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Lao Cement Public Company

Financial Statements

For the year ended 31 December 2018

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 November 2012
791/BLO	13 November 2015
1016/BLO	5 December 2016
0247/BLO	24 March 2017
0688/BLO	2 August 2017
0160/BLO	20 February 2018

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

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

The Company's registered head office is 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	Resigned on 25 April 2018
Mr. Li Ming	Member	Appointed on 25 April 2018
Mr. Jie Yaoqi	Member	
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	Resigned on 25 April2018
Mr. Li Ming	Director	Appointed on 25 April2018
Mr. Jie Yaoqi	Director	
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 auditor of the Company is 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 2018.

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 policies 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 accounting policies applied. 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 2018 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

3 April 2019

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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 2018, and the income statement, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, 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 as 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 as 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.

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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 Lao Co., Ltd

Vientiane, Lao PDR

3 April 2019

Lao Cement Public Company

BALANCE SHEET
as at 31 December 2018

	Notes	31 December 2018 LAK	31 December 2017 LAK
ASSETS			
Non-current assets			
Property, plant and equipment	4	28,326,971,138	35,542,584,664
Construction in progress	5	6,862,989,484	4,417,773,226
Intangible assets		328,548,475	328,548,475
Other non-current assets	6	368,200,000	431,320,000
Total non-current assets		**35,886,709,097**	**40,720,226,365**
Current assets			
Other current assets		1,040,538,316	145,135,500
Inventories	7	40,487,833,371	30,841,850,999
Other receivables		784,102,807	19,997
Advances to suppliers		32,639,750	1,366,553,654
Trade receivables	8	38,296,802,133	42,081,522,477
Short-term investments	9	12,000,000,000	-
Cash	10	6,249,412,532	11,479,523,628
Total current assets		**98,891,328,909**	**85,914,606,255**
TOTAL ASSETS		**134,778,038,006**	**126,634,832,620**
LIABILITIES AND EQUITY			
Current liabilities			
Trade payables		11,228,343,680	10,294,385,490
Advance from customers		152,773,000	154,773,000
Amounts due to related parties	23	7,316,302,084	3,191,212,598
Borrowings		-	12,107,150,240
Statutory obligations	11	7,916,000,726	7,184,154,148
Payables to employees		-	676,478,313
Welfare fund reserve	12	1,878,498,865	5,380,508,915
Other payables	13	13,746,210,887	15,312,348,770
Total current liabilities		**42,238,129,242**	**54,301,011,474**
TOTAL LIABILITIES		**42,238,129,242**	**54,301,011,474**
Equity			
Contributed legal capital	14	20,002,000,000	14,001,400,000
Share premium		18,385,975,511	16,660,000
Legal reserve		7,661,007,370	6,800,594,894
Plant expansion reserve		18,484,897,832	17,194,279,118
Retained earnings		28,006,028,051	34,320,887,134
Total equity		**92,539,908,764**	**72,333,821,146**
TOTAL LIABILITIES AND EQUITY		**134,778,038,006**	**126,634,832,620**

Zhang Li
General Director

Zhang Youngfu
Head of Accounting – Finance Department

Vientiane, Lao PDR

3 April 2019

Lao Cement Public Company

INCOME STATEMENT
for the year ended 31 December 2018

	Notes	2018 LAK	2017 LAK
Revenue from sale of goods	15	97,411,605,646	130,516,304,369
Cost of goods sold	16	(86,950,106,443)	(106,017,162,625)
Gross profit		**10,461,499,203**	**24,499,141,744**
Other operating income	17	585,411,222	96,035,087
Provision for doubtful debt		660,246,038	(1,021,948,000)
Selling and distribution costs	18	(2,497,527,176)	(3,192,546,236)
Administrative expenses	19	(8,733,566,377)	(8,531,644,633)
Operating profit		**476,062,910**	**11,849,037,962**
Finance income	20	989,778,683	698,624,921
Finance costs	21	(898,296,928)	(2,047,993,928)
Profit before tax		**567,544,665**	**10,499,668,955**
Profit tax expenses	22	**(137,092,911)**	**(1,895,544,191)**
Net profit after tax for the year		**430,451,754**	**8,604,124,764**

Zhang Li
General Director

Zhang Youngfu
Head of Accounting – Finance Department

Vientiane, Lao PDR

3 April 2019

Lao Cement Public Company

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2018

	Contributed legal capital LAK	*Share premium LAK*	*Legal reserve LAK*	*Plant expansion reserve LAK*	*Retained earnings LAK*	*Total LAK*
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**
As at 1 January 2018	14,001,400,000	16,660,000	6,800,594,894	17,194,279,118	34,320,887,134	72,333,821,146
Issuance of new shares	6,000,600,000	18,369,315,511	-	-	-	24,369,915,511
Net profit for the year	-	-	-	-	430,451,754	430,451,754
Transfer to legal reserve	-	-	860,412,476	-	(860,412,476)	-
Transfer to other reserve	-	-	-	1,290,618,714	(1,290,618,714)	-
Additional tax for prior years in accordance with Tax inspection	-	-	-	-	(933,587,969)	(933,587,969)
Transfer to welfare reserve	-	-	-	-	(860,412,478)	(860,412,478)
Dividends declared	-	-	-	-	(2,800,279,200)	(2,800,279,200)
As at 31 December 2018	**20,002,000,000**	**18,385,975,511**	**7,661,007,370**	**18,484,897,832**	**28,006,028,051**	**92,539,908,764**

Zhang Li
General Director

Zhang Youngfu
Head of Accounting – Finance Department

Vientiane, Lao PDR

3 April 2019

Lao Cement Public Company

STATEMENT OF CASH FLOWS
for the year ended 31 December 2018

	Notes	2018 LAK	2017 LAK
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**567,544,665**	**10,499,668,955**
Adjustments for:			
Depreciation of property, plant and equipment		7,200,410,610	8,011,596,157
Change in provisions for inventories		528,194,628	
Change in provisions for doubtful debts		(674,746,038)	1,021,948,000
Net foreign exchange loss		87,311,602	27,346,701
Interest income		(602,443,288)	-
Interest expenses		229,244,386	1,690,821,492
Operating income before working capital changes		**7,335,516,565**	**21,251,381,305**
Decrease/(increase) in trade and other receivables		4,583,170,277	(12,653,751,383)
Increase in inventories		(9,539,782,464)	7,137,614,526
(Decrease)/increase/ in trade and other payables		487,329,945	2,689,915,455
Loan interest paid		(229,244,386)	(1,690,821,492)
Income tax paid		(1,081,894,498)	(3,500,917,506)
Net cash flows from operating activities		**1,555,095,439**	**13,233,420,905**
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of property, plant and equipment		(3,064,407,878)	(1,803,531,547)
Term deposit		(12,000,000,000)	-
Interest received		196,287,672	-
Net cash flows used in investing activities		**(14,868,120,206)**	**(1,803,531,547)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Net issuance of shares		24,369,915,511	-
Dividend paid		(4,179,851,600)	(1,305,529,600)
Proceeds from bank borrowings		-	21,140,050,240
Repayment of bank borrowings		(12,107,150,240)	(28,809,246,400)
Net cash flows from/(used in) financing activities		**8,082,913,671**	**(8,974,725,760)**
Net increase in cash		(5,230,111,096)	2,455,163,598
Cash at the beginning of the year		11,479,523,628	9,045,254,364
Impact of exchange rate fluctuation		-	(20,894,334)
Cash at the end of the year	**10**	**6,249,412,532**	**11,479,523,628**

Zhang Li
General Director

Zhang Youngfu
Head of Accounting – Finance Department

Vientiane, Lao PDR

3 April 2019

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:

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0160/BLO	20 February 2018

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 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 2018, the Company had 394 employees (31 December 2017: 410 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.

Intangible assets

Intangible assets represent land use rights with indefinite term of use and are stated at cost. The cost of land use rights, which comprise the purchase price and any directly attributable costs, is not amortized.

Other non-current assets

Assets which were purchased, controlled and used by the Company of which tittles are registered under other parties' names are reported as Company's other non-current assets. Depreciation is calculated on a straight-line basis over the expected useful lives of 20 years.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories (continued)

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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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).

Reserves

Under the requirement of Enterprise Law no. 46/NA dated 26 December 2013, public 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. When the legal reserve reaches one-half of the contributed charter capital, the Company may suspend the conversion of profit to such fund, unless otherwise approved by the Company's owner.

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 Directors on an annual basis.

Reserve funds of current year are appropriated from net profit of prior year upon the approval of the Annual General Meeting of Shareholders.

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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

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

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

Any adjustment to the amount of tax payable of prior years as a result of Tax inspection are recorded directly into retained earnings.

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 operational 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 2018	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
Additions	-	-	586,219,700	58,347,023	19,402,396	-	663,969,119
Disposal	-	-	-	(44,777,500)	-	-	(44,777,500)
At 31 December 2018	134,001,137,634	210,889,233,994	20,188,472,198	1,783,784,625	2,070,067,576	436,983,816	369,369,679,843
Accumulated depreciation							
At 1 January 2018	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
Charge for the year	6,664,354,608	911,550,957	132,889,340	84,364,621	76,101,460	10,321,659	7,879,582,645
Disposal	-	-	-	(44,777,500)	-	-	(44,777,500)
At 31 December 2018	109,359,010,788	208,534,469,784	19,274,069,995	1,499,652,140	1,938,522,182	436,983,816	341,042,708,705
Net book value							
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
At 31 December 2018	24,642,126,846	2,354,764,210	914,402,203	284,132,485	131,545,394	-	28,326,971,138

5. CONSTRUCTION IN PROGRESS

	31 December 2018	*31 December 2017*
	LAK	*LAK*
Konpook mining project	4,477,967,580	3,275,364,082
The plant's second phase project	2,385,021,904	1,142,409,144
	6,862,989,484	**4,417,773,226**

6. OTHER NON-CURRENT ASSETS

These 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 2018	*31 December 2017*
	LAK	*LAK*
Raw materials and consumables	7,165,325,755	4,886,547,920
Tools and supplies	12,573,847,789	13,156,886,482
Work in progress	17,369,090,233	5,717,488,331
Finished goods	3,907,764,222	7,080,928,266
Provision for inventories	(528,194,628)	-
	40,487,833,371	**30,841,850,999**

8. TRADE RECEIVABLES

	31 December 2018	*31 December 2017*
	LAK	*LAK*
Trade receivables	39,706,280,475	44,165,746,857
Provision for doubtful accounts	(1,409,478,342)	(2,084,224,380)
	38,296,802,133	**42,081,522,477**

Details of provision for doubtful accounts as at 31 December 2018 are as follows:

Overdue status	*Receivable balance*	*Provision*
6 months to 1 year	930,025,400	279,007,620
From 1 year to 2 years	386,548,200	193,274,100
More than 2 years	937,196,622	937,196,622
Total	**2,253,770,222**	**1,409,478,342**

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	622,927,693
More than 2 years	648,388,060	648,388,060
Total	**4,603,938,869**	**2,084,224,380**

9. SHORT-TERM INVESTMENTS

Short-term investments represent short-term deposits in LAK at local financial institutions. The deposits earn interest rate at 5.59% per annum.

10. CASH

	31 December 2018 LAK	*31 December 2017 LAK*
Cash on hand	467,368,462	491,367,723
Cash in banks	5,782,044,070	10,988,155,905
	6,249,412,532	**11,479,523,628**

11. STATUTORY OBLIGATIONS

	31 December 2018 LAK	*31 December 2017 LAK*
Foreign contractor tax payable	2,602,263,634	2,589,076,770
Output value added tax	3,209,726,878	2,690,501,806
Profit tax payable (*Note 22*)	876,381,305	1,821,182,892
Other taxes	1,227,628,909	83,392,680
	7,916,000,726	**7,184,154,148**

12. WELFARE FUND RESERVE

	2018 LAK	*2017 LAK*
As at 1 January	5,380,508,915	8,002,865,857
Appropriation from retained earnings	860,412,476	580,367,002
Utilized	(4,362,422,526)	(3,202,723,944)
As at 31 December	**1,878,498,865**	**5,380,508,915**

13. OTHER PAYABLES

	31 December 2018 LAK	*31 December 2017 LAK*
Dividends payable (*)	13,581,539,960	15,240,964,360
Others	164,670,927	71,384,410
	13,746,210,887	**15,312,348,770**

13. OTHER PAYABLES (continued)

(*) Details of dividends payable are as follows:

	31 December 2018 *LAK*	*31 December 2017* *LAK*
2017 dividends payable	-	-
2016 dividends payable	3,395,146,565	3,395,146,965
2015 dividends payable	5,773,056,205	5,773,056,205
2014 dividends payable	4,413,161,190	4,810,162,990
2013 dividends payable	-	1,262,598,200
	13,581,363,960	**15,240,964,360**

14. CONTRIBUTED LEGAL CAPITAL

14.1 Shares

	31 December 2018		*31 December 2017*	
	Quantity	*Amount (LAK)*	*Quantity*	*Amount (LAK)*
Authorized shares				
Issued and paid-up shares				
Ordinary shares	40,004,000	20,002,000,000	28,002,800	14,001,400,000

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 where 12,001,200 shares with par value of LAK 500 per share and selling price of LAK 2,400 per share were issued.

The total 40,004,000 shares of the Company (under the ticker "LCC") have been officially listed on Lao Securities Exchange since 2 March 2018. The par value of each share is LAK 500.

14.2 Dividends

	31 December 2018 *LAK*	*31 December 2017* *LAK*
Dividends declared during the year ended	**2,800,279,200**	**3,772,385,517**
Dividends on ordinary shares for 2017: LAK 63 per share (2016: 121)	2,800,279,200	3,772,385,517

15. REVENUE FROM SALE OF GOODS

	2018 LAK	2017 LAK
Sale from bagged cement	37,427,943,321	52,306,118,477
Sale from bulk cement	59,983,662,325	76,546,665,437
Sale from clinker	-	1,663,520,455
	97,411,605,646	**130,516,304,369**

16. COST OF GOODS SOLD

	2018 LAK	2017 LAK
Sale from bagged cement	31,106,611,294	40,162,416,516
Sale from bulk cement	55,843,495,149	64,355,985,987
Sale from clinker	-	1,498,760,122
	86,950,106,443	**106,017,162,625**

17. OTHER OPERATING INCOME

	2018 LAK	2017 LAK
Sale of scrap	583,172,222	-
Others	2,239,000	96,035,087
	585,411,222	**96,035,087**

18. SELLING AND DISTRIBUTION COSTS

	2018 LAK	2017 LAK
Transportation costs	156,998,527	470,512,196
Sales bonus	-	755,649,160
Personnel expenses	1,196,918,175	998,259,707
Depreciation expenses	141,116,122	139,470,696
Other selling and distribution costs	1,002,494,352	828,654,477
	2,497,527,176	**3,192,546,236**

19. ADMINISTRATIVE EXPENSES

	2018 LAK	2017 LAK
Personnel expenses	3,491,440,633	2,839,590,743
Technical fees	1,646,330,129	1,564,147,427
Depreciation expenses	230,645,080	377,241,684
Utility and fuel expenses	300,021,904	293,391,877
Rental fee	209,074,500	240,450,000
Maintenance expenses	149,992,299	216,920,820
Printing and publication expenses	412,252,542	529,655,615
Travelling expenses	289,994,900	365,586,004
Pension and other benefit to staff	410,222,307	253,823,610
Other administrative expenses	1,593,592,083	1,850,836,853
	8,733,566,377	**8,531,644,633**

20. FINANCE INCOME

	2018 LAK	2017 LAK
Interest income	602,443,288	-
Foreign exchange gains	387,335,395	698,624,921
	989,778,683	**698,624,921**

21. FINANCE COSTS

	2018 LAK	2017 LAK
Interest expenses	229,244,386	1,690,821,492
Foreign exchange losses	669,052,542	357,172,436
	898,296,928	**2,047,993,928**

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 tax rate for the following 2 years. The Company has the obligation to pay profit tax ("PT") at the rate of 20% after the tax reduction period. The first year of earning profits is financial year ended 31 December 2005.

The Company has listed with in Lao Stock Exchange since 2 March 2018. According to Notification No. 2618/TD dated 04 June 2018 from Ministry of Finance, the Company is granted profit tax reduction of 5% from normal PT rate for the first five years from 2018 to 2021. After that, the Company has the obligation to pay PT at the rate of 20%. Accordingly, the Company's taxable income for the year 2018 would be subject to the PT rate of 15%.

22. PROFIT TAX EXPENSES (continued)

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	**567,544,665**	**10,499,668,955**
Adjustments to increase/(decrease) profit before tax:		
Provision for inventories	528,194,628	-
Reversal of provision for doubtful debt	(660,246,038)	(1,021,948,000)
Other non-deductible expense	478,459,482	-
Estimated current taxable profit	**913,952,737**	**9,477,720,955**
Estimated current PT expenses at tax rate 15% (2017: 20%)	**137,092,911**	**1,895,544,191**
PT payable at beginning of the year	1,821,182,892	1,526,556,207
Adjustment to increase PT of prior years in accordance with Tax inspection	-	1,900,000,000
PT paid during the year	(1,081,894,498)	(3,500,917,506)
PT payable at the end of the year (Note 11)	**876,381,305**	**1,821,182,892**

23. RELATED PARTY TRANSACTIONS

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

Related parties	*Relationship*	*Nature of transaction*	*2018 LAK*	*2017 LAK*
China Yunnan Corporation for International Techno-Economic Cooperation (CYC)	Shareholder	Purchase of materials	5,884,865,322	-
		Payment on behalf of the related party	904,094,371	-
		Payment of purchase of materials	5,274,120,254	177,410,695
		Dividends distribution	899,639,600	1,848,468,905
		Conversion from dividends payable to contributed capital	-	3,512,357,968
		Dividend paid	1,729,440,000	668,059,200
Lao Agriculture-Forestry Development and Service Company (DAI)	Shareholder	Purchase of materials	10,684,497,409	8,922,949,860
		Dividends distribution	864,360,000	1,923,916,613
		Payment of purchase of materials	6,686,395,690	8,569,293,150
		Conversion from dividends payable to contributed capital	-	6,856,491,951
		Dividend paid	1,694,160,000	637,470,400

Balances due to related parties as at 31 December 2018 and 31 December 2017 were as follows:

Related parties	*Relationship*	*Nature of transaction*	*31 December 2018 LAK*	*31 December 2017 LAK*
Amounts due to related parties				
China Yunnan Corporation for International Techno-Economic Cooperation (CYC)	Shareholder	Purchase of materials	1,354,158,232	1,603,514,408
Lao Agriculture-Forestry Development and Service Company (DAI)	Shareholder	Purchase of materials	5,962,143,852	1,587,698,190
			7,316,302,084	**3,191,212,598**

23. RELATED PARTY TRANSACTIONS (continued)

Related parties	*Relationship*	*Nature of transaction*	*31 December 2018 LAK*	*31 December 2017 LAK*
Other payables (Note 13)				
China Yunnan Corporation for International Techno-Economic Cooperation (CYC)	Shareholder	Dividend payable	7,736,383,104	8,498,280,565
Lao Agriculture-Forestry Development and Service Company (DAI)	Shareholder	Dividend payable	5,844,980,856	6,742,683,795
			13,581,363,960	**15,240,964,360**

Other transactions with related parties

Remuneration to management during the period were as follows:

	2018 LAK	*2017 LAK*
Salaries and Bonus	2,380,458,404	1,408,696,913
	2,380,458,404	**1,408,696,913**

24. SUBSEQUENT EVENTS

There has not been any significant event that has arisen since the balance date that requires adjustments or disclosures on the financial statements.

25. APPROVAL FOR ISSUE

The financial statements as at and for the year ended 31 December 2018 were authorised for issue by the Company's management on 3 April 2019.

Zhang Li
General Director

Zhang Youngfu
Head of Accounting – Finance Department

Vientiane, Lao PDR

3 April 2019

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