PHOUSY CONSTRUCTION AND DEVELOPMENT PUBLIC COMPANY

FINANCIAL STATEMENTS

30 September 2018

Phousy Construction and Development Public Company
Statement of Financial Position
As at 30 September 2018

Assets	Notes	Unaudited 30 September 2018 Million LAK	Audited 31 December 2017 Million LAK
Current assets			
Cash and cash equivalents	4	165	540
Trade and other receivables	5	450,610	463,336
Inventories		321	22
Loan to other and related party - current		-	-
Other current assets	6	2,214	1,371
Total current assets		**453,310**	**465,269**
Non- current assets			
Property plant and equipment, net	7	480,674	479,757
Intangible asset, net		10	-
Loan to other and related party	8	861	1,818
Total Non-current assets		**481,545**	**481,575**
Total assets		**934,855**	**946,844**
Liability and shareholders' equity			
Liabilities			
Current liabilities			
Trade and other payables	9	44,134	43,009
Current portion of long-term borrowings - financial institutions	10	-	36,000
Current portion of long-term borrowings - related parties	10	4,700	3,800
Profit tax payable	11	8,500	8,674
Other current liabilities	12	39,097	36,107
Total current liabilities		**96,431**	**127,590**
Non- current liabilities			
Long-term borrowings from financial institutions	10	38,422	5,000
Long-term borrowings – related parties	10	10,300	9,500
Total Non-current liabilities		**48,722**	**14,500**
Total liabilities		**145,153**	**142,090**
Shareholders' Equity			
Authorised share capital	13	582,000	582,000
Share premium		12,540	12,540
Retained earnings			
Appropriated legal reserve	14	11,572	11,572
Unappropriate		183,590	198,642
Total shareholders' equity		**789,702**	**804,754**
Total liabilities and shareholders' equity		**934,855**	**946,844**

Mr. Sitha PHOMMACHITH
Managing Director
Date: 05 November 2018

Mr. Anolay SIHARATH
Chief Financial Officer
Date: 05 November 2018

The accompanying notes on pages 6 to 16 are an integral part of this interim financial information.

Phousy Construction and Development Public Company
Statement of Income
At as 30 September 2018 (Unaudited)

	Notes	Unaudited 30 September 2018 Million LAK	Audited 31 December 2017 Million LAK
Revenue from construction		-	45,384
Cost of sale	15	(5,116)	(16,238)
Gross loss		**(5,116)**	**29,146**
Other income		2,258	729
Administrative expenses	15	(3,635)	(10,104)
Foreign exchange gain/(loss), net		(135)	(2,067)
Finance costs	16	(5,951)	(9,890)
Loss before income tax expenses		**(12,579)**	**7,814**
Profit tax expenses	17	-	(1,089)
Loss for the period		**(12,579)**	**6,725**
Earnings per share			
Basic earnings per share	18	**(21.61)**	**16.56**

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Phousy Construction and Development Public Company
Statement of Changes in Equity
At as 30 September 2018 (Unaudited)

	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 2018	14	582,000	12,540	11,572	198,642	804,754
Dividend	16				(2,473)	(2,473)
Legal reserve	15	-	-	-	-	-
Loss for the year		-	-	-	(12,579)	(12,579)
Balance as at 30 September 2018		**582,000**	**12,540**	**11,572**	**183,590**	**789,702**

Mr. Sitha PHOMMACHITH
Managing Director
Date: 05 November 2018

Mr. Anolay SIHARATH
Chief Financial Officer
Date: 05 November 2018

Phousy Construction and Development Public Company
Statement of Cash Flows
As at 30 September 2018

	Notes	Unaudited 30 September 2018 Million LAK	Audited 31 December 2017 Million LAK
Cash flow from operating activities:			
Profit before income tax for the period		(12,579)	7,814
Adjustments to reconcile net profit to net cash			
Unrealised (gain)/loss on exchange rate		(218)	(1,001)
Depreciation	8	3,185	3,354
Interest expense		9,890	9,890
Operating profit before working capital changes		**276**	**20,057**
Changes in working capital:			
- Trade and other receivables		8,657	(142,729)
- Inventories		(299)	191
- Other current assets		(843)	3,222
- Other non-current assets		958	(89)
- Trade and other accounts payable		1,344	26,597
- Other current liabilities		(867)	5,107
Cash generated from operations		9,227	(87,644)
Income tax paid		-	(150)
Net cash generate from operating activities		**9,227**	**(87,794)**
Cash flows from investing activities :			
Purchase of fixed assets	8	(33)	(40)
Purchase of intangible asset		(10)	
Net cash used in investing activities		**(43)**	**(40)**
Cash flows from financing activities :			
Proceeds from borrowing	11	5,300	135,631
Repayments of borrowings	11	(6,178)	(134,831)
Dividend paid	16	(611)	94,540
Interest paid		(8,069)	(7,762)
Net cash from financing activities		**(9,558)**	**87,578**
Net increase/(decrease) in cash and cash equivalents		(375)	(256)
Cash and cash equivalent at the beginning of the year	4	540	803
Effect of exchange rate changes on cash and cash equivalent		-	- 7
Cash and cash equivalent at the end of the period	4	**165**	**540**
Significant non cash items			
Addition PPE from offset AR-Phousy Group	8	(4,069)	200,000
Accured dividend for initiative shareholders	13	(1,863)	960
			-
			-

Phousy Construction and Development Public Company

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Managing Director
Date: 05 November 2018

Mr. Anolay SIHARATH
Chief Financial Officer
Date: 05 November 2018

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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 decrease 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 30 September 2018 were authorised for issue by managing director on 05 November 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 have been prepared in accordance with the Company's principal accounting policies as described below and have been prepared generally under the historical cost convention.

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 its financial statements in accordance with International Financial Reporting Standards (IFRSs) as generally accepted accounting principles. At present, Securities Commission Office is still flexible and allows listed companies to apply their own significant accounting 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 costs. 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 estimates and 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

	30 September 2018 Million LAK	Audited 31 December 2017 Million LAK
Cash on hand	18	15
Deposits held at call with financial institutions	146	525
	165	**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

	30 September 2018 Million LAK	Audited 31 December 2017 Million LAK
Trade account receivables	318,408	325,889
Less: Allowance for doubtful debt	-	-
Trade accounts receivable, net (1)	318,408	325,889
Amount due from Phousy Group (Note 19) b)	57,047	50,516
Loan to Phousy Group (2)	74,757	86,531
Other receivable	398	400
	450,610	**463,336**

5. Trade and other receivables (Continued)

(1) The outstanding trade receivable balance as at 30 September 2018 is aged as follows:

	30 September 2018 Million LAK	Audited 31 December 2017 Million LAK
Not yet due	-	47,670
Overdue:		
0-3 months	-	2,252
3-6 months	47,670	-
6-12 months	2,252	-
Over 12 months	268,485	275,967
Trade and other receivables, net	318,408	325,889
Less Allowance for doubtful debts	-	-
	318,408	**325,889**

GoL is only one customer of the Company. The payment term is depend 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

	30 September 2018 Million LAK	Audited 31 December 2017 Million LAK
Office rental	45	265
Advance to supplier	6	1,029
Advance to staff	63	77
Advance payment	6	-
Accrued interest income from loan of related party	2,096	-
	2,214	**1,371**

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	-	-	(6,704)	-	-	(6,704)
Depreciation charge	-	(1)	(3,063)	(102)	(21)	(3,187)
Closing net book amount	**466,000**	**11**	**14,500**	**119**	**44**	**480,674**
As at 30 September 2018						
Cost	466,000	18	40,954	2,808	457	510,237
Less Accumulated depreciation	-	(7)	(26,454)	(2,689)	(413)	(29,563)
Net book amount	**466,000**	**11**	**14,500**	**119**	**44**	**480,674**

In 2018, total additions of LAK 10,784 million LAK is transactions for Heavy vehicles, The Company has received from Phousy group company for repay principal loan amount 86,531 million LAK .

8. Loan to other and related party

	30 September 2018 Million LAK	Audited 31 December 2017 Million LAK
Governor Officer*	-	1,615
Related party (Note 19) b)	861	203
	861	**1,818**

*This is loan to Luang Prabang Government with, no interest and collateral. The management expected to collect in 2018.

9. Trade and other payables

	30 September 2018 Million LAK	Audited 31 December 2017 Million LAK
Trade payable*	15,572	24,655
Other payable - related party	28,562	18,354
	44,134	**43,009**

* Trade payable is mainly advisory fee and professional fee LAK 542 and LAK 808 million respectively.

10. Borrowings, net

	30 September 2018 Million LAK	Audited 31 December 2017 Million LAK
Financial institution	38,422	41,000
Related parties (Note 19)	15,000	13,300
Total	**53,422**	**54,300**

10. Borrowings, net (Continued)

	30 September 2018 Million LAK	Audited 31 December 2017 Million LAK
Current	4,700	39,800
Non-current	48,722	14,500
Total	**53,422**	**54,300**

The movement in borrowings can be analysed as follows:

	30 September 2018 Million LAK	Audited 31 December 2017 Million LAK
As at 1 January 2018	54,300	53,500
Additions during the year	5,300	135,631
Repayment of borrowings during the year	(6,178)	(134,831)
As at 30 September 2018	**53,422**	**54,300**

The aging analysis of these borrowings is as follows:

	30 September 2018 Million LAK	Audited 31 December 2017 Million LAK
Less than one year	4,700	39,800
More than one year but not over 5 years	48,722	14,500
Over 5 years	-	-
	53,422	**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 30 September 2018, profit tax payable presented profit tax payable from construction revenue but Government of Lao do not make payment.

12. Other current liabilities

	30 September 2018 Million LAK	Audited 31 December 2017 Million LAK
VAT payable	30,347	31,173
Interest payable from related	4,007	2,186
Advance received from sub-contractor	1,180	1,186
Advance received from Government	893	893
Others	581	527
Accrued salary	255	142
	39,097	**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 30 September 2018	**582**	**582,000**	**12,540**	**594,540**

As at 30 September 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

	30 September 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

	30 September 2018 Million LAK	Audited 31 December 2017 Million LAK
Staff cost	1.815	4,801
Sub-contractor expenses	965	4,005
Consult expenses	362	3,823
Depreciation expense	3,187	3,354
Supplies	36	2,404
Commission Fee	-	2,170
Travelling cost	190	792
Repair and maintenance expenses	154	422
Others expenses	280	4,571
	3,619	**26,342**

16. Financial costs

	30 September 2018 Million LAK	Audited 31 December 2017 Million LAK
Interest expenses from borrowing - financial institutions	5,270	6,903
Interest expenses from borrowing - related parties	681	2,987
	5,951	**9,890**

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).

	30 September 2018 Million LAK	Audited 31 December 2017 Million LAK
Weighted average number of ordinary shares (million shares)	582	406
Net profit for the year attributable to shareholders (Million LAK)	(12,579)	6725
Basic earnings per share (LAK)	**(21.61)**	**16.56**