SOUVANNY HOME CENTER PUBLIC COMPANY



INTERIM FINANCIAL INFORMATION (UNAUDITED)

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2018

www.pwc.com/la

pwc

AUDITOR'S REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

To the Shareholders and the Board of Directors of Souvanny Home Center Public Company

We have reviewed the accompanying interim statement of financial position of Souvanny Home Center Public Company as at 30 June 2018, and the related statements of income for six-month period then ended, and the related statements of changes in equity and cash flows for the six-month period then ended, and the condensed notes to the interim financial information. Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with the Company's accounting principles as described in Note 2 in the annual financial statements. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2410, 'Review of interim financial information performed by the independent auditor of the entity'. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information is not prepared, in all material respects, in accordance with the Company's accounting principles.

For PricewaterhouseCoopers (Lao) Sole Company Limited

By Paiboon Tunkoon
Partner
Date: 10 August 2018

Souvanny Home Center Public Company
Statement of Financial Position
As at 30 June 2018

	Notes	Unaudited 30 June 2018 LAK	Audited 31 December 2017 LAK
Assets			
Current assets			
Cash and cash equivalents	4	5,057,866,749	7,825,563,835
Trade and other receivables, net	5	16,906,804,183	17,638,531,080
Inventories, net	6	185,352,088,954	149,188,890,866
Other current assets	7	7,580,592,763	7,767,536,365
Total current assets		214,897,352,649	182,420,522,146
Non-current assets			
Property, plant and equipment, net	8	479,610,033,234	460,349,989,027
Intangible assets, net		318,126,563	439,776,032
Total non-current assets		479,928,159,797	460,789,765,059
Total assets		**694,825,512,446**	**643,210,287,205**

Waddana SOUKBANDITH
Chief Executive Officer
Date: 10 August 2018

Phannola Soukbandith
Chief Financial Officer
Date: 10 August 2018

The accompanying notes on pages 8 to 16 are an integral part of this interim financial information.

Souvanny Home Center Public Company
Statement of Financial Position
As at 30 June 2018

	Notes	Unaudited 30 June 2018 LAK	Audited 31 December 2017 LAK
Liabilities and equity			
Current liabilities			
Bank overdraft and short-term borrowings	10	69,769,215,216	43,792,632,441
Trade and other payables	9	49,597,386,894	41,677,587,933
Current portion of long-term borrowings	10	252,010,000	252,010,000
Profit tax payable		-	-
Deposits from customers		26,617,422,708	24,729,063,838
Other current liabilities		11,455,971,942	7,996,658,217
Total current liabilities		157,692,006,760	118,447,952,429
Non-current liabilities			
Long-term borrowings from financial institution	10	233,882,505	354,800,090
Total non-current liabilities		233,882,505	354,800,090
Total liabilities		157,925,889,265	118,802,752,519
Equity			
Share capital			
Authorized share capital			
Ordinary shares 165 million shares at par value of LAK 2,000		330,000,000,000	330,000,000,000
Issued and paid-up share capital			
Ordinary shares 165 million shares at par value of LAK 2,000		330,000,000,000	330,000,000,000
Premium on share capital		24,735,724,722	24,735,724,722
Retained earnings			
Appropriated - legal reserve		3,332,971,187	3,332,971,187
Appropriated - Other reserve		3,315,361,424	3,082,971,187
Unappropriated		150,937,830,007	150,496,317,879
Translation adjustments		24,577,735,841	12,759,549,711
Total equity		536,899,623,181	524,407,534,686
Total liabilities and equity		**694,825,512,446**	**643,210,287,205**

Waddana Soukbandith
Chief Executive Officer
Date: 10 August 2018

Phannola Soukbandith
Chief Financial Officer
Date: 10 August 2018

The accompanying notes on pages 8 to 16 are an integral part of this interim financial information.

Souvanny Home Center Public Company
Statement of Income
For the six-month period ended 30 June 2018 (Unaudited)

	Notes	2018 LAK	2017 LAK
Revenue from sales		155,951,614,417	137,943,006,767
Revenue from services		651,592,910	892,562,843
Cost of sales		(128,566,707,132)	(112,107,108,226)
Cost of services		(593,161,202)	(714,050,038)
Gross profit		**27,443,338,993**	**26,014,411,346**
Other incomes		2,625,258,940	2,596,357,735
Selling expenses		(13,595,201,061)	(9,288,829,137)
Administrative expenses		(12,241,186,892)	(13,981,732,323)
Finance costs		(1,746,735,402)	(790,233,244)
Foreign exchange loss, net		(161,572,213)	(655,694,955)
Profit before income tax expense		**2,323,902,365**	**3,894,279,422**
Income tax expense		-	(401,592,364)
Net profit for the period		**2,323,902,365**	**3,492,687,058**
Earnings per share			
Basic earnings per share	13	15	21

Waddana SOUKBANDITH
Chief Executive Officer
Date: 10 August 2018

Phannola Soukbandith
Chief Financial Officer
Date: 10 August 2018

The accompanying notes on pages 8 to 16 are an integral part of this interim financial information.

Souvanny Home Center Public Company
Statement of Changes in Equity
For the six-month period ended 30 June 2018 (Unaudited)

	Note	Issued and paid-up ordinary shares LAK	Premium on share capital LAK	Legal reserve LAK	Other reserve LAK	Unappropriated retained earnings LAK	Translation adjustments LAK	Total equity LAK
Opening balance 1 January 2017 - Audited		330,000,000,000	24,735,724,722	2,906,968,288	2,656,968,288	150,388,294,678	(40,027,820,095)	470,660,135,881
Legal reserve		-	-	349,268,706	-	(349,268,706)	-	-
Other reserve		-	-	-	349,268,706	(349,268,706)	-	-
Net profit for the period		-	-	-	-	3,492,687,058	-	3,492,687,058
Dividend paid		-	-	-	-	(3,300,000,000)	-	(3,300,000,000)
Translation adjustments		-	-	-	-	-	29,656,412,117	29,656,412,117
Ending balance 30 June 2017 - Unaudited		330,000,000,000	24,735,724,722	3,256,236,994	3,006,236,994	149,882,444,324	(10,371,407,978)	500,509,235,056
Opening balance 1 January 2018 - Audited		330,000,000,000	24,735,724,722	3,332,971,187	3,082,971,187	150,496,317,879	12,759,549,711	524,407,534,686
Other reserve		-	-	-	232,390,237	(232,390,237)	-	-
Net profit for the period		-	-	-	-	2,323,902,365	-	2,323,902,365
Dividend paid		-	-	-	-	(1,650,000,000)	-	(1,650,000,000)
Translation adjustments		-	-	-	-	-	11,818,186,130	11,818,186,130
Ending balance 30 June 2018 - Unaudited		330,000,000,000	24,735,724,722	3,332,971,187	3,315,361,424	150,937,830,007	24,577,735,841	536,899,623,181

Waddana SOUKBANDITH
Chief Executive Officer
Date: 10 August 2018

Phannola Soukbandith
Chief Financial Officer
Date: 10 August 2018

The accompanying notes on pages 8 to 16 are an integral part of this interim financial information.

Souvanny Home Center Public Company
Statement of Cash Flows
For the six-month period ended 30 June 2018 (Unaudited)

	Notes	30 June 2018 LAK	30 June 2017 LAK
Cash flow from operating activities:			
Net profit before income tax for the period		2,323,902,365	3,894,279,422
Adjustments for:			
Depreciation	8	5,602,226,290	4,235,152,689
Amortisation		150,641,188	151,844,038
(Gain)/Loss from disposes of property, plant and equipment		15,510,382	(108,508,274)
(Gain)/Loss on exchange rate		(1,234,017,401)	811,173,446
Interest expense		1,746,735,402	814,336,473
Inventories allowance (reversal)	6	(3,191,963,235)	(2,402,238,330)
Trade and other receivables provision (reversal)		(155,644,979)	(231,667,149)
Operating profit before working capital changes		5,257,390,012	7,164,372,315
Changes in operating assets and liabilities			
- Trade and other receivables		1,432,973,474	5,626,748,103
- Inventories		(29,616,729,182)	(26,673,853,388)
- Other current assets		361,596,317	(1,650,839,051)
- Trade and other accounts payable		5,892,372,218	(5,508,071,518)
- Deposits from customers		1,332,326,954	1,550,686,313
- Other current liabilities		3,279,509,216	4,395,716,575
Cash generated from operations		(12,060,560,991)	(15,095,240,651)
Interest paid		(1,746,735,402)	(814,336,473)
Income tax paid		(149,000,000)	(333,739,602)
Net cash used in operating activities		(13,956,296,393)	(16,243,316,726)
Cash flows from investing activities:			
Purchases of plant and equipments		(13,631,788,368)	(25,757,432,467)
Purchases of computer software		(19,103,374)	(182,175,933)
Proceeds from disposals of property, plant and equipments		100,384,197	108,508,274
Net cash used in investing activities		(13,550,507,545)	(25,831,100,126)

Waddana SOUKBANDITH
Chief Executive Officer
Date: 10 August 2018

Phannola Soukbandith
Chief Financial Officer
Date: 10 August 2018

The accompanying notes on pages 8 to 16 are an integral part of this interim financial information.

Souvanny Home Center Public Company
Statement of Cash Flows
For the six-month period ended 30 June 2018 (Unaudited)

	Notes	30 June 2018 LAK	30 June 2017 LAK
Cash flows from financing activities:			
Proceeds from borrowings from bank	10	76,111,573,898	38,841,270,298
Repayment on a borrowings from bank	10	(51,254,228,227)	(8,053,298,402)
Dividend paid	11	(1,650,000,000)	(3,300,000,000)
Net cash used in financing activities		23,207,345,671	27,487,971,896
Net decrease in cash and cash equivalents		(4,299,458,267)	(14,586,444,956)
Cash and cash equivalent at the beginning of the period		7,825,563,835	26,762,714,091
Effect of exchange rate changes on cash and cash equivalents		1,531,761,181	1,389,458,440
Cash and cash equivalent at the end of the period		**5,057,866,749**	**13,565,727,575**
Significant non - cash items			
Other payables from purchases of plant and equipments		1,323,388,105	1,060,931,370

Waddana SOUKBANDITH
Chief Executive Officer
Date: 10 August 2018

Phannola Soukbandith
Chief Financial Officer
Date: 10 August 2018

The accompanying notes on pages 8 to 16 are an integral part of this interim financial information.

1. General information

Souvanny Home Center Public Company is a public company which is listed on the Lao Securities Exchange (LSX) and is incorporated and domiciled in Lao PDR. The Company principally engages in the trading of a full range of goods and materials for construction, additions, refurbishment, renovation and improvement of buildings, houses and residences, and provides related services.

The Company's address of its registered headquarters is: 366 Ban Phonetongsavath, Chanthaburi District, Vientiane Capital, Lao PDR.

In March 2018, the Company closed Thong Kun Kham branch in Vientiane capital, Lao PDR.

On 17 June 2018, the Company opened a new branch in Pakse District, Champasak Province.

The Board of Directors authorised this condensed interim financial information for issue on 10 August 2018.

This condensed interim financial information has been reviewed, but not audited.

2. Basis of preparation

The condensed interim financial information has been prepared in accordance with the Company's accounting policies as described in more details in the annual financial statements for the year ended 31 December 2017. The primary financial information (i.e. statement of financial position, statement of comprehensive income, statement of changes in equity and statement of cash flows) is presented in a format consistent with the annual financial statements complying with the reporting and disclosure regulation No.007/SECO, dated 3 April 2014 issued by Lao Securities and Exchange Commission Office.

The condensed interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2017.

According to the Accounting Law and Regulation on accounting and auditing in securities sector under the Securities Commission Office in Lao P.D.R., all listed companies are required to prepare their financial statements in accordance with International Financial Reporting Standards (IFRSs) as generally accepted accounting principles. At present, the Securities Commission Office is still flexible and allows listed companies to apply their own significant accounting policies, but they also encourage listed companies to fully adopt the IFRSs as they will be enforced in the future. In Lao PDR, there are significant differences between a company's own accounting policies and the IFRSs, in many areas such as property, plant and equipment, leases, current and deferred income tax, pre-operation costs and borrowings cost. Hence, users of the financial statements should be aware and understand these differences and how these will affect their interpretation and decision making.

3. Estimates

The preparation of interim financial information requires management to make judgements, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

In preparing this interim financial information, significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements for the year ended 31 December 2017, with the exception of a change in estimate that is required in determining the allowance for slow moving and obsolete inventories (see in Note 6).

4. Cash and cash equivalents

	Unaudited 30 June 2018 LAK	Audited 31 December 2017 LAK
Cash on hand	552,408,169	1,841,487,603
Deposits held at call with financial institutions	4,505,458,580	5,984,076,232
Cash and cash equivalents	5,057,866,749	7,825,563,835

Cash on hand includes petty cash.

Deposits held at call with financial institutions represents cash deposited in current accounts with reputable local banks in three currencies: US Dollars, Thai Baht, and Lao Kip.

5. Trade and other receivables, net

	Unaudited 30 June 2018 LAK	Audited 31 December 2017 LAK
Trade receivables	14,945,189,811	17,135,409,288
Less: Allowance for doubtful debts	(1,109,916,453)	(1,237,731,102)
Trade receivables, net	13,835,273,358	15,897,678,186
Staff borrowings	57,627,526	72,341,226
Other receivables	3,013,903,299	1,668,511,668
	3,071,530,825	1,740,852,894
Trade and other receivables, net	16,906,804,183	17,638,531,080

Outstanding trade receivables balance can be analysed as follows:

	Unaudited 30 June 2018 LAK	Audited 31 December 2017 LAK
Not yet due	3,213,567,636	8,800,028,753
Overdue:		
1 – 3 months	3,346,607,693	5,950,058,870
3 - 6 months	3,884,184,108	1,113,741,345
6 - 12 months	1,770,833,485	124,260,914
Over 12 months	2,729,996,889	1,147,319,406
Trade and other receivables, net	14,945,189,811	17,135,409,288
Less: Allowance for doubtful debts	(1,109,916,453)	(1,237,731,102)
Trade receivables, net	13,835,273,358	15,897,678,186

5. Trade and other receivables, net (continued)

Trade receivables aged more than 6 months are mainly receivables that are still trading actively with the Company. The allowance for doubtful debts was set up from the outstanding accounts receivable balances that have been overdue more than 6 months and also management's evaluation, based on recent historical payments of account receivables and expectations regarding the future collectability of these accounts receivable.

6. Inventories, net

	Unaudited 30 June 2018 LAK	Audited 31 December 2017 LAK
Tiles and construction materials	43,618,867,109	32,901,696,573
Sanitary wares and faucets	33,143,074,889	28,873,162,188
Elevators and escalator parts	35,086,842,652	32,863,605,736
Roofs and decorations	22,848,899,473	12,715,720,806
Paints, tools and electrical equipment	51,481,020,626	45,405,249,089
Others	1,030,748,898	1,478,784,402
Less: Allowance for slow moving and obsolete inventories	(258,007,316)	(2,460,191,459)
Allowance for decrease in value of inventories	(1,599,357,377)	(2,589,136,469)
Inventories, net	185,352,088,954	149,188,890,866

During the interim period ended 30 June 2018, management reassessed and reviewed related allowance for slow moving and obsoleted inventories. Related allowance for slow moving and decrease in value of inventory has been revised down LAK 3,192 million (2017 : LAK 2,402 million) as slow moving can be actually sold at a higher turnover which is better than previously estimated. As a result, related allowance and cost of goods sold has been adjusted down to be consistent with recent facts and analysis.

7. Other current assets

	Unaudited 30 June 2018 LAK	Audited 31 December 2017 LAK
Advance payment to suppliers	3,720,453,246	5,088,565,200
Accrued rebate from suppliers	3,189,726,696	2,311,856,526
Prepaid insurance premium	132,133,304	89,167,259
Others	538,279,517	277,947,380
Other current assets	7,580,592,763	7,767,536,365

8. Property, plant and equipment, net

	Unaudited 30 June 2018 LAK	Audited 31 December 2017 LAK
Opening net book value - audited	460,349,989,027	376,208,692,652
Additions	14,722,096,373	52,189,009,919
Foreign exchange translation difference	10,256,068,703	42,185,799,304
Disposal	(115,894,579)	(232,205)
Depreciation charge	(5,602,226,290)	(10,233,280,643)
Closing net book value - unaudited	479,610,033,234	460,349,989,027

Additions during the six-month period ended 30 June 2018 mainly consisted of buildings and office equipment at Pakse. Total additions of LAK 14,722 million consisted of cash transactions (already paid) of LAK 13,399 million and non-cash transactions (not yet paid) of LAK 1,323 million.

9. Trade and other payables

	Unaudited 30 June 2018 LAK	Audited 31 December 2017 LAK
Trade payables - third parties	46,957,572,030	32,032,832,751
Trade payable – related party (Note 14.iii)	28,611,237	41,064,818
Other payables – advances from shareholders	2,611,203,627	9,603,690,364
Trade and other payables	49,597,386,894	41,677,587,933

10. Borrowings

	Unaudited 30 June 2018 LAK	Audited 31 December 2017 LAK
Current		
Borrowings from financial institutions	70,161,113,849	44,044,642,441
Non-current		
Borrowings from financial institutions	233,882,505	354,800,090
Borrowings	70,394,996,354	44,399,442,531
Less: Deferred financing service fee	(139,888,633)	-
Borrowings from a financial institutions, net	70,255,107,721	44,399,442,531

10. Borrowings (continued)

Movements in borrowings are as follows:

	Unaudited 30 June 2018 LAK
Opening balance as at 1 January 2018 - audited	44,399,442,531
Additions	76,111,573,898
Repayments	(51,254,228,227)
Translation adjustments	998,319,519
Closing balance - unaudited	70,255,107,721

The interest rate exposure on the borrowings of the company is as follows:

	Unaudited 30 June 2018 LAK	Audited 31 December 2017 LAK
Borrowings		
At fixed rates	39,489,266,658	13,018,780,107
At floating rates	30,765,841,063	31,380,662,424
Borrowings	70,255,107,721	44,399,442,531

During the six-month period ended 30 June 2018, the significant change on borrowings as follows:

i) Short-term borrowing from Krungsri bank in Laos for which the interest rate is the Low Rate Limit (LRL) plus a percentage of the margin per annum. The repayments are required within five months after drawdown. The facilities are secured by the shareholder's land, and for the six-month period ended 30 June 2018, there was an amount of LAK 31,415 million drawn down.

ii) Short-term borrowing from LaoViet bank in Laos at a fixed interest rate of 6.5%. The repayments are required within five months after the drawdown. The facilities are secured by the shareholder's land, and for the six-month period ended 30 June 2018, there was an amount of LAK 14,581 million drawn down.

iii) On 5 April 2018, the Company entered into a short-term loan from Kasikorn bank in Laos for a contract amount of LAK 30,000 million with an annual fixed interest of 6.4% per annum. The repayments are required within 150 days after the drawdown and the interest has to be paid monthly. The borrowing was secured by the shareholder's land. For the six-month period ended 30 June 2018, there was an amount of LAK 30,115 million drawn down.

iv) On 5 April 2018, the Company entered into a long-term loan from Kasikorn bank from Laos for a contract amount of LAK 30,000 million with an annual fixed interest of 8.75% per annum which is due in December 2022. The loan principle will be paid quarterly starting from March 2019 and the interest has to be paid monthly. The borrowing is secured by the shareholder's land. During the six-month period ended 30 June 2018, there was no amount drawn down.

The Deferred financing service fee was recognized when occurred and is amortized throughout the contract period.

11. Dividend

At the Annual General Meeting of Shareholders held on 6 April 2018, the shareholders approved a resolution to declare a dividend payment from unappropriated retained earnings after legal reserve and other reserve allocation and from the net profit from 1 January 2017 to 31 December 2017 of LAK 10 per share totalling LAK 1,650 million (2016: LAK 3,300 million). The dividend was paid in May 2018 to the shareholders.

12. Income tax expense

The income tax expenses included in the interim financial information for the period represent the profit tax for the period concerned as determined in accordance with the Lao Tax Law. According to the tax law effective on 1 October 2012, the Company must pay taxes on its net taxable income at the rate of 24%.Then after listing on the LSX, the Company shall pay taxes on its net taxable income at the rate of 24%, subject to further reduction to the rate of 5% during the first four years after the Company's registration date (2015 to 2019) in accordance with the Enactment of the President of Lao PDR regarding Corporate Income Tax and Fee for Securities and Exchange, No. 1/ President, date 28 December 2010.

Profit before income tax expense for the six-month period ended 30 June 2018, after the adjustments of non-deductible income and expenses is in accordance with the Lao Tax Law. Therefore, no income tax expense was recognised for the period.

13. Basic earnings per share

As at 30 June 2018, basic earnings per share are calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares in issue during the period.

	Unaudited 30 June 2018
Net profit for the period attributable to shareholders (LAK)	2,323,902,365
Weighted average number of ordinary shares (shares)	165,000,000
Basic earnings per share	15

14. Related party transactions

Enterprises and individuals that directly, or indirectly through one or more intermediaries, control or are controlled by, or are under common control with, the Company, including holding companies, subsidiaries and fellow subsidiaries are related parties of the Company. Individuals owning, directly or indirectly, an interest in the voting rights in the Company that gives them significant influence over the enterprise, key management personnel, including directors and officers of the company, and their immediate family members, and companies associated with these individuals, also constitute related parties.

In considering each possible related-party relationship, attention is given to the substance of the relationship, and not merely the legal form.

The Company is controlled by the SOUKBANDITH family, who own 51% of the Company's shares. 34% of the company's shares is owned by 'Global House International Limited', a listed company in Thailand and the remaining 15% of the shares is widely held.

14. Related party transactions (continued)

The following significant transactions were carried out with related parties.

i) Sales of goods and services

For the six-month period ended	Unaudited 30 June 2018 LAK	Unaudited 30 June 2017 LAK
Sales of goods to shareholders	82,241,964	825,285,000

ii) Purchases of goods and services

For the six-month period ended	Unaudited 30 June 2018 LAK	Unaudited 30 June 2017 LAK
Purchases of goods from related party	107,992,676	1,949,290,800
Rental expense	1,870,733,375	2,734,798,746

The purchase of goods is mainly from "Siam Global House Public Company Limited", which is the parent company of Global House International Limited (a shareholder).

The rental expense is for land and buildings being rented from the major shareholders to support operations. The rental charge is based on the agreed price between both parties by referring to market prices (Note 14).

iii) Outstanding balances arising from related party transactions

	Unaudited 30 June 2018 LAK	Audited 31 December 2017 LAK
Accrued rental expenses	3,401,474,404	1,906,443,893
Trade payable – Global House (Note 9)	28,611,237	41,064,818

iv) Key management compensation

Key management includes directors. The compensations paid to management for employee services are as follows:

	Unaudited 30 June 2018 LAK	Unaudited 30 June 2017 LAK
For three-month period ended	449,575,000	446,100,000
For six-month period ended	899,150,000	892,200,000

15. Commitments and significant agreements

Operating lease commitments - where the Company is the lessee

The Company leases land and offices under non-cancellable operating lease agreements from the shareholders. The lease terms are two to three years, and the majority of the lease agreements are renewable at the end of the lease period at an agreed rate.

	30 June 2018 LAK	31 December 2017 LAK
Not later than 1 year	7,757,609,925	9,325,478,909
1 - 5 years	15,438,035,371	24,413,546,063
	23,195,645,296	33,739,024,972

16. Selling of the right to be a Mitsubishi elevator and escalator distributor

In July 2015, the Company sent a letter to inform Mitsubishi Electric Corporation (Mitsubishi) about the change of major shareholders and the plan to separate elevator and escalator operations from the Company. The Company got approval from the Lao Securities Commission Committee and Laos Securities Exchange to be a listed company on 11 December 2015 but the response letter from Mitsubishi was received later, on 21 June 2016. The response letter states that "the Company must separate the distribution of Mitsubishi elevators and escalators from its own operations by establishing a new company to operate only with the Mitsubishi brand". The management understand that this requirement was because of the Company's major shareholders had materially changed and this would affect the technological confidentiality that Mitsubishi wanted to ensure.

Currently, management is still negotiating with Mitsubishi regarding future business cooperation and arrangements. At this stage, management trusts that the Company will still be able to keep the distributor right but not the rights for the design and installation and repair and maintenance services. The Company engaged a financial advisor to prepare and evaluate the selling price of its related assets, if these were finally agreed to be transferred. The selling price will be based on different methods such as 1) book value, 2) adjusted book value, and 3) discounted cash flow. If any assets are transferred in the future, management believe it will not result in any significant loss to the Company. This matter, including the final terms and conditions of the transaction, are expected to be finalised within 2018.

The Company's revenue from Mitsubishi elevators and escalators represented 6% of the total revenue for the six-month period ended 30 June 2018. The key working capital as of 30 June 2018 was as follows.

	Unaudited As of 30 June 2018 LAK	Audited As of 31 December 2017 LAK
Trade and other receivables	8,176,892,460	6,303,081,321
Inventories	37,548,050,952	19,416,530,375
Deposits from customers	25,554,257,288	23,355,066,120
Trade payables - Mitsubishi	617,187,774	515,995,493

17. Supplementary information

The Company presents the unaudited statement of income for the three-month period ended 30 June 2018 under this note to the unaudited financial statements. This is in accordance with the reporting and disclosure regulation issued by Lao Securities and Exchange Commission Office (Note 2).

Summary of statement of income
For the three-month period ended 30 June 2018 and 2017

	Unaudited 2018 LAK	Unaudited 2017 LAK
Revenue from sales	78,862,652,378	71,063,678,206
Revenue from services	312,396,170	443,090,766
Cost of sales	(64,491,451,703)	(59,010,176,829)
Cost of services	(298,521,225)	(354,472,376)
Gross profit	**14,385,075,620**	**12,142,119,767**
Other incomes	1,492,747,569	1,185,070,261
Selling expenses	(5,999,966,750)	(2,017,998,474)
Administrative expenses	(6,477,346,586)	(9,899,287,011)
Finance costs	(980,634,817)	(531,819,367)
Foreign exchange gain (loss), net	(1,437,759,637)	248,218,195
Profit before income tax expense	**982,115,399**	**1,126,303,371**
Income tax expense	-	(113,736,369)
Net profit for the period	**982,115,399**	**1,012,567,002**