Lao Cement Public Company

Financial Statements

31 December 2017

Lao Cement Public Company

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Lao Cement Public Company

GENERAL INFORMATION

THE COMPANY

Lao Cement Public Company ("the Company"), formerly known as Lao Cement Co.,Ltd, was established in accordance with the Article of Association signed in Vientiane Laos on 15th December 1998 by Lao Agriculture-Forestry Development and Service Company ("Party A") and China Yunnan Corporation for International Techno-Economic Cooperation ("Party B").

On 6th December 1999, the Company received its first Business Licence No.1154/BLO issued by the Ministry of Industry and Commerce, which allowed the Company to operate in cement and other related cement products for domestic consumption and export.

The Company also obtained amended Business Licenses as following:

Business License	*Date*
0078/BLO	5 April 2006
1719/BLO	26 February 2009
0244/BLO	20 February 2012
1436/BLO	15 Nov 2012
791/BLO	13 November 2015
1016/BLO	5 December 2016
0247/BLO	24 March 2017
0688/BLO	2 August 2017

During the year, the principal activities carried out by the Company are:

- Production of cement and other related cement product;
- Wholesale and retail of cement and other related cement product for domestic consumption and export.

The Company's registered head office is located at Nongbon Road, Nongbon Village, Xaysettha District, Vientiane Capital, Lao PDR. The Company also has Vangvieng Cement Plant No. II located in Vangvieng province, Lao PDR.

THE BOARD OF DIRECTORS

The members of the Board of Directors during the year and as at the date of this report are:

Mr. Liu Wei	Chairman	
Mr. Bounpeng Bouaphanh	Vice chairman	
Mr. Zhangli	Member	
Mr. Zhao Shi	Member	
Mr. Chen Jian De	Member	Resigned on 31 October 2017
Mr. Jie Yaoqi	Member	Appointed on 31 October 2017
Mr. Khambon Xaylaovong	Member	
Mr. Thongpon Kingkhamphet	Member	
Mr. Xiao Jie	Independent member	
Mr. Li Chun Bo	Independent member	
Mr. Vongvichit Keovongkot	Independent member	

GENERAL INFORMATION (continued)

THE COMPANY'S MANAGEMENT

The members of the Company's management during the year and at the date of this report are:

Mr. Zhangli	General Director	
Mr. Liu Wei	Director	
Mr. Bounpeng Bouaphanh	Director	
Mr. Zhao Shi	Director	
Mr. Chen Jian De	Director	Resigned on 31 October 2017
Mr. Jie Yaoqi	Director	Appointed on 31 October 2017
Mr. Khambon Xaylaovong	Director	
Mr. Thongpon Kingkhamphet	Director	
Mr. Xiao Jie	Director	
Mr. Li Chun Bo	Director	
Mr. Vongvichit Keovongkot	Director	

AUDIT COMMITTEE

The members of the Company's audit committee during the year and at the date of this report are:

Mr. Xiao Jie	Chairman
Mr. Li Chun Bo	Member
Mr. Vongvichit Keovongkot	Member

AUDITORS

The Company's auditors are Ernst & Young Lao Co., Ltd.

Lao Cement Public Company

REPORT OF MANAGEMENT

Management of Lao Cement Public Company ("the Company") is pleased to present its report and the Company's financial statements for the year ended 31 December 2017.

MANAGEMENT'S RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

Management is responsible for the preparation of the financial statements which have been prepared in accordance with the accounting policies as described in Note 3 to the financial statements. These accounting policies are not intended to present the financial position, the results of operations and cash flows of the Company in accordance with international generally accepted accounting principles. In preparing those financial statements, management is required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue its business.

Management is responsible for ensuring that proper accounting records are kept which disclose, with reasonable accuracy at any time, the financial position of the Company and for ensuring that the financial statements comply with an applicable accounting policies. It is also responsible for safeguarding the assets of the Company and thus for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Management has confirmed that it has complied with the above requirements in preparing the accompanying financial statements.

APPROVAL OF THE FINANCIAL STATEMENTS

We hereby approve the accompanying financial statements for the year ended 31 December 2017 which are prepared in accordance with the accounting policies as described in Note 3 to the financial statements.

On behalf of the Board of Directors:

Zhang Li
General Director

Vientiane, Lao PDR

10 April 2018

Ernst & Young Lao Co., Ltd
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23 Singha Road, Nongbone Village
Saysettha District
Vientiane Capital, Lao PDR

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INDEPENDENT AUDITORS' REPORT

To: The Board of Directors of Lao Cement Public Company

Opinion

We have audited the financial statements of Lao Cement Public Company ("the Company"), which comprise the balance sheet as at 31 December 2017, and the related income statement, statement of changes in equity and statement of cash flows for the year then ended, and notes including the summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Company are prepared, in all material respects, in accordance with the accounting policies described in Note 3 to the financial statements.

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 *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the ethical requirements that are relevant to our audit of the financial statements in Lao P.D.R, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Basis of Accounting and Restriction on Distribution and Use

We draw attention to Note 3 to the financial statements, which describes the accounting policies adopted by the Company. These accounting policies are not intended to present the financial position, the results of operations and cash flows of the Company in accordance with international generally accepted accounting principles. As also disclosed in Note 2 to the financial statements, the financial statements are prepared to assist the Company in meeting the reporting requirements of its owners. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for the Company's management and its owners and should not be distributed to or used by other parties other than the Company or its owners. Our opinion is not modified in respect of this matter.

Responsibilities of Management for the Financial Statements

The Company's management is responsible for the preparation of the financial statements in accordance with the accounting policies described in Note 3 to the financial statements, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is 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 management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditors' 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.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism 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 management.
- Conclude on the appropriateness of management's 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 Company's management, 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.

Ernst & Young

ERNST & YOUNG LAO CO.,LTD

Ernst & Young Lao Co.,Ltd

Vientiane, Lao P.D.R

10 April 2018

Lao Cement Public Company

BALANCE SHEET
as at 31 December 2017

	Notes	31 December 2017 LAK	31 December 2016 LAK
ASSETS			
Non-current assets			
Property, plant and equipment	4	35,542,584,664	43,715,184,482
Construction in progress	5	4,417,773,226	3,209,787,416
Intangible assets		328,548,475	328,548,475
Other non-current assets	6	431,320,000	494,440,000
Total non-current assets		**40,720,226,365**	**47,747,960,373**
Current assets			
Other current assets		145,135,500	198,773,000
Inventories	7	30,841,850,999	37,222,916,127
Other receivables		19,997	18,079,997
Advances to suppliers		1,366,553,654	2,261,797,464
Trade receivables	8	42,081,522,477	29,419,657,784
Cash	9	11,479,523,628	9,045,254,364
Total current assets		**85,914,606,255**	**78,166,478,736**
TOTAL ASSETS		**126,634,832,620**	**125,914,439,109**
LIABILITIES AND EQUITY			
Current liabilities			
Trade payables		10,294,385,490	7,358,516,251
Advance from customers		154,773,000	413,328,740
Amounts due to related parties	23	3,191,212,598	3,014,966,583
Borrowings	10	12,107,150,240	19,776,346,400
Statutory obligations	11	7,184,154,148	4,143,013,152
Payables to employees		676,478,313	-
Welfare fund reserve	12	5,380,508,915	8,002,865,857
Other payables	13	15,312,348,770	23,609,863,143
Total current liabilities		**54,301,011,474**	**66,318,900,126**
TOTAL LIABILITIES		**54,301,011,474**	**66,318,900,126**
Equity			
Contributed legal capital	14	14,001,400,000	3,631,150,081
Share premium		16,660,000	-
Legal reserve		6,800,594,894	6,220,227,892
Plant expansion reserve		17,194,279,118	16,323,728,614
Retained earnings		34,320,887,134	33,420,432,396
Total equity		**72,333,821,146**	**59,595,538,983**
TOTAL LIABILITIES AND EQUITY		**126,634,832,620**	**125,914,439,109**

Zhang Li
General Director

Zhang Yongfu
Head of Accounting – Finance Department

10 April 2018

The attached notes 1 to 25 form part of the financial statements

Lao Cement Public Company

INCOME STATEMENT
for the year ended 31 December 2017

	Notes	2017 LAK	2016 LAK
Revenue from sale of goods	15	130,516,304,369	101,637,741,574
Cost of goods sold	16	(106,017,162,625)	(82,016,611,712)
Gross profit		**24,499,141,744**	**19,621,129,862**
Other operating income	17	96,035,087	841,043,751
Provision for doubtful debt		(1,021,948,000)	(1,062,276,380)
Selling and distribution costs	18	(3,192,546,236)	(2,147,581,695)
Administrative expenses	19	(8,531,644,633)	(7,798,365,632)
Operating profit		**11,849,037,962**	**9,453,949,906**
Finance income	20	698,624,921	138,337,463
Finance costs	21	(2,047,993,928)	(1,936,215,754)
Profit before tax		**10,499,668,955**	**7,656,071,615**
Profit tax expenses	22	(1,895,544,191)	(2,246,064,837)
Net profit after tax for the year		**8,604,124,764**	**5,410,006,778**

Zhang Li
General Director

Zhang Yongfu
Head of Accounting – Finance Department

10 April 2018

The attached notes 1 to 25 form part of the financial statements.

Lao Cement Public Company

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2017

	Contributed legal capital LAK	*Share premium LAK*	*Legal reserve LAK*	*Plant expansion reserve LAK*	*Retained earnings LAK*	*Total LAK*
As at 1 January 2016	3,631,150,081	-	5,233,380,677	14,843,457,792	37,878,897,764	61,586,886,314
Net profit for the year	-	-	-	-	5,410,006,778	5,410,006,778
Transfer to legal reserve	-	-	986,847,215	-	(986,847,215)	-
Transfer to other reserve	-	-	-	1,480,270,822	(1,480,270,822)	-
Transfer to welfare reserve	-	-	-	-	(986,847,215)	(986,847,215)
Dividends declared	-	-	-	-	(6,414,506,894)	(6,414,506,894)
As at 31 December 2016	**3,631,150,081**	**-**	**6,220,227,892**	**16,323,728,614**	**33,420,432,396**	**59,595,538,983**
As at 1 January 2017	3,631,150,081	-	6,220,227,892	16,323,728,614	33,420,432,396	59,595,538,983
Issuance of new shares	10,370,249,919	16,660,000	-	-	-	10,386,909,919
Net profit for the year	-	-	-	-	8,604,124,764	8,604,124,764
Transfer to legal reserve	-	-	580,367,002	-	(580,367,002)	-
Transfer to other reserve	-	-	-	870,550,504	(870,550,504)	-
Additional tax for prior years in accordance with Tax inspection	-	-	-	-	(1,900,000,000)	(1,900,000,000)
Transfer to welfare reserve	-	-	-	-	(580,367,002)	(580,367,002)
Dividends declared	-	-	-	-	(3,772,385,518)	(3,772,385,518)
As at 31 December 2017	**14,001,400,000**	**16,660,000**	**6,800,594,894**	**17,194,279,118**	**34,320,887,134**	**72,333,821,146**

Zhang Li
General Director

10 April 2018

Zhang Yongfu
Head of Accounting – Finance Department

The attached notes 1 to 25 form part of the financial statements.

Lao Cement Public Company

STATEMENT OF CASH FLOWS
for the year ended 31 December 2017

	Notes	2017 LAK	2016 LAK
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**10,499,668,955**	**7,656,071,615**
Adjustments for:			
Depreciation of property, plant and equipment		8,011,596,157	8,143,140,856
Change in provisions for inventories		-	(1,239,419,326)
Change in provisions for doubtful debts		1,021,948,000	1,062,276,380
Net foreign exchange loss/(gains)		27,346,701	(2,433,908)
Interest income		-	(135,903,555)
Interest expenses		1,690,821,492	1,591,172,298
Operating income before working capital changes		**21,251,381,305**	**17,074,904,360**
Increase in trade and other receivables		(12,653,751,383)	(7,739,218,667)
Decrease in inventories		7,137,614,526	5,201,763,189
Increase/(decrease) in trade and other payables		2,689,915,455	(6,623,969,766)
Loan interest paid		(1,690,821,492)	(1,591,172,298)
Income tax paid		(3,500,917,506)	(1,886,448,770)
Net cash flows from operating activities		**13,233,420,905**	**4,435,858,048**
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of property, plant and equipment		(1,803,531,547)	(5,376,432,430)
Interest received		-	135,903,555
Net cash flows used in investing activities		**(1,803,531,547)**	**(5,240,528,875)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		(1,305,529,600)	-
Proceeds from bank borrowings		21,140,050,240	27,043,446,400
Repayment of bank borrowings		(28,809,246,400)	(24,749,100,000)
Net cash flows (used in)/from financing activities		**(8,974,725,760)**	**2,294,346,400**
Net increase in cash		2,455,163,598	1,489,675,573
Cash at the beginning of the year		9,045,254,364	7,553,144,883
Impact of exchange rate fluctuation		(20,894,334)	2,433,908
Cash at the end of the year	9	**11,479,523,628**	**9,045,254,364**

Zhang Li
General Director

Zhang Yongfu
Head of Accounting – Finance Department

10 April 2018

The attached notes 1 to 25 form part of the financial statements.

1. CORPORATE INFORMATION

Lao Cement Public Company ("the Company"), formerly known as Lao Cement Co.,Ltd, was established in accordance with the Article of Association signed in Vientiane Laos on 15th December 1998 by Lao Agriculture-Forestry Development and Service Company ("Party A") and China Yunnan Corporation for International Techno-Economic Cooperation ("Party B").

On 6th December 1999, the Company received its first Business Licence No.1154/BLO issued by the Ministry of Industry and Commerce, which allowed the Company to operate in cement and other related cement products for domestic consumption and export.

The Company also obtained amended Business Licenses as following:

Business License	*Date*
0078/BLO	5 April 2006
1719/BLO	26 February 2009
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1436/BLO	15 November 2012
791/BLO	13 November 2015
1016/BLO	5 December 2016
0247/BLO	24 March 2017
0688/BLO	2 August 2017

During the year, the principal activities carried out by the Company are:

- Production of cement and other related cement product;
- Wholesale and retail of cement and other related cement product for domestic consumption and export.

The Company's registered head office is located at Nongbon Road, Nongbon Village, Xaysettha District, Vientiane Capita, Lao PDR. The Company also has Vangvieng Cement Plant No. II located in Vangvieng province, Lao PDR.

As at 31 December 2017, the Company had 410 employees (2016: 440 employees).

2. BASIS OF PREPARATION

The financial statements of the Company have been prepared using the historical cost convention. These financial statements are expressed in Lao Kip ("LAK") as it is the currency in which the majority of the Company's transaction are denominated and settled.

The Company's financial statements have been prepared in accordance with the accounting policies as set out in Note 3. These accounting policies are not intended to present the financial position, results of operations and cash flows of the Company in accordance with international generally accepted accounting principles.

The financial statements are prepared to assist the Company in meeting the reporting requirements of its shareholders. As a result, the financial statements may not be suitable for another purpose and will not be distributed to or used by other parties.

Fiscal year

The Company's fiscal year starts on 1 January and ends on 31 December.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation.

The cost of a property, plant and equipment purchased by the Company consists of its purchase price and any directly attributable costs of bringing the asset to working condition for its intended use. Expenditures for additions, improvements and renewals are capitalized while expenditures for maintenance and repairs are charged to the income statement.

When an item of property, plant and equipment is sold or retired, their cost and accumulated depreciation are removed from the balance sheet and any gain or loss resulting from their disposal is included in the other operating income or expense accounts, respectively, in the income statement.

Construction in progress represents assets under construction. This includes the costs of construction and other directly attributable costs.

Fully depreciated assets are retained in the accounts until they are no longer in use and no further depreciation and amortization are recognized in the income statement.

Depreciation

Depreciation of property, plant and equipment is calculated on a straight-line basis over the expected useful lives of the assets as follows:

Buildings and structures	5 to 20 years
Machinery and equipment	5 years
Means of transportation	5 years
Leasehold improvement	10 years
Office equipment	10 years
Others	10 years

Depreciation on property, plant and equipment acquired or disposed of during the year is provided for on a pro-rata basis with reference to the month of acquisition or disposal. No depreciation is provided for assets under construction until such time that the relevant assets are completed and put into use.

Inventories

Inventories are stated at the lower of cost incurred in bringing each product to its present location and condition, and net realisable value.

Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs to complete and the estimated costs necessary to make the sale.

The periodic method is used to record inventories, which are valued as follows:

Raw materials	- cost of purchase on a weighted average cost basis.
Work-in-progress and Finished goods	- cost of direct materials and labour plus attributable manufacturing overheads based on the normal operating capacity on a weighted average cost basis.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Provision for obsolete inventories

Provision for obsolete inventories is the estimated loss arising due to the impairment in value (through diminution, damage, obsolescence, etc.) of inventories based on appropriate evidence of impairment available at the balance sheet date.

Increases and decreases to the provision balance are recorded into the cost of goods sold and services rendered in the income statement.

Trade receivables and provision for doubtful accounts

Trade receivables are stated net of total gross trade receivables and provision for doubtful accounts.

The Company provides allowance for doubtful accounts for trade receivables based on the overdue age of the receivables as follows:

Overdue period	*Provision rate*
6 months to 1 year	30%
From 1 year to 2 years	50%
More than 2 years	100%

Cash

Cash comprises cash on hand and cash in banks.

Borrowing costs

Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Borrowing costs are recorded as expenses during the year in which they are incurred.

Trade payables, accrued expenses and other payables

Payables and accruals are recognized for amounts to be paid in the future for goods and services received, whether or not billed to the Company.

Contributed capital

Contributed capital is recognized in the balance sheet when cash is collected from the shareholders in the case of cash contribution or when there is approval from shareholders in the case of contribution in-kind, and share certificate is issued. Any unpaid capital based on Article of Association, enterprise and tax licenses is not recognized in the balance sheet.

Share premium reserve

The share premium is recognized upon issuance of additional shares, at a surplus between the offering price of additional share issuance and the par value, after deduction of share issuance cost (such as underwriting fees and other relevant valuation, consulting costs).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Reserves

Under the requirement of Enterprise Law no. 46/NA dated 26 December 2013, limited liability companies are required to appropriate net profit to legal reserve fund.

The legal reserve fund is a fund to secure against risks, which is ten percent of its net profit into the reserve fund, after deducting its accumulated losses.

Other reserve funds including welfare fund reserve and plant expansion reserve which are appropriated from retained earnings in accordance with the Article of Incorporation of the Company dated 15 December 1998. The appropriation amount is determined by the Company's Board of Director on an annual basis.

Foreign currencies

The financial statements are presented in LAK which is the Company's functional and presentation currency. Transactions in currencies other than LAK are initially translated using the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the exchange rate ruling at the balance sheet date. All gains and losses are taken to the finance income and finance costs accounts, respectively, in the income statement.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, excluding trade discount, rebate and sales return. The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually upon the delivery of the goods.

Interest

Revenue is recognised as the interest accrues (taking into account the effective yield on the asset) unless collectability is in doubt.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation

Profit tax is the expected tax payable on the taxable profit for the year, using tax rate enacted at the balance sheet date and applicable to the reporting period, and any adjustment to tax payable in respect of previous years.

Other taxes payable include value added tax and employees' personal income tax.

Personal income tax is the tax payable on salary paid to staff for the period determined using applicable tax rate for the years.

Value added tax is the tax liability determined on revenue for the period computed using the applicable tax rate for the year.

Related party transactions

Parties are considered to be related if they have the ability to control or exercise significant influence over each other in making financial and operation decisions or are subject to common control or common significant influence.

Transactions with related parties are conducted based on market prices or, where no market prices exist, at contractually agreed prices.

4. PROPERTY, PLANT AND EQUIPMENT

	Buildings and structures LAK	*Machinery and equipment LAK*	*Means of transportation LAK*	*Leasehold improvement LAK*	*Office equipment LAK*	*Others LAK*	*Total LAK*
Cost							
At 1 January 2017	133,771,220,863	210,643,587,868	19,567,252,498	1,738,852,362	1,997,045,080	436,983,816	368,154,942,487
Additions	229,916,771	245,646,126	35,000,000	31,362,740	53,620,100	-	595,545,737
At 31 December 2017	134,001,137,634	210,889,233,994	19,602,252,498	1,770,215,102	2,050,665,180	436,983,816	368,750,488,224
Accumulated depreciation							
At 1 January 2017	96,024,988,251	205,922,829,557	18,932,659,852	1,385,194,561	1,773,753,394	400,332,390	324,439,758,005
Charge for the year	6,669,667,929	1,700,089,270	208,520,803	74,870,458	88,667,328	26,329,767	8,768,145,555
At 31 December 2017	102,694,656,180	207,622,918,827	19,141,180,655	1,460,065,019	1,862,420,722	426,662,157	333,207,903,560
Net book value							
At 31 December 2016	37,746,232,612	4,720,758,311	634,592,646	353,657,801	223,291,686	36,651,426	43,715,184,482
At 31 December 2017	31,306,481,454	3,266,315,167	461,071,843	310,150,083	188,244,458	10,321,659	35,542,584,664

5. CONSTRUCTION IN PROGRESS

	31 December 2017 LAK	*31 December 2016 LAK*
Konpook mining project	3,275,364,082	2,098,421,910
The plant's second phase project	1,142,409,144	1,111,365,506
	4,417,773,226	**3,209,787,416**

6. OTHER NON-CURRENT ASSETS

The amount of other non-current assets represents the net book value of land and house which were purchased by the Company but were registered under the name of Mr. Vanhthong Sithikoun - the former president of the Company.

7. INVENTORIES

	31 December 2017 LAK	*31 December 2016 LAK*
Raw materials and consumables	4,886,547,920	8,281,927,940
Tools and supplies	13,156,886,482	12,310,125,343
Work in progress	5,717,488,331	14,301,999,211
Finished goods	7,080,928,266	2,328,863,633
	30,841,850,999	**37,222,916,127**

8. TRADE RECEIVABLES

	31 December 2017 LAK	*31 December 2016 LAK*
Total trade receivables	44,165,746,857	30,481,934,164
Provision for doubtful accounts	(2,084,224,380)	(1,062,276,380)
	42,081,522,477	**29,419,657,784**

Details of provision for doubtful accounts as at 31 December 2017 are as follows:

Overdue status	*Receivable balance*	*Provision*
6 months to 1 year	2,709,695,422	812,908,627
From 1 year to 2 years	1,245,855,387	622,927,694
More than 2 years	648,388,060	648,388,060
Total	**4,603,938,869**	**2,084,224,380**

8. TRADE RECEIVABLES (continued)

Details of provision for doubtful **accounts as at 31 December** 2016 are as follows:

Overdue status	*Receivable balance*	*Provision*
6 months to 1 year	1,189,572,600	356,871,780
From 1 year to 2 years	109,270,000	54,635,000
More than 2 years	650,769,600	650,769,600
Total	**1,949,612,200**	**1,062,276,380**

9. CASH

	31 December 2017 LAK	*31 December 2016 LAK*
Cash on hand	491,367,723	834,865,322
Cash in banks	10,988,155,905	8,210,389,042
	11,479,523,628	**9,045,254,364**

10. BORROWINGS

Details of the short-term loans from banks as at 31 December 2017 are as follows:

Bank	*Maturity date*	*Interest rate per annum*	*Interest payment*	*Collateral*	*Currency*	*Amount in original currency*	*Balance as at 31 December 2017 (LAK)*
Lao China Bank Co., Ltd	8 June 2018	10%	Monthly	[*]	LAK	1,107,150,240	1,107,150,240
	10 October 2018	10%	Monthly	[*]	LAK	5,000,000,000	5,000,000,000
	10 May 2018	8%	Monthly	[*]	LAK	6,000,000,000	6,000,000,000
							12,107,150,240

Details of the short-term loans from banks as at 31 December 2016 are as follows:

Bank	*Maturity date*	*Interest rate per annum*	*Interest payment*	*Collateral*	*Currency*	*Amount in original currency*	*Balance as at 31 December 2016 (LAK)*
Lao China Bank Co., Ltd	5 July 2017	8%	Monthly	[*]	LAK	2,218,379,520	2,218,379,520
	26 February 2017	8%	Monthly	[*]	LAK	2,123,466,880	2,123,466,880
	5 March 2017	8%	Monthly	[*]	LAK	2,434,500,000	2,434,500,000
	15 November 2017	8%	Monthly	[*]	LAK	7,000,000,000	7,000,000,000
	21 June 2017	8%	Monthly	[*]	LAK	6,000,000,000	6,000,000,000
							19,776,346,400

[*] Collaterals include land and house in Vientiane bought by the Company but registered under the name of Mr. Vanhthong Sithikoun, the former president of the Company.

11. STATUTORY OBLIGATIONS

	31 December 2017 LAK	31 December 2016 LAK
Foreign contractor tax payable	2,589,076,770	2,201,252,709
Output value added tax	2,690,501,806	334,609,192
Profit tax payable (*Note 22*)	1,821,182,892	1,526,556,207
Other taxes	83,392,680	80,595,044
	7,184,154,148	**4,143,013,152**

12. WELFARE FUND RESERVE

	2017 LAK	2016 LAK
As at 1 January	8,002,865,857	9,811,752,256
Appropriation from retained earnings	580,367,002	986,847,215
Disbursement	(3,202,723,944)	(2,795,733,614)
As at 31 December	**5,380,508,915**	**8,002,865,857**

13. OTHER PAYABLES

	31 December 2017 LAK	31 December 2016 LAK
Dividends payable (*)	15,240,964,360	23,520,196,914
Others	71,384,410	89,666,229
	15,312,348,770	**23,609,863,143**

(*) Details of dividends payable are as follows:

	31 December 2017 LAK	31 December 2016 LAK
2016 dividends payable	3,395,146,965	-
2015 dividends payable	5,773,056,205	5,773,056,205
2014 dividends payable	4,810,162,990	4,810,162,990
2013 dividends payable	1,262,598,200	4,808,552,387
2012 dividends payable	-	8,128,425,332
	15,240,964,360	**23,520,196,914**

14. CONTRIBUTED LEGAL CAPITAL

	Charter capital			Contributed charter capital
	Number of share	*%*	*Amounts as per Business License*	
			LAK	*LAK*
China Yunnan Corporation for International Techno-Economic Cooperation (CYC)	14,280,000	50.9950	7,140,000,000	7,140,000,000
Lao Agriculture-Forestry Development and Service Company (DAI)	13,720,000	48.9952	6,860,000,000	6,860,000,000
Mr. Khambon Xaylaovong	400	0.0014	200,000	200,000
Mr. Vanhthong Sitthikoun	400	0.0014	200,000	200,000
Mr. Thongpon Kingkhamphet	400	0.0014	200,000	200,000
Mr. Zhang Li	400	0.0014	200,000	200,000
Mr. Li Ming	400	0.0014	200,000	200,000
Mr. Tian Qing	400	0.0014	200,000	200,000
Mr. Jie Yao Qi	400	0.0014	200,000	200,000
TOTAL	**28,002,800**	**100**	**14,001,400,000**	**14,001,400,000**

15. REVENUE FROM SALE OF GOODS

	2017	*2016*
	LAK	*LAK*
Sale from bagged cement	52,306,118,477	54,413,928,995
Sale from bulk cement	76,546,665,437	46,503,035,851
Sale from clinker	1,663,520,455	720,776,728
	130,516,304,369	**101,637,741,574**

16. COST OF GOODS SOLD

	2017	*2016*
	LAK	*LAK*
Sale from bagged cement	40,162,416,516	42,426,307,719
Sale from bulk cement	64,355,985,987	38,905,746,672
Sale from clinker	1,498,760,122	684,557,321
	106,017,162,625	**82,016,611,712**

17. OTHER OPERATING INCOME

	2017	*2016*
	LAK	*LAK*
Other income	96,035,087	841,043,751
	96,035,087	**841,043,751**

18. SELLING AND DISTRIBUTION COSTS

	2017 LAK	2016 LAK
Transportation costs	470,512,196	365,597,327
Sales bonus	755,649,160	-
Personnel expenses	998,259,707	957,873,984
Depreciation expenses	139,470,696	190,620,836
Other selling and distribution costs	828,654,477	633,489,548
	3,192,546,236	**2,147,581,695**

19. ADMINISTRATIVE EXPENSES

	2017 LAK	2016 LAK
Personnel expenses	2,839,590,743	2,681,614,692
Bonus expenses	1,564,147,427	1,662,688,509
Depreciation expenses	377,241,684	481,026,499
Utility and fuel expenses	293,391,877	276,474,054
Rental fee	240,450,000	280,166,000
Maintenance expenses	216,920,820	105,181,300
Printing and publication expenses	529,655,615	234,941,390
Travelling expenses	365,586,004	382,248,209
Pension and other benefit to staff	253,823,610	4,355,200
Other administrative expenses	1,850,836,853	1,689,669,779
	8,531,644,633	**7,798,365,632**

20. FINANCE INCOME

	2017 LAK	2016 LAK
Foreign exchange gains	698,624,921	138,337,463
	698,624,921	**138,337,463**

21. FINANCE COSTS

	2017 LAK	2016 LAK
Interest expenses	1,690,821,492	1,591,172,298
Foreign exchange losses	357,172,436	345,043,456
	2,047,993,928	**1,936,215,754**

22. PROFIT TAX EXPENSES

According to Amended Investment Certificate dated 17 November 1998, the Company was granted with an exemption from profit tax for 4 years commencing with the first year of earning profits and a 50% reduction on the applicable profit rate for the following 2 years. The Company has the obligation to pay profit tax ("PT") at the rate of 20% after the tax deduction period. The first year of earning profits is financial year ended 31 December 2005. Accordingly, the Company's taxable income for the year 2017 would be subject to the PT rate of 20%.

The tax returns filed by the Company are subject to examination by the tax authorities. As the application of tax laws and regulations is susceptible to varying interpretations, the amounts reported in the financial statements could change at a later date upon final determination by the tax authorities.

The current tax payable is based on taxable profit for the year. The Company's liability for current tax is calculated using tax rates that have been enacted at the balance sheet date.

The estimation of profit tax is presented below.

Currency: LAK

	Current year	*Previous year*
Profit before tax	**10,499,668,955**	**7,656,071,615**
Adjustments to increase/(decrease) profit before tax:		
Provision for doubtful debt	(1,021,948,000)	1,062,276,380
Unrealized foreign exchange gains	-	(2,433,908)
Estimated current taxable profit	**9,477,720,955**	**8,715,914,087**
Estimated current PT expenses	**1,895,544,191**	**1,743,182,817**
PT payable at beginning of the year	1,526,556,207	1,965,124,972
PT paid in advance at beginning of the year	-	(798,184,832)
Adjustment to increase PT of prior years in accordance with Tax inspection	1,900,000,000	502,882,020
PT paid during the year	(3,500,917,506)	(1,886,448,770)
PT payable at the end of the year	**1,821,182,892**	**1,526,556,207**

23. RELATED PARTY TRANSACTIONS

Transactions with related parties are conducted at contractually agreed prices. Significant transactions with related parties during the years 2017 and 2016 were as follows:

Related parties	*Relationship*	*Nature of transaction*	*2017 LAK*	*2016 LAK*
China Yunnan Corporation for International Techno-Economic Cooperation (CYC)	Shareholder	Payment of purchase of materials	177,410,695	-
		Dividends distribution	1,848,468,905	2,828,797,541
		Conversion from dividends payable to contributed capital	3,512,357,968	-
		Dividend paid	668,059,200	-
Lao Agriculture-Forestry Development and Service Company (DAI)	Shareholder	Purchase of materials	8,922,949,860	7,036,593,200
		Dividends distribution	1,923,916,613	2,944,258,665
		Payment of purchase of materials	8,569,293,150	5,802,551,720
		Conversion from dividends payable to contributed capital	6,856,491,951	-
		Dividend paid	637,470,400	-

Balances due to related parties as at 31 December 2017 and 31 December 2016 were as follows:

Related parties	*Relationship*	*Nature of transaction*	*31 December 2017 LAK*	*31 December 2016 LAK*
Amounts due to related parties				
China Yunnan Corporation for International Techno-Economic Cooperation (CYC)	Shareholder	Purchase of materials	1,603,514,408	1,780,925,103
Lao Agriculture-Forestry Development and Service Company (DAI)	Shareholder	Purchase of materials	1,587,698,190	1,234,041,480
			3,191,212,598	**3,014,966,583**

23. RELATED PARTY TRANSACTIONS (continued)

Related parties	*Relationship*	*Nature of transaction*	*31 December 2017 LAK*	*31 December 2016 LAK*
Other payables (Note 13)				
China Yunnan Corporation for International Techno-Economic Cooperation (CYC)	Shareholder	Dividend payable	8,498,280,565	11,015,075,720
Lao Agriculture-Forestry Development and Service Company (DAI)	Shareholder	Dividend payable	6,742,683,795	12,505,121,194
			15,240,964,360	**23,520,196,914**

24. SUBSEQUENT EVENTS

On 14 February 2018, the Company received the Certificate of Initial Public Offering (IPO) completion No.0008/LSX issued by Lao Securities Commission Office, according to which: the Company has completed IPO process offering 12,001,200 shares with par value of LAK 2,400 per share and the total contribution from IPO is LAK 28,802,880,000.

25. APPROVAL FOR ISSUE

The financial statements as at and for the year ended 31 December 2017 were authorised for issue by the Company's management on 10 April 2018.

Zhang Li
General Director

Zhang Yongfu
Head of Accounting – Finance Department

10 April 2018