

Executive Summary

- ▶ **The Lao Securities Exchange:** The Lao stock market cautiously took another step forward, waiting anxiously for what's to come next week. EDL-Gen and BCEL treaded lightly by 1.50% and 1.77% to 6,750 and 11,500 Kip per share respectively. EDL-Gen throttled its liquidity by 61% to 95 thousand trading units, limiting its turnover to only 640 million Kip, down from 1.6 billion Kip of yesterday. BCEL caught a pleasant breeze and inhaled 236% more trading shares compared to the 11 thousand units of yesterday; as a result, its turnover inflated by 245% to 423 million Kip.

By the end of the 7th trading week, the LSX Index has plunged 6.9% compared to last Friday. Total market volume shrank 57% to 1.1 million shares, splitting to an average of 222 thousand trading shares per day. The average market turnover of this week fell by 60% to 1.7 billion Kip per day.

- ▶ **Laos fosters sustainable development in mining:** The Lao government and the International Council on Mining and Metals (ICMM) yesterday discussed the utilization of mining and mineral resources to foster the sustainable development of the Lao PDR.
- ▶ **Vientiane province sees drop in exports to Thailand:** Exports from Vientiane province to Thailand decreased by 16 percent in 2010 compared to 2009, as more products were sold on the domestic market and others were exported to Vietnam and China.
- ▶ **Government expands rice stockpile:** The government has approved 50 billion kip of budget this year to set up rice stockpiles in provinces to ensure rice sufficiency and security and price stability in case of natural disasters.

Exchange Rates: 25/02/2011

	Bid	Change	Ask	Change
USD	8032.00	0.00	8071.00	0.00
CAD	7971.00	-40.00	8133.00	-41.00
THB	263.41	0.40	264.71	0.40
EUR	10988.00	-70.00	11044.00	-70.00
GBP	12618.00	-224.00	12879.00	-225.00
CNY	1169.00	0.00	1192.00	0.00
JPY	95.63	-0.62	97.55	-0.59
VND	0.33	0.00	0.34	0.00

Exchange rates, quoted for the Lao Kip, by the Lao Development Bank

In this issue

- Page 1 – Executive Summary
- Page 2 – The Lao Securities Exchanges
- Page 3 – Lao Economy
- Page 5 – Stock Board
- Page 6 – Appendix

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Issue Name	Current Price	Change (Kip)	Change (%)	52-week	
				High	Low
BCEL	11,500	↑ 200	1.77	15,500	8,000
EDL-Gen	6,750	↑ 100	1.50	8,850	4,550

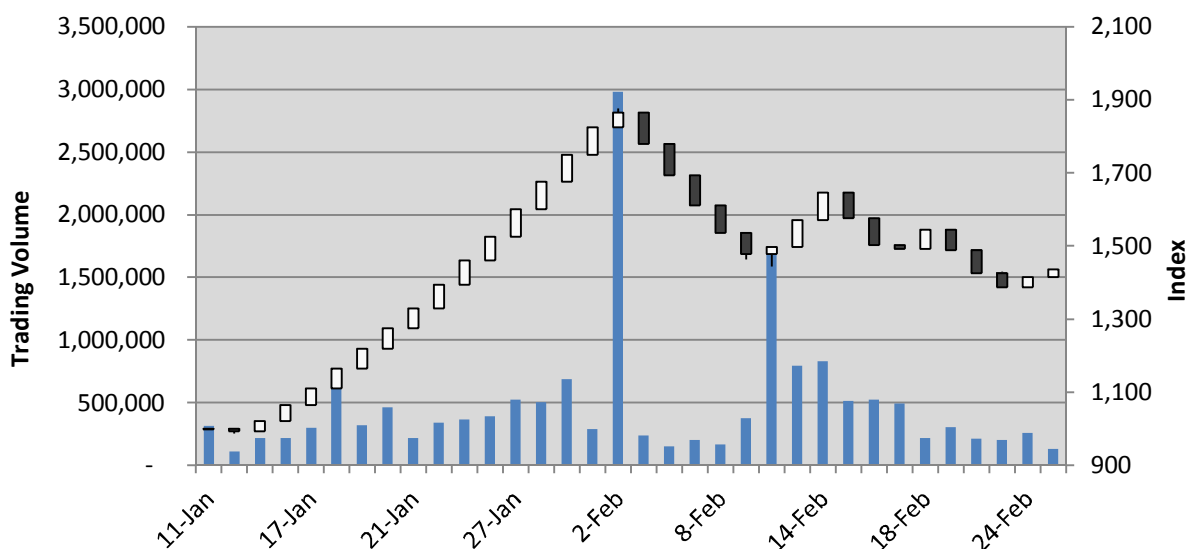
The Lao Securities Exchange

The Lao stock market

In the absence of additional supportive news from the two companies, investors lost their directions inside the securities labyrinth. EDL-Gen lost a significant amount of trades today as both demands and supplies shrank by more than 50%. The 7,000 Kip per share was thought to be the lowest point that EDL-Gen would fall, as evidenced by a total of more than 2 million shares at this price over the last three weeks. As soon as EDL-Gen broke through this 'psychological bottom,' investors turned panic and tried to push all their shares away, explaining the masses of selling earlier this week. As the price showed signs of recovery by the end of the week, selling pressure slowed its paces, suggesting a temporary halt of sell-offs next week. Stock traders noticed the shrinking demands on BCEL, and their immediate reaction is to willingly take a 5% to 9% loss, forgetting that impatience hardly pays off.

The LSX Index 1,436.45 ↑ 22.06 [1.56%]

The Lao Composite Index built up another green block of 22.06 points, rising to the 1,436.45 benchmark. Total market volume dipped 49% to 132 thousand shares, converting to an equivalence of 1.06 billion Kip.



Lao Economy

Business Sectors

Lao mining sector: Sustainability and Challenges

The Lao government and the International Council on Mining and Metals (ICMM) held a workshop in Vientiane yesterday to discuss the utilization of mining and mineral resources to foster the sustainable development of the Lao PDR. This workshop aimed to disseminate a draft research on mining sector in Laos. The research study was a cooperation program between the ICMM and three organizations in Laos, Earth Systems Laos (ESL), National Economic Research Institute (NERI) and National University of Laos. The ICMM was an independent body and non-profit organization, whose intention is to improve the standard of mining industry and contributed mining sector to the socio-economic development. The ICMM has worked closely with the Ministry of Energy and Mining, the NERI and has been supported by the World Bank and major mining companies including MMG Sepon, Phu Bia Mining Limited and Rio Tinto.

The research completed in October 2010. This research showed that the mining sector contributed US\$185 million to this year's state revenue. Between 2003 and 2008, MMG Sepon and Phu Bia Mining Limited have contributed totally US\$635 million to the Lao government. The two mines are also amongst the largest employers in Laos, employing over 8,000 people, 85 per cent of which are Lao nationals. About 30,000 people have benefitted either directly or indirectly from the two projects, accounting for one percent of the total employed workforce in Laos. The export value of the mining products accounts for 45 percent of the total export earnings of Laos, helping the government to secure stable exchange rates. The two mining companies contribute as much as 10 percent of the country's GDP. Laos' GDP grew more than 7.5 percent from 2005 to 2010.

One of the big challenges facing the mining industry is how to create sustainable jobs for people who live in nearby areas. Although people in the Sepon area have been well compensated by the project, they are not likely to have sustainable jobs once the mineral resources are exhausted and the mine closes. The research recommends that the government and mining companies continue to make significant investment in the development of sustainable small enterprises. It is suggested they help people to improve their farming skills so they can sell their products in urban markets once they stop working at the mines. Another challenge is to keep national economic growth stable as revenue and capital inflow from the two mining projects continue to increase. An increase in foreign currency entering the country will cause the kip to appreciate, making it harder for other exporters to sell their goods. Rising incomes will also make it difficult for the government to keep inflation low, especially food prices, as people earn more money while the supply of goods remains unchanged. Strict enforcement of environmental protection laws and regulations is also needed since most Lao people depend on natural resources for their livelihoods. People won't be able to catch fish if the rivers become polluted. Improvements to the business climate in Laos will also play an important role, with the government needing to boost investment in the non-resource sector in particular, to ensure the economy continues to grow once the two mines shut down. The report recommends that the government invests income earned from mining in the development of education, to raise knowledge and skill levels so that more people can set up businesses.

Lao News Agency & The Vientiane Times

Vientiane province sees drop in exports to Thailand

Exports from Vientiane province to Thailand decreased by 16 percent in 2010 compared to 2009, as more products were sold on the domestic market and others were exported to Vietnam and China. Most of the goods exported from the province are agricultural products such as sweetcorn, Job's tear, sesame, beans and wooden goods, according to a report from the provincial Industry and Commerce Department . With improvements to local infrastructure, especially roads, the province has sought other markets. If they limit themselves to the Thai market, farmers have no choice as to the price they can charge for their produce and must sometimes sell their crops for a low price or even at a loss. In 2008, the province had to store about 500,000 tonnes of sweetcorn when the Thai government suspended all sweetcorn imports. Incidents like this encourage local farmers to look for other markets.

Two years ago, the province was able to sell all its produce to various markets, and none had to be stored after harvesting. But provincial authorities will try to encourage exports and limit imports if they are considered to be unnecessary. Imports into the province from Thailand have fallen by 36 percent as some goods are now bought in Vientiane and others imported from Vietnam and China, he said. Most of the goods imported from Thailand are construction materials and electrical goods which the province cannot produce. Although Vientiane province borders on Thailand, local people don't buy exclusively from that country. They can choose to buy products at the price they want and obtain goods of a similar quality elsewhere. To boost trade between Laos and Thailand, it is necessary for Thailand to facilitate the export of Lao goods across local checkpoints and to provide opportunities for the provincial industry and commerce sector to share more fully in commerce and investment. Thai businesses could do more to boost the production of agricultural goods on a commercial for sale and export between the two countries.

The Vientiane Times

Government approves 50 billion kip to expand rice stockpile

The government has approved 50 billion kip of budget this year to set up rice stockpiles in provinces to ensure rice sufficiency and security and price stability in case of natural disasters. This year 40 districts suffer rice shortage, which has affected the living conditions of people in remote areas, according to a report of the Ministry of the Agriculture and Forestry. The project of rice stockpiles establishment will stave off the rice shortage in Sekong, Attapeu, Houaphanh, Oudomsay, Phongsaly, and Luang Prabang provinces. These provinces have often suffered from rice insufficiency for the short and long terms as a result of natural disasters. The Ministry of Industry and Commerce in cooperation with the Ministry of Finance and authorities concerned have agreed to expand rice stockpiles to these provinces to ensure foodstuff security in the future.

The concerned ministries will select some qualified private companies to undertake the project and release soft loans for the purchasing of rice from farmers. In recent years, the rice stockpiles have been implemented many provinces such as Vientiane Capital and Luang Prabang. But this year the project will continue to expand to Sekong and Khammouane provinces. The project intervened the market by selling 100,000 tonnes of rice at a lower price than the market in Vientiane Capital in June 2010. This project was very important to support farmers and promote rice production, as well as to stabilize the rice price. Now the price of sticky rice in the market has increased from 5,000 kip per kg last year to 6,000 kip per kg this year. In 2009, people were so worried about the hike in rice price in local market because of the impact of Ketsana tropical storm in one central and four southern provinces in Laos which triggered flooding. Last year, many provinces suffered drought, leading to late rice transplantation.

Lao News Agency

Stock Boards

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

BCEL

Current	11,500
Volume	36,821
Previous Day Closing Price	11,300
Change	▲ 200
Turnover	423,441,500

Sell Remaining Qty	11:30:00	Buy Remaining Qty
1,000	11,700	
4,500	11,600	
28,369	11,500	
Exp exe Price	11,400	1,200
	11,300	8,032
Exp exe Qty	11,200	18,405
33,869	Total	27,637

Opening Price	11,500
High Price	11,500
Low Price	11,500
Price Limit	11,800 10,800

EDL-GEN

Current	6,750
Volume	94,900
Previous Day Closing Price	6,650
Change	▲ 100
Turnover	640,575,000

Sell Remaining Qty	11:30:00	Buy Remaining Qty
5,000	6,950	
22,980	6,800	
Exp exe Price	6,750	10,275
	6,700	900
Exp exe Qty	6,650	4,200
	6,600	500
	6,550	1,000
27,980	Total	79,198

Opening Price	6,750
High Price	6,750
Low Price	6,750
Price Limit	6,950 6,350

Appendix

▶ Market Data

LSX Index

Date	Current Index	Change (Points)	Change (%)	Trading Vol. (Share)	Trading Value (Kip)	High	Low
2011/02/25	1,436.45	↑ 22.06	1.56	131,721	1,064,016,500	1,436.45	1,436.45
2011/02/24	1,414.39	↑ 27.34	1.97	256,989	1,742,366,550	1,414.39	1,389.69
2011/02/23	1,387.05	↓ 38.37	2.69	203,221	1,570,854,300	1,429.01	1,387.05
2011/02/22	1,425.42	↓ 63.55	4.27	215,184	1,822,537,050	1,472.66	1,425.42
2011/02/21	1,488.97	↓ 55.16	3.57	303,538	2,674,583,250	1,530.93	1,488.97

EDL-Gen

Date	Closing Price	Change (Kip)	Trading Vol. (Share)	Trading Value (Kip)	Market Cap. (mil. Kip)	High	Low
2011/02/25	6,750	↑ 100	94,900	640,575,000	5,863,030	6,750	6,750
2011/02/24	6,650	↑ 100	246,057	1,619,524,950	5,776,170	6,650	6,550
2011/02/23	6,550	↓ 150	150,146	992,336,800	5,689,311	6,800	6,550
2011/02/22	6,700	↓ 300	139,784	955,897,050	5,819,600	6,950	6,700
2011/02/21	7,000	↓ 250	192,538	1,353,683,250	6,080,179	7,250	7,000

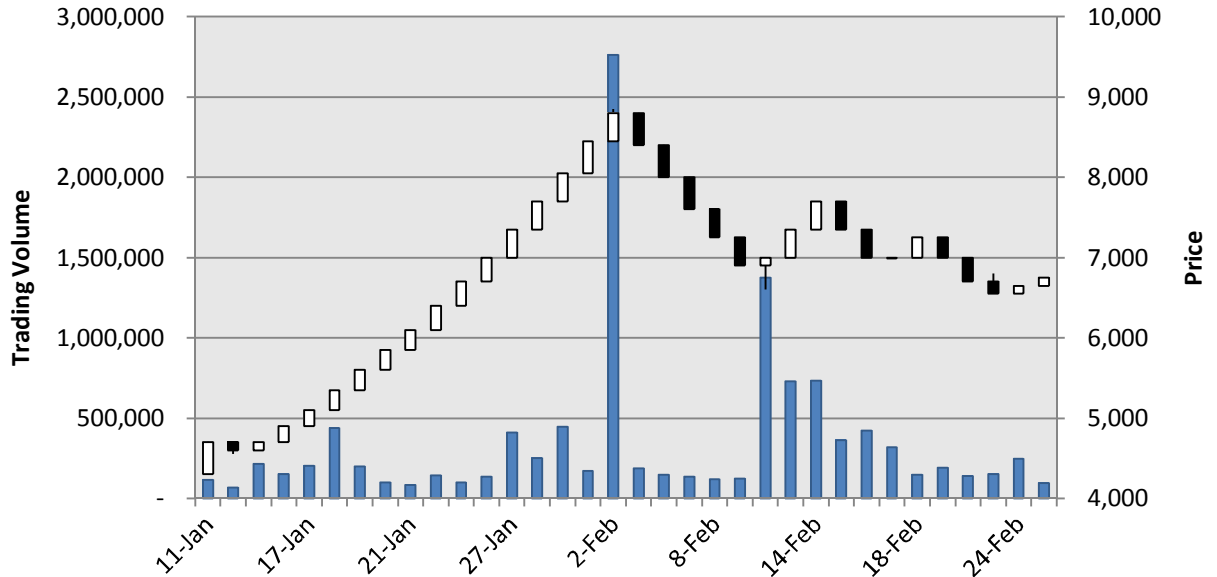
BCEL

Date	Closing Price	Change (Kip)	Trading Vol. (Share)	Trading Value (Kip)	Market Cap. (mil. Kip)	High	Low
2011/02/25	11,500	↑ 200	36,821	423,441,500	1,570,642	11,500	11,500
2011/02/24	11,300	↑ 400	10,932	122,841,600	1,543,327	11,300	11,000
2011/02/23	10,900	↓ 500	53,075	578,517,500	1,488,696	10,900	10,900
2011/02/22	11,400	↓ 500	75,400	866,640,000	1,556,985	11,600	11,400
2011/02/21	11,900	↓ 500	111,000	1,320,900,000	1,625,273	11,900	11,900

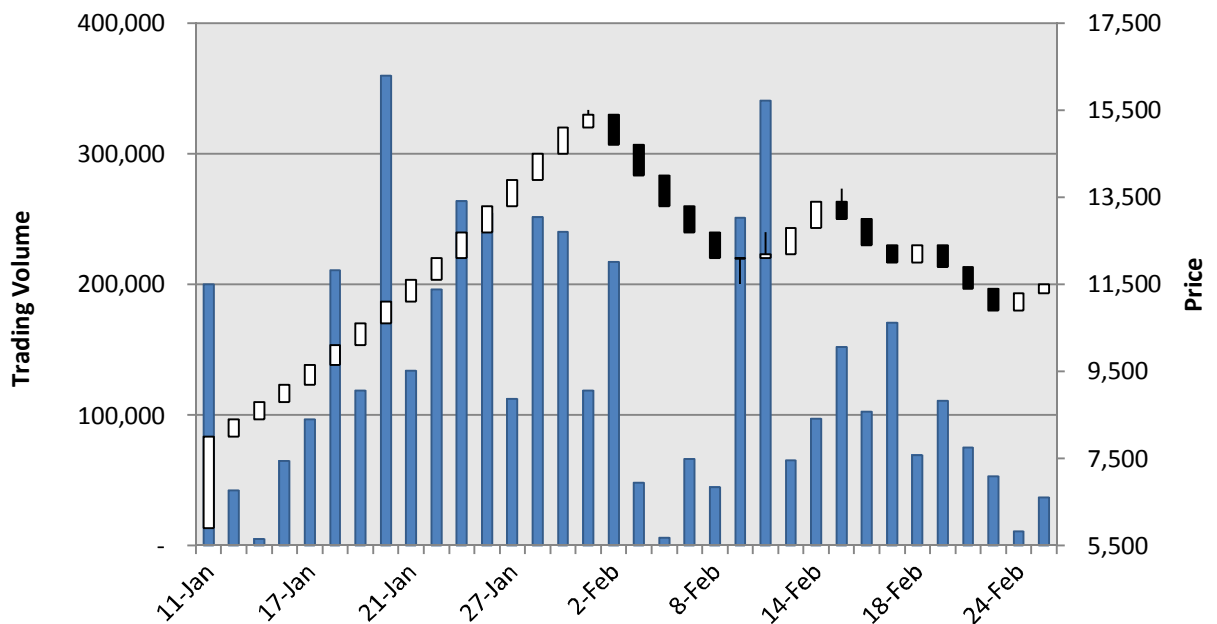
Appendix

▶ Market Data (cont.)

EDL-Gen



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