Phousy Construction and Development Public

Annual Report 2019



Phousy Construction and Development Public
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Business Performance Report 2019

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 2 levels 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 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 ອຳໄພວັນ ຈັນທະພາລີ
ຜູ້ຊ່ວຍຜູ້ອຳນວຍການໃຫຍ່ຝ່າຍປະຕິບັດການ
Mr. Amphaivanh CHANHTHAPHALY
Chief Operations Officer



ທ່ານ ອານໄລ ສີທາຣາດ
ຜູ້ຊ່ວຍຜູ້ອຳນວຍການໃຫຍ່ຝ່າຍການເງິນ
Mr. Anolay SIHARATH
Chief Financial Officer



ທ່ານ ດວງ ປະທຸມລັກ
ຫົວໜ້າ ຈັດຕັ້ງ ບໍລິຫານ

Mr. Duang
PATHOUMLACK

Head of HR and Administration Department



ທ່ານ ພູດທະເສນ ພົມມີໄຊ
ຫົວໜ້າ ພັດທະນາທຸລະກິດ
ແລະ ການຕະຫຼາດ
Mr. Phoutthasen
PHOMMIXAY
Head of Business Development and Marketing Department



ທ່ານ ວິລະຄົມ ພິລາກຸນ
ຫົວໜ້າ ອອກແບບ ແລະ ສຳຫລວດ

Mr. Vilakhom
PHILAKOUN
Head of Design and Survey Department



ທ່ານ ເກດສະໜາ ຈັນທະວົງ
ຫົວໜ້າ ກໍ່ສ້າງ ຕິກນິກ

Mr. Kethsana
CHANHTHAVONG
Head of Construction and Monitoring Deparment



ທ່ານ ນາງ ໄຮທອງ ພົມມະຈິດ
ຫົວໜ້າ ການບັນຊີ ການເງິນ
Mrs. Haithong
PHOMMACHITH
Head of Finance and Accounting Deparment



ທ່ານ ບຸນທົດ ທອງສັກດີ
ຫົວໜ້າ ພະແນກສາງ
Mr. Bounthod
THONGSACKDY
Head of Inventory Department



ທ່ານ ຄອນສະຫວັນ ທຳວົງສິດ
ຫົວໜ້າ ຈັດຊື້ຈັດຈ້າງ
Mr. Khonesavanh
THAMVONGSITH
Head of Procurement Department

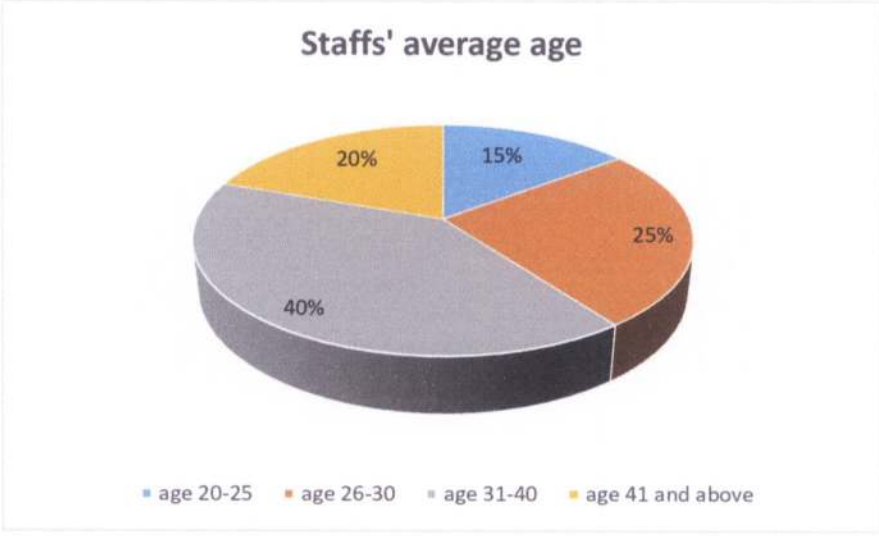
IV. SUMMARY OF BUSINESS PERFORMANCE REPORT FOR YEAR 2019

Human Resource Management

In regard to the human resources management aspect, in the Year 2019 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 completes Social Security for all employees 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.

- Total number of staff as off 30/06/2019: 177 staffs
- Vacancy announcement 1 for positions in order to enhance our team capacity and efficiency of doing business.
- Staff turn-over: 0.5 %
- Staff released off duty: 0
- Staff Promotion: 0 staffs



➢ **Remuneration and Social Welfare**

- Salary increase of Six month 32019: 0.5 %

➢ **Organize activities for unity of staffs**

- Sport activities (football, baton) 5 times
- Organize company events (New year parties, Women's day, Lao New Year and Labor Day……..)

➢ **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, It is currently in the process of surveying the corridors and designing a valuation plan to submit to the project owner and prepare to sign a construction contract in the next phase. We are also looking for international partners and partners to develop real estate projects by constructing a 4-5-star hotel in Vientiane, Luang Prabang, and a newly refurbished villa for 200,000 low-income individuals across the country.

- **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's Marketing plans have been focusing on private sectors and sector of construction development for small, medium and mega size projects consecutively.

- **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 Year 2019

Item	Details	Units	Total value (kip)
1	Value Added Tax		596,549,478
2	Payroll Tax		44,115,000
3	Profit Tax		143,172,635
	Total		**783,837,113**

Note: The Business Performance Figures are based on the financial statement report.

Managing Director

Phousy Construction and Development Public

Mr. Sitha PHOMMACHITH

Summary of Business Operation of the Year 2019

Phousy Construction and Development Public
Financial Report
for ending at 31 Dec, 2019

PHOUSY CONSTRUCTION AND DEVELOPMENT PUBLIC COMPANY



FINANCIAL STATEMENTS

31 DECEMBER 2019

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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS AND BOARD OF DIRECTORS OF PHOUSY CONSTRUCTION AND DEVELOPMENT PUBLIC COMPANY

Our opinion

In our opinion, the financial statements of Phousy Construction and Development Public Company (the Company) are prepared, in all material respects, in accordance with the accounting policies described in Note 2 to the financial statements.

What we have audited

The Company's financial statements comprise:

- the statement of financial position as at 31 December 2019;
- the statement of income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We has fulfilled our other ethical responsibilities in accordance with IESBA Code.

Emphasis of Matter - Basis of accounting

We draw attention to Note 2 to the financial statements, which describe the basis of accounting. The accounting basis used in the preparation of these financial statements may differ from generally accepted accounting principles adopted in other countries and jurisdictions. The readers should therefore be aware that the accompanying financial statements are not intended to present the financial position and its financial performance and cash flows in accordance with generally accepted accounting principles adopted in jurisdictions other than Lao PDR. Our opinion is not modified in respect to this matter.

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Key audit Matter

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. We determine one key audit matter: Allowance for doubtful account receivables. The matter was addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on the matter.

Key audit matter	How our audit addressed the key audit matter
Allowance for doubtful account receivables *Refer to Note 2.4 'Accounting policies – Trade and other receivables' and Note 5 ' Trade and other receivables' to the financial statements.* As at 31 December 2019, trade receivables – Government of Lao PDR (GoL), who is only one customer of the Company, has balance amounted LAK 51,513 million representing 8% the total assets in the financial statements. The payment term depends on annual budget of GoL. During the year, GoL has limited their budget as a result payment during the year just LAK 6,562 until reporting date. This affects to the working capital. Currently, the Company has in process of negotiating new payment terms with GoL. Management considers to set up an allowance based on the recoverable amount for conservative purpose. The recoverable amount was estimated by reference to the aging profile, historical payment pattern. We focus on this area as the trade accounts receivable was significant to the financial statements, and the allowance was based on management's judgement in evaluating the situation and condition of trade accounts receivable to consider the collectability of the Company.	Our key procedures include the following: • Inquired management about the method used as well as the assumptions made and understood the management's process and policy for setting up allowance for doubtful accounts; • Tested the accuracy of aging of trade receivables at year end on a sample basis; • Checked supporting documents such us certification of work completion that accepted by GoL to ensure that GoL has accepted the progress of work; • Assessed the recoverability of the unsettled recoverable on samples basis through our evaluation of management's assessment with reference to the credit profile of the customer, historical payment pattern of the customer, publicly availability information and latest correspondence with the customer and to reconsider if any additional provision should be made; and • Tested subsequent settlements of trade receivables after balance sheet date on sample basis, if any. Based upon the above procedures performed, we satisfied ourselves that management had taken reasonable judgements that were materially supported by the available evidence in respect of the relevant receivable balances. We did not encounter any issues through these audit procedures that indicated that provisioning in respect of trade receivables was inappropriate.

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Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion upon them.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the annual report, if we conclude that there is a material misstatement within it, we are required to communicate the matter to the audit committee.

Responsibilities of the directors and audit committee for the financial statements

The directors are responsible for the preparation and presentation of the financial statements in accordance with accounting policies described in Note 2 to the financial statements, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The audit committee assists the directors in discharging their responsibilities for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

For PricewaterhouseCoopers (Lao) Sole Company Limited

By: Apisit Thiengtrongpinyo
Partner

Vientiane, Lao PDR
Date 29 May 2020

Phousy Construction and Development Public Company

Statement of financial position
As at 31 December 2019

Assets	Notes	2019 Million LAK	2018 Million LAK
Current assets			
Cash and cash equivalents	4	195	54
Trade and other receivables, net	5	181,442	185,588
Inventories		318	322
Other current assets	6	7,698	4,073
Total current assets		**189,653**	**190,037**
Non- current assets			
Property plant and equipment, net	7	474,530	478,712
Intangible assets, net		-	5
Long-term loan to related party	8	861	861
Total Non-current assets		**475,391**	**479,578**
Total assets		**665,044**	**669,615**
Liabilities and equity			
Liabilities			
Current liabilities			
Trade and other payables	9	45,743	48,150
Current portion of long-term borrowings - financial institutions	10	38,422	38,422
Current portion of long-term borrowings - related parties	10	4,200	3,200
Profit tax payable	11	8,486	8,481
Other current liabilities	12	46,323	40,617
Total current liabilities		**143,174**	**138,870**
Non- current liabilities			
Long-term borrowings – related parties	10	11,800	11,885
Total Non-current liabilities		**11,800**	**11,885**
Total liabilities		**154,974**	**150,755**
Equity			
Authorised share capital		582,000	582,000
Share premium	13	12,540	12,540
Retained earnings/(deficit)			
Appropriated legal reserve	14	11,572	11,572
Unappropriate		(96,042)	(87,252)
Total equity		**510,070**	**518,860**
Total liabilities and equity		**665,044**	**669,615**

Mr. Sitha PHOMMACHITH
Managing Director
Date: 29 May 2020

Mr. Anolay SIHARATH
Chief Financial Officer
Date: 29 May 2020

The accompanying notes on pages 9 to 24 from an integral part of these financial statements.

Phousy Construction and Development Public Company

Statement of income
For the year ended 31 December 2019

	Notes	2019 Million LAK	2018 Million LAK
Revenue from construction		5,590	-
Cost of construction	16	(7,603)	-
Gross profit		**(2,013)**	-
Other income		4,109	3,903
Other income from impairment		1,941	-
Impairment loss	16	-	(267,390)
Administrative expenses	16	(3,361)	(11,271)
Foreign exchange loss		(796)	(358)
Interest expenses	17	(8,521)	(8,305)
Loss before income tax expenses		**(8,641)**	**(283,421)**
Profit tax expenses	18	(149)	-
Loss for the year		**(8,790)**	**(283,421)**
Earnings per share			
Basic earnings (loss) per share	19	(15.10)	(486.98)

Mr. Sitha PHOMMACHITH
Managing Director
Date: 29 May 2020

Mr. Anolay SIHARATH
Chief Financial Officer
Date: 29 May 2020

The accompanying notes on pages 9 to 24 from an integral part of these financial statements.

Phousy Construction and Development Public Company

Statement of changes in equity
For the year ended 31 December 2019

	Note	Share capital (Note 13) Million LAK	Share premium (Note 13) Million LAK	Retained earnings/(deficit) Legal reserve (Note 14) Million LAK	Retained earnings/(deficit) Unappropriate Million LAK	Total Million LAK
Opening balance 1 January 2019		582,000	12,540	11,572	(87,252)	518,860
Loss for the year		-	-	-	(8,790)	(8,790)
Ending balance 31 December 2019		**582,000**	**12,540**	**11,572**	**(96,042)**	**510,070**
Opening balance 1 January 2018		582,000	12,540	11,572	198,642	804,754
Dividend paid	15	-	-	-	(2,473)	(2,473)
Loss for the year		-	-	-	(283,421)	(283,421)
Ending balance 31 December 2018		**582,000**	**12,540**	**11,572**	**(87,252)**	**518,860**

Mr. Sitha PHOMMACHITH
Managing Director
Date: 29 May 2020

Mr. Anolay SIHARATH
Chief Financial Officer
Date: 29 May 2020

The accompanying notes on pages 9 to 24 from an integral part of these financial statements.

Phousy Construction and Development Public Company

Statement of cash flows
For the year ended 31 December 2019

	Notes	2019 Million LAK	2018 Million LAK
Cash flows from operating activities:			
Loss before income tax for the year		(8,641)	(283,421)
Adjustments:			
Foreign exchange loss		-	(2,029)
Depreciation charges	7	4,190	3,848
Amortisation charges		5	5
Interest expense	17	8,521	8,305
Allowance for doubtful account expenses	5,16	-	266,091
Impairment loss		-	1,299
Other income from impairment		(1,941)	-
Operating loss before working capital changes		**2,134**	**(5,902)**
Changes in working capital:			
- Trade and other receivables		6,087	5,011
- Inventories		5	(300)
- Other current assets		(3,625)	(2,702)
- Other non-current assets		-	957
- Trade and other accounts payable		(2,408)	5,307
- Other current liabilities		5,489	6,095
Cash generated from operations		7,683	8,466
Income tax paid		(143)	(193)
Net cash generate from operating activities		**7,539**	**8,273**
Cash flows from investing activities :			
Purchases of property plant and equipment	7	(8)	(33)
Purchases of intangible assets		-	(10)
Net cash used in investing activities		**(8)**	**(43)**
Cash flows from financing activities :			
Proceeds from borrowings	10	10,515	10,585
Repayments of borrowings	10	(9,600)	(8,800)
Dividend paid	15	-	(611)
Interest paid		(8,305)	(9,889)
Net cash from financing activities		**(7,390)**	**(8,715)**
Net (decrease) in cash and cash equivalents		141	(486)
Cash and cash equivalent at the beginning of the year	4	54	540
Effect of exchange rate changes on cash and cash equivalent		-	-
Cash and cash equivalent at the end of the year	4	**195**	**54**
Significant non cash items			
Addition PPE from offset AR-Phousy Group		-	4,069
Accrued dividend for initiative shareholders	15	-	1,863
Repayment Loan with offset AR-GoL	10	-	2,578

Phousy Construction and Development Public Company

Mr. Sitha PHOMMACHITH
Managing Director
Date: 29 May 2020

Mr. Anolay SIHARATH
Chief Financial Officer
Date: 29 May 2020

The accompanying notes on pages 9 to 24 from an integral part of these financial statement

1. General information

Phousy Construction and Development Public Company is a public company. The address of the Company's registered office is at Continental Plaza Hotel, Nongbuathong-Tai Village, Sikhottabong 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).

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

These financial statements were authorised for issue by managing director on 29 May 2020.

2. Accounting policies

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

2.1 Basis of preparation

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.

2. Accounting policies (Continued)

2.1 Basis of preparation (Continued)

Going concern assumption

The Company incurred a net loss of LAK 8,790 million during the financial year ended 31 December 2019 (2018: LAK 283,421 million, included allowance for doubtful account LAK 266,091 million). According to the delay of payments from their customer, the Company temporarily suspense's the most of their business operation suspends business from 2018 and are in negotiation process for new payment schedule but no solution as at reporting date.

The related party and major shareholder issued Letter of Support to the Company by accepts responsibility of providing and undertakes to provide sufficient financial assistance and postpone payment schedule to Company as and when it is needed to enable the Company to continue its operations and fulfil all of its financial obligations now and in the future until the Company will have sufficient financial position. Therefore, these financial statements are prepared on going concern basis.

2.2 Foreign currency transactions

Items included in the financial statements are recorded using Lao Kip ("LAK").

Foreign currency transactions are translated into LAK using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currency are translated into LAK at the exchange rates prevailing at the balance sheet dates. Gains and losses resulting from the settlement of foreign currency transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of income.

2.3 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. In the statement of financial position, bank overdrafts are shown within borrowings in current liabilities, if any.

2.4 Trade and other receivables

Trade accounts receivable are carried at the original invoice amount and subsequently measured at the remaining amount less any allowance for doubtful receivables based on a review of all outstanding amounts at the year-end. Management consider provision for allowance for doubtful account when the outstanding balance is over 3 years.

No provision made on outstanding balances of loan to related parties, trade and receivables and other receivables from related parties.

2. Accounting policies (Continued)

2.5 Inventories

Inventories are stated at the lower of the purchase cost and net realisable value. The cost is determined using the weighted average method. The purchase cost comprises both the purchase price and costs directly attributable to the acquisition of the inventory, such as import duties and transportation charges, less all attributable discounts, allowances or rebates from suppliers. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Allowance is made, where necessary, for obsolete, slow-moving and defective inventories.

2.6 Property, plant and equipment

All other property, plant and equipment are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to statement of income during the financial period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to their residual values over their estimated useful lives, as follows:

Asset types	Years
Building	10
Vehicle	10
Office equipment	5
Furniture and fixture	5

Gains or losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Other (losses)/gains – net' in statement of income.

2.7 Borrowings

Borrowings are recognised initially at cash proceed received.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

All borrowing costs are recognised in statement of income in the period in which they are incurred.

2. Accounting policies (Continued)

2.8 Revenue recognition

Revenue comprises the invoice value net of rebates and discounts, if any. Revenue from the construction and services are recognised when the goods or services are transferred or delivered and accepted by the buyer.

Other income is recognised on the following basis:

- Interest income is recognised on a time-proportion basis, taking into account the principal outstanding and interest rate over the period to maturity, when it is determined that such income will be accrued to the Company.
- Other income is recognised on an accrual basis.

2.9 Taxation

The Company records corporate income tax on an accrual basis. The Company does not recognise corporate income tax payable or receivable in future periods for temporary differences. Currently there are vary tax practices in Lao PDR. Income tax expenses are recognised based on the operating result for the year after adjustments for non-deductible expenses and other transactions under the related Lao Tax Law at the relevant tax rate or revenue from sale or service multiplied with pre-determined profit rate and profit tax rate. According to the practice of tax payment between the Company and tax authority, profit tax is calculated by base on second option (Note 18).

In Lao PDR, income tax returns are reviewed in details by the relevant authorities on a regular basis. Tax issues raised during the reviews may require judgments and interpretations by the relevant authority. Tax reviews may result in additional tax payments or refunds as necessary. Such additional payment or refund is recognised as income tax expenses in the year in which the reviews are completed.

2.10 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated, except for the provision for employee benefits as described in Note 2.11.

2.11 Employee benefits

According to the Lao Labor Law, when staff retire and meet the certain criteria as mentioned in Lao Labor Law. Therefore, the Company has obligation to pay to the staff for retirement expenses.

Provisions for employee benefits are not accrued in each year. The liability recognised in the statement of financial position and related expenses are recognised in the income statement based on actual amount due at the time of employees retire.

3. Critical accounting estimates, assumptions and judgements

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

3.1 Impairment of trade receivables

In determining an allowance for doubtful accounts, the Company make judgement and estimates based upon, among other things, past collection history, aging profile of outstanding debts.

3.2 Impairment of property plant and equipment

The Company has assessed the recoverable amount of those assets based on fair value less cost to sell. The fair value was determined from market price of equivalent assets. Any result provision for impairment will recognise in statements of income.

4. Cash and cash equivalents

	2019 Million LAK	2018 Million LAK
Cash on hand	145	12
Deposits held at call with financial institutions	50	42
	195	**54**

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 currencies, US dollars, Thai baht and Lao kip in current accounts with none interest.

5. Trade and other receivables, net

	2019 Million LAK	2018 Million LAK
Trade account receivables	315,662	316,013
Less: Allowance for doubtful debt	(264,149)	(266,091)
Trade accounts receivable, net (a)	51,513	49,922
Amount due from Phousy Group (Note 20) b)	64,491	63,285
Short-term loan to Phousy Group (Note 20) b)	65,035	71,979
Other receivable	403	402
	181,442	**185,588**

(a) The outstanding trade receivable balance as at 31 December is aged as follows:

	2019 Million LAK	2018 Million LAK
Not yet due	-	-
Overdue:		
0-3 months	1,042	-
3-6 months	569	-
6-12 months	-	47,670
Over 1 year	46,896	2,252
Over 2 years	1,680	158,506
Over 3 years	265,475	107,585
Trade and other receivables, net	315,662	316,013
Less Allowance for doubtful debts*	(264,149)	(266,091)
	51,513	**49,922**

*The Company has only one customer, Government of Laos (GoL), which will consider provision for doubtful account in some certain criteria. Although there was no default payment from GoL in the past however management considered to set up allowance for doubtful account 100% for outstanding balance over 3 years for conservative in 2019.

6. Other current assets

	2019 Million LAK	2018 Million LAK
Interest receivable from related party*	7,417	3,981
Advances to supplier	206	6
Advances to staff	47	45
Prepayment	28	41
	7,698	**4,073**

* Interest receivable from related party – related from loan to Phousy Group in Note 5.

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
At 31 December 2018						
Cost	466,000	18	34,852	1,054	447	502,371
Less Accumulated depreciation	-	(8)	(21,042)	(903)	(407)	(22,360)
Provision for impairment	-	-	(1,299)	-	-	(1,299)
Net book amount	**466,000**	**10**	**12,511**	**151**	**40**	**478,712**
Opening net book amount	466,000	10	12,511	151	40	478,712
Additions	-	-	-	7	1	8
Depreciation charge (Note 16)	-	(2)	(4,096)	(77)	(15)	(4,190)
Closing net book amount	**466,000**	**8**	**8,415**	**81**	**26**	**474,530**
At 31 December 2019						
Cost	466,000	18	34,852	1,061	448	502,379
Less Accumulated depreciation	-	(10)	(25,138)	(980)	(422)	(26,550)
Provision for impairment	-	-	(1,299)	-	-	(1,299)
Net book amount	**466,000**	**8**	**8,415**	**81**	**26**	**474,530**

Land LAK 48,968 million are secured for borrowings (Note 10).

8. Long-term loan to related party

	2019 Million LAK	2018 Million LAK
Loan to:		
-Related party (Note 20) b)	861	861

9. Trade and other payables

	2019 Million LAK	2018 Million LAK
Trade payable - third party	19,101	16,424
Other payable - related party (Note 20) b)	26,642	31,726
	45,743	**48,150**

10. Borrowings, net

	2019 Million LAK	2018 Million LAK
Financial institution	38,422	38,422
Related parties (Note 20) b)	16,000	15,085
Total	**54,422**	**53,507**

	2019 Million LAK	2018 Million LAK
Current	42,622	41,622
Non-current	11,800	11,885
Total	**54,422**	**53,507**

10. Borrowings, net (continued)

The movement in borrowings can be analysed as follows:

	2019 Million LAK	2018 Million LAK
Opening balance 1 January	53,507	54,300
Additions during the year	10,515	10,585
Repayments of borrowings during the year	(9,600)	(11,378)
As at 31 December	**54,422**	**53,507**

Borrowing from financial institution:

The Company signed a borrowing agreement amount LAK 36,000 million with local financial institution for working capital for road construction with interest rate of 17% per annum since 29 May 2015. This borrowing is guaranteed by land of the Company (Note 7) and land of related parties. The Company is required to repay principal within 3 years after the first drawdown on annually, basis emceeing from 20 June 2015 to 20 June 2018 and interest is payable on monthly.

As at reporting date, the Company is in negotiation process for new term and condition of payment with lender and the lenders do not take any action to the Company according to this default.

During the year 2019 the Company took additional loan amount LAK 10,515 million from related parties (Note 20) interest rate of 9.75%-11.13% per annum respectively.

The aging analysis of these borrowings is as follows:

	2019 Million LAK	2018 Million LAK
Less than one year	42,622	41,622
More than one year but not over 5 years	11,800	11,885
Over 5 years	-	-
	54,422	**53,507**

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 December 2019, profit tax payable presented profit tax payable from construction revenue before 2019.

12. Other current liabilities

	2019 Million LAK	2018 Million LAK
VAT payable	30,300	30,275
Interest payable from related	11,272	4,985
Dividend payable	1,863	1,863
Advance received from sub-contractor	982	1,117
Advance received from Government	893	893
Accrued salary	211	231
Others	802	1,253
	46,323	**40,617**

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 2018	582	582,000	12,540	594,540
Issued of shares	-	-	-	-
At 31 December 2018	**582**	**582,000**	**12,540**	**594,540**
At 1 January 2019	582	582,000	12,540	594,540
Issued of shares	-	-	-	-
At 31 December 2019	**582**	**582,000**	**12,540**	**594,540**

As at 31 December 2019, the Company has share 582,000,000 shares with a par value of LAK 1,000 per share and issued shares were fully paid.

The Company incurred premium on share LAK 12,540 million when list in Lao Securities Exchange in 2017.

14. Legal reserve

	2019 Million LAK	2018 Million LAK
Opening balance	11,572	11,572
Addition during the year	-	-
	11,572	**11,572**

The legal reserve is set up in accordance with the requirement of 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. Dividend

2019:

At the Annual General Meeting of Shareholders, held on 28 February 2020, the shareholders approved no dividend payments for the year 2018 because of the business operating result loss.

2018:

At the Annual General Meeting of Shareholders held on 8 May 2018, the shareholders approved a resolution to declare a dividend payment from unappropriated retained earnings after legal reserve and other reserve allocation and from the net profit from 1 January 2017 to 31 December 2017 of LAK 7.45 per share for general shareholder and initiative 9 shareholders for foundation make payment on the rate of dividend equivalent to 50% of the rate of dividend per share which is determined for making payment to general shareholder and totalling LAK 2,473 million. The dividend was paid on 25 May 2018 to the shareholders.

16. Expenses by nature

	2019 Million LAK	2018 Million LAK
Depreciation charge (Note 7)	4,190	3,848
Staff cost	2,983	3,365
Others expenses	1,603	1,813
Supplies	1,386	170
Consulting expenses	423	471
Travelling cost	287	450
Repairs and maintenance expenses	87	184
Amortisation charges	5	5
Sub-contractor expenses	-	965
Allowance for doubtful account expenses (Note 5)	-	266,091
Impairment loss (Note 7)	-	1,299
	10,964	**278,661**

17. Interest expenses

	2019 Million LAK	2018 Million LAK
Interest expenses from borrowing		
- financial institutions	6,996	6,750
- related parties (Note 20) a)	1,525	1,555
	8,521	**8,305**

18. 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 2021.

19. Basic earnings (loss) per share

Basic earnings (loss) 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.

	2019	2018
Weighted average number of ordinary shares (million shares)	582	582
Net (Loss) for the year attributable to shareholders (million LAK)	(8,790)	(283,421)
Basic earnings (loss) per share (LAK)	**(15.10)**	**(486.98)**

20. Related party transactions

Enterprises and individuals that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the Company, including holding companies, subsidiaries and fellow subsidiaries are related parties of the Company. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the enterprise, key management personnel, including directors and officers of the Company and close members of the family of these individuals and companies associated with these individuals also constitute related parties.

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

As at 31 December 2019, the Company is controlled by the Phommachith family, who own 86% of the Company's shares (2018: 86%). The remaining 14% of the share are widely held. The Company's ultimate controlling party is Mr. Sithong Phommachith. He is management of Phousy Group Sole Company Limited (Phousy Group).

20. Related party transactions (Continued)

Significant related party transactions during the year can be summarised as follows:

a) Purchases of goods or services and others

	2019 Million LAK	2018 Million LAK
Interest income from Phousy Group	3,436	3,981
Interest expense (Note 17)	1,525	1,555
Fuel expenses	784	314
Rental	180	180

b) Outstanding balances with related parties

	2019 Million LAK	2018 Million LAK
Amounts due from related parties (Note 5) (1)	64,491	63,285
Short-term loan to Phousy Group (Note 5) (2)	65,035	71,979
Long-term loan to related party (Note 8)	861	861
Other payable – Phousy Group (Note 9)	26,642	31,726
Long-term borrowings (Note 10) (3)	16,000	15,085

(1) This is consisting of amounts due from Phousy Group Sole Company Limited, with no interest and call on demand.

(2) On 27 December 2017, the Company entered into short-term loan agreement LAK 86,531 million with Phousy Group for investment in development of new town project at Luang Prabang with interest rate 5% per annum, no collateral.

(3) Movement of borrowings can be analysis as below:

	2019 Million LAK	2018 Million LAK
Opening balance	15,085	13,300
Additions	10,515	10,585
Repayments	(9,600)	(8,800)
Ending balance	**16,000**	**15,085**

20. Related party transactions (Continued)

b) Outstanding balances with related parties (Continued)

(3) Movement of borrowings can be analysis as below:

Borrowings from related parties with interest average 9.75% per annum to 11.13% per annum and using for operating in the Company. The repayment term is 1 to 4 years, on annual basis, start from 2017 to 2022.

Borrowings are denominated in Lao Kip (LAK) and aging analysis of these borrowings is as follows:

	2019 Million LAK	2018 Million LAK
Less than one year	4,200	3,200
More than one year but not over 5 years	11,800	11,885
Over 5 years	-	-
	16,000	**15,085**

21. Commitments and significant agreements

	2019 Million LAK	2018 Million LAK
Office rental commitment (1)	1,260	1,440
Advisory service	266	688
	1,526	**2,128**

(1) The Company leases land and offices under non-cancellable operating lease agreements. The lease term is 10 years, and the majority of lease agreements are renewable at the end of the lease period at an agreed date.

21. Events after the reporting period

COVID 19:

With a series of precautionary measures for COVID 19 by the government to lockdown the city including certain levels of restrictions and controls over the travelling of people and traffic arrangements.

Government of Lao PDR has a good strategy to handle this situation, as at reporting date COVID19 is relax since number of inflection and case is very low and can control. Currently most of business can start their operations as normally except some sector such as hotel, tourist which do not have effect to the Company.

The management has evaluated the impact and considers this as temporary issue.