Phousy Construction and Development Public

A Summary of Business Performance of the Third Quarter of Year 2017





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Business Performance Report

Third Quarter, 2017

I. ABOUT PHOUSY CONSTRUCTION AND DEVELOPMENT PUBLIC COMPANY

Phousy Construction and Development Public Company (referred to as "the **Company**" or "**PCD")** is one of the service providers in Design and Engineering, Procurement and Construction (Design and EPC) management. These include: design engineering, prototype engineering, procurement of materials for engineering works, and constructions. The Company aims to provide construction services focusing in infrastructure projects, namely: road construction, erosion protection and other related infrastructure work.

The Company, **"Phousy Luang Prabang Road & Bridge Construction and Maintenance Sole Company Limited",** was established by **Mr. Siphone Outhoumphone (Mr. Siphone)** in 1997 with registered capital of LAK 10,000 million, at that time, the Company targeted to be the construction service provider especially in infrastructure project in order to support and facilitate the transportation in northern part of Lao PDR. The Company has experienced the exponential growth which has made it to become the leader in construction engineering services firm of the northern part of Lao PDR. In 2009, **Mr. Sithong Phommachith (Mr. Sithong)**, a young businessman with a vision, became the Company's successor from Mr. Siphone which had achieved exceptional infrastructure projects, such as 2levels asphalt paving in the northern areas, urban by-pass of Luang Prabang province, earthmoving project for building the road along Lao PDR-Viet Nam-Cambodia borders, conducted the road maintenance work damaged by natural disasters and others. The Company has the potential and therefore has become a leader in infrastructure development due to the fact the Company possesses number of personnel with high level of competency, state-of-the art in construction engineering and technology, maintain consistent quality and standards, on time for project hand over, as well as the ability to build trust to the customers who are the project owner. At present, the Company name has been changed to **Phousy Construction and Development Public Company** to enable the expansion of service scope in comprehensive construction engineering services and act as a project developer in the future.

Year		Summary Company Outstanding Events
1997	:	Phousy Luang Prabang Road & Bridge Construction and Maintenance Sole Company Limited were established by Mr. Siphone Outhoumphone (Mr. Siphone) with the registered capital LAK 10,000 million to operate the construction business by attend the bidding from the government or the Ministry of Public Works and Transportation (MPWT) or PWT division, Luang Prabang Province. Mr. Siphone saw the difficulty of the transportation, or ground logistic due to inconvenient and dangerous road and with his vision to expand construction business by focusing on infrastructure construction in northern part of the country.
2004 - 2005	:	From the country's economic growth and expansion spreading through small and large city, the in-land logistic has become more important. Mr. Siphone had expanded construction business to Xayaburi and Bokeo District but still focus on infrastructure construction such as Road and Bridge. At that time, Mr. Sithong was responsible for Administrative and Site Management.

2009	:	Mr. Sithong is a young business man with vision, he was successor to run the construction business by transferred from Mr. Siphone to Mr. Sithong and still use the same name as "Phousy Luang Prabang Road & Bridge Construction and Maintenance Sole Company Limited".
2011	:	Mr. Sithong saw the rapid growth of Luang Prabang Province in crowded area so he advised the Board of Directors to present a project to PWT division of Luang Prabang province to build the by-pass road No.13 North from Kokngiew Village to Phonexay Village and concrete bridge crossing Nam Khan river by total project cost of LAK 209,907 million, which Company used its own working capital to be an advance investment on the construction.
2016	:	According to Annual General Meeting of shareholders on 18th October 2016, the Company has approved to amend the par value to LAK 2,000 per share, increased the registered capital from LAK 10,000 million to LAK 700,000 million and transformed itself from Phousy Luang Prabang Road & Bridge Construction and Maintenance Sole Company Limited to **"Phousy Construction and Development Public Company"**. According to Extraordinary General Meeting on 18th November 2016, the Company has approved to increase registered capital in amount of LAK 300,000 million by issuing initial public offering in amount of 150 million shares with par value LAK 2,000 per share in order to initial public offering (IPO) to be listed in Lao Securities Exchange (LSX) which increased the Company's registered capital to LAK 1,000,000 million after IPO.
2017		On May 9, 2017, the Lao Securities Commission Office has issued a letter no. 220/LSCO to Phousy Construction and Development Public Company to reduce par value from 2000 Kip per share to 1000 Kip per share which resulted in the reduction of the registered capital amount from 700,000 million Kip to 582, 000 Kip. The altered registered capital amount was reflected in the business registration issued by Ministry of Industry and Commerce on June 27, 2017. On October 2, 2017, the company has completed its new registration capital with an additional amount of 82,000 million Kip right after its closing of the IPO resulting in the new registered capital of 582,000 million Kip. On October 10, 2017, the company had its first day trading and officially listed in the Lao Stock Exchange which has common shares of 82 million shares of par value 1000 Kip per share. The opening trade price per share was 1300 kip per share and closing trade price was at 1350 Kip per share

II. CORE BUSINESS OPERATIONS

Vision

Phousy Construction and Development strives to pioneer the construction, technology and development in Lao PDR and expanded our business to ASEAN countries.

Mission

Our mission is to provide the best services with international standards in all areas such as high quality, timely delivery, attention to details, honesty and fairness to our partners and customers.

Values

P: Performance that is unrivalled

C: Comprehensive customer relations as the top priority

D: Delivery of on-time high quality work

III. ORGANIZATIONAL STRUCTURES

Board of Directors of PCD



ທ່ານ ສີທອງ ພົມມະຈິດ

ປະທານສະພາບໍລິຫານ

Mr. Sithong PHOMMACHITH

Chairman



ທ່ານ ຂັນທະວົງ ດາລາວົງ

ຮອງປະທານສະພາບໍລິຫານ / ສະມາຊິກອິດສະຫຼະ

Mr. Khanthavong DALAVONG

Vice Chairman / Independent Member



ທ່ານ ນາງ ພິໄລພອນ ວົງປະເສີດ

ສະມາຊິກສະພາບໍລິຫານ / ຜູ້ອຳນວຍການໃຫຍ່

Ms. Philaiphone VONGPRASEUTH

Member / Chief Executive Officer



ທ່ານ ສີທາ ພົມມະຈິດ

ສະມາຊິກສະພາບໍລິຫານ

Mr. Sitha PHOMMACHITH

Member



ທ່ານ ນັນທະລັດ ທິລະກຸນ

ສະມາຊິກອິດສະຫຼະ

Mr. Nanthalath THILAKUN

Member / Independent Member

Managing Directors of PCD



ທ່ານ ນາງ ພິໄລພອນ ວົງປະເສີດ

ຜູ້ອຳນວຍການໃຫຍ່

Ms. Philaiphone VONGPRASEUTH

Chief Executive Officer



ທ່ານ ອຳໄພວັນ ຈັນທະພາລີ

ຜູ້ຊ່ວຍຜູ້ອຳນວຍການໃຫຍ່ຝ່າຍປະຕິບັດການ

Mr. Amphaivanh CHANHTHAPHALY

Chief Operations Officer



ທ່ານ ອາໂນໄລ ສີຫາຣາດ

ຜູ້ຊ່ວຍຜູ້ອຳນວຍການໃຫຍ່ຝ່າຍການເງິນ

Mr. Anolay SIHARATH

Chief Financial Officer



ທ່ານ ດວງ ປະທຸມລັກ

ພະແນກ ຈັດຕັ້ງ ບໍລິຫານ

Mr. Duang PATHOUMLACK

Head of HR and Administration Department



ທ່ານ ພຸດທະເສນ ພົມມິໄຊ

ພະແນກ ພັດທະນາທຸລະກິດ ແລະ ການຕະຫຼາດ

Mr. Phoutthasen PHOMMIXAY

Head of Business Development and Marketing Department



ທ່ານ ວິລະຄົມ ພິລາກຸນ

ພະແນກ ອອກແບບ ແລະ ສຳຫລວດ

Mr. Vilakhom PHILAKOUN

Head of Design and Survey Department



ທ່ານ ເກດສະໜາ ຈັນທະວົງ

ພະແນກ ກໍ່ສ້າງ ເຕັກນິກ

Mr. Kethsana CHANHTHAVONG

Head of Construction and Monitoring Deparment



ທ່ານ ນາງ ໄຮທອງ ພົມມະຈິດ

ພະແນກ ການບັນຊີ ການເງິນ

Mrs. Haithong PHOMMACHITH

Head of Finance and Accounting Deparment



ທ່ານ ບຸນທິດ ທອງສັກດີ

ພະແນກ ພະແນກສາງ

Mr. Bounthod THONGSACKDY

Head of Inventory Department



ທ່ານ ຄອນສະຫວັນ ທຳວົງສິດ

ພະແນກ ຈັດຊື້ຈັດຈ້າງ

Mr. Khonesavanh THAMVONGSITH

Head of Procurement Department

IV. SUMMARY OF BUSINESS PERFORMANCE QUARTER 3, 2017

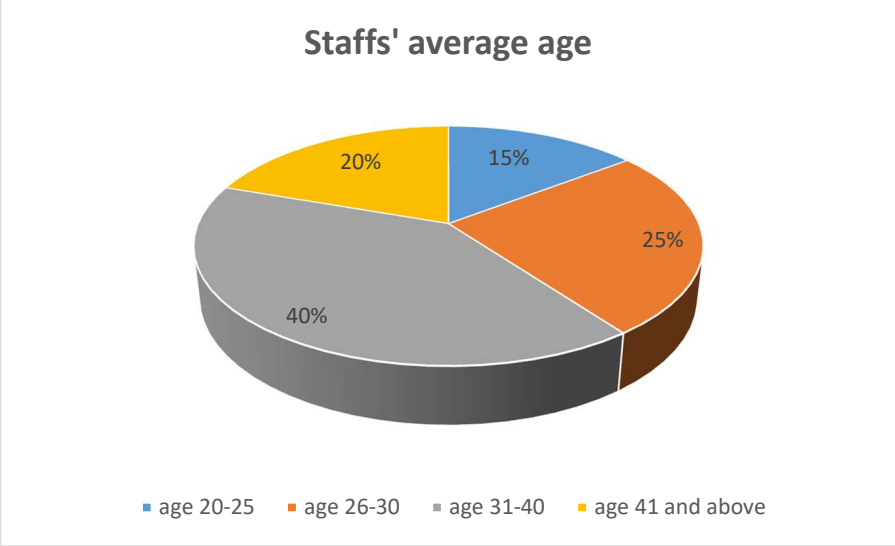
Human Resource Management

In regard to the human resources management aspect, in early 2017 PCD has been focusing on capacity development, and organizational re-structuring when the company transformed from Sole Company Limited to Public Company in order to adjust in accordance to the Lao Stock Exchange 's policies and regulations.

On social and wellbeing aspects, PCD has been placing emphasis on the living quality of staffs by organizing survey and requirements on social insurance and wellbeing aspect so that staffs can rest assure that they and their families are being taken care off including annual health check, working hours and holidays in accordance to the Lao Labour Law.

Progress made by quarter 3, 2017

- Total number of staff as off 30/9/2017: 178 staffs
- Vacancy announcement for five more positions in order to enhance our team capacity and efficiency of doing business.
- Staff turn-over: 0
- Staff released off duty: 0
- Staff Promotion: 7 staffs



➢ **Remuneration and Social Welfare**

- Salary increase of 2017: 2%
- Extra support for staff on maternity leave: 9,000,000 Kip
- Assistance provided to the lost staff's family member: 10,000,000 Kip

➢ **Organize activities Q1-3 for unity of staffs (Month 1-9)**

- Sport activities (football, baton) 3 times
- Organize company events (New year parties, Women's day, Lao new year and Labour Day and so on)

➢ **Capacity building for staff**

- Encourage staff to attend various training and field studies in order to enhance their knowledge and experience sharing both domestic and international learning events so that the company can advance, modernized and ready to serve.

Marketing

As a service provider of comprehensive engineering by emphasizing on infrastructure developments services which the majority of the project owners are the government sector. Therefore, our marketing strategy focus on the government sector by transferring the projects on a quality and on-time basis which is an important factor for the project owner that will trust on a quality provided by the Company which create an opportunity to get more jobs in the future. In addition, the Company has built good relationship with the government sector by provide and exchange the construction information along with the studies, exploration of addition areas for road project developments which creates a better chance of winning the bidding.

Currently, PCD is one of the top four finalists whose submitted bidding document for the Southern Highway Road project with an approximated project value of 4 billion US Dollars. Apart from bidding for this highway road project, PCD is working on our real estate portfolio by aiming to building a 4-5 stars hotel in both Vientiane Capital and Luang Prabang Province. PCD is already being alert on bidding for ADB and WB infrastructure development projects.

- **Characteristics of Target Customers**

Our target customers are divided into the government and private sectors especially on the infrastructure development projects in the northern part of the country covering the whole country. In the future, the Company plans to add extra projects (micro, medium, and mega sizes) from the private sectors and the Company plans to develop properties project to supply the increasing demands of major urban cities of the country.

- **Project Bidding**

The distribution channel of the Company is getting contracts from the government by submitting the bidding documents to quote the prices and negotiate the works with the project owner. The Company

then receives the project bidding documents to evaluate the quotation. From time to time, the Company propose the project directly to the project owner to get an approval of the project. However, the project owner shall inspect the possibility of that road construction or project; the feasibility study is needed to mitigate the competition risk in the bidding.

- **Competitive Strategy**

The Company has a policy to increase the work in construction from the government and private sectors. To achieve our target to be a leader in construction and country's development, the Company has planned to expand the business in the ASEAN Community. In order to have a competitive advantage and achieve the target, the Company has developed competitive strategies as followed:

A. Comprehensive construction service company

The Company is a comprehensive construction provider which are prompt to submit the project proposal or enter the bidding competition of both government and private project that have put readiness to the Company to be a leading industrial developer of the country, the Company plans to invest in infrastructure development projects and property development projects with personnel with experienced in construction engineering, use of modern technology, and aim for bigger and more complex projects. The abundance of construction materials and experienced workers have contributed a success to the Company.

B. Quality and standard of the work

Maintaining the quality and standard of work is the reason that the Company has been successful. From the beginning history of the Company, the Company managed to complete the work on time, with reliability and quality of work based on the contract, serves the customers with sincerity, detailed, and honestly.

C. Submitting the work on time

The infrastructure development work, especially on the road construction is a time-consuming project. Therefore, the Company must hand over the works on time as planned. The Company is well known for the submitting the work on time which is an important factor for the Company's success that requires long-term responsibility.

The Company has a systematic management by planning in each phase with continuous personnel empowerment to ensure effective implementation of work to finish on time.

D. Pays attention on the detail of the project

The Company pays the attention on the details in all projects with high experienced managers and engineers, expert in the road, bridge and other construction projects in order to monitoring all project activities which have contributed to the improvement continuously and therefore the decrease the construction costs in various ways. Moreover, the Company aims to achieve that target by developing management concept, use of modern technology to improve the performance as well as to decrease the construction costs.

E. Being honest and fair to our colleagues

As being honest, sincere, and fair for all related stakeholders including the project owner, designer, and supervisor. Due to the fact that the designer knows the project in details. From the principles of being honest and sincere, these have led us to become a well-known company, with a good relationship among the supervisors, designers, and colleagues.

F. Being reliable and trusted by our customers

From the Company's previous success, the Company is reliable and trusted by the customers and the project owner. Since then, the Company has been regularly contacted by the government sector to attend the bidding competition.

PCD has supported Luang Prabang boat racing, Vientiane Boat racing and That Luang Festival as part of our outreach and advertisement activities.

Organizational Strategy

From the ambition to provide the best services to gain credibility and trust amongst customers, we are ready to move forward to the future:

- Increase customer base to private sector for small, medium and mega size infrastructure development projects.
- Initiate real estate development portfolio to accommodate the growth of the cities in the country.

Maintain trust and credibility of the existing customers who worked with us for 20 years by ensuring quality, standards, timely delivery and honesty with details oriented.

Financial Management

The State Tax in nine-month 2017

Item	Details	Units	Total value (kip)
1	Value Added Tax		4,262,750,895
2	Payroll Tax		22,150,000
3	Profit Tax		106,293,000
	Total		**4,391,193,895**

V. BUSINESS PERFORMANCE OF QUARTER 3 ENDING SEPTEMBER, 2017

The main business operations of Phousy Construction and Development Public Company are construction, maintenance and habitation of roads, bridges and so on. Currently, there is only public sector or the government of Lao PDR as a client. There are in total of 5 projects that the company possessed through bidding and are not under operations in 2017. The accumulated value of those projects are 440,478 million Kip, including two existing projects and newly added three new projects in 2017 with a total value of 15,982 million Kip.

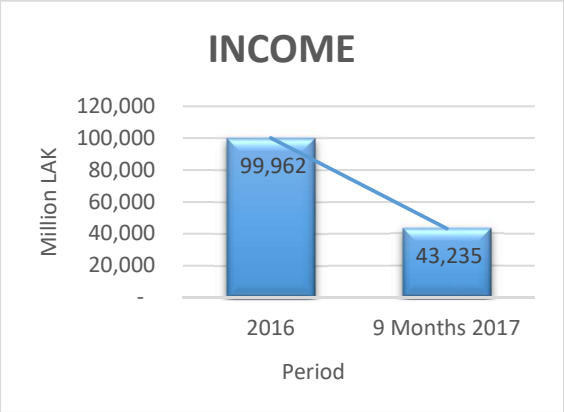
In the period of 9 months of 2017, the company has completed its project implementation of a total value of 46,890 million Kip which is equivalent to 10,65%. In which the value-added tax is 10% which is equivalent to 4,263 million Kip and the actual revenue is 42,628 million Kip.

- **Current Project Implementation**

(Unit Price：million Kip)

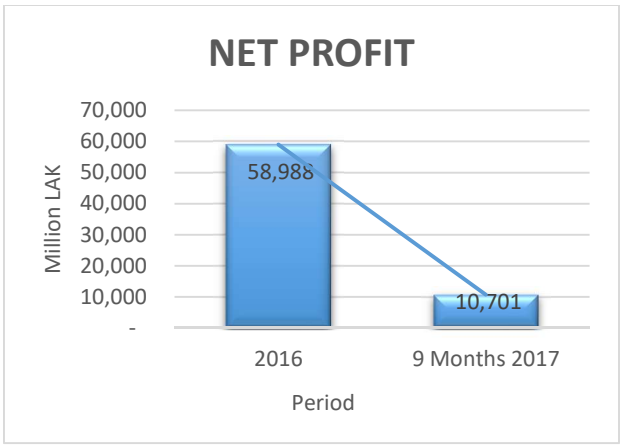
No	Project Name	Contract No.	Contract Value	Project progress End of December 2016		Project implementation progress in the last 9 months Jan-Sept 2017		Accumulated Project Completion rate End of September 2017		Remaining value (account receivable)	
				Value	%	Value	%	Value	%	Value	%
1	Double Surface Bituminous Road Construction Project with 6 concrete bridges from Ban Ou, Nan District to Ban Sibounheuang, Luang Prabang District, Luang Prabang Province	LPB-13-16-DBST03, ສັນຍາເລກທີ 1193/ຍທຂ-ຫຼບ; ລົງວັນທີ 16/09/2013.	343,615	83,938	24.43	36,294	10.56	122,602	35.68	221,013	64.32
2	Road Improvement of Ban Kiewjia to Ban Meaungheub, Luang Prabang Province	LPB-13-15-LR01, ສັນຍາເລກທີ 1166/ຍທຂ-ຫຼບ; ລົງວັນທີ 05/09/2013.	80,881	25,519	31.55	10,596	13.10	36,836	45.54	44,046	54.46
3	Road Rehabilitation and coating at the border of Ngoy District to Viengkham District, Luang Prabang Province	LPB17-2017-PM10-PR58; ລົງວັນທີ 20/01/2017	2,252	-	-	-	-	-	-	2,252.37	100.00
4	Road maintenance from border of Luang Namtha to Houaykalok Bridge, Luang Namtha Province	LNT06-2017-PM03-NR15,	4,485	-	-	-	-	-	-	3,328	100.00
5	Road maintenance from Sing District to Luang Namtha District, Luang Namtha Province.	BOK01-2017-PM05-NR12, ວັນທີ 9/12/2017	9,244	-	-	-	-	-	-	9,244	100.00
	Total		**440,478**	**109,457**	**24.85**	**46,890**	**10.65**	**159,438**	**36.20**	**279,883**	**63.80**

- **Income**



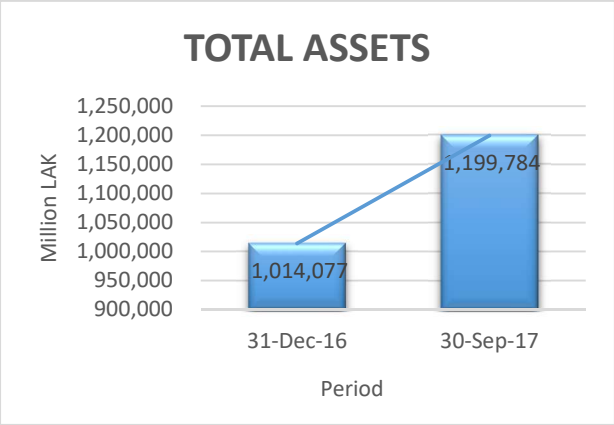
The PCD has a total income of the first 09 months of 2017 of 43,235 million Kip which comprises of income from road and bridge construction and maintenance with total value of 42,628 million Kip and income from other sources of 607 million Kip; comparing to the income of 2016 which is equivalent to 43.25% due to the 2017 accumulated work progress of a total value of 37, 205 million Kip are still waiting for the project owner's certification of account payable to PCD.

- **Profit**



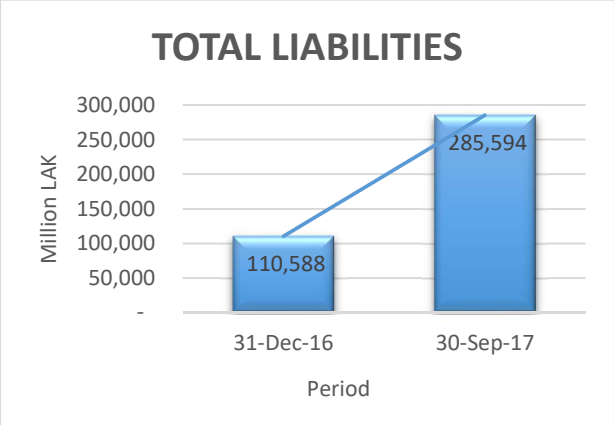
The PCD recognized its 09 months of 2017 net profit of 10, 701 million Kip which is equivalent to 10.70% of total income when comparing to 2016 net profit due to the income of 2017 of a value 37, 205 million Kip was not yet confirmed the issuance of account payable by the government to PCD.

- **Total Assets**



The total asset as of September 30, 2017, is 999,784 million Kip with a decreased amount of 4,293 million Kip when compared to the total asset figure of December 31, 2016 which was 1,014,077 million Kip. The reasons for having decreased total asset value is because on May 9, 2017 the LSCO had issued the Notice no. 220/LSCO to Phousy Construction and Development Public Company advising to reduce the par value from 2000 Kip per shares to 1000 Kip per share and also to reduce the registered capital from 700,000 million Kip to 500,000 million Kip with the Ministry of Industry and Commerce on 27 June, 2017.

- **Total Liabilities**

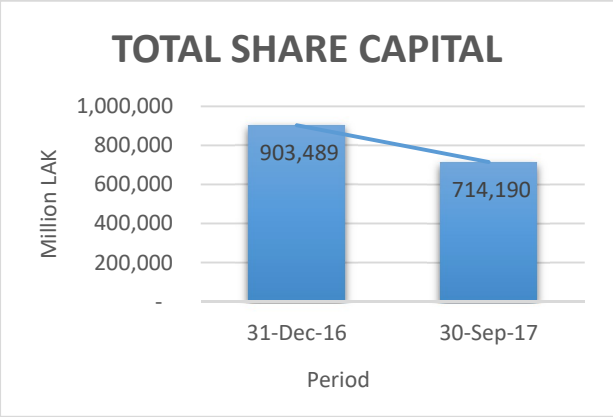


As of September 30, 2017, the total liabilities increased to 285, 594 million Kip from December 31, 2016 which valued at 110, 588 million Kip; an increase of 175, 006 million Kip.

The reason is that the road and bridge construction and maintenance projects were contracted by the government of Lao PDR in the form of Build and Transfer basis resulting in the company to invest first of 100% of the project cost and collect the payment after a period of time of a certain completion of the work progress which must be inspected and certified by the project owner (aka the government of Lao

PDR). It can be seen that the total liability as of September 30, 2017, has high value of 383,440 million Kip. Therefore, PCD has to obtain loans from the financial institutes as it shown in the balance sheet of September 30, 2017 of a total account payable amount of 173, 231 Kip.

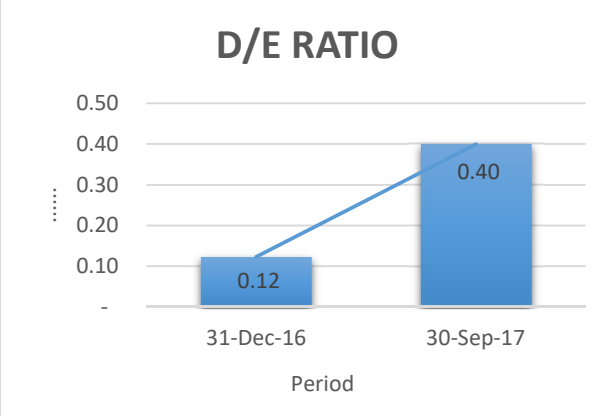
- **Total Share Capital**



Unit : million Kip	**Sept 30, 2017**	**Dec 31, 2016**
Registered Capital:	500,000	700,000
Legal Reserve:	11,969	10,899
Retain Earnings:	202,221	192,591
Total Share Capital	**714,190**	**903,489**

On 30 September, 2017 the registered capital was decreased because on May 9, 2017 the LSCO had issued the Notice no. 220/LSCO to Phousy Construction and Development Public Company advising to reduce the par value from 2000 Kip per shares to 1000 Kip per share and also to reduce the registered capital from 700,000 million Kip to 500,000 million Kip with the Ministry of Industry and Commerce on 27 June, 2017.

- **Debt /Equity Ratio**



The Debt/Equity Ratio of 2016 was 0.12 times and during the September 30, 2017 the D/E Ratio is 0.40 times which can be seen that the D/E Ratio increased due to the increased in liability from bank loans. For further details about D/E Ratio, please see the section on “Total Liabilities”.

1. Debt repayment plan of 2017 has two options: Repayment plan based on the annual payment schedule of the government/project owner of 2016-2017. For PCD the value is 10,000 million Kip.
2. Triangle debt settlement plan from the government of Lao PDR. In accordance to the debt diversion from the Bank of Lao PDR table no. 20 summarizing an additional information on 20th times whereas the debt of the PCD to the Bank that is related to the infrastructure Construction Project on October 10, 2017. The total value of debt diversion of PCD is 22, 136 million Kip.