

Executive Summary

The Lao Securities Exchange: Most of the market's liquidity was completely dissolved; the LSX quoted both stocks in parenthesis. In the second session, BCEL finally uprooted from the 8,150 Kip, but unfortunately for the worse; it is now priced at 8,100 Kip (-0.61%). The public bank got a stingy volume of 6K shares (-16%); its turnover had no choice but to accept the impoverishing LAK 48 million (-16%). EDL-Gen became exhaustive as the poor trades dragged on. Exactly 18K shares (-37%) were exchanged for the generation company. The declining volume also swept turnover down to LAK 94 million, equivalent to a 38% decline from yesterday.

Weekly changes: The ending index has dropped below 1,095 points, and compared to last Friday it has slid 1.51 percent. The accumulated market's volume plunged vigorously to 164K shares (-46%), averaging at 33K shares per day. The combined market's turnover has disintegrated quickly into a thin LAK 1,131 million (-38%) or US\$ 141 thousand. Out of the two listed stocks, BCEL was the one contributed the most to total trades (57%) and turnover (67%).

- ▶ **ACLEDA bank sees customer numbers surge:** The first Cambodia-based commercial bank to operate in Laos, ACLEDA Bank Lao Ltd, has exceeded its 2011 targets due to the increasing number of small, medium and large sized enterprises. It now has over 15,000 deposit accounts and over 12,900 families have taken out loans. The bank has disbursed loans worth over US\$50.7 million since we opened for business in July 2008. ACLEDA Bank Lao had planned to start turning a profit in July this year - three years after opening. However, it started making a profit in February, five months ahead of schedule.

Exchange Rates: 17/06/2011

	Bid	Change	Ask	Change
USD	8,017.00	-	8,038.00	(1.00)
CAD	8,078.00	(38.00)	8,185.00	(40.00)
THB	261.61	(0.39)	262.25	(0.25)
EUR	11,374.00	6.00	11,415.00	6.00
GBP	12,819.00	(50.00)	12,986.00	(48.00)
CNY	1,214.00	2.00	1,230.00	2.00
JPY	98.39	0.36	99.68	0.33

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	↓ 50	0.61	15,500	7,900
EDL-Gen	5,250	↓ 50	0.94	8,850	4,550

The Lao Securities Exchange

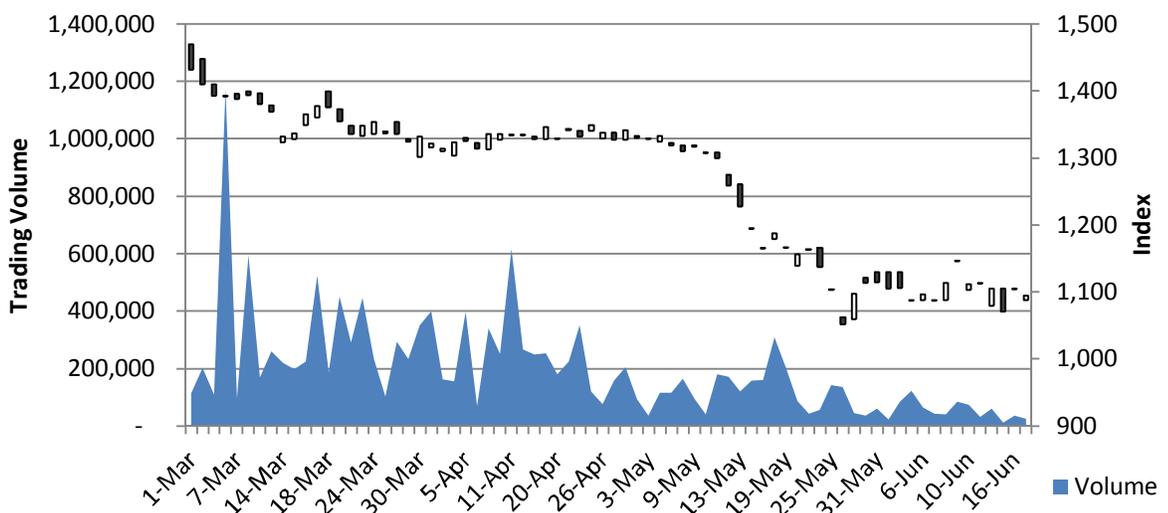
The Lao stock market

BCEL was still retaining the 8,150 Kip in the first session, but unexpected sell-offs has thrown the company off balance by the end of the second session. Two weeks of circling around would definitely drive any opportunist wild, the price alteration is an inevitable consequence. Demand almost doubled from 15K shares to 29K shares, especially those bidding for the 7,900 Kip. The supply side counteracted by subduing 6% to 29K shares; however the majority focused on the impatient 8,100 Kip. The bank's liquidity was still low just as expected; its average volume since the beginning of June has been rounded off for 20K shares per day, meaning 100,000 shares of BCEL (approximately US\$ 101 thousand) would take at least 5 days to dissolve completely. It is tough luck to attract the big traders with this kind of liquidity regardless of how good the company's fundamentals are.

EDL-Gen was also in the struggling mode. The cheap demand has successfully provoked the weak-willed supply, which was the same situation that happened to the public bank. Demand scaled down to 62K shares (-29%) on a whim, otherwise not much has changed since yesterday because the buying forces from 5,100 Kip to 5,200 Kip were still the strongest. The supply side showed little inclination to wait; the yesterday's 29K shares have extended to 49K shares (+72%). Subjectively, there is not yet real impetus beneath the listed stocks. It takes time to nurture an emerging market to maturity. Slow and careful developments would be necessary for the future market boom.

The LSX Index 1,094.95 ↓ 9.71 [0.88%]

The brevity of stock gains has resulted in an index slump, from the yesterday's 1,105 down to 1,095 (-88 bps). Total volume descended under 24K shares (-33%); market's turnover also caught in the swirl and twisted into a mere LAK 143 million.



The Lao Economy

Sectors Watch & Business News

Bank opens SME service center

Phongsavanh Bank on Tuesday launched a new product and service center, SME Pro, to provide services to nine sectors of small and medium sized enterprises (SMEs) in Vientiane. The nine sectors include agricultural production; food processing; construction; retail and wholesale; auto repair; hotels, guesthouses and restaurants; transportation; education and business administration; handicrafts; and environmental protection. "The services will initially be available only in Vientiane but will expand to all the bank's service units in the provinces soon," bank Deputy Managing Director Mr Vanitja Sayasane said at the ceremony. The bank expects to help with capacity building for existing local SMEs, support new business operators, and help SMEs integrate their businesses in overseas markets.

The bank will provide consultation, loans and credit services. The new unit has a budget of 900 billion kip available for loans to the SME sector over the next one to two years. It will require only three to five days to issue or offer a loan. "So far we have issued loans worth 29 billion kip to 30 to 40 SME customers," Mr Vanitja said. The bank hopes to become the primary retail banking service provider for SMEs. Currently it has 150,000 account and loan customers, which includes both SMEs and large enterprises. "With SME Pro's services, we expect to have an additional 50,000 customers within the next two years," Mr Vanitja said. The centre is basing its business model on the government's production and promotion policy and strategy plan for SMEs.

The sector is the foundation of the national economy and a backbone of economic growth, involving 99.8 percent of all businesses. For this reason, the government has sought to encourage the growth of small and medium enterprises by improving the legal frameworks that regulate them. Funding access has been made easier through the Lao Development Bank (LDB), which is one of many banks providing loans to SME. The value of credit provided to SME rose from 7.3 percent of GDP in 2004 to 22.3 percent in 2009. Small enterprises would have at most 19 employees on average, and maximum total assets of 250 million Kip or an annual turnover of up to 400 million kip. Medium enterprises are those with an average number of employees not exceeding 99, total assets of 1.2 billion kip or less, or an annual turnover not exceeding 1 billion kip. *[Sources: The Vientiane Times]*

ACLEDA bank sees customer numbers surge

The first Cambodia-based commercial bank to operate in Laos, ACLEDA Bank Lao Ltd, is thriving and already has loans and deposits well beyond the 2011 target. The bank's projections planned for loans worth about US\$27 million by 2013 and deposit accounts worth US\$14 million this year. "But we already have US\$27 million of loans on our books and over US\$25 million in deposit accounts," the bank's CEO and Managing Director Mr Narin Phon said in a recent interview. The bank has exceeded its targets because of the increasing number of small, medium and large sized enterprises that comprise its customers. It now has over 15,000 deposit accounts and over 12,900 families have taken out loans. "The bank has disbursed loans worth over US\$50.7 million since we opened for business in July 2008," Mr Narin said.

ACLEDA Bank Lao had planned to start turning a profit in July this year - three years after opening. "However, we started making a profit in February, five months ahead of schedule," Mr Narin said. Because of the growing number of customers, the bank plans to open more service units, branches and ATMs and to employ more staff. The bank has its headquarters, four branches and 10 service units in Vientiane and the provinces of Champassak, Savannakhet, Saravan and Khammuan. It plans to open more service units in Vientiane province and Vientiane

this year, and will also upgrade some existing service units into branches in the capital. “Right now we're preparing the documents to ask permission from the government,” Mr Narin said. The Saravan service unit is set for upgrade to a branch next year, and the bank hopes to have full service units and branches in the southern provinces in the following years. “We're also looking at service units and branches in the northern provinces by 2013 and 2014,” he said. The bank now has 15 ATMs and plans to install an additional 10 this year.

Currently, the bank has almost 400 staffs, which is expected to rise to 450 employees this year and to 500 or 600 next year. The target is to have almost 1,000 staff by 2013, and 1,300 to 1,500 staff by 2015. Bank staff will provide services to customers' homes in both towns and outlying areas. This service has been provided successfully in Cambodia. ACLEDA was established as a limited company and obtained a license as a commercial bank with total registered capital of 100 billion kip. It now has 220 billion kip. “We will have 300 billion kip in 2013,” Mr Narin said, adding that this is in line with the Bank of the Lao PDR's directive to all commercial banks to increase their minimum capital. The bank offers a full range of commercial and retail banking services, ranging from family businesses to small and medium scale enterprises and corporate organisations. Its shareholders are ACLEDA Bank Plc (Cambodia), International Finance Corporation (World Bank Group) and the Netherlands' Development Finance Company, Triodos-Doen, and Triodos Fair Share Fund. *[Sources: The Vientiane Times]*

Illegal timber exports cause inflation: commerce minister

The illegal trade in timber, including exports, is partly to blame for rising inflation, according to the Minister of Industry and Commerce. Speaking after attending the 7th Legislature of the National Assembly in Vientiane yesterday, Dr Nam Vinhaket said the increase in illegal exports of timber had resulted in an unexpected inflow of foreign currency into Laos. This had boosted people's purchasing power while the supply of goods remained unchanged. “The illegal trade in timber is particularly lucrative and some people are flush with money and happy to spend freely. In some border areas, timber traders buy a chicken for 100,000 kip and this is still cheap for them,” he told the local press when questioned about measures to curb inflation.

Dr Nam made the comment in response to members of the National Assembly who are asking the government how it proposes to lower inflation, which is adversely affecting the economy after reaching 9.24 percent in April, higher than GDP growth. He said the government tightened up illegal timber exports earlier this month, which has reduced the amount of money coming into the country. Illegal sources of money are not detected by the Bank of the Lao PDR so it leads to unexpected growth in money supply. Dr Nam said quite a few people earn income from non-production activities such as the sale of their land. With plenty of money to spend they pour cash into the marketplace, causing an oversupply of money.

Another cause of rising inflation is the increasing price of fuel in the world and domestic markets, he said. This results in higher production costs and it is impossible to stop businesses putting up their prices as otherwise they could not continue to operate. Dr Nam said inflation in countries from which Laos imports goods is another cause of higher inflation in Laos. Most of the food we eat is imported, so it is impossible to rein in inflation. Inflation not only poses challenges to economic stability but also opportunities, and is a reflection of the fact that demand is high and there are opportunities for businesses to produce goods for domestic consumption. Dr Nam said he supported the policy of the Bank of the Lao PDR to offer low interest loans to businesses for the production of goods for the domestic market. When the supply of goods meets demand, prices will automatically fall. *[Sources: The Vientiane Times]*

Stock Boards

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

BCEL

Current	8,100
Volume	5,930
Previous Day Closing Price	8,150
Change	▼ 50
Turnover	48,293,000

Sell Remaining Qty	11:30:00	Buy Remaining Qty
5,000	8,550	
5,000	8,400	
3,300	8,150	
10,270	8,100	
Exp exe Price	7,950	2,000
	7,900	20,589
Exp exe Qty		
23,570	Total	22,589

Opening Price	8,150
High Price	8,150
Low Price	8,100
Price Limit	8,550 / 7,750

EDL-GEN

Current	5,250
Volume	18,000
Previous Day Closing Price	5,300
Change	▼ 50
Turnover	94,350,000

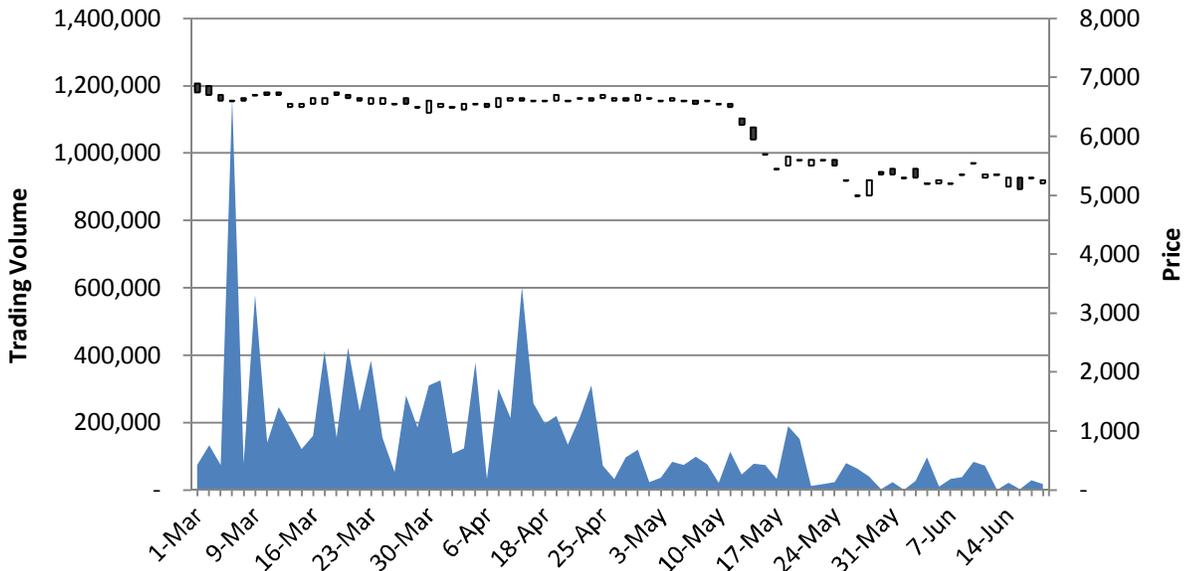
Sell Remaining Qty	11:30:00	Buy Remaining Qty
9,402	5,550	
10,000	5,350	
12,000	5,300	
Exp exe Price	5,250	1,346
	5,200	25,579
Exp exe Qty	5,100	11,158
	5,050	5,891
31,402	Total	43,974

Opening Price	5,200
High Price	5,250
Low Price	5,200
Price Limit	5,550 / 5,050

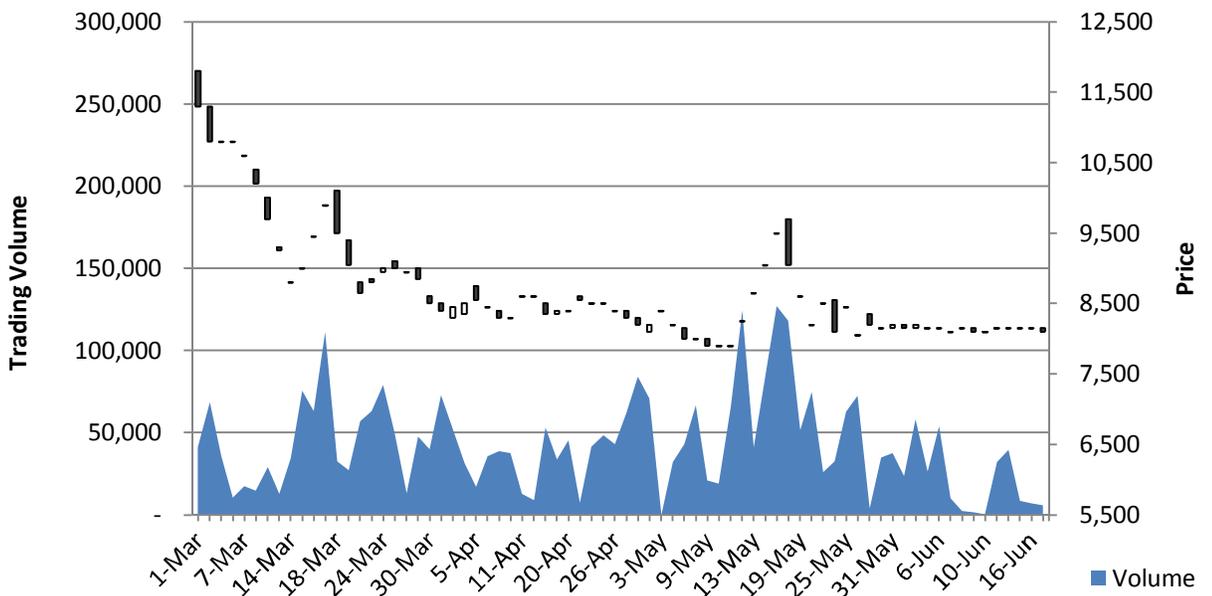
Appendix

▸ 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
2011/06/17	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
2011/06/13	1,113.06	↑1.32	0.12	32,250	262,557,500	1,113.06	1,113.06

EDL-Gen

Date	Closing Price	Change (Kip)	Trading Vol. (Share)	Trading Value (Kip)	Market Cap. (mil. Kip)	High	Low
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
2011/06/13	5,350	-	100	535,000	4,646,994	5,350	5,350

BCEL

Date	Closing Price	Change (Kip)	Trading Vol. (Share)	Trading Value (Kip)	Market Cap. (mil. Kip)	High	Low
2011/06/17	8,100	↓50	5,930	48,293,000	1,106,279	8,150	8,100
2011/06/16	8,150	0	7,073	57,644,950	1,113,107	8,150	8,150
2011/06/15	8,150	0	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
2011/06/13	8,150	↑50	32,150	262,022,500	1,113,107	8,150	8,150

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
23	2011/06/13	1,094.95	↓1.51	163,795	1,131	141,080	1,104.67	1,071.10
22	2011/06/06	1,111.74	↑2.19	304,530	1,832	228,429	1,146.63	1,086.56
21	2011/05/30	1,087.88	↓0.88	326,780	2,245	279,953	1,129.84	1,087.88
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

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
23	2011/06/13	5,250	↓1.87	70,515	371	46,269	5,300	5,100
22	2011/06/06	5,350	↑2.88	235,801	1,272	158,642	5,550	5,200
21	2011/05/30	5,200	↓0.95	146,104	768	95,779	5,450	5,200
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

BCEL

Week	Start Date	Closing Price	Price Change (%)	Total Trading Volume (Shares)	Total Turnover (Mn. Kip)	Total Turnover (Thou. US\$)	Weekly High	Weekly Low
23	2011/06/13	8,100	-	93,280	760	94,811	8,150	8,100
22	2011/06/06	8,100	↓0.61	68,729	560	69,787	8,150	8,100
21	2011/05/30	8,150	↓0.61	180,676	1,477	184,174	8,200	8,150
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

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