

## Executive Summary

### The Lao Securities Exchange

Every now and then, we would see sparks of optimism blazing across the LSX. The Friday's positive price movements dusted off the Lao stock market, but liquidity started to get a little sticky. BCEL struggled to allocate only 3,800 shares over the two sessions. At the end, the public bank finally squeezed through the 8,200 Kip, generating a mediocre turnover of LAK 31 million. Trades on EDL-Gen also tightened up to 40K shares; nevertheless it still managed a turnover of LAK 204 million. The generation company bid up its market price by 5% to 5,250 Kip per share.

**Weekly change:** This week was a total annihilation. The combined volume dropped 54% compared to last week, down to 420K shares. BCEL and EDL-Gen were neck and neck in terms of trading amount; apparently the wind of favors is spreading evenly over the two stocks. Turnovers retracted 58% to LAK 2,790 million as a result of the dreary trades.

### ► Trade agreement paves the way for silk exports

Laos has the potential to export silk and yarn products to the US in the future. In 2008, the value of Lao silk exported to the US was only about 18.5 million kip (US\$23,000). A bilateral trade agreement (BTA) was signed between Laos and the US, which resulted in reducing tariff rates. Tariff rates on goods traded between the two nations were between 40 and 90 percent before the agreement, but have now dropped to between zero and 3.9 percent, depending on product criteria and requirements. Laos exported US\$41.9 million in goods to the US in 2008, including over US\$20,000 worth of silk products.

### Exchange Rates: 27/05/2011

	Bid	Change	Ask	Change
USD	8,014.00	(1.00)	8,045.00	(1.00)
CAD	8,106.00	(19.00)	8,223.00	(18.00)
THB	263.64	(0.03)	264.35	0.00
EUR	11,347.00	15.00	11,401.00	15.00
GBP	13,015.00	69.00	13,201.00	71.00
CNY	1,210.00	-	1,227.00	-
JPY	97.80	1.00	99.20	1.02

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

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### Lanexang Securities Public Company

5<sup>th</sup> Floor, LSX Building,  
Ban Phonthan Neua, Saysettha District,  
Vientiane Capital, The Lao P.D.R.

Tel: (+856)-21 265 468  
 Fax: (+856)-21 265 466 (Front Office)  
 (+856)-21 265 465 (Back Office)  
 Web: [www.lxs.com.la](http://www.lxs.com.la)  
 Email: [lanexang@lxs.com.la](mailto:lanexang@lxs.com.la)  
[lxs\\_info@lxs.com.la](mailto:lxs_info@lxs.com.la)

### Contact:

Vo Ngoc Huy  
 Deputy General Director  
 Email: [Huy.vn@lxs.com.la](mailto:Huy.vn@lxs.com.la)  
[Huy.vn@sbsc.com.vn](mailto:Huy.vn@sbsc.com.vn)

Le Trung Hieu  
 Manager of Research Department  
 Email: [Hieu.lt@lxs.com.la](mailto:Hieu.lt@lxs.com.la)

Issue Name	Current Price	Change (Kip)	Change (%)	52-week	
				High	Low
BCEL	8,200	↑ 150	1.86	15,500	7,900
EDL-Gen	5,250	↑ 250	5.00	8,850	4,550

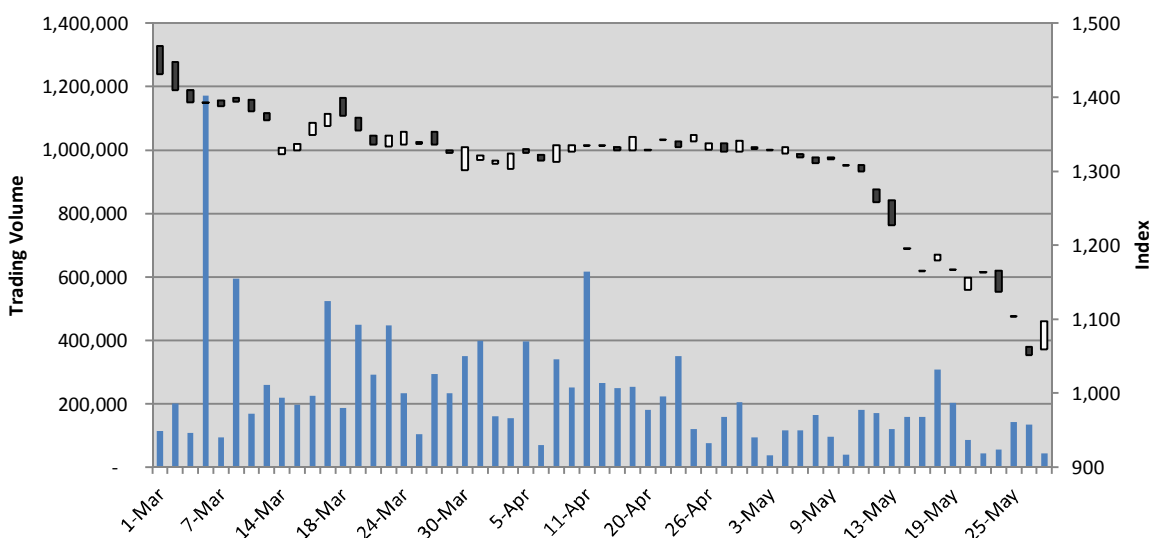
## The Lao Securities Exchange

### The Lao stock market

BCEL is being enveloped inside a smoldering revolution. On Tuesday, ferocious sell-offs were trying to salvage as many buying orders as possible when the bank plunged to 8,100 Kip. Today's demand sustained around 95K shares (-3%), while supply quieted down to 37K shares (-75%). Apparently, the supplier is putting up a strong defense to prevent the public bank from falling further; however BCEL will be tested against its 52W low early next week. EDL-Gen flared up a small chance of recovery. Demand surged 87% to 219K shares while supply resisted back to 41K shares (down 51%); that kind of selling won't push EDL-Gen below 5,000 Kip any time soon.

### The LSX Index 1,097.59 ↑ 45.92 [4.37%]

The Lao Composite Index gobbled up the energy emitting from the stock rise, recharging 4.37% back to almost 1,098 points. Flows of trades suffered the sudden discontinuity, tumbling 67% to 44K shares. Turnovers shared the same fate as LAK 895 million compressed down to LAK 235 million.



## The Lao Economy

### Sectors Watch & Business News

#### Exciting future for IPOs in Laos

Lao Securities Exchange Commission and Lao stock exchange officials last week joined the DFDL Mekong Legal and Tax Advisers (DFDL Mekong) at conference for foreign investors in Singapore. DFDL Mekong is the region's preeminent international law firm specializing in emerging markets. Country Managing Director for DFDL Mekong Lao PDR, William D. Greenlee, Jr, and Senior Tax Manager for DFDL Mekong Lao PDR Jack Sheehan presented a thorough outlook on the Lao Stock Exchange (LSX), along with fellow panelists from the Lao Securities and Exchange Commission (SEC) and the LSX.

According to a press release from DFDL Mekong, discussion topics included how to structure IPOs and investment in Laos. On the agenda were key legal, tax and accounting issues and international holding structures considered to be the most efficient for Lao investors. "There is an exciting future for IPOs in Laos," Mr Greenlee said. The conference was an ideal forum to educate and get prospective international investors excited about Laos and the promising companies that have listed, and will soon list, on the Lao Stock Exchange. Because 12 members of the SEC and LSX attended the conference, international investors were able to also ask the securities regulators questions and gain confidence in the LSX.

More than 150 people attended the foreign investors' conference including principals from high profile investment firms, Temasek, Dragon Capital Group Limited, Lucky Market Group Ltd., Morgan Stanley Global Capital Markets, Pinetree Capital Partners Pte Ltd and Royal Group Cambodia. In partnership with DFDL Mekong in presenting the conference were ANZ Royal, CBRE, VinaCapital, Victory Capital and Stephenson Harwood. Supporting DFDL Mekong in presenting the conference were SEC, LSX, Singapore Business Federation and International Enterprise Singapore.

Established in 1994, DFDL Mekong is the first leading international law firm specialised in emerging markets with a pan regional tax and legal expertise developed throughout the Mekong region (Cambodia, Laos, Thailand, Myanmar, Vietnam) and Singapore. With a team of more than 250 foreign and local lawyers, advisers and support staff working closely together within a network of nine offices in the region, DFDL Mekong provides personalized and cost-effective legal, tax and consulting services. *[Sources: The Vientiane Times]*

#### Trade agreement paves the way for silk exports

Laos has the potential to export silk and yarn products to the US in the future, despite very low export values for such products in previous years. "In 2008, the value of Lao silk exported to the US was only about 18.5 million kip (US\$23,000)," said LUNA-Lao Project Director Mr Steve Parker. A bilateral trade agreement (BTA) was signed between Laos and the US, which resulted in reducing tariff rates. Tariff rates on goods traded between the two nations were between 40 and 90 percent before the agreement, but have now dropped to between zero and 3.9 percent, depending on product criteria and requirements. Laos exported US\$41.9 million in goods to the US in 2008, including over US\$20,000 worth of silk products.

The US is a large market for Lao silk, mostly silk fabric. The US imported over US\$250 million worth of silk products in 2008, most of which were silk fabric and yarn. It imported over 66 percent of total Lao silk product exports. These imports were concentrated in fabric and were likely used in apparel manufacturing. Under the BTA, the US has extended normal trade relations (NTR) status to Lao products. The agreement has reduced tariff

rates significantly for Lao exports to the US. The extension of NTR tariff rates reduced US tariff rates applied to Lao exports of silk products, which will allow Lao silk exports to the US to be priced much more competitively and should open up new opportunities for exports to the US. The US imports other products made in part from silk, including fabric used to cover chairs and sofas, which are often produced overseas. US demand for furniture and household furnishings made with silk fabric or yarn – led by products such as sheets, duvet covers and lampshades - is increasing. Imported raw silk is used mostly in the production of accessories like scarves and neckties.

The world's leading importers of silk fabrics are the US with 13.4 percent, Hong Kong with 10.6 percent and Italy with 9.6 percent. China and India, the world's top two silk exporters, are the major suppliers of silk fabrics and yarn to the US, accounting for nearly 60 percent of all imports. European countries such as Italy, the UK, and France are also significant exporters of pure silk products, generally considered a luxury item because of their high cost. The LUNA-Lao Project Luna supports Laos to draft, analyze, promulgate and implement the legal and economic policy reforms and institutional capacity building needed to accomplish the objectives. It is a main mechanism for supporting public and private sector integration in the ASEAN region. [Sources: *The Vientiane Times*]

### **Inflation leaves diners with bad taste**

Vientiane restaurants are reconsidering their business operations and pricing strategy in a bid to tackle the rising inflation. In major Vientiane markets, pork has risen from 25,000 kip to about 32,000 kip per kg over the past few months. Beef is now about 40,000 kip, up from 28,000 kip per kg over the same period. Some restaurants in the capital have managed to fend off a price rise, but have made changes in other areas. Some are trying to cut operating costs, while others are simply putting less food on customers' plates.

According to the National Statistics Bureau, inflation reached 7.73 in March. The Ministry of Industry and Commerce estimated that inflation would hit 8 percent in April, the month of a major festival and widespread partying. The main driving forces of inflation are spiraling fuel and food prices, according to economists at the Lao National Economic Research Institute. [Sources: *The Vientiane Times*]

### Stock Boards

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

#### BCEL

Current	<b>8,200</b>
Volume	3,800
Previous Day Closing Price	8,050
Change	<b>▲ 150</b>
Turnover	31,280,000

Sell Remaining Qty	11:30:00	Buy Remaining Qty
1,100	8,400	
800	8,350	
20,000	8,300	
489	8,250	
1,000	<b>8,200</b>	
Exp exe Price	8,150	1,000
	8,050	14,111
Exp exe Qty	<b>8,000</b>	57,221
	7,800	4,150
	7,650	14,500
<b>33,244</b>	<b>Total</b>	<b>90,982</b>

Opening Price	<b>8,350</b>
High Price	<b>8,350</b>
Low Price	<b>8,200</b>
Price Limit	<b>8,450</b> / <b>7,650</b>

#### EDL-GEN

Current	<b>5,250</b>
Volume	40,586
Previous Day Closing Price	5,000
Change	<b>↑ 250</b>
Turnover	204,326,500

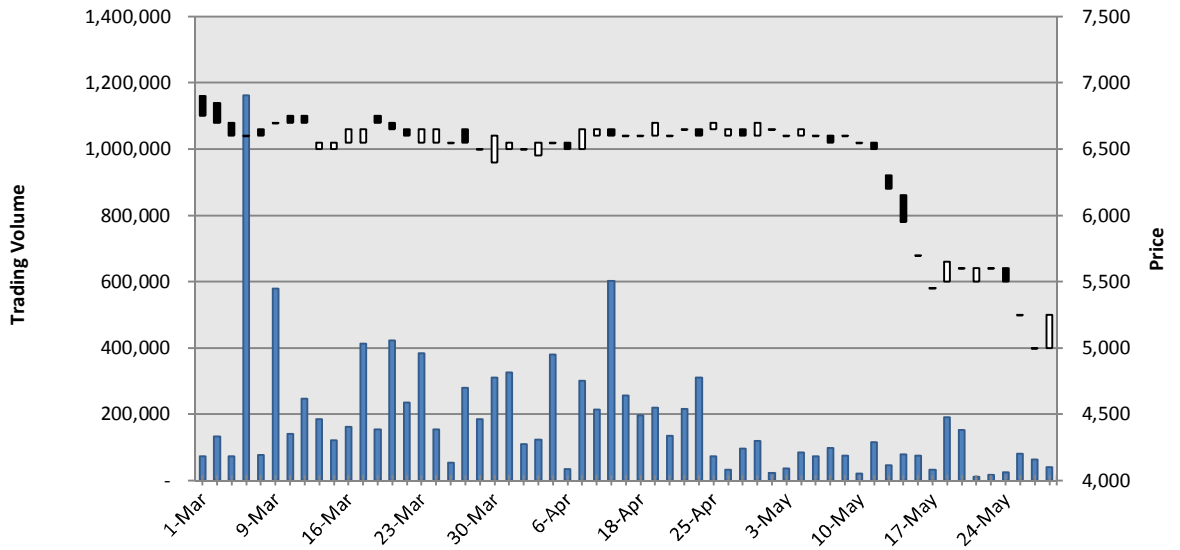
Sell Remaining Qty	11:30:00	Buy Remaining Qty
Exp exe Price	<b>5,250</b>	42,444
	5,100	4,000
Exp exe Qty	5,000	51,640
	4,900	15,000
	4,800	1,000
	<b>Total</b>	<b>179,384</b>

Opening Price	5,000
High Price	<b>5,250</b>
Low Price	5,000
Price Limit	<b>5,250</b> / <b>4,750</b>

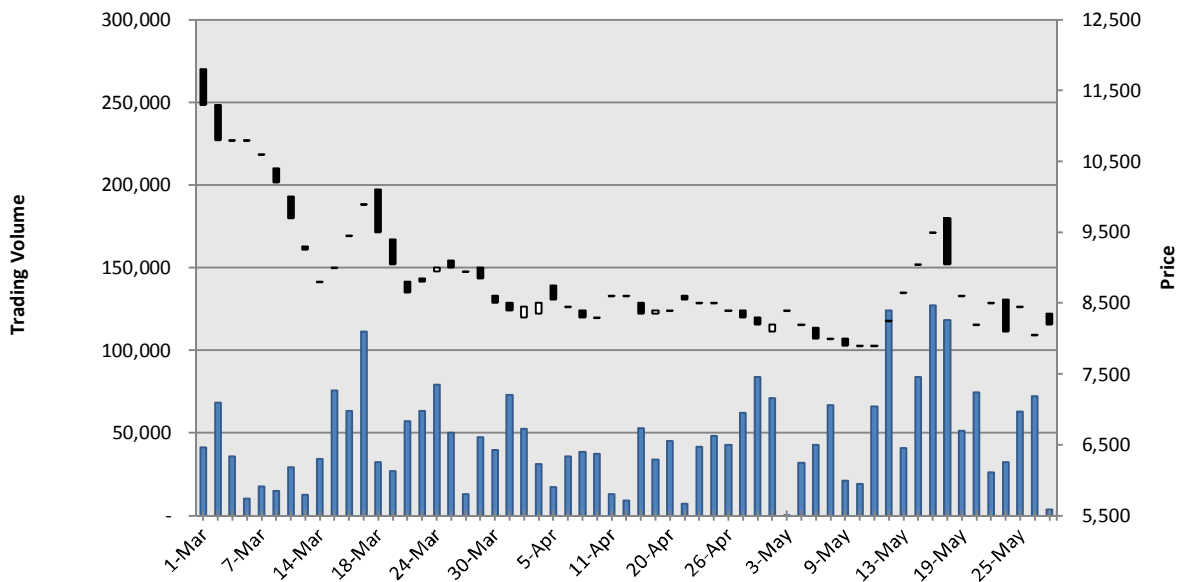
### Appendix

#### ▸ 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
2011/05/27	1,097.59	↑45.92	↑4.37	44,386	235,606,500	1,097.59	1,059.59
2011/05/26	1,051.67	↓52.52	↓4.76	134,863	895,104,500	1,062.23	1,051.67
2011/05/25	1,104.19	↓32.72	↓2.88	142,556	949,443,000	1,104.19	1,104.19
2011/05/24	1,136.91	↓27.34	↓2.35	38,076	394,821,400	1,165.57	1,136.91
2011/05/23	1,164.26	↑7.92	↑0.68	42,830	315,335,000	1,164.26	1,164.26

#### EDL-Gen

Date	Closing Price	Change (Kip)	Trading Vol. (Share)	Trading Value (Kip)	Market Cap. (mil. Kip)	High	Low
2011/05/27	5,250	↑250	40,586	204,326,500	4,560,135	5,250	5,000
2011/05/26	5,250	-	62,473	312,365,000	4,560,135	5,000	5,000
2011/05/25	5,250	↓250	79,736	418,614,000	4,560,135	5,250	5,250
2011/05/24	5,500	↓100	23,753	131,111,500	4,777,284	5,600	5,500
2011/05/23	5,600	-	16,800	94,080,000	4,864,143	5,600	5,600

#### BCEL

Date	Closing Price	Change (Kip)	Trading Vol. (Share)	Trading Value (Kip)	Market Cap. (mil. Kip)	High	Low
2011/05/27	8,200	↑150	3,800	31,280,000	1,119,936	8,350	8,200
2011/05/26	8,050	↓400	72,390	582,739,500	1,099,450	8,050	8,050
2011/05/25	8,450	↑350	62,820	530,829,000	1,154,081	8,450	8,450
2011/05/24	8,100	↓400	32,476	263,709,900	1,106,279	8,550	8,100
2011/05/23	8,500	↑300	26,030	221,255,000	1,160,910	8,500	8,500



### Appendix

#### ▶ Weekly Market Data

#### LSX Index

Week	Start Date	Closing Index	Index Change (%)	Total Trading Volume (Shares)	Total Turnover (Mn. Kip)	Total Turnover (Thou. US\$)	Weekly High	Weekly Low
20	2011/05/23	1,097.59	↓5.08	420,864	2,790	348,006	1,165.57	1,051.67
19	2011/05/16	1,156.34	↓5.76	914,951	6,730	839,389	1,187.16	1,139.55
18	2011/05/09	1,226.96	↓6.38	606,586	4,370	545,035	1,307.87	1,226.96
17	2011/05/03	1,310.51	↓1.66	432,858	3,065	382,325	1,332.57	1,310.51
16	2011/04/25	1,332.57	↑0.04	653,158	4,857	605,703	1,348.88	1,326.82

#### EDL-Gen

Week	Start Date	Closing Price	Price Change (%)	Total Trading Volume (Shares)	Total Turnover (Mn. Kip)	Total Turnover (Thou. US\$)	Weekly High	Weekly Low
20	2011/05/23	5,250	↓6.25	223,348	1,160	144,736	5,600	5,000
19	2011/05/16	5,600	↓5.88	459,777	2,575	321,180	5,650	5,450
18	2011/05/09	5,950	↓9.16	335,311	2,153	268,493	6,550	5,700
17	2011/05/03	6,550	↓1.50	291,034	1,922	239,739	6,650	6,550
16	2011/04/25	6,650	↑0.76	345,050	2,299	286,749	6,700	6,600

#### BCEL

Week	Start Date	Closing Price	Price Change (%)	Total Trading Volume (Shares)	Total Turnover (Mn. Kip)	Total Turnover (Thou. US\$)	Weekly High	Weekly Low
20	2011/05/23	8,200	-	197,516	1,630	203,269	8,550	8,050
19	2011/05/16	8,200	↓5.20	455,174	4,155	518,208	9,700	8,200
18	2011/05/09	8,650	↑8.13	271,275	2,217	276,543	8,400	8,100
17	2011/05/03	8,000	↓2.44	141,824	1,143	142,586	8,500	8,200
16	2011/04/25	8,200	↓3.53	308,108	2,557	318,954	8,600	8,400



### Lanexang Securities Public Company

#### Head office

5th Floor, LSX Building, Ban Phonthan Neua,  
Saysettha District, Vientiane Capital,  
The Lao P.D.R  
Tel:(+856)-21 265 468  
Fax:(+856)-21 265 466  
www.lxs.com.la

#### A joint venture between:



### Sacombank Securities Company

#### Head office

278 Nam Ky Khoi Nghia street, District 3  
Ho Chi Minh City  
Vietnam  
Tel: +84 (8) 6268 6868  
Fax: +84 (8) 6255 5957  
www.sbsc.com.vn



### Lao Development Bank

#### Head office

013 Souphanouvong Rd, Sihom Village  
Chanthabuly Dist, Vientiane Capital,  
The Lao P.D.R  
Tel: (+856)-21 213 300  
Fax: (+856)-21 241 275  
www.ldb.org.la

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