# Phousy Construction and Development Public

## A Summary of Business Performance of the First Quarter of Year 2018



Phousy Construction and Development Public
5th Floor, Vientiane Plaza Hotel, Sailom Road, Hatsady Village,
Chanthabouly District, Vientiane, Lao PDR.
Tel/Fax: (856-21)265394; E-mail: info@pcdlao.com ; website: www.pcdlao.com

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# Business Performance Report

# First Quarter, 2018

# 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<br><br>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.<br><br>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.<br><br>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 ສີທາ ພົມມະຈິດ

ສະມາຊິກສະພາບໍລິຫານ / ຜູ້ອຳນວຍການໃຫຍ່

Mr. Sitha PHOMMACHITH

**Member / Chief Executive Officer**



ທ່ານ ພູໂຂງ ອ້ວນລະມະນີ ສະມາຊິກ

ສະມາຊິກສະພາບໍລິຫານ

Mr. Phoukhong OUANLAMANY

**Member**



ທ່ານ ນັນທະລັດ ທິລະກຸນ

ສະມາຊິກອິດສະຫຼະ

Mr. Nanthalath THILAKUN

**Member / Independent Member**

# Managing Directors of PCD



ທ່ານ ສີທາ ພົມມະຈິດ
ຜູ້ອຳນວຍການໃຫຍ່
Mr. Sitha PHOMMACHITH
**Chief Executive Officer**



ທ່ານ ອຳໄพວັນ ຈັນທະພາລີ
ຜູ້ຊ່ວຍຜູ້ອຳນວຍການໃຫຍ່ຝ່າຍປະຕິບັດການ
Mr. Amphaivanh CHANHTHAPHALY
**Chief Operations Officer**



ທ່ານ ອາໂນໄລ ສີທາຣາດ
ຜູ້ຊ່ວຍຜູ້ອຳນວຍການໃຫຍ່ຝ່າຍການເງິນ
Mr. Anolay SIHARATH
**Chief Financial Officer**



ທ່ານ ດວງ ປະທຸມລັກ
ພະແນກ ຈັດຕັ້ງ ບໍລິຫານ

Mr. Duang PATHOUMLACK

**Head of HR and Administration Department**



ທ່ານ ພຸດທະເສນ ພົມມີໄຊ
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 ເຕົ້າມ້ຽ

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 1, 2018

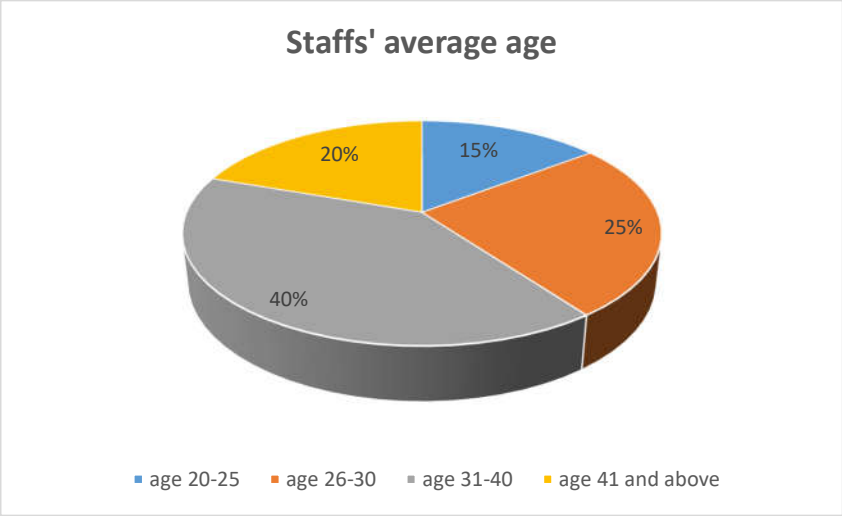
## Human Resource Management

In regard to the human resources management aspect, in the First Quarter of Year 2018 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 the first quarter of year 2018

- Total number of staff as off 31/03/2018: 176 staffs
- Vacancy announcement for five more positions in order to enhance our team capacity and efficiency of doing business.
- Staff turn-over: 2
- Staff released off duty: 0
- Staff Promotion: 7 staffs



➢ **Remuneration and Social Welfare**

- Salary increase of 2017: 0.74%
- Assistance provided to the lost staff's family member: 5,000,000 Kip

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

- Sport activities (football, baton) 5 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.

**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.

## TAX

Phousy Development and Construction Public Company was fully registered under the Laws of Lao PDR, especially Law of Taxation which is strictly implemented based on the following table on the payment of tax:

**The State Tax in the First Quarterly of Year 2018**

| Item | Details | Units | Total value (kip) |
|---|---|---|---|
| 1 | Value Added Tax | | 534,924,473 |
| 2 | Payroll Tax | | 16,524,000 |
| 3 | Profit Tax | | 128,339,545 |
| | **Total** | | **679,788,018** |

**Summary of Business Operation of the First Quarterly of year 2018**

**Phousy Construction and Development Public Company**

**Statement of financial position**
**As at 31 March 2018**

| Assets | Notes | 31 March 2018 Million LAK | Audited 31 December 2017 Million LAK |
|---|---|---|---|
| **Current assets** | | | |
| Cash and cash equivalents | 4 | 127 | 540 |
| Trade and other receivables | 5 | 449,217 | 463,336 |
| Inventories | | 23 | 22 |
| Other current assets | 6 | 772 | 1,371 |
| **Total current assets** | | **450,139** | **465,269** |
| **Non- current assets** | | | |
| Property plant and equipment, net | 7 | 489,144 | 479,757 |
| Loan to other and related party | 8 | 1,818 | 1,818 |
| **Total Non-current assets** | | **490,962** | **481,575** |
| **Total assets** | | **941,101** | **946,844** |
| **Liability and shareholders' equity** | | | |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 9 | 43,495 | 43,009 |
| Current portion of long-term borrowings - financial institutions | 10 | 33,422 | 36,000 |
| Current portion of long-term borrowings - related parties | 10 | 3,800 | 3,800 |
| Profit tax payable | 11 | 8,545 | 8,674 |
| Other current liabilities | 12 | 36,445 | 36,107 |
| **Total current liabilities** | | **125,707** | **127,590** |
| **Non- current liabilities** | | | |
| Long-term borrowings from financial institutions | 10 | 5,000 | 5,000 |
| Long-term borrowings – related parties | 10 | 9,968 | 9,500 |
| **Total Non-current liabilities** | | **14,968** | **14,500** |
| **Total liabilities** | | **140,675** | **142,090** |
| **Shareholders' Equity** | | | |
| Authorised share capital | | 582,000 | 582,000 |
| Share premium | 13 | 12,540 | 12,540 |
| Retained earnings | | | |
| Appropriated legal reserve | 14 | 11,571 | 11,571 |
| Unappropriate | | 194,315 | 198,643 |
| **Total shareholders' equity** | | **800,426** | **804,754** |
| **Total liabilities and shareholders' equity** | | **941,101** | **946,844** |

Mr. Sitha PHOMMACHITH
Managing Director
Date: 15 May 2018

Mr. Anolay SIHARATH
Chief Financial Officer
Date: 15 May 2018

The accompanying notes on pages 5 to 16 from an integral part of these financial statements.

**Phousy Construction and Development Public Company**

**Statement of income**
**As at 31 March 2018**

| | Notes | 31 March 2018 Million LAK | Audited 31 March 2017 Million LAK |
|---|---|---|---|
| Revenue from construction | | 0 | - |
| Cost of sale | 15 | (2,291) | (9,047) |
| **Gross profit** | | **(2,291)** | **(9,047)** |
| Other income | | 939 | 449 |
| Administrative expenses | 15 | (1,328) | (2,245) |
| Foreign exchange gain/(loss), net | | 436 | 420 |
| Finance costs | 16 | (2,082) | (2,083) |
| **Profit before income tax expenses** | | **(4,328)** | **(12,506)** |
| Profit tax expenses | 17 | - | - |
| **Net profit for the year** | | **(4,328)** | **(12,506)** |
| **Earnings per share** | | | |
| Basic earnings per share | 18 | **(7.44)** | **(17.87)** |

Mr. Sitha PHOMMACHITH
Managing Director
Date: 15 May 2018

Mr. Anolay SIHARATH
Chief Financial Officer
Date: 15 May 2018

The accompanying notes on pages 5 to 16 from an integral part of these financial statements.

**Phousy Construction and Development Public Company**

**Statement of changes in shareholders' equity**
**For the year ended 31 March 2018**

| | Notes | Share capital | Share premium | Legal reserve | Retained earnings | Total |
|---|---|---|---|---|---|---|
| | | Million LAK | Million LAK | Million LAK | Million LAK | Million LAK |
| Balance as at 1 January 2017 | | 700,000 | - | 10,899 | 192,590 | 903,489 |
| Dividend | | - | - | - | - | - |
| Proceeds from ordinary shares issued | | 82,000 | 12,540 | - | - | 94,540 |
| Decrease in share capital | | (200,000) | - | - | - | (200,000) |
| Transfer to register share capital | | - | - | - | - | - |
| Legal reserve | 14 | - | - | 673 | (673) | - |
| Profit for the year | | - | - | - | 6,725 | 6,725 |
| **Balance as at 31 December 2017** | | **582,000** | **12,540** | **11,571** | **198,643** | **804,754** |
| Balance as at 1 January 2018 | | 582,000 | 12,540 | 11,571 | 198,643 | 804,754 |
| Proceeds from ordinary shares issued | 13 | - | - | - | - | - |
| Decrease in share capital | 13 | - | - | - | - | - |
| Legal reserve | 14 | - | - | - | - | - |
| Profit for the year | | - | - | - | (4,328) | (4,328) |
| **Balance as at 31 March 2018** | | **582,000** | **12,540** | **11,571** | **194,315** | **800,426** |

Mr. Sitha PHOMMACHITH
Managing Director
Date: 15 May 2018

Mr. Anolay SIHARATH
Chief Financial Officer
Date: 15 May 2018

The accompanying notes on pages 5 to 16 from an integral part of these financial statements.

**Phousy Construction and Development Public Company**

**Statement of cash flow**
**As at 31 March 2018**

| | Notes | 31 March 2018 Million LAK | 31 December 2017 Million LAK |
|---|---|---|---|
| **Cash flow from operating activities:** | | | |
| Profit before income tax for the year | | (4,328) | 7,814 |
| Adjustments to reconcile net profit to net cash | | | |
| Unrealised (gain)/loss on exchange rate | | (437) | (1,001) |
| Depreciation | | 1,420 | 3,354 |
| Interest expense | | 2,082 | 9,890 |
| Operating profit before working capital changes | | **(1,262)** | **20,057** |
| Changes in working capital: | | | |
| - Trade and other receivables | | 14,119 | (142,729) |
| - Inventories | | (1) | 191 |
| - Other current assets | | 5,765 | 3,222 |
| - Other non-current assets | | 0 | (89) |
| - Trade and other accounts payable | | 200,840 | 26,597 |
| - Other current liabilities | | 359 | 5,107 |
| Cash generated from operations | | 219,819 | (87,644) |
| Income tax paid | | (150) | (150) |
| Net cash generate from operating activities | | **219,670** | **(87,793)** |
| **Cash flows from investing activities :** | | | |
| Purchase of fixed assets | | (211,161) | (40) |
| Net cash used in investing activities | | **(211,161)** | **(40)** |
| **Cash flows from financing activities :** | | | |
| Proceeds from borrowing | | 132,721 | 135,631 |
| Repayments of borrowings | | (134,831) | (134,831) |
| Proceeds from issue of ordinary shares | | (0) | 94,540 |
| Interest paid | | (7,249) | (7,762) |
| Dividend paid | | - | 0 |
| Net cash from financing activities | | **(9,359)** | **87,578** |
| **Net increase/(decrease) in cash and cash equivalents** | | (850) | (255) |
| Cash and cash equivalent at the beginning of the year | 4 | 540 | 802 |
| Effect of exchange rate changes on cash and cash equivalent | | 437 | (7) |
| Cash and cash equivalent at the end of the year | 4 | **127** | **540** |
| **Significant non cash items** | | | |
| Issuance of ordinary share | | - | 0 |
| Account receivable paid wood | | - | 0 |
| Decrease share capital by non-cash | | 0 | 200,000 |
| Paid account payable by motor vehicle | | 0 | 960 |

Mr. Sitha PHOMMACHITH
Managing Director
Date: 15 May 2018

Mr. Anolay SIHARATH
Chief Financial Officer
Date: 15 May 2018

The accompanying notes on pages 5 to 16 from an integral part of these financial statements.

Note to financial statements
For the ended of 31 March 2018

## 1. General information

Phousy Construction and Development Public Company is a public company. The address of the Company's registered office is as 5th Floor, Vientiane Plaza Hotel, Sailom Road, Hatsady Village, Chanthabouly District, Vientiane Capital Lao PDR.

The principal businesses of the Company are construct, repair and maintenance road, bridge and others. There is only one customer which is Government of Lao PDR (GoL).

In 2016, the Company changed its status from a sole company to a public company, changed its name to "Phousy Construction and Development Public Company" and increase its share capital from LAK 10,000 million to LAK 700,000 million.

On 9 May 2017, the Lao Securities and Exchange Commission Office (LSCO) issued notification No. 220/LSCO to the company to decrease of par value from LAK 2,000 to LAK 1,000 per share, and decrease their registered share capital from LAK 700,000 million to LAK 582,000 million. In this regard the share capital for IPO is decreased from LAK 300,000 million to LAK 82,000 million. The Company registered the revised share capital with Ministry of Industry and Commerce on 02 October 2017.

The Company was listed on the Lao Securities Exchange (LSX) market on 10 October 2017.

These financial statements for the ended of 31 March 2018 were authorised for issue by managing director on 10 May 2018.

These financial statements were authorised by managing director but not yet audit.

## 2. Basis of preparation

The principal accounting policies applied in the preparation of the financial statements are set out below:

The accompanying financial statements for the first quarterly report from January to March, 2018 have been prepared under the historical cost convention.

The accompanying financial statements for the first quarterly report from January to March, 2018 must to be read at the same time with The annual accompanying financial statements ending on 31 December, 2017.

## 2. Basis of preparation (Continued)

According to the Accounting Law and Regulation on accounting and auditing in securities sector under securities Commission Office in Lao PDR, all listed companies are required to prepare it financial statements in accordance with International Financial Reporting Standards (IFRSs) as generally accepted accounting principles. At present, Securities Commission policies, but they also encourage listed companies to fully adopt the IFRSs as it will be enforced in the future. In Lao PDR,

there are significant differences between the companies' own accounting policies and the IFRSs, in many areas such as revenue recognition, property, plant and equipment, leases, current and deferred income tax and pre-operation cost. Hence, users of the financial statements should therefore be aware and

understand these differences and how these will affect their interpretation and decision making.
The preparation of financial statements requires management to make estimate and make assumptions that affect the reported assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the revenues and expenses in the reported periods. Although these estimates are based on management's knowledge of current events and actions, actual results may materially differ from those estimates.

## 3. Financial risk management

### 3.1 Financial risk factors

The Company's activities expose it to certain financial risks, which are primarily due to changes in foreign exchange rates, interest rates, credit risk and liquidity risk.

The Company's overall risk management focuses on minimising potential adverse impacts on the financial performance of the Company in a cost-effective manner.

Risk management is generally carried out by management under the supervision of the Board of Directors.

The Company operates domestically but is exposed to foreign exchange risk arising from certain currency exposures, primarily with respect to purchases made in US Dollar. Foreign exchange risks also arise from other trading transactions and borrowings in US Dollar.

Management believes that the foreign exchange risk from purchase and borrowing transactions is minimum since exchange is not significant change much during the year.

### 3.2 Interest rate risk

The interest risk mainly arises from the Company's borrowing.

The Company has an interest risk exposure from the bank borrowing, which has a floating interest rate. The Company analyses its interest rate exposure regularly and had decided not to use any financial instruments or derivatives to manage this risk in this period.

### 3.3 Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and short-term investments. Management plans to maintain cash forecasts to aid in liquidity management and ensure that it has sufficient liquid funds to meet short-term operational needs, including loan repayments, and for its long-term investment plan.

### 3.4 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

## 4. Cash and cash equivalents

| | 31 March 2018 | Audited 31 December 2017 |
|---|---|---|
| | Million LAK | Million LAK |
| Cash on hand | 30 | 15 |
| Deposits held at call with financial institutions | 97 | 525 |
| | **127** | **540** |

Cash on hand includes petty cash for day to day operation.

Deposits held at call with financial institutions represents cash deposited with reputable local banks in three currencies, US dollars, Thai baht and Lao kip in current accounts with none interest.

## 5. Trade and other receivables

| | | Audited |
|---|---|---|
| | 31 March 2018 | 31 December 2017 |
| | Million LAK | Million LAK |
| Trade account receivables | 320,406 | 325,889 |

| | | |
|---|---|---|
| Less: Allowance for doubtful debt | - | - |
| Trade accounts receivable, net (1) | 320,406 | 325,889 |
| Amount due from Phousy Group (Note 19) b) | 52,664 | 50,516 |
| Loan to Phousy Group (2) | 75,747 | 86,531 |
| Other receivable | 400 | 400 |
| | **449,217** | **463,336** |

## 5. Trade and other receivables (Continued)

(1) The outstanding trade receivable balance as at 31 March 2018 is aged as follows:

| | | Audited |
|---|---|---|
| | 31 March 2018 | 31 December 2017 |
| | Million LAK | Million LAK |
| Not yet due | - | 47,670 |
| Overdue: | | |
| 0-3 months | 47,670 | 2,252 |
| 3-6 months | 2,252 | - |
| 6-12 months | - | - |
| Over 12 months | 270,484 | 275,967 |
| Trade and other receivables, net | 320,406 | 325,889 |
| Less Allowance for doubtful debts | - | - |
| | **320,406** | **325,889** |

GoL is only one customer of the Company. The payment term depends on annual budget of GoL. According to collection historical there was no bad debt, therefore, management considered that provision for doubtful account is not required.

(2) On 02 January 2018, the Company has received the heavy vehicle from Phousy group company amount 10,784 million LAK for short term loan agreement with Phousy Group for investment in development of new town project at Luang Prabang is amount LAK 86,531 million with interest rate 5% per annum. The loan term from 27 December 2017 to 27 September 2018.

6. Other current assets

| | | Audited |
|---|---|---|
| | 31 March 2018 | 31 December 2017 |
| | Million LAK | Million LAK |
| Office rental | 168 | 265 |
| Advance to supplier | 530 | 1,029 |
| Advance to staff | 74 | 77 |
| Security deposit paid · Auction | - | - |
| Initial Public Offering (IPO) costs | - | - |
| | **772** | **1,371** |

Note to financial statements
For the ended of 31 March 2018

7. Property, plant and equipment, net

| | Land | Building | Motor vehicles | Furniture and fixture | Computer and office equipment | Total |
|---|---|---|---|---|---|---|
| | **Million LAK** | **Million LAK** | **Million LAK** | **Million LAK** | **Million LAK** | **Million LAK** |
| **As at 31 December 2017** | | | | | | |
| Cost | 466,000 | 18 | 36,874 | 2,799 | 442 | 506,133 |
| Less Accumulated depreciation | - | (6) | (23,391) | (2,587) | (392) | (26,376) |
| **Net book amount** | **466,000** | **12** | **13,483** | **212** | **50** | **479,757** |
| Opening net book amount | 466,000 | 12 | 13,483 | 212 | 50 | 479,757 |
| Additions | - | - | 10,784 | 9 | 15 | 10,808 |
| Disposal, net | - | - | - | - | - | - |
| Depreciation charge | - | - | (1,396) | (20) | (4) | (1,420) |
| **Closing net book amount** | **466,000** | **12** | **22,871** | **212** | **61** | **489,144** |
| **As at 31 March 2018** | | | | | | |
| Cost | 466,000 | 18 | 47,658 | 2,808 | 457 | 516,941 |
| Less Accumulated depreciation | - | (6) | (24,787) | (2,607) | (396) | (27,796) |
| **Net book amount** | **466,000** | **12** | **22,871** | **201** | **61** | **489,144** |

The number of property, plant and equipment has increased from January to March, 2018. The majority of property, plant and equipment has been heavy equipment with the total value of 10,784 million LAK for the usage of construction works. This means that Phousy Group Sole Company Limited borrowed the amount of 86,531 million LAK from PCD for developing a new city project in Louang Prabang province.

## 8. Loan to other and related party

| | 2017 | Audited 31 December 2017 |
|---|---|---|
| | Million LAK | Million LAK |
| Governor Officer* | 1,615 | 1,615 |
| Related party (Note 19) b) | 203 | 203 |
| | **1,818** | **1,818** |

*This is loan to Luang Prabang Government with, no interest and collateral. The management expected that the payment back will be carried out in 2018.

## 9. Trade and other payables

| | 31 March 2018 | Audited 31 December 2017 |
|---|---|---|
| | Million LAK | Million LAK |
| Trade payable* | 15,662 | 24,655 |
| Other payable - related party | 27,833 | 18,354 |
| | **43,495** | **43,009** |

* Trade payable is mainly advisory fee and audit fee LAK 332 and LAK 605 million respectively.

10. Borrowings, net

| | 31 March 2018 | Audited 31 December 2017 |
|---|---|---|
| | Million LAK | Million LAK |
| Financial institution | 38,422 | 41,000 |
| Related parties (Note 19) | 13,768 | 13,300 |
| **Total** | **52,190** | **54,300** |

10. Borrowings, net (Continued)

| | 31 March 2018 | Audited 31 December 2017 |
|---|---|---|
| | Million LAK | Million LAK |
| Current | 37,222 | 39,800 |
| Non-current | 14,968 | 14,500 |
| **Total** | **52,190** | **54,300** |

The movement in borrowings can be analysed as follows:

| | Audited | |
|---|---|---|
| | 31 March 2018 | 31 December 2017 |
| | Million LAK | Million LAK |
| As at 1 January 2018 | 54,300 | 53,500 |
| Additions during the year | - | 135,631 |
| Repayment of borrowings during the year | (2,110) | (134,831) |
| As at 31 March 2018 | **52,190** | **54,300** |

The aging analysis of these borrowings is as follows:

| | Audited | |
|---|---|---|
| | 31 March 2018 | 31 December 2017 |
| | Million LAK | Million LAK |
| Less than one year | 38,422 | 39,800 |
| More than one year but not over 5 years | 13,768 | 14,500 |
| Over 5 years | - | - |
| | **52,190** | **54,300** |

## 11. Profit tax payable

According to the profit tax payment practice between tax authority and the Company, profit tax is calculated by assessed taxes at pre-determined profit rates multiplied by profit tax rate and revenue from construction. The profit tax will off-set when Government of Laos make payment to the Company.

As at 31 March 2018, profit tax payable presented profit tax payable from construction revenue but Government of Lao do not make payment.

12. Other current liabilities

| | 31 March 2018 Million LAK | Audited 31 December 2017 Million LAK |
|---|---|---|
| VAT payable | 30,638 | 31,173 |
| Interest payable from related | 2,699 | 2,186 |
| Advance received from sub-contractor | 1,239 | 1,186 |
| Advance received from Government | 893 | 893 |
| Others | 699 | 527 |
| Accrued salary | 276 | 142 |
| | **36,445** | **36,107** |

13. Share capital and premium on share capital

| | Number of shares Million Shares | Ordinary shares Million LAK | Share Premium Million LAK | Total Million LAK |
|---|---|---|---|---|
| At 1 January 2017 | 350 | 700,000 | - | 700,000 |
| Decrease share capital | 150 | (200,000) | - | (200,000) |
| Issued of shares | 82 | 82,000 | 12,540 | 94,540 |
| At 31 December 2017 | **582** | **582,000** | **12,540** | **594,540** |
| At 1 January 2018 | 582 | 582,000 | 12,540 | 594,540 |
| Decrease share capital | - | - | - | - |
| Issued of shares | - | - | - | - |
| At 31 March 2018 | **582** | **582,000** | **12,540** | **594,540** |

As at 31 March 2018, the Company has share 582,000,000 shares with a par value of LAK 1,000 per share. As at issued shares were fully paid.

## 14. Legal reserve

| | 31 March 2018 Million LAK | Audited 31 December 2017 Million LAK |
|---|---|---|
| Opening balance | 11,571 | 10,899 |
| Addition during the year | - | 672 |
| **Ending balance** | **11,571** | **11,571** |

The legal reserve is set up in accordance with required by the Enterprise Law of the Lao PDR, which requires that at least 10% of the annual net profit be set aside as a legal reserve until such reserve reaches 50% of the authorised share capital.

## 15. Expenses by nature

| | 31 March 2018 Million LAK | 31 March 2017 Million LAK |
|---|---|---|
| Staff cost | 974 | 1,398 |
| Sub-contractor expenses | 600 | 3,443 |
| Consult expenses | 60 | 3,111 |
| Depreciation expense | 1,420 | 850 |
| Supplies | 36 | 1,115 |
| Commission Fee | - | - |
| Travelling cost | 167 | 242 |
| Repair and maintenance expenses | 82 | 56 |
| Others expenses | 280 | 1,077 |
| | **3,619** | **11,292** |

## 16. Financial costs

| | 31 March 2018 Million LAK | 31 March 2017 Million LAK |
|---|---|---|
| Interest expenses from borrowing | | |
| - financial institutions | 1,681 | 1,636 |
| Interest expenses from borrowing | | |
| - related parties | 401 | 447 |
| | **2,082** | **2,083** |

## 17. Profit tax expense

According to the profit tax payment practice between tax authority and the Company as described in (Note 11), profit tax expense presented profit tax from construction revenue during the year, but GoL do not make payment.

Under the tax privileges given to the listed companies at the LSX, the Company is subject to a further reduction to the rate of 5% during an initial period of 4 years. The Company plan to utilise this benefit start from 2018.

## 18. Basic earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the year, excluding treasury shares (see note 13).

| | 31 March 2018 Million LAK | 31 March 2017 Million LAK |
|---|---|---|
| Weighted average number of ordinary shares (million shares) | 582 | 700 |
| Net profit for the year attributable to shareholders (Million LAK) | (4,328) | (12,506) |
| Basic earnings per share (LAK) | **(7.44)** | **(17.86)** |