# Vientiane Center Lao Public Company

Interim financial statements

For the nine-month period ended 30 September 2022



Vientiane Center Lao Public Company

**CONTENTS**


| | *Pages* |
|---|---|
| General information | 1 - 2 |
| Report of management | 3 |
| Interim statement of profit or loss and other comprehensive income | 4 |
| Interim statement of financial position | 5 |
| Interim statement of changes in equity | 6 |
| Interim statement of cash flows | 7 |
| Notes to the interim financial statements | 8 - 29 |

# Vientiane Center Lao Public Company

GENERAL INFORMATION

## THE COMPANY

Vientiane Center Lao Public Company ("the Company") was established in accordance with the Business License No. 1169/ERM dated 30 November 2017 issued by the Department of Enterprise Registration and Management, the Ministry of Industry and Commerce of Lao PDR.

In 2019, the Company has completed Initial Public Offering (IPO) process where additional 51,199,900 shares with par value of LAK 1,000 per share and selling price of LAK 1,050 per share were issued. Accordingly, the Company received the Certificate of Initial Public Offering (IPO) completion No.0006/LSCO on 29 May 2019 issued by Lao Securities Commission Office and the latest amendment of Business License No. 1084/ERM on 26 May 2022 issued by Department of Enterprise Registration and Management, the Ministry of Industry and Commerce of Lao PDR. The total 147,199,900 shares of the Company (under the ticker "VCL") have been officially listed on Lao Securities Exchange since 31 May 2019.

The principal activities of the Company per Business License are to develop and lease shopping malls and offices.

The Company's head office is located at Khouvieng Road, Nongchanh Village, Sisattanark District, Vientiane Capital, Lao PDR.

## BOARD OF DIRECTORS

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

| *Name* | *Position* | |
|---|---|---|
| Mr. He Jun | Chairman | Appointed on 29 May 2022 |
| Mr. Wang Wei Kun | Chairman | Resigned on 29 May 2022 |
| Ms. Orlathai Santikhongkha | Vice Chairman | |
| Mr. Li Xiao Dong | Member | Resigned on 29 May 2022 |
| Mr. Wang Wei Kun | Member | Appointed on 29 May 2022 |
| Mr. Boulapha Santikhongkha | Member | |
| Mr. Wu Xing Hua | Member | |
| Mr. Sun Fei Hu | Member | |
| Mr. Luo Xiao Dong | Member | |
| Mr. Xiao Yong | Member | |
| Mr. Zhang Tian Yi | Member | |
| Mr. Viengsavanh Phanthaly | Member | |
| Mr. Joexiong Bouasynengma | Member | |

## MANAGEMENT

Members of the Management during the year and at the date of this report are:

| *Name* | *Position* | |
|---|---|---|
| Mr. Wang Wei Kun | Chief Executive Director | Appointed on 29 May 2022 |
| Mr. Li Xiao Dong | Chief Executive Director | Resigned on 29 May 2022 |
| Mr. Wu Xing Hua | Chief Operating Officer | |
| Mr. Luo Xiao Dong | Chief Financial Officer | Appointed on 29 May 2022 |
| Mr. Sun Fei Hu | Chief Financial Officer | Resigned on 29 May 2022 |

GENERAL INFORMATION (continued)

## AUDIT COMMITTEE

Members of the Audit committee during the year and at the date of this report are:

| *Name* | *Position* | |
|---|---|---|
| Mr. He Jun | Head | Appointed on 29 May 2022 |
| Mr. Luo Xiao Dong | Head | Resigned on 29 May 2022 |
| Mr. Zhang Tian Yi | Member | Appointed on 29 May 2022 |
| Mr. Joexiong Bouasynengma | Member | Resigned on 29 May 2022 |
| Mr. Viengsavanh Phanthaly | Member | Appointed on 29 May 2022 |

## LEGAL REPRESENTATIVE

The Company's legal representative for the period from 1 January 2022 up to 29 May 2022 is Mr. Wang Wei Kun – Chairman and for period from 29 May 2022 to date of this report is Mr. He Jun – Chairman.

Mr. Wang Wei Kun is authorised to sign the accompanying interim financial statements for the nine-month period ended 30 September 2022 in accordance with the Letter of Authorisation date on 1 November 2017.

## AUDITORS

The auditors of the Company are Ernst & Young Lao Co., Ltd.

# Vientiane Center Lao Public Company

REPORT OF MANAGEMENT

Management of Vientiane Center Lao Public Company ("the Company") is pleased to present its report and the interim financial statements of the Company for the nine-month period ended 30 September 2022.

## MANAGEMENT'S RESPONSIBILITY IN RESPECT OF THE INTERIM FINANCIAL STATEMENTS

Management is responsible for the interim financial statements of each financial period which gives a true and fair view of the interim financial position of the Company and of its interim results of operations and interim cash flows for the period. In preparing those interim financial statements, management is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements 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 interim financial statements; and
- prepare the interim 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 to ensure that the accounting records comply with accounting policies applied. It is also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

## STATEMENT BY MANAGEMENT

Management does hereby state that, in its opinion, the accompanying interim financial statements are prepared in accordance with the accounting policies as described in Note 3 to the interim financial statements.

On behalf of management:

Mr. Wang Wei Kun
Executive Director

Vientiane Capital, Lao PDR

26 October 2022

# Vientiane Center Lao Public Company

## INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the nine-month period ended 30 September 2022

| | Notes | *For the nine-month period ended 30 September 2022 LAK* | *For the nine-month period ended 31 September 2021 LAK* |
|---|---|---|---|
| Revenue | 4 | 6,508,527,685 | 6,255,013,937 |
| Other operating incomes | | 1,655,078,392 | 1,116,838,593 |
| **Gross income** | | **8,163,606,077** | **7,371,852,530** |
| Operating expenses | 5 | (3,680,365,105) | (1,752,454,865) |
| Valuation gain from investment property | | - | - |
| **Operating profit** | | **4,483,240,972** | **5,619,397,665** |
| Financial incomes | 6 | 948,249,651 | 785,018,584 |
| Financial expenses | 7 | - | (1,704,837,604) |
| **Profit before tax** | | **5,431,490,623** | **4,699,578,645** |
| Profit tax expense | 8 | (913,298,475) | (913,298,475) |
| **Profit for the period** | | **4,518,192,148** | **3,786,280,170** |
| **Other comprehensive income for the period, net of tax** | | - | - |
| **Total comprehensive income for the period, net of tax** | | **4,518,192,148** | **3,786,280,170** |
| *Earnings per share* | | | |
| - *Basic profit for the period attributable to ordinary equity holders* | *18* | *30.69* | *25.72* |

Prepared by:

Mr. Luo Xiao Dong
Chief Financial Officer

Vientiane Capital, Lao PDR

26 October 2022

Reviewed by:

Mr. Wang Wei Kun
Executive Director

# Vientiane Center Lao Public Company

INTERIM STATEMENT OF FINANCIAL POSITION
as at 30 September 2022

| | Notes | 30 September 2022 LAK | 31 December 2021 LAK |
|---|---|---|---|
| **ASSETS** | | | |
| **CURRENT ASSETS** | | | |
| Cash | 9 | 6,898,364,293 | 3,384,656,995 |
| Trade and other receivables | 10 | 802,757,512 | 807,835,094 |
| **Total current assets** | | **7,701,121,805** | **4,192,492,089** |
| **NON-CURRENT ASSETS** | | | |
| Investment property | 11 | 195,659,520,000 | 195,659,520,000 |
| Tangible fixed assets | | 298,341,192 | 325,019,848 |
| **Total non-current assets** | | **195,957,861,192** | **195,984,539,848** |
| **TOTAL ASSETS** | | **203,658,982,997** | **200,177,031,937** |
| **EQUITY AND LIABILITIES** | | | |
| **LIABILITIES** | | | |
| **CURRENT LIABILITIES** | | | |
| Trade and other short-term payables | 12 | 8,026,151,348 | 6,842,806,011 |
| **Total current liabilities** | | **8,026,151,348** | **6,842,806,011** |
| **NON-CURRENT LIABILITIES** | | | |
| Trade and other long-term payables | 12 | 2,768,143,165 | 4,429,029,065 |
| Deferred tax liabilities | 8 | 8,524,929,791 | 7,611,631,316 |
| **Total non-current liabilities** | | **11,293,072,956** | **12,040,660,381** |
| **Total liabilities** | | **19,319,224,304** | **18,883,466,392** |
| **EQUITY** | | | |
| Share capital | 13 | 147,199,900,000 | 147,199,900,000 |
| Share premium | | 2,559,995,000 | 2,559,995,000 |
| Regulatory reserve fund | | 3,982,606,814 | 3,530,787,599 |
| Business expansion fund | | 3,982,606,814 | 3,530,787,599 |
| Retained earnings | | 26,614,650,065 | 24,472,095,347 |
| **Total equity** | | **184,339,758,693** | **181,293,565,545** |
| **TOTAL LIABILITIES AND EQUITY** | | **203,658,982,997** | **200,177,031,937** |

Prepared by:

Mr. Luo Xiao Dong
Chief Financial Officer

Reviewed by:

Mr. Wang Wei Kun
Executive Director

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Vientiane Center Lao Public Company

Vientiane Capital, Lao PDR

26 October 2022

## Vientiane Center Lao Public Company

INTERIM STATEMENT OF CHANGES IN EQUITY
for the nine-month period ended 30 September 2022

| | *Share capital LAK* | *Share premium LAK* | *Regulatory reserve fund LAK* | *Business expansion fund LAK* | *Retained earnings LAK* | *Total LAK* |
|---|---|---|---|---|---|---|
| **Balance as at 1 January 2021** | **147,199,900,000** | **2,559,995,000** | **2,726,548,069** | **2,726,548,069** | **19,878,177,864** | **175,091,169,002** |
| Net profit during the period | - | - | - | - | 3,786,280,169 | 3,786,280,169 |
| Dividend declared | - | - | - | - | (1,839,998,750) | (1,839,998,750) |
| Appropriation of profit to reserves | - | - | 378,628,017 | 378,628,017 | (757,256,034) | - |
| **Balance as at 30 September 2021** | **147,199,900,000** | **2,559,995,000** | **3,105,176,086** | **3,105,176,086** | **21,067,203,249** | **177,037,450,421** |
| **Balance as at 1 January 2022** | **147,199,900,000** | **2,559,995,000** | **3,530,787,599** | **3,530,787,599** | **24,472,095,347** | **181,293,565,545** |
| Net profit during the period | - | - | - | - | 4,518,192,148 | 4,518,192,148 |
| Dividend declared | - | - | - | - | (1,471,999,000) | (1,471,999,000) |
| Appropriation of profit to reserves | - | - | 451,819,215 | 451,819,215 | (903,638,430) | - |
| **Balance as at 30 September 2022** | **147,199,900,000** | **2,559,995,000** | **3,982,606,814** | **3,982,606,814** | **26,614,650,065** | **184,339,758,693** |

Prepared by:

Mr. Luo Xiao Dong
Chief Financial Officer

Vientiane Capital, Lao PDR

26 October 2022

Reviewed by:

Mr. Wang Wei Kun
Executive Director

# Vientiane Center Lao Public Company

INTERIM STATEMENT OF CASH FLOWS
for the nine-month period ended 30 September 2022

| | Notes | *For the nine-month period ended 30 September 2022* LAK | *For the nine-month period ended 30 September 2021* LAK |
|---|---|---|---|
| **OPERATING ACTIVITIES** | | | |
| **Profit before tax** | | **5,431,490,623** | **4,699,578,645** |
| *Adjustments for:* | | | |
| Depreciation charged during the year | | 26,678,655 | 15,193,807 |
| Interest expense | 7 | - | 1,704,837,604 |
| *Working capital adjustments:* | | | |
| Changes in receivables | | 5,077,582 | (788,314,246) |
| Changes in payables | | (477,540,563) | (727,852,957) |
| Profit tax paid | | - | (8,459,341) |
| **Net cash flows from operating activities** | | **4,985,706,297** | **4,894,983,512** |
| **INVESTING ACTIVITIES** | | | |
| Purchase of tangible fixed assets | | - | (344,545,454) |
| **Net cash flows used in investing activities** | | **-** | **(344,545,454)** |
| **FINANCING ACTIVITIES** | | | |
| Dividend payment | | (1,471,999,000) | (1,839,998,750) |
| **Net cash flows used in financing activities** | | **(1,471,999,000)** | **(1,839,998,750)** |
| **Net increase in cash during the period** | | **3,513,707,297** | **2,710,439,308** |
| **Cash at the beginning of the period** | | **3,384,656,996** | **22,497,520,522** |
| **Cash at the end of the period** | 9 | **6,898,364,293** | **25,207,959,830** |

Prepared by:

Mr. Luo Xiao Dong
Chief Financial Officer

Reviewed by:

Mr. Wang Wei Kun
Executive Director

Vientiane Capital, Lao PDR

26 October 2022

## 1. CORPORATE INFORMATION

Vientiane Center Lao Public Company ("the Company") was established in accordance with the Business License No. 1169/ERM dated 30 November 2017 issued by the Department of Enterprise Registration and Management, the Ministry of Industry and Commerce of Lao PDR.

In 2019, the Company has completed Initial Public Offering (IPO) process where additional 51,199,900 shares with par value of LAK 1,000 per share and selling price of LAK 1,050 per share were issued. Accordingly, the Company received the Certificate of Initial Public Offering (IPO) completion No.0006/LSCO on 29 May 2019 issued by Lao Securities Commission Office and latest amendment of Business License No. 1084/ERM on 26 May 2022, issued by Department of Enterprise Registration and Management, the Ministry of Industry and Commerce of Lao PDR. The total 147,199,900 shares of the Company (under the ticker "VCL") have been officially listed on Lao Securities Exchange since 31 May 2019.

The principal activities per Business License of the Company are to develop and lease shopping malls and offices.

The Company's head office is located at Khouvieng Road, Nongchanh Village, Sisattanark District, Vientiane Capital, Lao PDR.

## 2. BASIS OF PREPARATION

### 2.1 *Basis of preparation*

According to the Accounting Law No.47/NA dated 26 December 2013, public interest entities, including listed companies should apply International Financial Reporting Standards ("IFRS") in preparing their annual financial statements, starting from 2017. In accordance with the Official Letter No. 1137/MOF dated 27 April 2020 by the Ministry of Finance, public interest entities are allowed to delay the application of IFRS until 1 January 2026.

For the nine-month period ended 30 September 2022, the Company has prepared its interim financial statements in accordance with the accounting policies as set out in Note 3 to the interim financial statements. The interim financial statements, presented in Lao Kip ("LAK"), have been prepared using the historical cost convention except for investment property that has been measured at fair value.

These accounting policies are not intended to present the interim financial position, the interim results of operations and the interim cash flows of the Company in accordance with international generally accepted accounting principles.

***Fiscal year***

The Company's fiscal years start on 1 January and end on 31 December.

### 2.2 *Significant accounting judgements, estimates and assumptions*

The preparation of the Company's interim financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Estimates and assumptions are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

## 2. BASIS OF PREPARATION (continued)

### 2.2 *Significant accounting judgements, estimates and assumptions* (continued)

**Judgements**

In the process of applying the Company's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the interim financial statements:

***Classification of property***

The Company determines whether a property is classified as investment property or inventory property:

- Investment property comprises land and buildings (principally offices, and retail property) that are not occupied substantially for use by, or in the operations of, the Company, nor for sale in the ordinary course of business, but are held primarily to earn rental income and capital appreciation. These buildings are substantially rented to tenants and not intended to be sold in the ordinary course of business.

- Inventory property comprises property that is held for sale in the ordinary course of business. Principally, this is residential property that the Company develops and intends to sell before, or on completion of, construction.

As of 30 September 2022, the Company only has investment property presented in Note 11.

***Operating lease contracts – the Company as lessor***

The Company has entered into commercial property leases on its investment property. The Company has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

**Estimates and assumptions**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the interim financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

***Valuation of investment property***

The fair value of investment property is determined by real estate valuation experts using recognised valuation techniques and the principles as disclosed in Note 11.

## 2. BASIS OF PREPARATION (continued)

### 2.2 *Significant accounting judgements, estimates and assumptions* (continued)

**Estimates and assumptions**

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to taxable income and expenses already recorded. The Company establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authority of Lao PDR. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulation by the taxable entity and the responsible tax authority. Such differences in interpretation may arise depending on the conditions prevailing in Lao PDR.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 3.1 *Current versus non-current classification*

The Company presents assets and liabilities in the interim statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realized within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

The Company classifies all other assets as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Company classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

### 3.2 *Fair value measurement*

The Company measures investment properties at fair value at each reporting date. The Company does not have financial instruments measured at fair value. Fair value related disclosures for items measured at fair value or where fair values are disclosed, are summarised in the following notes:

| | |
|---|---|
| ▸ Accounting policy disclosures | *Note 3.5* |
| ▸ Valuation methods, significant estimates and assumptions | *Note 11* |
| ▸ Investment property | *Note 11* |

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 3.2 *Fair value measurement* (continued)

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the interim financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the interim financial statements at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

### 3.3 *Taxes*

*Current profit tax*

Current profit tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, by the reporting date.

Current profit tax relating to items recognized directly in equity is recognized in equity and not in the interim statement of comprehensive income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### *3.3 Taxes* (continued)

*Deferred tax*

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporarily differences associated with investments in subsidiary where timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carried forward of unused tax credit and unused tax losses, to the extent that it is probable that taxable profits will be available against which deductible temporary differences, carried forward of unused tax credit and unused tax losses can be utilised, except:

- where the deferred tax asset arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporarily differences associated with investments in subsidiary deferred tax assets are recognised only to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profits will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Previously unrecognised deferred income tax assets are re assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset realised or the liability is settled based on tax rates and tax laws that have been enacted at the reporting date.

Deferred tax is charged or credited to the interim statement of profit or loss and other comprehensive income, except when it relates to items recognised directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority:

- either the same taxable entity;
- or when the Company intends either to settle current tax liabilities and assets on a net basis or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 3.3 *Taxes* (continued)

*Value added tax*

The value added tax of rental income and other income was computed using the applicable tax rate for the year.

Accounting policy for value added tax relating to Business Cooperation Contract ("BCC") is presented in Note 3.14.

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

### 3.4 *Foreign currencies*

The interim financial statements are presented in LAK, which is the Company's functional currency. Transactions in foreign currencies are initially recorded by the Company at exchange rates prevailing at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date.

Differences arising on settlement or translation of monetary items are taken to the interim statement of profit or loss and other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

### 3.5 *Investment property*

Investment property comprises completed property that is held to earn rentals or for capital appreciation or both. Property held under a lease is classified as investment property when it is held to earn rentals or for capital appreciation or both, rather than for sale in the ordinary course of business or for use in production or administrative functions.

Investment property is measured initially at cost, including transaction costs. Transaction costs include transfer taxes, professional fees for legal services and initial leasing commissions to bring the property to the condition necessary for it to be capable of operating. The carrying amount also includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met.

Subsequent to initial recognition, investment property is stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss and other comprehensive income in the period in which they arise, including the corresponding tax effect.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use.

Investment property is derecognised either when it has been disposed of or when it is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss and other comprehensive income in the period of derecognition.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### *3.6 Cash*

Cash comprises cash on hand and cash at bank.

### *3.7 Rent and other receivables*

Rent and other receivables are recognised at their original invoiced value except where the time value of money is material, in which case receivables are recognised at fair value and subsequently measured at amortised cost.

A provision is made when there is objective evidence that the Company will not be able to recover balances in full.

Balances are written off when the probability of recovery is assessed as being remote.

### *3.8 Tenant deposits*

Tenant deposits liabilities are initially recognised at fair value and subsequently measured at amounts to be paid in the future.

Any difference between the initial fair value and the nominal amount is included as a component of operating lease income and recognised on a straight-line basis over the lease term.

### *3.9 Interest bearing loans and borrowings*

All loans and borrowings are initially recognised at amount received less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amounts to be paid in the future. The interest raising from loans and borrowings are calculated using nominal interest rate defined in contracts.

### *3.10 Leases*

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in the arrangement.

*Company as a lessor*

Leases in which the Company does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

### *3.11 Reserves*

In accordance with Article 156, Enterprise Law dated 26 December 2013, the Company is required to appropriate 10% of profit after tax each year into regulatory reserve fund. When this reserve fund reaches 50% of the registered capital, the Company may suspend such appropriation to reserve, unless otherwise provided by the by laws.

The appropriation of profit into business expansion fund is in accordance with Article 16 of the Company's Articles of Association. For the nine-month period ended 30 September 2022, the Company has appropriated 10% of profit to business expansion fund.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 3.12 *Revenue recognition*

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

The specific recognition criteria described below must also be met before revenue is recognized.

*Rental income*

The Company is the lessor in operating leases. Rental income arising from operating leases on investment property is accounted for on a straight-line basis over the lease terms and is included in revenue in the interim statement of profit or loss and other comprehensive income due to its operating nature, except for contingent rental income which is recognized when it arises.

Initial direct costs incurred in negotiating and arranging an operating lease are recognized as an expense over the lease term on the same basis as the lease income.

Tenant lease incentives are recognized as a reduction of rental revenue on a straight-line basis over the term of the lease. The lease term is the non-cancellable period of the lease together with any further term for which the tenant has the option to continue the lease, where, at the inception of the lease, the directors are reasonably certain that the tenant will exercise that option.

Amounts received from tenants to terminate leases or to compensate for dilapidations are recognized in the interim statement of profit or loss and other comprehensive income when the right to receive them arises.

*Other operating income*

Other operating income comprises income from renting billboards and event hall, which is recognized in the period the services is provided.

*Income from Business Cooperation Contract ("BCC")*

Income from Business Cooperation Contract ("BCC") is recognized in accordance with accounting policy presented in Note 3.14.

*Interest income*

Interest income is recognized as it accrues using the effective interest rate (EIR) method. The EIR is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. Interest income is included in finance income in the interim statement of profit or loss and other comprehensive income.

### 3.13 *Borrowing costs*

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### *3.14 Business Cooperation Contract ("BCC") in the form of jointly controlled operation*

Business Cooperation Contract is an operation that does not constitute a new entity. Partners of the BCC are obliged and entitled to the benefit as stated in the contractual agreement. Activities of the BCC are carried out simultaneously with ordinary operations of partners.

The Company recognises its revenue from BCC and relevant value added tax obligation based on net income of the contract, being the difference between total income and the income portion belonging to the other partner of the BCC.

The value added tax obligation raising from the contract was declared and paid on net amount received by the Company.

Details of the operation that the Company is currently having are presented in Note 4.

### *3.15 Deferred revenue*

Deferred revenue is a liability on the Company's interim statement of financial position that represents a prepayment, directly or indirectly to the Company, by its customers for goods or services that have yet to be delivered. Deferred revenue is recognized as earned revenue on the interim statement of profit or loss and other comprehensive income as the good or service is delivered to the customer.

### *3.16 Earnings per share*

Basic earnings per share amounts are calculated by dividing net profit/(loss) after tax for the year attributable to ordinary shareholders of the Company (after adjusting for the bonus and welfare fund) by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are not caculated and presented.

### *3.17 Related party transactions*

Related parties comprise enterprises and individuals that control, or are controlled by, the Company, whether directly or indirectly, or which are under common control with the Company.

They also include associated companies and individuals which directly or indirectly own a voting interest in the Company that gives them significant influence over the Company, key management personnel, directors, and officers with authority in the planning and direction of operations of the Company.

### *3.18 Segment information*

A segment is a component determined separately by the Company which is engaged in providing products or related services (business segment) or providing products or services in a particular economic environment (geographical segment), that is subject to risks and returns that are different from those of other segments.

The Company's principal activities are to develop and lease shopping malls and offices. In addition, these activities are taking place within Lao PDR only. Therefore, the Company's risks and returns are not impacted by the Company's services that the Company is providing or the locations where the Company is doing the business. As a result, the Company's management is of the view that there is only one segment for business and geography and therefore presentation of segmental information is not required.

## 4. REVENUE

| | *For the nine-month period ended 30 September 2022 LAK* | *For the nine-month period ended 31 September 2021 LAK* |
|---|---|---|
| Revenue from cooperation contract (*) | 1,291,430,992 | 344,004,562 |
| Rental and related incomes | 5,217,096,693 | 5,911,009,375 |
| | **6,508,527,685** | **6,255,013,937** |

(*) In accordance with the Cooperation Contract between the Company and Major Platinum Cineplex (Lao) Co., Ltd. (MAJOR), the Company contributes the 20-year lease term commencing from 7 August 2015 to 6 August 2035 of a part of its investment property into a joint cinema operation with MAJOR. The revenue from the cinemas operation is shared between the Company and MAJOR on a fixed rate determined in the Contract.

## 5. OPERATING EXPENSES

| | *For the nine-month period ended 30 September 2022 LAK* | *For the nine-month period ended 31 September 2021 LAK* |
|---|---|---|
| Depreciation expenses | 26,678,655 | 15,193,807 |
| Staff costs | 187,923,480 | 198,810,575 |
| Property management fee (*) | 2,465,584,787 | 1,165,782,968 |
| Others | 1,000,178,183 | 372,667,515 |
| | **3,680,365,105** | **1,752,454,865** |

(*) In October 2021, the Company and North Nongchan Complex Development Co., Ltd (NNCD) entered agreements on Vientiane Center property management fee. Accordingly, NNCD is contracted to provide property management service for 5,671.71 sqm retail and office space of Vientiane Center buildings with following rates:

- Shopping mall area 7$/sqm per month
- Office area 1$/sqm per month
- Other area 2$/sqm per month

## 6. FINANCIAL INCOMES

| | *For the nine-month period ended 30 September 2022 LAK* | *For the nine-month period ended 30 September 2021 LAK* |
|---|---|---|
| Net gain from foreign exchange difference | 948,249,651 | 2,604,159,462 |
| | **948,249,651** | **2,604,159,462** |

## 7. FINANCIAL EXPENSES

| | *For the nine-month period ended 30 September 2022 LAK* | *For the nine-month period ended 30 September 2021 LAK* |
|---|---|---|
| Interest expense from related parties | - | 1,704,837,604 |
| | **-** | **1,704,837,604** |

## 8. TAXATION

***Profit tax expense***

Under the new Income Tax Law No.67/NA dated 18 June 2019, which is effective on or after 1 January 2020, the normal profit tax ("PT") rate is 20%. In addition, the companies which are registered on Lao Stock Exchange shall be granted incentive rate at 13% for four years from the date of registration. Accordingly, the tax rate applicable for the Company in 2022 is 13%.

| | *For the nine-month period ended 30 September 2022 LAK* | *For the nine-month period ended 30 September 2021 LAK* |
|---|---|---|
| Current profit tax expenses | - | - |
| Deferred tax expenses | 913,298,475 | 913,298,475 |
| | **913,298,475** | **913,298,475** |

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 interim financial statements could change at a later date upon final determination by the tax authorities.

| | *For the nine-month period ended 30 September 2022 LAK* | *For the nine-month period ended 30 September 2021 LAK* |
|---|---|---|
| **Profit before tax** | **5,431,490,623** | **4,699, 578,645** |
| Tax rate | 13% | 13% |
| Profit tax expense | 706,093,781 | 610,945,224 |
| **Adjustments to increase/(decrease) Profit tax** | | |
| Non-deductible interest expense | - | 221,628,888 |
| Unrealised foreign exchange gains | - | 80,724,363 |
| Tax losses with no deferred tax assets recognised (*) | 207,204,694 | - |
| **Profit tax expense** | **913,298,475** | **913,298,475** |

(*) The estimated tax losses have not been finalised by the local tax authorities as of the date of these interim financial statements. No deferred tax assets have been recognised in respect of these tax losses because future taxable profit cannot be ascertained at this stage.

## 8. TAXATION (continued)

***Current tax***

The current profit tax payable is based on taxable profit for the current period. The taxable income of the Company for the year differs from the profit as reported in the interim statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are not taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted by the reporting date.

***Deferred tax***

The table below presents the deferred tax liabilities recognised by the Company, and the movements thereon, during the current and previous periods.

*Currency: LAK*

| | *Statement of financial position* | | *Statement of profit or loss and other comprehensive income* | |
|---|---|---|---|---|
| | *30 September 2022* | *31 December 2021* | *For the nine-month period ended 30 September 2022* | *For the nine-month period ended 30 September 2021* |
| ***Deferred tax liabilities*** | | | | |
| Difference between tax base and accounting base relating to investment property | 8,524,929,791 | 7,611,631,316 | 913,298,475 | 913,298,475 |
| ***Net deferred tax liabilities*** | ***8,524,929,791*** | ***7,611,631,316*** | | |
| ***Net deferred tax charged to statement of profit or loss*** | | | ***913,298,475*** | **913,298,475** |

## 9. CASH

| | *30 September 2022 LAK* | *31 December 2021 LAK* |
|---|---|---|
| Cash on hand | 1,811,500 | 11,526,254 |
| Cash at banks | 6,896,552,793 | 3,373,130,741 |
| | **6,898,364,293** | **3,384,656,995** |

## 10. TRADE AND OTHER RECEIVABLES

| | *30 September 2022 LAK* | *31 December 2021 LAK* |
|---|---|---|
| Receivables from tenants | 974,202,482 | 979,280,064 |
| Less: Provision for doubtful debt | (171,444,970) | (171,444,970) |
| | **802,757,512** | **807,835,094** |

## 11. INVESTMENT PROPERTY

On 30 November 2017, the parent company - NNCD transferred to the Company a lease property ("the investment property – 1st component") comprising retail and office space with a combined area of 9,607.88 sqm.

On 1 January 2020, the Company received the transfer of additional 1,709.5 sqm in the 2nd, 4th, 5th and 8th floor (the investment property - 2nd component) of the Vientiane Center buildings from NNCD under the purchase contract between two companies.

For the nine-month period ended 30 September 2022

| | *Total LAK* |
|---|---|
| **As at 1 January 2022** | **195,659,520,000** |
| **As at 30 September 2022** | **195,659,520,000** |

For the year ended 31 December 2021

| | *Total LAK* |
|---|---|
| **As at 1 January 2021** | **194,125,161,160** |
| **As at 30 September 2021** | **194,125,161,160** |

### *11.1 Cost of the investment property*

*Cost of the investment property – 1st component*

Detailed information of the investment property – 1st component is as follows:

- Part A: Retail and Office space on 1st, 2nd, 4th and 6th floors of Vientiane Center buildings with the area of 5,753.66 sqm (Unit No. A1003, A2003, A1012, A1017-2, A1018, A1021, A1020, A1023, A1038, A2049, A4003-1, A4009, B4001, C1016, F6020 and F6027);
- Part B: Promotion Area and Office space on 1st, 6th, 7th and 9th Floors of Vientiane Center buildings with the area of 3,854.22 sqm (Unit No. A1007-1, F6001, F6002, F6003, F6004, F6005, F6006, F6007, F6008, F6009-1, F6009-2, F6010 to F6015, F6016-1, F6016-2, F6017, F6018, F6019, F6021 to F6026, F6028 to F6031, F6032-1, F6032-2, F6033 to F6049, F7004 to F7010, F9001 to F9012 and A1000).

## 11. INVESTMENT PROPERTY (continued)

### *11.1 Cost of the investment property* (continued)

*Cost of the investment property – 1st component* (continued)

The investment property – 1st component is located at Khouvieng Road, Nongchanh Village, Sisattanark District, Vientiane Capital, Lao PDR. The full lease period is 50 years and can be extended for further 20 years, started from 29 September 2010 in accordance with Land Concession Contract on 29 September 2010, the Additional Land Concession Contract on 29 April 2014 and the Concession Licence on 8 May 2014 issued by Vientiane Capital Authority to NNCD. NNCD also received the Land Certificate on 4 April 2014 from Department of Natural Resources and Environment, Vientiane Capital.

The Company initially recognised the investment property – 1st component at cost, being the price agreed between the Company and NNCD. Such price was determined based on the Valuation report on 26 March 2018, issued by Sims Property Consultants Company Limited, an external consultant from Thailand, according to which the total value of this investment property was as follow:

- Part A: 95,999,200,000 LAK with 62.87 years leasehold;
- Part B: 64,232,500,000 LAK with 62.87 years leasehold.

*Cost of the investment property – 2nd component*

The purchase price of the investment property – 2nd component is at LAK 30,198,788,739 (inclusive VAT at 10%). The investment property – 2nd component consist of 14 units located in the 2nd, 4th, 5th and 8th floor of the same office building of the investment property – 1st component.

### *11.2 Fair value measurement – investment property*

The company's valuation policies and procedures for property valuations are proposed by the management team, while determined by the audit committee. Each year, the management team recommends, and the audit committee appoints an internal/external valuer who is responsible for the valuation of the Company's property for the purpose of determining its fair value in the annual financial statements. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. Valuers are normally rotated every three years.

*Changes in valuation techniques*

As of 30 September 2021, the fair value of the investment property - 1st component and the investment property – 2nd was determined based the normalised net operating income generated by the property, which is divided by the capitalisation (discount) rate. The Company then believes that the DCF method provides better transparency than income capitalisation method and has, therefore, decided to change the valuation method when preparing the financial statements for the year ended 31 December 2021 and the nine-month period ended 30 September 2022. This change in valuation method is applied prospectively as it is a change in estimate.

## 11. INVESTMENT PROPERTY (continued)

### *11.2 Fair value measurement – investment property* (continued)

*For the nine-month period ended 30 September 2021*

Both the investment property - 1st component and the investment property – 2nd component are valued using the income capitalisation method, where a property's fair value is estimated based on the normalised net operating income generated by the property, which is divided by the capitalisation (discount) rate. The fair value was determined based on the Valuation report on 25 January 2021, issued by Lao International Asset Appraisal Co., Ltd. In the income capitalisation method, the income-producing capacity of a property is estimated by using contract rents on existing leases and by estimating market rent from rental activity at competing properties for the vacant space. Deductions are then made for vacancy and collection loss and operating expenses. The resulting net operating income is divided by an overall capitalization rate to derive an opinion of value for the subject property. The capitalization rate represents the relationship between net operating income and value.

The Company assessed that the fair value of the investment property – 1st component and the investment property – 2nd component as at 30 September 2021 has remained the same compared to its fair value as at 31 December 2020.

*For the year ended 31 December 2021*

Both the investment property - 1st component and the investment property – 2nd component are valued using a discounted cash flow (DCF) method. The fair value was determined based on the Valuation report on 14 March 2022, issued by Lao International Asset Appraisal Co., Ltd.

Under the DCF method, fair value is estimated using assumptions regarding the benefits and liabilities of ownership over the asset's life including an exit or terminal value. This method involves the projection of a series of cash flows on a real property interest. For this projected cash flow series, an appropriate, market-derived discount rate is applied to establish the present value of the income stream associated with the asset. The exit yield is normally separately determined and differs from the discount rate.

The duration of the cash flows and the specific timing of inflows and outflows are determined by events such as rent reviews, lease renewal and related re-letting, redevelopment, or refurbishment. The appropriate duration is typically driven by market behaviour that is a characteristic of the class of real property. Periodic cash flow is typically estimated as gross income less vacancy, non-recoverable expenses, collection losses, lease incentives, maintenance cost, agent and commission costs and other operating and management expenses. The series of periodic net operating income, along with an estimate of the terminal value anticipated at the end of the projection period, are then discounted.

Accordingly, the fair value of the Company's investment properties was measured at LAK195,659,520,000 as of 31 December 2021.

*For the nine-month period ended 30 September 2022*

The Company used their internal team to review the fair value of its investment properties and assessed that the fair value of the investment property – 1st component and the investment property – 2nd component as at 30 September 2022 has remained the same compared to its fair value as at 31 December 2021.

## 11. INVESTMENT PROPERTY (continued)

### 11.3 *Fair value hierarchy*

The following table show an analysis of the fair values of investment property recognised in the statement of financial position by fair value hierarchy:

| | *Fair value* | | | | |
|---|---|---|---|---|---|
| | *Quoted prices in active markets (Level 1)* | *Significant observable input (Level 2)* | *Significant unobservable inputs (Level 3)* | *Total* | *Total gain in the period in the statement of profit or loss* |
| | *LAK* | *LAK* | *LAK* | *LAK* | *LAK* |
| **30 September 2022** | | | | | |
| Investment property | | | 195,659,520,000 | 195,659,520,000 | |
| | | | **195,659,520,000** | **195,659,520,000** | |
| **30 September 2021** | | | | | |
| Investment property | - | - | 194,125,161,160 | 194,125,161,160 | - |
| | **-** | **-** | **194,125,161,160** | **194,125,161,160** | **-** |

There were no transfers between Levels 1, 2 or 3 during the nine-month period ended 30 September 2022.

### 11.4 *Valuation techniques used to derive fair values*

The following table shows the valuation techniques used in measuring the fair value of the investment property - 1st component and the investment property – 2nd component, as well as the significant unobservable inputs used:

| *Valuation technique* | *Significant unobservable inputs* | *Inter-relationship between key unobservable inputs and fair value measurement* |
|---|---|---|
| Discounted cash flows: the valuation model considers the present value of net cash flows to be generated from the property, taking into account the rental price escalation rate for Retail space and Office space, occupancy rate, operating cost and other expenses.<br><br>The expected net cash flows are discounted using risk-adjusted discount rates. Among other factors, the discount rate estimation considers the quality of the building and its location, tenant credit quality and lease terms. | ▸ Rental price escalation rate for Retail space and Office space:<br>- Retail space: 2% per annum from 2023 to 2080<br>- Office space:2% per annum from 2023 to 2080<br>▸ Occupancy rate<br>- Retail Space: 80%<br>- Office Space: 70%<br>▸ Risk-adjusted discount rate is at 9.65% (risk free rate plus risk premium). | The estimated fair value would increase/ (decrease) if:<br>▸ Rental price escalation rate for Retail space and Office were higher (lower);<br>▸ The occupancy rate was higher (lower);<br>▸ The risk-adjusted discount rate was lower (higher). |

## 12. TRADE AND OTHER PAYABLES

### Trade and other short-term payables

| | *30 September 2022 LAK* | *30 December 2021 LAK* |
|---|---|---|
| Payables to related parties *(Note 14)* | 426,804,922 | 558,557,792 |
| Profit tax payable | 391,669,380 | 391,669,380 |
| Deferred revenue from tenants – short term | 3,650,330,602 | 3,202,109,289 |
| Value added tax payable | 671,099,734 | 668,899,411 |
| Deposit from tenants | 2,556,498,521 | 1,871,720,576 |
| Others | 329,748,189 | 149,849,563 |
| | **8,026,151,348** | **6,842,806,011** |

### Trade and other long-term payables

| | *30 September 2022 LAK* | *31 December 2021 LAK* |
|---|---|---|
| Deferred revenue from tenants - long term | 2,768,143,165 | 4,429,029,065 |
| | **2,768,143,165** | **4,429,029,065** |

## 13. SHARE CAPITAL

| | *30 September 2022* | | *31 December 2021* | |
|---|---|---|---|---|
| | *Quantity* | *Amount (LAK)* | *Quantity* | *Amount (LAK)* |
| **Issued and paid-up shares** | | | | |
| Ordinary shares | 147,199,900 | 147,199,900,000 | 147,199,900 | 147,199,900,000 |

In 2019, the Company has completed IPO process offering where additional 51,199,900 shares with par value of LAK 1,000 per share and selling price of LAK 1,050 per share were issued. Accordingly, the Company received the Certificate of Initial Public Offering (IPO) completion No.0006/LSCO on 29 May 2019 issued by Lao Securities Commission Office and Business License No. 0833/ERM on 29 May 2019 issued by Department of Enterprise Registration and Management, the Ministry of Industry and Commerce of Lao PDR.

After the IPO, the total 147,199,900 shares of the Company (under the ticker "VCL") have been officially listed on Lao Securities Exchange since 31 May 2019.

## 14. RELATED PARTY TRANSACTIONS

The Company had transactions with the following related party during the period:

| *Related parties* | *Relationship* | *Country of incorporation* |
|---|---|---|
| North Nongchan Complex Development Co., Ltd | Shareholder | Lao PDR |

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

| *Related parties* | *Nature of transaction* | *For the nine-month period ended 30 September 2022* | *For the nine-month period ended 30 September 2021* |
|---|---|---|---|
| | | *LAK* | *LAK* |
| North Nongchan Complex Development Co., Ltd | Collection of rental fee and others on behalf of the Company | 427,596,911 | 35,782,250 |
| | Interest charged | - | (1,704,837,604) |
| | Settlement on behalf of the Company | (13,166,000) | (28,219,000) |
| | Property management fee charged | (2,465,584,787) | - |
| | Collection of management fee and others on behalf of NNCD | (619,281,603) | (307,854,525) |
| | Advance for property purchased | - | 10,000,000,000 |

## 14. RELATED PARTY TRANSACTIONS (continued)

*Terms and conditions*

Outstanding balances as at 30 September 2022 are unsecured and will be settled in cash. For the nine-month period ended 30 September 2022, the Company has not made any provision for doubtful debts relating to amounts owed by related parties (31 December 2021: nil).

Purchase and interest from related parties are made on the basis of contract negotiation.

Balances due from and due to related party as at 30 September 2022 and 31 December 2021 were as follows:

| *Related parties* | *Nature of transaction* | *31 September 2022* | *31 December 2021* |
|---|---|---|---|
| | | *LAK* | *LAK* |
| ***Trade and other payable*** *(Note 13)* | | | |
| North Nongchan Complex Development Co., Ltd | Net payables | 426,804,922 | 558,557,792 |
| | | **426,804,922** | **558,557,792** |

## 15. CAPITAL MANAGEMENT

Capital of the Company includes equity, loans, trade and other payables.

The primary objective of the Company's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholder value.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or increase equity capital.

The Company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt.

| | *30 September 2022 LAK* | *31 December 2021 LAK* |
|---|---|---|
| Total liabilities | 19,319,224,304 | 18,883,466,392 |
| Less: cash | (6,898,364,293) | (3,384,656,995) |
| **Net debt** | **12,420,860,011** | **15,498,809,397** |
| Equity | 184,339,758,693 | 181,293,565,545 |
| **Capital and net debt** | **197,502,684,804** | **196,792,374,942** |
| Gearing ratio | 6% | 8% |

The adequacy of the gearing ratio is reviewed and determined by the management annually.

## 16. COMMITMENTS

The Company lets out retail space and office space under operating lease arrangements. The future minimum rental receivables as at 30 September 2022 and 31 December 2021 under the operating lease agreements are as follows:

| | *30 September 2022 LAK* | *31 December 2021 LAK* |
|---|---|---|
| Less than 1 year | 5,921,299,633 | 2,406,300,134 |
| From 1-5 years | 7,158,949,718 | 2,085,396,962 |
| More than 5 years | - | - |
| **TOTAL** | **13,080,249,351** | **4,491,697,096** |

## 16. COMMITMENTS (continued)

***Commitments under BCC***

In accordance with the Cooperation Contract between the Company and Major Platinum Cineplex (Lao) Co., Ltd. (MAJOR), the Company contributes the 20-year lease term commencing from 7 August 2015 to 6 August 2035 of a part of its investment property into a joint cinema operation with MAJOR. The revenue from the cinemas operation is shared between the Company and MAJOR on a fixed rate determined in the Contract. Accordingly, MAJOR has to pay to the Company as follows:

- Area A:
  - (i) Shared revenue of gross box office and,
  - (ii) Shared revenue of concession.
- Area B:
  - (i) Shared revenue of bowling including related equipment rentals or sales,
  - (ii) Shared revenue of foods and beverage sales from bowling facilities and from any karaoke area that MAJOR may operate.
- Other: fixed monthly charge.

The Company shall not have right to terminate the BCC prior the expiration of the lease term, unless (i) there is a material breach by MAJOR; or (ii) there is the event of force majeure circumstances; or (iii) either party files for bankruptcy or goes into liquidation.

## 17. SEGMENT INFORMATION

As disclosed in Note 3.18, the Company's management is of the view that there is only one segment for business and geography and therefore presentation of segmental information is not required.

## 18. EARNINGS PER SHARE

The following reflects the income and share data used in the basic and diluted earnings per share computation:

| | *For the nine-month period ended 30 September 2022* | *For the nine-month period ended 30 September 2021* |
|---|---|---|
| Net profit attributable to ordinary shareholders in LAK | 4,518,192,148 | 3,786,280,170 |
| Weighted average number of ordinary shares | 147,199,900 | 147,199,900 |
| **Basic earnings per share** | **30.69** | **25.72** |

## 19. EVENTS AFTER THE REPORTING DATE

There is no matter or circumstance that has arisen after 30 September 2022 that requires adjustment or disclosure to be made in the interim financial statements of the Company.

Prepared by:

Mr. Luo Xiao Dong
Chief Financial Officer

Reviewed by:

Mr. Wang Wei Kun
Executive Director

Vientiane Capital, Lao PDR

26 October 2022