to 2005. CWE built the Nam Lik 1-2 plant in 2010. With installed capacity of 100MW it is now operational and generates electricity for sale to the EDL grid. The company is currently installing a 230kV voltage transmission line from Hinheup district in Vientiane province to Naxaithong district in Vientiane. “It is now about 95 percent complete,” Mr Wang said. Laos has other two Nam Ngiep hydropower projects - the Nam Ngiep and Nam Ngiep 1 - based in Borikhamxay province. *[Sources: The Vientiane Times]*

Ratchaburi to boost investment in Lao energy

Ratchaburi Electricity Generating Holding Plc. (RATCH), the largest electricity generator in Thailand, has approved investment funding of about 540 billion kip (2 billion Thai baht) to build the Xe-Pian Xe-Namnoy hydroelectric power plant in Laos. The power plant development project in the southern Lao province of Attapeu will increase the company's electricity generation capacity to 5,648 MW based on its shareholdings in existing plants and new ones under development, RATCH CEO Mr Noppol Milinthatgsoon said last week. “The Xe-Pian Xe-Namnoy project marks a significant milestone in the company's investment expansion in Laos,” he was quoted as saying in the Bangkok Post on Friday. According to RATCH, it will hold 25 percent of the new joint operating company for the 390 megawatt electricity plant. Korea-based SK Engineering and Construction will control 26 percent, 25 percent will be owned by Korea Western Power (Kowepo), and 24 percent by Lao Holding State Enterprise (LHSE).

A memorandum of understanding on tariffs between the joint venture and the Electricity Generating Authority of Thailand (Egat) was signed last August and they expect to conclude a power purchase agreement with Egat by the end of this year. The Xe-Pian Xe-Namnoy plant is located in an area straddling Attapeu and Champassak provinces. The facility is scheduled to start producing electricity by 2018, which will be transmitted via Egat's 500-kilovolt lines in Ubon Ratchathani province. Thai authorities have already included output from the plant in the national Power Development Plan that was updated in 2010. Xe-Pian Xe-Namnoy is the fourth investment project by RATCH in Laos following the Nam Ngum 2 and 3 hydroelectric plants and the Hongsa lignite coal-fired power plant. The lignite-fired plant is currently under construction in Hongsa district, Xayaboury province. Once construction is complete, the plant will become the largest electricity generating facility in Laos with a total capacity of 1.8 MW.

According to Ratch Laos, the local subsidiary of RATCH, the company has provided a grant of 20 million Thai baht to the Lao government to develop human resources, which will provide a skilled workforce to help operate power plants in Laos. The company's Managing Director Mr Jatuporn Soparaksa said recently that RATCH supported human resource development because it wants to invest and do business in Laos over a long period of time. The Lao people will benefit from the Thai company's funding of the mega investment project because it will provide jobs. However, according to the report on Employment and Livelihoods 2009, the massive investment in the electricity sector has so far created very few jobs. Many investors are reluctant to hire local people as they believe they do not have the necessary skills. [Sources: *The Vientiane Times*]

Businesses welcome new country's leaders

Business operators are feeling more confident about investing in Laos after months of waiting to find out who will lead the new government. "In theory, business people should feel more confident about investing in Laos now they have seen the face of the new government leaders who will lead the country's development," Lao National Chamber of Commerce and Industry Vice President Dr Sanan Chounlamany said last week. The new government will lead the implementation of the 7th National Social Economic Development Plan, which aims to secure high GDP growth while protecting Lao culture and the environment. The plan is viewed by many businesses and economists as involving many challenges and opportunities. Laos has maintained GDP growth above 7.5 percent over the past five years but most of the country's income has come from the exploitation of natural resources, raising concerns about whether the government can sustain this rate of growth. General businesses were confident about investing in Laos because the country has only a single ruling Party, which ensures political stability.

The new government would give people more confidence about running a business here and hoped the new government leaders would put the policies of the Party and state into practice. However, the Lao National Economic Research Institute Director General, Dr. Leeber Lebuapao, said business operators should not be concerned about the change in government as the country has a single political party, whose policies will be implemented. "Whoever the government leaders are, they will have to put the policy of the Party into practice so business people should not worry about a change in government leaders," he said. According to Party policy, the government will create a favorable business environment to enable business people to invest and boost economic growth in Laos. The government expects 50 to 60 percent of total investment funding to come from the private sector. The government has established a single window service to facilitate investment and has also abolished unnecessary checkpoints that slow the flow of goods within the country. [Sources: *The Vientiane Times*]

Stock Boards

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

BCEL

Current	8,100
Volume	3,200
Previous Day Closing Price	8,100
Change	0
Turnover	25,920,000

Sell Remaining Qty	11:30:00	Buy Remaining Qty
1,150	8,500	
5,000	8,400	
2,645	8,150	
Exp exe Price	8,100	5,357
	7,900	37,636
Exp exe Qty	7,700	1,500
8,795	Total	44,493

Opening Price	8,100
High Price	8,100
Low Price	8,100
Price Limit	8,500 / 7,700

EDL-GEN

Current	5,150
Volume	2,900
Previous Day Closing Price	5,250
Change	▼ 100
Turnover	14,935,000

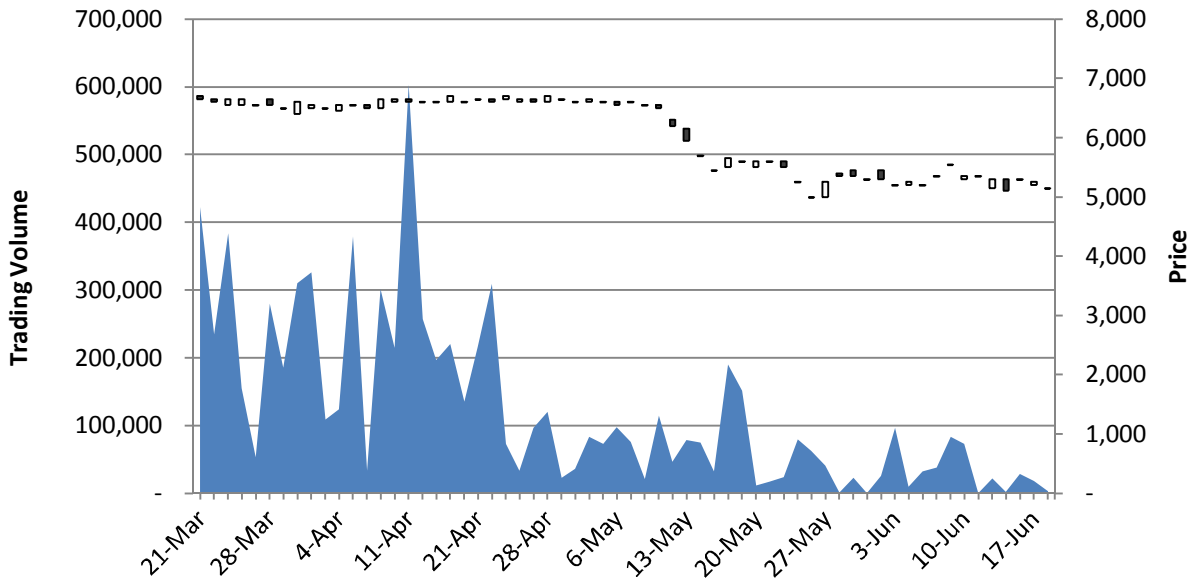
Sell Remaining Qty	11:30:00	Buy Remaining Qty
17,202	5,500	
1,000	5,350	
Exp exe Price	5,150	31,756
	5,100	8,558
Exp exe Qty	5,000	8,800
18,202	Total	49,114

Opening Price	5,150
High Price	5,150
Low Price	5,150
Price Limit	5,500 / 5,000

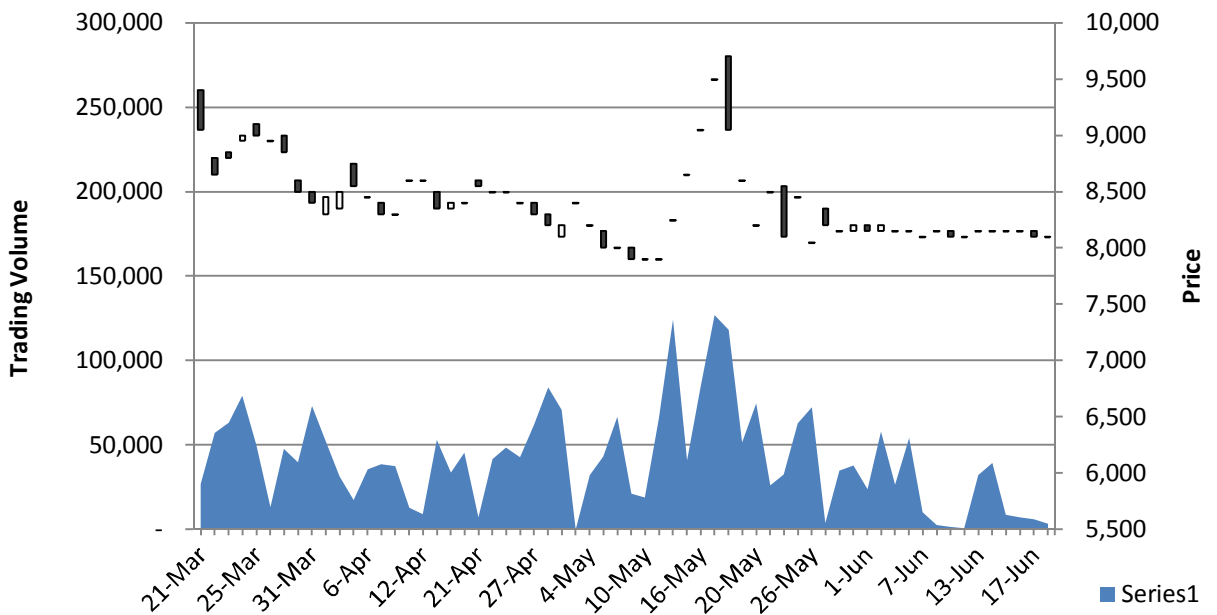
Appendix

► 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
2011/06/20	1,078.17	↓16.78	1.53	6,100	40,855,000	1,078.17	1,078.17
2011/06/17	1,094.95	↓9.71	0.88	23,930	142,643,000	1,094.95	1,087.88
2011/06/16	1,104.66	↑33.57	3.13	35,835	210,083,550	1,104.67	1,104.67
2011/06/15	1,071.10	↓33.57	3.04	10,655	81,112,100	1,104.67	1,071.10
2011/06/14	1,104.66	↓8.39	0.75	61,125	434,783,850	1,104.67	1,079.49

EDL-Gen

Date	Closing Price	Change (Kip)	Trading Vol. (Share)	Trading Value (Kip)	Market Cap. (mil. Kip)	High	Low
2011/06/20	5,150	↓100	2,900	14,935,000	4,473,275	5,150	5,150
2011/06/17	5,250	↓50	18,000	94,350,000	4,560,135	5,250	5,200
2011/06/16	5,300	↑200	28,762	152,438,600	4,603,564	5,300	5,300
2011/06/15	5,100	↓200	1,939	10,076,700	4,429,845	5,300	5,100
2011/06/14	5,300	↓50	21,714	113,584,200	4,603,564	5,300	5,150

BCEL

Date	Closing Price	Change (Kip)	Trading Vol. (Share)	Trading Value (Kip)	Market Cap. (mil. Kip)	High	Low
2011/06/20	8,100	-	3,200	25,920,000	1,106,279	8,100	8,100
2011/06/17	8,100	↓50	5,930	48,293,000	1,106,279	8,150	8,100
2011/06/16	8,150	-	7,073	57,644,950	1,113,107	8,150	8,150
2011/06/15	8,150	-	8,716	71,035,400	1,113,107	8,150	8,150
2011/06/14	8,150	-	39,411	321,199,650	1,113,107	8,150	8,150

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