LALCO

LAO ASEAN LEASING PUBLIC COMPANY

Half year Report 2020

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Lao ASEAN Leasing Public Company

1. Issuing Company

1.1. General Information of Company

Company Name	:	Lao ASEAN Leasing Public Company
Business type	:	Financial Leasing non-real estate
Symbol	:	LALCO
Registered Office	:	Phonesinuan village, Sisattanak district, Vientiane capital city, Lao P.D.R
Enterprise registration certificate	:	0222/ERC
Enterprise Tax certificate	:	534675249-9-00
Email	:	info@lalco.la
Website	:	www.lalco.la
Telephone	:	(856) 21 255 557, (856) 30 505 6685

1.2. Company Background

Lao ASEAN Leasing Public Company (hereinafter "the Company" or "LALCO"). The Company was established as a limited company on 05 February 2015 with the registered capital of LAK 8,040,000,000 divided into 100 shares and enterprise registration certificate No. 081/ERC. LALCO was established by three shareholders: BBHD Co., Ltd, which held 80 shares or 80% equal to LAK 6,432,000,000, Mr Somsouk Phimphachan held 10 shares or 10% of total equivalent to LAK 804,000,000 and Ogisaka International Ltd held 10 shares or 10% equal to LAK 804,000,000. LALCO has increased registered capital to LAK 24,120,000,000 from Bluebird Co., Ltd loan being turnover equivalent to 16,080,000,000 LAK in 2015 and divide into 300 shares. The Company also changed enterprise registration certificate to No. 728/ERC dated 13 October 2015 to two shareholders: LALCO Holding PTE CO., Ltd held 290 shares or 96.67% equal to LAK 23,316,000,000 and O International Co., Ltd held 10 shares or 3.33% equal to LAK 804,000,000. Both companies have many years of experience in doing business in the financial leasing sector in Lao and overseas.

Leasing business in Lao is a rapidly growing business, so leasing businesses in Lao must be licensed and operate under regulations issued by the Financial Institution Supervision Department of the Bank of Lao PDR. 29 companies leasing companies have been established and operate. Statistic December 2019, Financial Institution Supervision Department of the Bank of Lao PDR.

LALCO is a leasing business operating in Lao PDR, particularly retail finance (non- real estate), the Company mainly focuses on vehicles from Japanese brands including:

- Pick up and car brand: TOYOTA, ISUZU, HONDA, SUZUKI, NISSAN, MAZDA and others.
- Motorcycle brand: HONDA, SUZUKI, YAMAHA and others.

Currently, LALCO have three types of service: new cars and motorcycles, second hand cars and motorcycles and refinance for cars and motorcycles.

For Refinance service, the Company focuses on clients with a good payment history, most of the clients using the refinance service are old clients that have used LALCO services before. For new clients, LALCO must: check clients' credit history in detail, check clients' history with the clients head of village and check on credit with the information bureau system in Bank of Lao PDR program, to ensure thatclients will have the ability to repay.

The Company has been seen potential in the leasing sector in Lao PDR over the past years, so in 2014 it explored the feasibility and studied setting up a leasing business. The preliminary study showed, clients had limited access to capital for the purchase of vehicles for family use and business operations. When identifying this potential, the Company requested permission to establish and operate business at the end of 2014. The policy of the Company outlines that the managing director must have a vision for the Company to be the leader of car and motorcycle leasing services in leasing industrial sector in Lao. The Company has taken clients as the center of service by setting up strategic services following the Company's slogan " Lao ASEAN Service minded Conveniently fast High amount".

After receiving permission to establish and operate a business in 2015, the Company has been operating under the laws and regulations determined by the leasing business supervision organizations. Therefore, the products and services of the company are well known to customers, especially in Vientiane Capital. The results of performance over the past four years, are from loss LAK 17 billion in 2015 and the profit increase to LAK 88 billion in 2019. In addition, the Company has been approved an expansion for branches to open in provinces such as Luang Prabang, Savannakhet and Champasak in May 2018.

The Company mainly focuses on reaching clients and potential customers through direct call sales, advertisements using media and commercial advertisement campaigns targeting potential customers in populous locations, such as markets and trade fairs.

The Company converted into a public Company on 19 February 2019 , with a registered capital of LAK 24,120,000,000, 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 LALCO Holding PTE CO., Ltd, which the Company from Singapore totaling LAK 23,316,000,000 equal to 96.66376%, O International Co.,Ltd is a company from Cayman Islands held LAK 803,300,000 equal to 3.33330% and 7 others shareholders at approximately LAK 700,000 equal to 0.00294%.

Since the Company establishment, The Company had increased its registered capital onc. On the day of establishment, 05 February 2015, the registered capital was LAK 8,040,000,000. 13th of October 2015 the Company raised its registered capital to LAK 24,120,000,000. Currently, the company can expand its seven branches. The Company has been licensed to expand its branches twice, first on 21 May 2018 the Company was approved an expansion of its branches to three new provinces; Luang Prabang, Savannakhet and Champasak, approved by: Financial Institution Supervision Department, Bank of Lao PDRand Enterprise registration and Management Department Ministry of Industry and Commerce.

As of 17 December 2018, Enterprise Registration Certificate No. 1191/ERC, The Company has been granted permission to extend to four additional provinces: Houaphanh, Xieng Khouang, Bolikhamxay and Salavan.

2. Risk factor

To invest in business may involve risks. Before investing, the investors should carefully consider the risks and information described below in this prospectus. The following sections describe some risks that may arise, affecting the company and the value of investing. Though the Company is aware of all major risks, there may be other risk factors; that the Company does not anticipate that the Company is unable to recognize and other minor risks which may affect business; financial conditions, operating performance, and the projections. This prospectus also estimates the future business operations which come with risks and other uncertainties. The operating result may be completely different from the plan. The forecast of future operations can be affected by manyfactors, including risks that the company may face as described in this prospectus.

Lao is considered a Frontier Market and the investment in frontier stock markets can be risky. Apart from the company (qualities of management and asset, cash flow, financial liquidity, regulations and other related parties), the investors also need to be aware of factors in the stock market including: regulation, taxes, liquidity and costs related to trading transactions.

The investors need to consider to the following risks, as detailed, that may impact the company and the value of investment in the Company. Moreover, there will be other risks which the company may not be aware of or the risks that are not important for the company in the present, but may cause negative impact. Investors may lose a part or all of their capital.

The main factors which are involved with investment in common stock are compiled and detailed as follows.

2.1 Macro Risk

2.1.1 Macroeconomic risk

Leasing business has serious competition from new entrepreneurs, mostly from Financial Institution Companies, which have advantages from lower financial costs and a large amount of capital. Because of the high return rate, potential competitors include; commercial banks and affiliated companies, leasing companies and vehicle rental businesses and companies. This business doesn't need large investments in tools and equipment for operations. So, it attracts more and more new entrepreneurs to come into the industry. Beside the new entrepreneurs, there is competition from existing operators who use marketing strategies such as provision of: high rate borrowing, extending repayment terms and lower interest rates to attract customers.

Operating the business is not solely dependant on having enough capital. Having an experienced management, access to target customers, meeting customer demands, many branches, customer service centers in business areas, fast and efficient services, a large customer database, expertise in credit management and repayment controlling systems, all promote the Company's competitive advantage. Moreover, commercial banks and other companies will focus on providing leases to new vehicles or premium customers. The Company mainly focuses on; customers who'd like to buy new and second hand vehicles, medium to premium customers and only Japanese brand vehicles.

2.1.2 Currency risk

Doing business in Lao PDR, the dominant currency is Lao Kip (LAK). The Company sources of funds are mostly from offshore loans, so there will be the risk of forex loss when the exchange rate fluctuates and it will affect the Company debt repayments.

Therefore to reduce such a risk, the Company needs to look for more local sources in LAK currency or may also use forward exchange, but currently financial institutions do not provide such service for the LAK or there will be a high fee associate with the service. If necessary, the Company will take the high cost forward exchange into the consideration.

2.1.3 Risk on interest rate

The main revenue of the Company comes from lease interests, which are fixed rate till their maturity dates. When the interest rate in the market changes, it may affect the result of the Company's performance, if the Company has a cost of borrowing and has to pay for interest at a fixed rate, the operating result will be affected along with the ability to make profit.

However, the changing of interest rate in the market will affect all of the leasing industry. Currently the ratio of interest income and payment of the Company still has more space to generate increased profit for shareholders. Moreover, the interest rate is expected to decline in the short to medium term and after the Company is listed; it will have more capital and reduce future interest payment.

2.2 Financial risk

2.2.1 Marketing and competitive risk

The leasing business has a highly competitive environment because of high return, the number of competitors in this industry are increasing, resulting a higher risk of interest competition. However, in the past these factors have not directly affected the Company as the financial institutions will focus on customers who need a loan, while the Company is focusing on customers who have stable incomes. The Company also focuses on the qualities of before and after sales services; mainly fast service with high loan limit and approval within 1 day. There are a wide range of service access points and product designs to meet the demand of customers.

2.2.2 Risk from providing leases for second hand vehicles

Providing leases for second hand vehicles, the Company may face risks from technical checking and evaluation. If the Company is inefficient in evaluating the second hand vehicle before providing a lease for a customer, it will have a risk fromselling the vehicle if it is confiscated. The vehicle evaluation is dependent on the useful life, appearance and popularity of that vehicle.

To reduce these risks the Company selects staff, who are experts in vehicle selection to provide a lease to a customer, this not only helps to reduce the risk from vehicle quality but it also builds confidence from customers. Moreover, the Company also selects high standard second hand vehicle dealers, who offer the second hand vehicle at the suitable price, including guarantee and after-sales service.

2.3 Management and operational Risk

2.3.1 Risk by the Director

The quick success of the Company after its establishment only 5 years ago was because it was operated by experienced individuals, who have the expertise and are well-known in the industry. They play important roles in various departments such as marketing, credit management, collection and debt management. Without those experienced managers, the Company may face business operational risk.

This risk can be protected against, as the Company set up personnel development policies to train staff. The goal and direction of the Company's personnel development policies are to develop knowledge and skills of staff to meet the needs of the Company.

2.3.2 Risk from Controlling by major shareholders

After the IPO, the Company's major shareholder will be LALCO Holding Co., ltd with 77.33% and O-International Co., ltd with 2.66%. Between them covering 80% of the total vote from registered capital, which will take almost full control of shareholder's meeting resolutions, including the appointment of BOD or approval of other matters that require a majority in the shareholders' meeting, except agenda related to the Article of Association and laws. Therefore, other shareholders may face risk of not having enough votes to veto the votes of the major shareholders during the shareholders meeting.

For transparency and to reduce the risk in management by major shareholders, the Company has set up a BOD to balance the power of its members by having independent directors not less than one-third of the total numbers of directors. Independent directors provide comments and consider important issues. Directors who have conflict of interest with

2.3.3 Risk by the Computer system

Motorcycle leasing businesses are engaged with lots of information and data therefore, the management information base is needed. Information technology requires close control, a monitoring system, expertise and specialist skills to solve issues in case of an emergency. Risks associated with the computer system are: system programming, hardware, security software and information system.

The Company plans to prevent the above risk as follows:

- Application software: in case of emergency the Company has built a backup storage, located in a secured location. In addition, to make sure that the backup storage system is working properly, system testing is done twice a year.
- Hardware Control: There's a backup computer that supports the Company's server. the quality of this computer may be lower than the main computer but it is not placed in the same location as the server, Backup computers are placed in different branches. The backup computer works the same way as the main computer and is tested regularly.
- Data Risk: Equipment for data storage and to replace damaged equipment will be procured. The data gets backed up every day in external storage which located offsite or handed to the authorized person. Another backup system is also installed, in case the main storage is damaged.
- Security risks in accessing computer systems and data: The system will be accessed by the authorized personnel only. To prevent risks such as computer viruses, the Company will install security software, Firewall and Antivirus software. Using external files or externaldevices like hard drives or USB are restricted to avoid computer viruses that may arise.

2.3.4 Risk of Staff fraud or other Parties

Leasing businesses are involved with direct money services, the Company may face risk of corruption by staff, especially when the customers make their payment at the branch. The financial officer of each branch receives cash directly from customers and there may be risk of Staff fraud.

In order to prevent such problems, the Company has setup an internal control technology system, to inspect its branch. When the customers are paying their installment, they receive a payment bill and if the branch has cash over the set limit, they need to deposit to the bank and inform head office by daily report. In addition, the Company also has a policy for an Internal Audit Unit to inspect the financial position of each branch. These precautions will help limit damage that may occur ,protecting the Company's performance.

2.3.5 Risk from Nonperforming Loan (NPL)

Motorcycle leasing business is a highly profitable business. The determination of financial conditions, such as installment rate, interest rate and the contract duration depend on the market

mechanism controlled by the Bank of Lao PDR. Currently there is no fixed ceiling rate. As a result, motorcycle lease entrepreneurs can operate in full competition. depending on the potential of the companies in competition, the risk is quite high.

Considering that the Company business status is at the beginning stage, the Company needs to expand its customer base at a higher rate to increase market share. The balance between the expansion of the lease customer base, the flexibility of the credit approval must be in taken into the consideration to get quality credit. If the Company is unable to maintain this balance, risk of decreasing quality of credit will affect the company's performance, as it needs to acknowledge more bad debts and doubtful accounts from more provisions.

To protect from the risk of bad debtors, the Company can confiscate vehicles if certain conditions are met as indicated in the lease contract (the Company may confiscate its debtors' motorcycles if debtors skipped payment installments over a specified timeframe) to request for outstanding payments. In a case where customers unable to make payments, the Company will confiscate the vehicle and sell it as soon as possible.

Along with these measures, the Company has a strict guideline in approving credit by paying attention to the approval process. Before the approval, customer's information will be checked from the Company's database system. In addition to the collateral (vehicle), the Company also requires a third party to guarantee lowering risk from the debtors. An appropriate amount of down payment, dependent on the risk of each debtor is required. The Company will also; setup a management system of the debt installments, create a team to track debt and follow up with customers and separate customer into levels based on customer payment behavior.

2.3.6 Risk from non- diversified products

Due to the present highly competitive situation in leasing business, if the Company doesn't have diversity of products, it will not be attractive to customers who want to purchase consumer goods with leasing services. Therefore, the Company may face a revenue risk from not diversifying its products, which may in turn affect in the future performance of the Company.

In order to reduce this risk, the Company plans to expand its services to include providing financial lease for: cars, electronic appliances, machinery and more. The Company is granted a license for all non-real estate leasing services by Financial Institution Supervision Department. In addition, the Company will expand to other financial businesses according to the approval from related authorities in the future.

2.3.7 Risk on source of funding

The Company's capital mostly comes from overseas, Associated risks are; when the loan contract ends, when the lender asks for payment before the contact end or changes to the countries' lending regulations occur.

However, the Company can prevent those risks by fully identifying the contents of the contract, so the Lender cannot ask for the loan before the maturity date. The Company has also taken loans from local financial institutions with interest rates lower than foreign loans.

2.3.8 Risk on increasing debt

Leasing businesses need to spend a lot of capital, to keep business growing continuously. The Company needs to access different sources of funding to respond to the business growth and the result for the Company can be high levels of debt in the future. The preventive measures include; prepared sources of funding that comply with the purpose of use terms, assessing the appropriateness of interest rates, repayment period and debt ratio in congruity with the economic situation, in order to find the best source of fund. If the Company can be listed on the Lao Securities Exchange, there will be more channels to access

sources of funding such as: shares, corporate bonds, public offerings and access to funding from banks by using customer accounts as collateral for a loan.

2.3.9 Risk on defaults, grarantors and collateral

To reduce these risks, the Company has installed GPS to all of vehicles before leaving to the customers. In addition, the Company's policy is to to provide leases an individual and/or the guarantor, whom live areas that have a branch. The Company's staff will check given information with the chief of the village as to whether the information from the is true. In the case skip of customers who skip payments, the staff call and ask the customer to pay. If the customer still doesn't pay the staff will promptly visit them in order to reduce risk.

2.3.10 Risk form depending on specialized staff

Leasing businesses need specialized staff; experts with lots of experience in checking and evaluating the price of second hand vehicles, with knowledge about marketing and good relationship with dealers. The Company may face risk from depending on specialist staff. If the Company doesn't have them, it may affect the Company operating result directly.

The Company plans to reduce those risks by working systematically, using manuals on every step, including using credit scoring to provide leases. This will help make the process of lease approval standardized. To further reduce the risk, the Company also motivates their staff by offering rewards and training, creating new generations of skilled staff.

2.3.11 Risk on the collateral were not cover debt

All of the Company's asset guarantees are real Estate, so the Company is set up for debt collection measures. If the customer continually skips their payment for three times, the Company will take the vehicle and will cancel the agreement. If the customers do not pay their debt within 30 days, the Company can sell vehicle through the market. Currently, the Company had sold vehicles through the branch, the Company's warehouse and public auction in order to pay debt. If the Company can't sell the vehicle that had been confiscated or it is sold at a lower price than the debt value, there will be an effect on the Company's financial position and performance.

To reduce these risks, the Company will inspect and evaluate the guarantee before providing a lease, tthe Customers need to pay at least 30-70 percent of the total value of the vehicle dependent on the type of vehicle. The remaining value of the vehicle will be lower than the market price, reducing the risk from the price rapidly declining on new vehicles. Tthe Company will sell a vehicle immediately after confiscation. For sell price, the Company will evaluate the remaining payable debt, which is usually lower than market price, that will give the Company more flexibility in selling the vehicle. In case the sale price was lower than the outstanding debt, the customer needs to pay the remainder, if the customer can't pay the guarantor must pay instead. As the loan agreement clearly states it in detail, Confiscated vehicles, when sold at a higher price than the outstanding debt, result in the Company refunding the difference between the outstanding dept and the vehicle sale price to the Customer.

3. Current business

Word explanation:
The word "Vehicles" in this title means Motorcycles and Cars

3.1 Business model

Leasing business is a type of financial service, which is between 3 parties: 1) Leasing Company, 2) Dealer and 3) Customer.

In some cases, there are only two parties: Leasing Company and Customer (which maybe an individual, a retail store or a second hand product store)

Leasing services start with the Customer who wants to buy Vehicle by paying installments to a vehicle dealer, they can choose to use leasing services offered by the Company. The Customer has to pay a down payment, the rest will be payed to the dealer on the condition that the customer signs a leasing contract with the Company. The customer has an obligation to pay the installments and use the vehicle under the terms of the leasing contract. After completing the leasing contract, the ownership of the vehicle will be transferred to the customer completely.

The customer can access leasing services through a Dealer who is a partner of the Company. The Company has staff, who are located at those shops to provide leasing services. The staff make it convenient for customers, as the Customer does not need to apply for leasing at the Company's office.

We can see that the Dealer is an important factor of marketing for the Company because most customers, who want to buy a vehicle, will likely go to the dealershop. Building good relationships with dealers is very important in order to: reach and expand the customer base in the future, make good impressions and provide satisfactory services and meet the demands of customer vehicle usage. The Company has set an internal working process, providing leasing approval within 1 day.

To prevent the risk of NPL, the Company focuses on procedure and verification of customer information. Company staff must go to customer's home to check the information provided. Also, the background of the customer is verified through: the chief of the customer's village, the Company database system (for returning customers) and Credit Information Bureau (CIB). The Company requires a guarantor for every leasing contract or co-leasehold to reduce the risk from customers that cannot pay the installment on time. In addition, the Company has focused on systematic and effective management and debt reporting. The debt classification system is able to accurately show the company's credit quality. Other factors of risk protection include: determining appropriateness of Customer, type of vehicle, down payment rate, an appropriate payment period, responsible staff and considering both quantitative and qualitative criteria of debtors. The factors as mentions will help Company to prevent other risks.

3.2 Characteristics of services

The consideration of the characteristics of vehicle leasing services, can be divided into 3 types of services such as 1. Motorcycle leasing service, 2. Car leasing service and 3. Refinance

1) Motorcycle leasing service

The Company provides New and second-hand motorcycle leasing service, focusing on well-known Japanese brands including: Honda, Yamaha and Suzuki. About 90% of all motorcycle leases are Honda.

The Second-hand motorcycle leasing service sources vehicles through second-hand motorcycle dealers and motorcycles confiscated from customers who cannot comply with the leasing contract. For the confiscated motorcycles, the Company will either have an auction or sell off to the market, Customers are people who are interested in a good quality Japanese second-hand motorcycles that can bought or leased from the Company.

Price of the motorcycle lease, installments and payment period will depend on the customer's ability to pay, which is in accordance with the down payment rate, the type/brand of motorcycle and the motorcycle price. Currently, customers can access motorcycle leasing services through the dealer partner. More than 70 shops in Vientiane capital and surrounding provinces have company branches.

2) Car leasing service

The Company provides new and second-hand car leasing services. Currently, the Company is mainly focused on second-hand cars, most of them are cars and pick-ups from favorite Japanese brands like: TOYOTA, ISUZU, and NISSAN.

To set the financial amount for car leasing, installments and payment period, an evaluation of: the customer's ability to make payment, the down payment rate, the type/brand of the car, price and the condition of the car – usage age (second-hand car) is carried out. The customer can pay the installments over a maximum of 60 months (5 years).

The second-hand car leasing service provided by the Company will carry higher risk from asset quality when compared to the new car leasing service. The Company therefore considers the factors of leasing approval: conditions and usage age of car, the benchmark price of the second-hand car on the market and the car's registered verification. Taking these factors into consideration, the Company's experienced leasing analysis staff check the conditions and price of second-hands cars to reduce risks. The Company also helps check customer car quality, providing good quality second-hand cars, improve the level of second-hand car leasing service from the Company.

4 Financial and Operating Results

4.1 Financial Statement

Summary of Audited Financial Report

The law of initial public offering issuing No.05/LSC on 28th Jan 2019 of the LSCO which states that the Company must be issued an annual audited financial statement by an/the external auditor which is approved by Lao Securities Commission Officer. The Financial Statement at the 30 June 2020 was reviewed by the external auditor who gives the unqualified conclusion as reported below:

Summary of Audited Financial Report

Audited Financial Report External Auditor	The Financial Statement for first 6 months 2020 (Ernst & Young Lao Co., Ltd) which is approved by Lao Securities Commission Office
External Auditor Opinion	Unqualified conclusion. Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements of the Company for the six-month period ended 30 June 2020 are not prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting (IAS 34).

4.2 Summary Table of Financial Statement and Operating Results

4.2.1 Balance Sheet

Balance Sheet	31-Dec-19		30-Jun-20	
	Million LAK	%	Million LAK	%
ASSETS				
Current assets				
Cash and cash equivalents	336,866	34%	330,090	36%
Deposit with Bank of the Lao PDR ("BOL")	1,667	0%	1,969	0%
Hire purchase receivables – current portion	296,846	30%	298,835	33%
Other current assets	19,815	2%	12,870	1%
Total current assets	**655,195**	**66%**	**643,764**	**70%**
Non-current assets				
Hire purchase receivables – non-current portion	327,490	33%	272,503	30%
Property and equipment	2,714	0%	2,591	0%
Other non current assets	292	0%	204	0%
Total non-current assets	**330,496**	**34%**	**275,298**	**30%**
TOTAL ASSETS	**985,691**	**100%**	**919,062**	**100%**
LIABILITIES				
Current liabilities				
Statutory obligations	75,855	8%	91,036	10%
Short-term borowings	5,813	1%	8,826	1%
Other liabilities	2,845	0%	5,507	1%
Total current liabilities	**84,513**	**9%**	**105,369**	**11%**
Non-current liabilities				
Long-term borrowings	501,169	51%	375,268	41%
Due to related parties	6,357	1%	-	-
Total non-current liabilities	**507,526**	**51%**	**375,268**	**41%**
TOTAL LIABILITIES	**592,039**	**60%**	**480,637**	**52%**
EQUITY				
Registered paid-up capital	30,150	3%	30,150	3%
Share premium	155,498	16%	155,498	17%
Other capital	290	0%	290	0%
Retained earnings	207,715	21%	252,488	27%
TOTAL EQUITY	**393,652**	**40%**	**438,426**	**48%**
TOTAL LIABILITIES AND EQUITY	**985,691**	**100%**	**919,062**	**100%**

4.2.2 Income Statement

Income Statement	30-Jun-19		30-Jun-20	
	Million LAK	%	Million LAK	%
Interest income calculated using the effective interest method	150,417	213%	142,430	318%
Other interest and similar income	2,895	4%	6,966	16%
Income from rescheduling the borrowings using the effective interest method	26,956	38%	-	
Interest expense calculated using the effective interest method	-24,376	-34%	-14,227	-32%
Net interest income	**155,893**	**221%**	**135,170**	**302%**
Fees and commission income			-	
Fees and commission expense	-5,766	-8%	-4,160	-9%
Net fees and commission income	**-5,766**	**-8%**	**-4,160**	**-9%**
Net foreign exchange (loss)/gain	1,112	2%	-1,163	-3%
Other operating income	8,813	12%	-	
Total operating income	**160,052**	**226%**	**129,847**	**290%**
Change in allowance for impairment losses	-22,216	-31%	-39,955	-89%
NET OPERATING INCOME	**137,836**	**195%**	**89,892**	**201%**
Personnel expenses	-18,789	-27%	-15,061	-34%
Depreciation of property and equipment	-645	-1%	-543	-1%
Other operating expenses	-20,737	-29%	-19,011	-42%
TOTAL OPERATING EXPENSES	**-40,171**	**-57%**	**-34,614**	**-77%**
PROFIT BEFORE TAX	**97,665**	**138%**	**55,278**	**123%**
Current profit tax expense	-26,989	-38%	-10,504	-23%
NET PROFIT FOR THE PERIOD	**70,677**	**100%**	**44,773**	**100%**
Other comprehensive income				
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**70,677**	**100%**	**44,773**	**100%**

4.2.3 Cash Flow Statement

Cash Flow Statement	30-Jun-19 Million LAK	30-Jun-20 Million LAK
OPERATING ACTIVITIES		
Profit before tax	**97,665**	**55,278**
Adjustments for:		
Depreciation charges	645	543
Change in allowance for impairment losses	22,216	39,955
Write-off of borrowing	(8,613)	
Net foreign exchange loss	7,927	1,821
Change in operating assets		
Net change in hire purchase receivables	(7,073)	19,180
Net change in loans to related parties	10,040	
Net change in other assets	(68,661)	415
Change in operating liabilities		
Net change in other liabilities	(14,714)	13,612
Net cash flows from operating activities	**39,432**	**130,803**
INVESTING ACTIVITIES		
Acquisitions of property and equipment	(1,266)	(420)
Net cash flows used in investing activities	**(1,266)**	**(420)**
FINANCING ACTIVITIES		
Borrowing drawdown	-	17,912
Borrowing repayment	-	(155,071)
Net cash flows used in financing activities	**-**	**(137,159)**
Net change in cash and cash equivalents	**38,167**	**(6,776)**
Cash and cash equivalents at the beginning of the period	**111,349**	**336,866**
Cash and cash equivalents at the end of the period	**149,515**	**330,090**

4.2.5 Financial Analysis and Past Performance

Lao Asian Leasing Public Company provides new and second-hand car leasing services. Currently, the Company is mainly focused on Japan vehicle brand. Currently, it provides leasing services in Vientiane capital and other provinces such as: Huapand, Xienkhouang, Luangprabang, Bolikhamxay, Savannakhet, Salavan and Champasack which has dealer partners of cars and motocycles more than 100 shops.

The Company targets customers for motorcycle and car leasing service. The target group are retail customers who have a career and stable income such as government staff, employees from private sectors, merchants and private workers that want to buy vehicle using installment payment.Price of the motorcycle lease, installments and payment period will depend on the customer's ability to pay, which is in accordance with the down payment rate, the type/brand of motorcycle and the motorcycle price. Customers can choose to pay the installment from 6 to 60 months.

To prevent the risk of NPL, the Company focuses on procedure and verification of customer information. Company staff must go to customer's home to check the information provided. Also, the background of the customer is verified through: the chief of the customer's village, the Company database system (for returning customers) and Credit Information Bureau (CIB). The Company requires a guarantor for every leasing contract or co-leasehold to reduce the risk from customers that cannot pay the installment on time. In addition, the Company has focused on systematic and effective management and debt reporting. The debt classification system is able to accurately show the company's credit quality. Other factors of risk protection include: determining appropriateness of Customer, type of vehicle, down payment rate, an appropriate payment period, responsible staff and considering both quantitative and qualitative criteria of debtors. The factors as mentions will help Company to prevent other risks.

The analysis and explaination of the business operating result and financial position from 2019 to 2020, are detailed below:

4.2.6 Operating Results

1.) Revenues

Total revenues	30-Jun-19		30-Jun-20	
	Million LAK	%	Million LAK	%
Interest income calculated using the effective interest method	150,417	79.09%	142,430	95.34%
Other interest and similar income	2,895	1.52%	6,966	4.66%
Net foreign exchange gain	1,112	-	-	-
Income from rescheduling the borrowings using the effective interest method	26,956	14%	-	-
Other operating income	8,813	5%	-	-
Total revenues	**190,194**	**99.42%**	**149,397**	**100.00%**

In the Income statement, the Company reported Total Revenues including: Interest Income Calculated Using The Effective Interest Method, Fees And Commission Income, Net Foreign Exchange Gain and Other Operating Incomes. In 2019 and 2020, the Company had Total Revenue 190,194 million LAK and 149,397 million LAK respectively. The main incomes were from interest and similar income which covered more than 90% of total revenues.

In 2019 and 2020 the Interest Income Calculated Using The Effective Interest Method were equal to LAK 150,417 million and LAK 142,430 million or equal to 79.09 % and 95.34 % of Total Revenue respectively. The decrease of the interest income due to negative impact of the Covid-19 situation across the country.

2.) Expenses

Total expenses	30-Jun-19		30-Jun-20	
	Million LAK	%	Million LAK	%
Interest expense calculated using the effective interest method	24,376	20.40%	14,227	13.60%
Fees and commission expense	5,766	4.82%	4,160	3.98%
Net loss foreign exchange	-	-	1,163	1.11%
Change in allowance or impairment losses	22,216	19%	39,955	38.19%
Operating expenses	40,171	33.61%	34,614	33.08%
Others operating expenses	26,989	22.58%	10,504	10.04%
Total expenses	**119,517**	100.00%	**104,623**	100.00%

In 2019 and 2020, the Company had Total Expenses equal to LAK 119,517 millions and LAK 104,623 millions respectively. It had decreased due to Covid-19 has affected the overall operations of the Company.

In 2019 and 2020, Interest Expense Calculated Using the Effective Interest Method were equal to LAK 24,376 million and LAK 14,227 million or 20.40% and 13.60% of Total Expenses respectively.

The Operating Expenses of the Company included Personnel Expense, Depreciation of Property and Equipment and Others Operating Expenses. The Company's operating expenses in 2019 and 2020 were LAK 40,171 million and LAK 34,614 million or 33.61% and 33.08% of Total Expenses respectively, seeing that, it had decreased due to impact of Covid-19 situation.

3.) Net profit and Net Profit Margin

Ratio	Unit	30-Jun-19	30-Jun-20
Total revenues	Million LAK	190,194	149,397
Net profit	Million LAK	70,677	44,773
Net profit margin	%	37.16%	29.97%

In 2019 and 2020, the Company's net profit was equal to LAK 70,677 million and LAK 44,773 million or 37.16% and 29.97% of the Net Profit margin respectively. The Company's net profits decreased sharply due to the negative impact of the covid-19 situation.

4.3 Financial Position of the Company

4.3.1 Total Assets

Total assets	31-Dec-19		30-Jun-20	
	Million LAK	%	Million LAK	%
Asset				
Current assets				
Cash and Cash equivalents	336,866	34%	330,090	28%
Deposit with BOL	1,667	0%	1,969	0%
Hire purchase receivable-current portion	296,846	30%	298,835	25%
Othe assets	19,815	2%	12,870	1%
Total current assets	**655,195**	**66%**	**643,764**	**54%**
Non-Current assets				
Hire purchase receivable-non-current portion	327,490	33.22%	272,503	23%
Loans to related parties	-	-	2,591	-
Property and equipment	2,714	0.28%	204	0%
Other non current assets	292	0.03%	275,298	23%
Total Non-Current assets	**330,496**	**34%**	**550,596**	**46%**
Total assets	**985,691**	**100%**	**1,194,360**	**100%**

In 2019 and 2020, the Company had Total Assets equal to LAK 985,691 million and LAK 1,194,360 million respectively. The main asset was Hire Purchase Receivable, equal to LAK 624,336 million and LAK 571,338 million or equivalent to 63.34% and 47.84% of total assets respectively.

4.3.2 Total Liabilities

Total Liabilities	31-Dec-19		30-Jun-20	
	Million LAK	%	Million LAK	%
Liabilities				
Current Liabilities				
Statory obligations	75,855	12.81%	91,036	18.94%
Short-term borowings	5,813	0.98%	8,826	1.84%
Other liabilities	2,845	0.48%	5,507	1.15%
Total current liabilities	**84,513**	**14.27%**	**105,369**	**21.92%**
Non-current liabilities				
Long-term borrowings	501,169	84.65%	375,268	78.08%
Due to related parties	6,357	1.07%	-	-
Total non-current liabilities	**507,526**	**85.73%**	**375,268**	**78.08%**
Total liabilities	**592,039**	**100.00%**	**480,637**	**100.00%**

In 2019 and 2020, the Company had Total Liabilities equal to LAK 592,039 million and LAK 480,637 million or 60.06% and 52.30% of Total Assets respectively. The main Liability was the Long-Term Borrowing equal to LAK 501,169 million and LAK 375,268 million, or 84.65% and 78.08% of Total Liabilities respectively.

4.3.3 Source of funds

Source of funds	31-Dec-19		30-Jun-20	
	Million LAK	(%)	Million LAK	(%)
Shareholder's equity	393,652	43.68%	438,426	53.88%
Long-term borrowings and Due to related parties	507,526	56.32%	375,268	46.12%
Total	901,178	100.00%	813,694	100.00%

In 2019 and 2020, the Company had Sources of Fund equal to LAK 901,178 million and LAK 813,694 million respectively. In that, the main Source of Fund in 2020 was from Long-Term Borrowings equal to LAK 375,268 million or 46.12% of Sources of Funds. The Sources of Funds have decreased due to payment of the borrowings.

In 2019 and 2020, the Company had shareholders' Equity equal to LAK 393,652 million and LAK 438,426 million or 43.68% and 53.88% of Sources of Fund respectively. Business direction and good practice in business operations resulted in a minimal increase of profits despite of Covid-19 situation.

4.4 Liquidity of the Company

Cashflow statement	30-Jun-19 Million LAK	30-Jun-20 Million LAK
Net Cash flows from operating activities	39,432	130,803
Net Cash flows from investment activities	-1,266	-420
Net Cash flows from financing activities	-	-137,159
Net change in cash and cash equivalents	38,167	-6,776
Cash and cash equivalents at the beginning of the year	111,349	336,866
Impact of exchange rate	-	-
Cash and cash equivalents at the end of the year	**149,515**	**330,090**

The vehicle leasing business operation is the main income of the Company's leasing business, the income comes from interest from leasing customers. The Company is not a deposit financial institution. The Company's major sources of funding for vehicle leasing must come from Shareholders' equity and loans. When the Company wants to further expand its vehicle leasing service, the operating cash flow will be minus number (Paying thebill to the Dealer for the vehicle, then receiving installments from Customer as per the leasing contract) which is the normal nature of leasing business operation. The operating cash flow is then off set by Cash flow from financing activities to bring liquidity to the Company.

In 2019 and 2020, the Company had Net Cash Flows from Operating Activities equal to LAK 149,515 million and LAK 330,090 million respectively.

In 2019 and 2020, the Company had Net Cash Flows from Investment Activities equal to LAK -1,266 million and LAK -420 respectively due to the Company invested more in non-current assets in 2019 such as vehicles and equipments.

In 2020, the Company had Net Cash Flows from Financing Activities equal to LAK -6,776 million mainly due to loan repayment.

In 2019 and 2020, the Company had Cash and cash equivalents equal to LAK 149,515 million and LAK 330,090 million respectively. Overall, the Company had financial liquiditiy which was managed appropriately to support the growth of business in the past.

4.5 Key Financial Ratios

Ratio	Unit	2019	2020
Profitability ratio			
Rate for interest receive	%	38.21	36.14
Net profit margin	%	37.16	29.97
Return on equity	%	17.95	10.21
Efficiency ratio			
Return on asset	%	7.17	4.87
Total assets turnover	%	13.98	9.78
Financial policy ratio			
Debt to equity ratio	%	129	87.61
Dividend payout ratio	%	N/A	

In 2019 and 2020, the Company had Net Profit Margin equal to 37.16% and 29.97% respectively. The effective rate shows the Company had ability to make more profit.

In 2019 and 2020, the Company had the Return on Assets equal to 7.17% and 4.87% respectively. The Total Assets Turnover rate was equal to 13.98% and 9.78% respectively. It showed stableness on the rate and the that the operating performance was very high when comparing to other businesses in the same sector despite the Covid-19 overall negative impacts.

Ms. Risa Yamaguchi
General Director