The first Semi-Annual Report 2020

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1. Mahathuen Leasing Public Company

1.1 General Information of Company

Company Name	:	Mahathuen Leasing Public Company
Business type	:	Financial Leasing
Symbol	:	MHTL
Registered Office	:	House number 628, (kilometer 5) Kaison Road, Phonphanao Village, Xaysettha District, Vientiane Capital
Foreign Investment License	:	Foreign Investment License, No: 196-11/MPI/IPD3 date 10 August 2011
Enterprise registration certificate	:	1122/ERO date 20 November 2017
Enterprise tax certificate	:	725714405-9-00
Register capital	:	40.000.000.000 Kip
Number of share	:	40.000.000 shares
Email	:	info@mahathuen.com
Website	:	www.mahathuen.com
Tel	:	(856) 21 418065
Fax	:	(856) 21 418066

2. Company Background

Mahathuen Leasing Public Company (hereinafter "the Company" or "MHTL"). The Company was established as a limited company on 02 September 2011 with a registered capital of USD 300,000 and enterprise registration certificate No. 3151/RO with the business category of financial leasing (non-real estate). MHTL has been established by two experienced individuals who have more than 20 years of experience in doing business in Lao PDR; Mrs. Inthavilay Oudom, a Lao investor, which held 12% in the Company and Mr Chakrit Naksorn, a Thai investor held 88%.

To establish a Leasing business in Lao PDR a business license from the Bank of Lao PDR is required therefore the Company is under the supervision of Financial Institution Supervision Department of the Bank of Lao PDR.

MHTL is engaged in the leasing business in Lao PDR, particularly retail finance (non-real estate) since the establishment of the company. In the early stage, the Company mainly focused on Japanese made motorcycle financing such as HONDA, SUZUKI, YAMAHA and others to build client base, obtain knowledge, gain experience for the organization, develop capacity building and appropriate working system, as well as learning about consuming behaviors and business operation in Lao PRD before expanding its investment in other retail financial products.

During the first three years of business operations and Company's short-term plan, MHTL was focusing on the development of the organization culture and capacity building. Therefore, the business policy was more conservative in terms of marketing with a concrete action plan for financial leasing evaluation and approval. A proper plan for small size leasing with low capital investment by professional approach was established, which led to the internal working policy, regulations as well as other requirements for the consideration of leasing approvals, however the process can be flexible according to the market situation and business competition.

From 2014 – 2016, the Company focused on expanding customer base by strengthening customer relationships and build market leadership, by increasing the proportion of market share in order to expand more branches and service units in Vientiane capital in the future. In addition, the Company also planned to broaden its products such as: financing of used motorcycles including refinancing for existing customers base on payments history to build customer base for expansion to other products.

Since 2017, the Company plans to expand its branches and service units to other provinces in Lao PDR including other products by having the Company listed in Lao Securities Exchange to raise capital fund. In preparation for the Company to be listed in Lao Securities Exchange, an increase of aggressive business strategy will need to be implemented including a strong internal control and risk management as well as good corporate governance to strengthen the business operations by creating a balance between the stakeholders such as customers, partners, investors and shareholders of the Company.

The Company converted into a public Company on 20 November 2017, with a registered capital of LAK 27,760,000,000, and has been operating as financial leasing (non-real estate) under the Law of Lao PDR (hereinafter "Conversion date") with the Company's shares held by MAHATHUEN Holding Company Limited Thailand totaling 97.5792507204611%, Mrs. Inthavilay Oudom, Lao individual 2.420432276571% and 11 other shareholders at approximately 0.0003170028818%.

Before IPO of MHTL, the Company had increased its registered capital 6 times. On the date of establishment, the registered capital was USD 300,000 and in 2012 it was converted in to Lao kip currency at around LAK 5.6 billion. In 2014 the Company raised additional capital twice, to LAK 12.8 and LAK 17.76 billion. In 2015 the Capital was raised up to LAK 23.36 billion and in 2016, the Capital also increased to LAK 25.6 billion and LAK 27.76 billion.

In 2018, the company had increased its registered capital 12. 240. 000 Shares with a par value of LAK 1,000 per share for Initial Public Officering and Approval by Lao Securities Commission Office on 13 June 2018, after the company completed IPO 40. 000. 000 Shares or Capital LAK 40.000.000.000 which the company is list company in Lao Security Exchange on 18 September 2019 and the and MHTL was the eighth company to list. Please see the details of capital increasing on the table below:

In 2019, the company has established a Service Center in Savannakhet province. Donghen Service Center located at 254/ 259 Donghen village, Road 9, Artsaphangthong District, Savannakhet Province Page 3 of 22

In June 2019, the company has started the financial service for Agricultural Equipment, which focused on the hand tractor as a trial project and expected to expand the financial service to cover more kinds of Agricultural Equipment further

3. Philosophy and the core business operation

3.1 Company Philosophy

(Slogan)

"All Financial is possible here

(Vision)

"Be a Listed company on LSX and the leader of Leasing company for Motorcycle in Lao PDR"

(Mission)

" Mahathuen Leasing we provide the financial service for all" a commitment in our business operation for stakeholders with this mission below:

For client	**:**	To win customer's heart with excellent customer service by a professional team with financial innovations
For staff	**:**	To promote professional development and stability on work **–** life balance
For shareholder's	**:**	To be listed on Lao securities Exchange and give good returns
For partner	**:**	To build trust with business partners who are ready to grow and succeed together
For society	**:**	To be an alternative investment for Lao people

3.2 The core business operation

The Company has 3 types of leasing service such as:

1. New motorcycle
2. Used motorcycle
3. Refinance

3.2.1 New motorcycle leasing service

The Company provides motorcycle leasing service by focusing on well-know Japanese brands including HONDA, YAMAHA, SUSUKI, and other. Approximately, 90 percent of all motorcycle leases are HONDA that includes the target group of customer that fall under the low to medium income.

For the motorcycle leases service, customer may not have enough money to purchase a new motorcycle of the shop and require installment payment, in such case customers will need to pay initial payment or down payment (minimum amount) and the remaining amount will be in the leases contact with installment payment period. Once the contract is signed, customers can utilize the motorbike but maintenance lies under the responsibility of the customers and the ownership of the motorbike will be under the company until the customers made payment in full and the ownership will be transferred to customers. If the installment left unpaid for three month, then contract will be canceled automatically and the motorbike must be returned to the Company.

In the process of leases service, there's a team specialized in evaluating the customer credit who constantly contracting the motorcycle partner in Vientiane Capital including big and small dealers covering more than 30 dealers shops. When a customer is interested in purchasing a motorcycle through financing, the company will provide leasing information to the customer, evaluate the credit and qualification of the customer before approving the lease. For time saving, the Company have placed a representative at the motorcycle dealer instead of asking the customer to come to the company.

The motorcycle dealers are playing a big role for the company as they are the passage way for the company to get to customers, therefore building good relationship with business partner is crucial for the company.

3.2.2 Second- hand Motorcycle

The Company provides second-motorcycle leasing from the confiscated motorcycle and the process of credit evaluation is similar to the first- hand motorcycle leasing. Second- hand motorcycle leasing gave the Company the opportunity to expands its customer base also provides the opportunity to customer who want Japanese made motorcycle but do not have enough fund to purchase first-hand. In the future, the Company is planning to expand the Second-hand motorcycle leasing to motorcycle dealers.

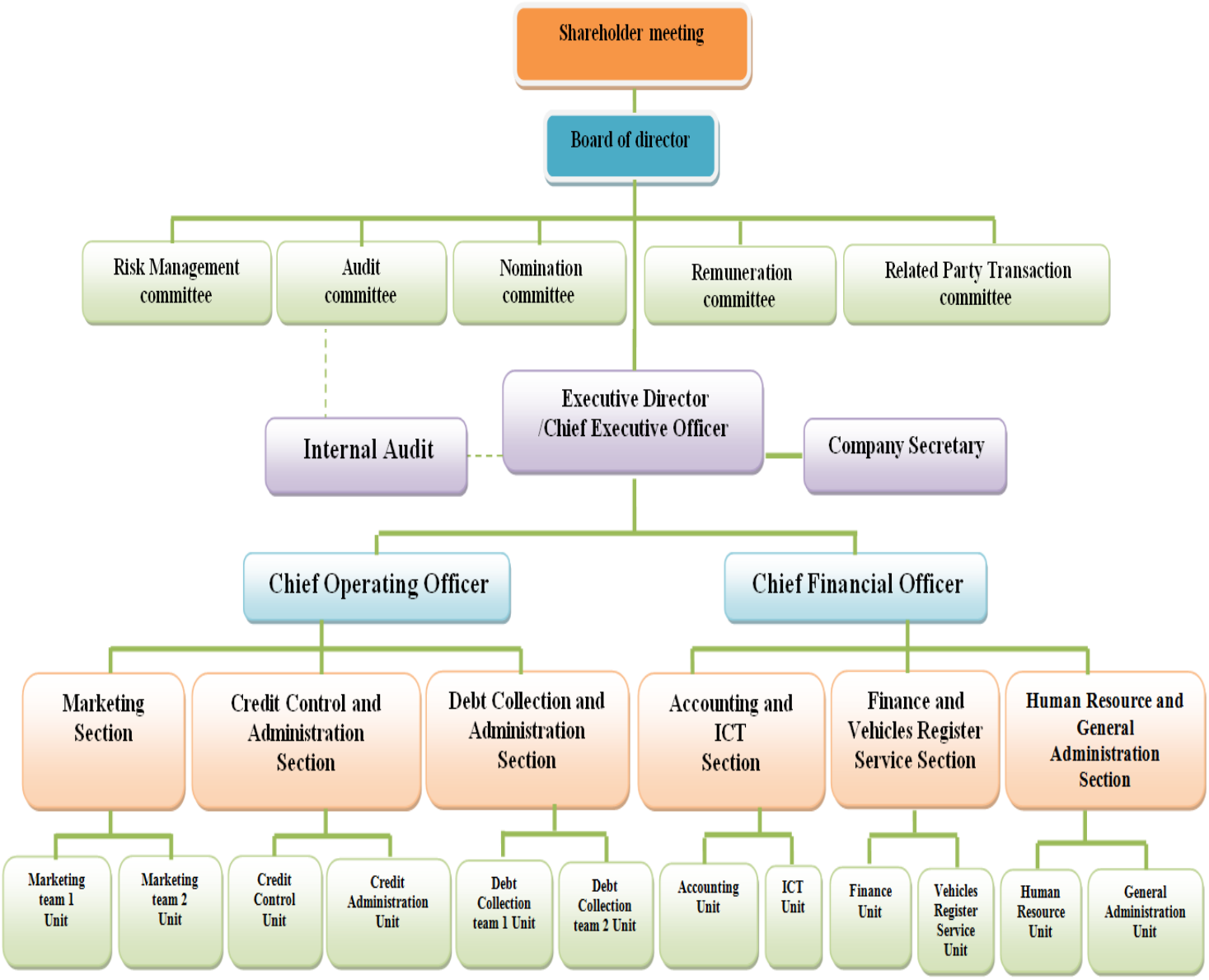
3.2.3 Refinance

The Company provides refinancing service to customer with the existing loan either with the company or other financing companies by using the motorcycle under the loan contract as a collateral or the customer' own motorcycle. The applicant must be specific on the objective

of refinance; the Company will evaluate the cost of motorcycle base on the Company's policy to calculation the interest late and fees will be different form motorcycle leasing, but the procedures will be the same.

4. Management and Corporate Governance

4.1 Organization chart



4.2 Committee

- **Board of Director**

Table: Name list of Board of Directors

No.	Photo	(Board of Directors)	Nationality	Position
1		Mr. Chakrit Naksorn	Thai	Chairman
2		Mrs. Inthavilay Oudom	Lao	Vice Chairwoman
3		Mr. Manop Tririthvilai	Thai	Member of BOARD OF DIRECTORS/CEO
4		Mrs. Prathana Naksorn	Thai	Member of BOARD OF DIRECTORS
5		Miss Sutida Naksorn	Thai	Member of BOARD OF DIRECTORS
6		Mr. Kriengkrai Nissyan	Thai	Member of BOARD OF DIRECTORS
7		Mr. Winyou Jeeraprapakan	Thai	Member of BOARD OF DIRECTORS (Independent)
8		Mr. Nantapat Ngamplung	Thai	Member of BOARD OF DIRECTORS (Independent)
9		Mr. Theeramate Vuttipadhpibul	Thai	Member of BOARD OF DIRECTORS (Independent)

- **Committee of the Board of Directors**

The Committee of the Board of Directors consist as following;

1. Audit Committee
2. Risk Management Committee
3. Nomination Committee
4. Remuneration Committee
5. Related party Transaction Committee

4.2.1 Audit Committee

Table: Name list Audit Committee

No.	Audit Committee	Nationality	Position
1	Mr. Kriengkrai Nissyan	Thai	Chairman
2	Mr. Nantapat Ngamplung	Thai	Audit Committee / Independent
3	Mr. Theeramate Vuttipadhpibul	Thai	Audit Committee / Independent
4	Mr. Winyou Jeeraprapakan	Thai	Audit Committee / Independent

4.2.2 Risk Management Committee

Table: Name list Risk Management Committee

No.	Name list	Nationality	Position
1	Mr. Chakrit Naksorn	Thai	Chairman of Risk management committee
2	Mr. Manop Tririthvilai	Thai	Risk management committee
3	Mr. Theeramate Vuttipadhpibul	Thai	Risk management committee/ Independent
4	Mr. Winyou Jeeraprapakan	Thai	Risk management committee/ Independent

4.2.3 Remuneration Committee

Table: Name list Remuneration Committee

No.	Name list	Nationality	Position
1	Mr. Chakrit Naksorn	Thai	Chairman of Remuneration Committee
2	Mr. Kriengkrai Nissyan	Thai	Remuneration Committee
3	Mr. Theeramate Vuttipadhpibul	Thai	Remuneration Committee/ Independent member

4.2.4 Nomination Committee

Table: Name list Nomination Committee

No.	Name list	Nationality	Position
1	Mr. Chakrit Naksorn	Thai	Chairman of nominating committee
2	Mr. Kriengkrai Nissyan	Thai	Nominating committee
3	Mr. Nantapat Ngamplung	Thai	Nominating committee/ independent member

2.4.5 Related party Transaction Committee

Table: Name list Related party Transaction Committee

No.	Name list	Nationality	Position
1	Mr. Theeramate Vuttipadhpibul	Thai	Chairman of Related Party Transaction Committee/ Independent director
2	Mr. Kriengkrai Nissyan	Thai	Related party transaction committee

3	Mr. Nantapat Ngamplung	Thai	Related party transaction Committee/ Independent director

5. Business Performance

5.1 Marketing Performance

In the first 6 month of 2020 the company has the number of new booking of motorcycle leasing business equal to 2.315 Unit or LAK 26.409,6 million.

Table: New loan of motorcycle lease

The new loan of motorcycle lease for first 6 month of 2019 and 2020 comparison				
	First 6 months of 2019	First 6 months of 2020	Change	percent
Number of contract (unit)	2.626	2.315	-311	-11,8%
Loan Amount (Million Kip)	29.560,4	26.409,6	-3.150,8	-10,7%

5.2 Revenues

In the first 6 month of 2019 and the first 6 month of 2020 the Company had total revenues of LAK 11.673,0 million, LAK 13.110,7 million respectively, increased at about 12.3 percent

Table: Revenues

REVENUES	6 momth of 2019		6 momth of 2020		Change	
	LAK: Million	%	LAK:Million	%	lAK: Million	%
Interest income	11.253,7	96,4	12.663,4	96,6	1.409,7	+12.5
Net gain on exchange	-	-		-	-	-
Other incomes	419,3	3,6	447,3	3,4	+28,0	+6.7
Total Revenues	**11.673,0**	**100.0**	**13.110,7**	**100,0**	**1.437,7**	**+12.3**

5.3 Expanses

In the first 6 month of 2019 and the first 6 month of 2020 the Company had total expenses including financial expenses of LAK 6.204,7 million and LAK 8.468,2 million respectively. These

total expenses increases along with the increased of annual revenue. However, when considering with the proportion of total expenses to total revenues for the first half year of 2019, and 2020 which were equal to 53,2 percent to 64,6 percent respectively. The main expenses of the company were administrative expense which equal to LAK 5.080,9 million and LAK 6.231,5 million respectively or 81,9 percent and 73,6 percent to total expense.

Table: Expenses

Expanses	6 month of 2019		6 month of 2020		Changed	
	LAK:million	%	LAK:million	%	LAK:million	%
Administrative expense	5.080,9	81,9	6.231,5	73,6	+1.150,6	+22,6
Doubtful account expense	527,3	8,5	919,0	10,9	+391,6	+74,3
Net loss on change rate	282,7	4,6	119,6	1,4	-163,1	-57,9
Finance cost	313,8	5,0	1.198,1	14,1	+884,3	+281,8
Total Expenses	**6.204,7**	**100,0**	**8.468,2**	**100,0**	**+2.263,5**	**-36,5**

5.4 Net profit and Net profit Margin

In the first 6 month of 2019 and the first 6 month of 2020, the Company had net profit equal to LAK 4.300,5 million and LAK 4.164,8 million respectively, or 36,8 percent and 31,8 percent comparing to total revenues respectively.

5.5 Taxes

MHTL is a public company and lists in LSX, and operates its business under Lao PDR law. MHTL obligates to pay tax to the Government of Laos including Dividend Tax, VAT, Personal income tax. The total amount of tax for in the first 6 month of 2020 was 962.8 million kip and represents as below:

Table: Taxes

NO.	Details	Million
1	VAT	198.7
2	Personal Income Tax	284.1
3	Corporate Income Tax (Q1-Q2/2020)	480.0
Total Taxes		962.8