FINANCIAL STATEMENTS

31 MARCH 2020

SOUVANNY
Home Center

ບໍລິສັດ ສຸວັນນີ ໂຮມເຊັນເຕີ ມະຫາຊົນ

Souvanny Home Center Public Company

ບໍລິສັດ ສຸວັນນີ ໂຮມເຊັນເຕີ ມະຫາຊົນ
SOUVANNY HOME CENTER PUBLIC COMPANY
PHONTONGSAVAT RD,PHONTONG VILLAGE, CHANTHABULY DISTRICT, VIENTIANE CAPITAL
OFFICE: (856 21) 415645, FAX: (856 21) 262984, WWW.SOUVANNY.COM

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Souvanny Home Center Public Company
Statement of Financial Position
As at 31 March 2020

	Notes	31 March 2020 LAK	31 December 2019 LAK
Assets			
Current assets			
Cash and cash equivalents	4	4,422,801,510	3,740,207,940
Trade and other receivables, net	5	13,301,703,188	16,223,470,257
Inventories, net	6	198,388,585,939	207,366,001,254
Other current assets		8,697,070,424	8,129,892,874
Total current assets		224,810,161,061	235,459,572,325
Non-current assets			
Property, plant and equipment, net	7	542,242,144,430	550,085,847,112
Intangible assets, net		58,376,265	69,553,646
Other non-current assets		-	-
Total non-current assets		542,300,520,695	550,155,400,758
Total assets		**767,110,681,756**	**785,614,973,083**

Waddana SOUKHABANDITH
Chief Executive Officer
Date: 13 May 2020

Phannola SOUKHABANDITH
Chief Financial Officer
Date: 13 May 2020

The accompanying notes on pages 8 to 14 are an integral part of this three-month financial information.

Souvanny Home Center Public Company
Statement of Financial Position
As at 31 March 2020

	Notes	31 March 2020 LAK	31 December 2019 LAK
Liabilities and equity			
Current liabilities			
Bank overdraft and short-term borrowings	9	62,464,731,510	70,121,900,273
Trade and other payables	8	43,631,871,663	44,470,100,376
Current portion of long-term borrowings	9	5,584,150,000	8,240,787,500
Profit tax payable		514,780,921	324,820,091
Deposits from customers		1,087,174,264	880,894,353
Other current liabilities		18,599,050,275	18,246,895,277
Total current liabilities		131,881,758,633	142,285,397,870
Non Current liabilities			
Long-term borrowings from financial institution	9	16,321,112,999	16,322,691,340
Total non current liabilities		16,321,112,999	16,322,691,340
Total liabilities		148,202,871,632	158,608,089,210
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	10	4,772,981,235	4,772,981,235
Appropriated - Other reserve	10	4,522,981,235	4,522,981,235
Unappropriated		158,508,995,981	157,575,153,226
Translation adjustments		96,367,126,951	105,400,043,455
Total equity		618,907,810,124	627,006,883,873
Total liabilities and equity		767,110,681,756	785,614,973,083

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Souvanny Home Center Public Company
Statement of comprehensive income
For the Three-month period ended 31 March 2020

	Notes	2020 LAK	2019 LAK
Revenue from sales		105,037,171,157	89,281,252,586
Revenue from services		11,755,525	338,647,370
Cost of sales		(89,660,335,250)	(75,076,944,770)
Cost of services		(1,200,047)	(63,897,860)
Gross profit		**15,387,391,385**	**14,479,057,326**
Other incomes		2,956,902,439	1,401,787,206
Selling expenses		(8,255,369,512)	(7,677,211,649)
Administrative expenses		(6,600,321,198)	(6,221,410,306)
Finance costs		(1,493,371,380)	(1,112,632,134)
Foreign exchange loss, net		(546,608,058)	1,137,333,327
Profit before income tax expense		**1,448,623,676**	**2,006,923,770**
Income tax expense	12	(514,780,921)	(243,929,938)
Net profit for the period		**933,842,755**	**1,762,993,832**
Earnings per share			
Basic earnings per share	13	6	12

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Souvanny Home Center Public Company
Statement of changes in equity
For the Three-month period ended 31 March 2020

	Notes	Issued and paid-up ordinary shares	Premium on share capital	Legal reserve	Other reserve	Unappropriated retained earnings	Translation adjustments	Total equity
		LAK	LAK	LAK	LAK	LAK	LAK	LAK
Opening balance 1 January 2019		330,000,000,000	24,735,724,722	3,652,027,345	3,402,027,345	149,927,522,108	36,483,376,882	548,200,678,402
Legal reserve		-	-	-	-	-	-	-
Other reserve		-	-	-	-	-	-	-
Net profit for the period		-	-	-	-	1,762,993,832	-	1,762,993,832
Dividend paid	11	-	-	-	-	-	-	-
Translation adjustments		-	-	-	-	-	17,444,557,739	17,444,557,739
Ending balance 31 March 2019		330,000,000,000	24,735,724,722	3,652,027,345	3,402,027,345	151,690,515,940	53,927,934,621	567,408,229,973
Opening balance 1 January 2020		330,000,000,000	24,735,724,722	4,772,981,235	4,522,981,235	157,575,153,226	105,400,043,455	627,006,883,873
Legal reserve		-	-	-	-	-	-	-
Other reserve		-	-	-	-	-	-	-
Net profit for the period		-	-	-	-	933,842,755.00	-	933,842,755
Dividend paid	11	-	-	-	-	-	-	-
Translation adjustments		-	-	-	-	-	(9,032,916,504)	- 9,032,916,504
Ending balance 31 March 2020		330,000,000,000	24,735,724,722	4,772,981,235	4,522,981,235	158,508,995,981	96,367,126,951	618,907,810,124
			-	-	-	-	-	-

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Souvanny Home Center Public Company
Statement of Cash flows
For the Three-month period ended 31 March 2020

	Notes	31 March 2020 LAK	31 March 2019 LAK
Cash flow from operating activities:			
Net profit before income tax for the period		1,448,623,676	2,006,923,770
Adjustments for:☐			
Depreciation	7	3,946,363,286	3,382,170,235
Amortisation		10,233,272	65,609,959
Gain from disposes of property, plant and equipment		(8,957,670)	-
Gain/Loss on exchange rate		195,282,073	(1,644,618,443)
Interest expense		1,493,371,380	1,112,632,134
Inventories provision (reversal)		-	(2,331,103,137)
Trade and other receivables provision (reversal)		108,122,764	(1,098,751,834)
Allowance for sale return of trade receivable		21,804,160	-
Operating profit before working capital changes		7,214,842,942	1,492,862,684
Changes in operating assets and liabilities			
- Trade and other receivables		2,558,773,089	3,371,756,543
- Inventories		5,998,386,615	9,366,256,690
- Other current assets		(683,971,933)	822,543,173
- Other non-current assets		-	41,116,071
- Trade and other accounts payable		(1,451,228,456)	(11,566,431,739)
- Deposits from customers		218,934,876	(474,509,155)
- Other current liabilities		614,290,663	4,564,198,157
Cash generated from operations		14,470,027,796	7,617,792,424
Interest paid		(1,493,371,380)	(1,112,632,134)
Income tax paid	12	(323,885,700)	(370)
Net cash used in operating activities		12,652,770,716	6,505,159,920
Cash flows from investing activities :			
Purchases of plant and equipments	9	(2,753,358,549)	(3,519,060,164)
Purchases of computer software		-	215,069
Proceeds from disposals of property, plant and equipments		8,958,263	-
Net cash used in investing activities		(2,744,400,286)	(3,518,845,095)

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Souvanny Home Center Public Company
Statement of Cash flows
For the Three-month period ended 31 March 2020

	Notes	31 March 2020 LAK	31 March 2019 LAK
Cash flows from financing activities :			
Proceeds from a short-term borrowing		37,975,718,856	(4,987,411,404)
Repayment on a borrowings from bank		(46,930,849,319)	(1,605,628,331)
Dividend paid	11	-	-
Net cash used in financing activities		(8,955,130,463)	(6,593,039,735)
Net decrease in cash and cash equivalents		953,239,967	(3,606,724,909)
Cash and cash equivalent at the beginning of the period	4	3,740,207,940	8,873,646,944
Effect of exchange rate changes on cash and cash equivalents		(270,646,397)	1,933,463,269
Cash and cash equivalent at the end of the period		**4,422,801,510**	**7,200,385,303**
Significant non cash items			
Other payables from purchases of plant and equipments		1,251,859,076	593,183,136
Interest payable		-	

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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 engaged trades a full range of goods and materials for construction, addition, refurbishment, renovation and improvement of buildings, houses and residences, and provides related services.

The Company's headquarters' registered address is number 366 Ban Phonetongsavath, Chanthabury District, Vientiane Capital, Lao PDR. The Company also has 6 such as: Phonetong branch, Sikhai branch, XokYai branch, Paksan branch, Pakse branch and Thakhek branch.

The Board of Directors authorised this condensed the three-month financial information for issue on 13 May 2020.

2. Basis of preparation

The accompanying financial statements have been prepared in accordance with the Company's principal accounting policies as described below and have been prepared generally under the historical cost convention.
According to the Accounting Law and Regulation on accounting and auditing in securities sector under Securities Commission Office in Lao P.D.R., all listed companies are required to prepare its financial statements in accordance with International Financial Reporting Standard (IFRSs) as generally accepted accounting principles. At present, 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 it will be enforced in the future. In Lao PDR, there are significant differences between the companies' own accounting policies and the IFRSs, in many areas such as property, plant and equipment, leases, current and deferred income tax and pre-operation costs. Hence, users of the financial statements should therefore be aware and understand these differences and how these will affect their interpretation and decision making.

3. Estimates

The preparation of the three-month 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 the three-month financial information, the 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 2016, with the exception of a change in estimate that is required in determining the allowance for slow moving and obsoleted inventories (see in Note 6).

4. Cash and cash equivalents

	31 March 2020 LAK	Audited 31 December 2019 LAK
Cash on hand	495,885,191	792,983,112
Deposits held at call with financial institutions	3,926,916,319	2,947,224,828
Cash and cash equivalents	4,422,801,510	3,740,207,940

Cash on hand includes petty cash and cash from sales that is for general use.

Deposits held at call with financial institutions represents cash deposited with reputable local banks in 4 currencies, US dollars, Thai baht and Lao kip and China Yuan in current accounts.

5. Trade and other receivables, net

	31 March 2020 LAK	Audited 31 December 2019 LAK
Trade accounts receivables	13,644,036,563	16,403,862,177
Less allowance for doubtful debt	(1,138,227,863)	(1,045,710,145)
Trade accounts receivable, net	12,505,808,700	15,358,152,032
Advance payments for construction (Note 14)		
Staff borrowings	80,371,647	86,248,588
Other receivables (i)	715,522,841	779,069,637
	795,894,488	865,318,225
Trade and other receivables, net	13,301,703,188	16,223,470,257

The Outstanding trade accounts receivable balance as 31 March 2020 is aged as follows:

	31 March 2020 LAK	Audited 31 December 2019 LAK
Not yet due	4,313,485,743	4,788,775,093
Past due:		
1 – 3 months	2,332,452,722	4,195,607,493
3 - 6 months	589,730,922	4,672,336,873
6 - 12 months	4,320,332,442	621,748,002
Over 12 months	2,088,034,734	2,125,394,,716
Trade and other receivables, net	13,644,036,563	16,403,862,177
Less allowance for doubtful debt	(1,138,227,863)	(1,045,710,145)
Trade accounts receivable, net	12,505,808,700	15,358,152,032

The allowance was set up from the remaining accounts receivable balance which has been outstanding for more than six months and hasn't been collected up to the present date.

6. Inventories, net

	31 March 2020 LAK	Audited 31 December 2019 LAK
Inventories	201,423,872,230	210,445,528,159
Less: Allowance for slow moving and obsolete	(1,286,201,126)	(1,304,948,065)
Allowance for diminution in value of inventories	(1,749,085,165)	(1,774,578,840)
Inventories, net	198,388,585,939	207,366,001,254

During the three-month period ended 31 March 2020, 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 3,035 million (2019: LAK 3,080 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. Property, plant and equipment, net

	31 March 2020 LAK	Audited 31 December 2019 LAK
Opening net book value	550,085,847,112	490,347,457,551
Additions	4,005,217,625	13,785,456,331
Foreign exchange translation difference	(7,902,557,021)	60,391,899,409
sell	0	(268,035,659)
Depreciation charge	(3,946,363,286)	(14,170,930,520)
Closing net book value	542,242,144,430	550,085,847,112

Additions during the three-month period ended 31 March 2020 mainly consisted of office equipment and buildings. Total addition of LAK 4,005 million consisted of cash transaction (already paid) of LAK 2,753 million and non-cash transactions (not yet paid) of LAK 1,251 million.

8. Trade and other payables

	31 March 2020 LAK	Audited 31 December 2019 LAK
Trade accounts payable– third parties	43,601,260,151	43,752,150,508
Other payables	30,611,512	717,949,867
Trade and other account payables	43,631,871,663	44,470,100,376

9. Borrowings

	31 March 2020 LAK	Audited 31 December 2019 LAK
Current		
Bank overdraft	1,750,077,699	2,733,472,138
Short-term borrowings	60,714,653,811	67,388,428,135
Current portion of long-term borrowings	5,584,150,000	8,240,787,500
Non-current		
Long-term borrowings	16,321,112,999	16,322,691,340
Total borrowings	84,369,994,509	94,685,379,113

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

	31 March 2020 LAK	Audited 31 December 2019 LAK
At fixed rates	61,654,121,634	66,294,842,781
At floating rates	22,715,872,875	28,390,536,332
Total borrowings	84,369,994,509	94,685,379,113

The Company extended its bank overdraft credit limit on 14 June 2016 from LAK 1,200 million to LAK 33,495 million with a foreign financial institution's Lao branch. The overdraft was secured by a shareholder's land. And the interest rate is Low Rate Limit (LRL) plus a percentage of margin per.

On 12 December 2017, the Company entered into a new short-term borrowing of THB 145 million with foreign banks in Lao at fixed interest rates at 6.5%-7.5%. The repayments are required within 12 months after drawdown. The facilities are secured by the company's land.

A long-term borrowing from a financial institution was made in June 2016 and this is due in October 2020. The borrowing is secure by the same shareholder's land with overdraft.

10. Reserve

Legal reserve

	31 March 2020 LAK	Audited 31 December 2019 LAK
Opening balance	4,772,981,235	3,652,027,345
Additional	-	1,120,953,890
Ending balance	4,772,981,235	4,772,981,235

The legal reserve was set up as required by Article 156 under the Enterprise Law of the Lao PDR. It requires that at least 10% of the annual net profit be set aside as a legal reserve until such reserve reaches 50% of the authorised share capital.

Other reserve

Apart from legal reserve, the Company also has set aside 10% as another reserve. This is in accordance with the Company's policies registered with the Ministry of Finance, Lao PDR, dated 22 September 2015. The other reserve is for unforeseeable events such as natural disasters. The Company will only use this reserve to if such an event occurs.

11. Dividend

At the Annual General Meeting of Shareholders 2019 held on 08 May 2020, it was resolved that dividend be paid to shareholders in respect of 2019 operating results at LAK 16 per shares (2018: LAK 8 shares), totaling of LAK 2,690 million (2018: LAK 1,276). The dividend was paid in 08 June 2020 to the shareholder.

12. Income tax expense

According to the tax law effective on 1 January 2020, the company must pay taxes on its net taxable income at the rate of 20%.

The company doesn't recognize corporate income tax payable or receivable in future periods in respect of temporary differences. Income tax expense is recognized based on the operating result for the related period and the applicable tax rate.

	31 March 2020 LAK
Reconciliation between income tax expense and accounting profit:	
Accounting profit before income tax	1,448,623,676
Non-deductible and reversal items for tax purpose (1)	1,125,280,927
Taxable income (Loss)	2,573,904,603
Tax calculated at the tax rate of 20%	514,780,921

(1) Non-deductible and reversal items for tax purposes mainly comprise of the reversal of allowance from inventory and unrealized gained and loss from revaluation of asset and liabilities in foreign currencies on closing date.

13. Basic earnings per share

As at 31 March 2019, basic earnings per share are calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares in issued during the period.

	31 March 2020 LAK
Weighted average number of ordinary shares (shares)	165,000,000
Net profit for the period attributable to shareholders (LAK)	933,842,755
Basic earnings per shares	6

14. Related party transactions with management in the company.

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 right 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.

The following material transactions were carried out with related parties.

14.1 Income and expenses

	31 March 2020 LAK	Audited 31 March 2019 LAK
Purchases of goods from related party	6,260,537,688	4,993,277,440
Rental expense	1,202,491,350	1,306,347,315

14.2 Outstanding balance arising from related party transactions

	31 March 2020 LAK	Audited 31 December 2019 LAK
Accrued rental expense - shareholders	11,605,192,926	11,032,986,822
Trade accounts payable – Global House	788,465,785	33,562,480

14.3 Key management compensation

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

	31 March 2020 LAK	Audited 31 March 2019 LAK
For three-month period ended	426,004,545	444,175,000

15. Selling and Administrative expenses.

Selling and Administrative expenses of company were increased. Due to the company had expanded new branches, increasing of employees and fixed assets that increase from expanding new branches. At a result, depreciation charge increase respectively.

16. Commitment and significant transactions

Operating lease commitments - where the Company is the lessee.

The Company leases land and offices under non-cancellable operating lease agreements. The lease terms are 5 years, and the majority of the lease agreements are renewable at the end of the lease period at an agreed rate.

	31 March 2020 LAK	Audited 31 December 2019 LAK
Not later than 1 year	9,527,763,583	7,522,497,343
1 - 5 years	8,062,269,907	10,931,168,653
Closing balance 31 March 2020	17,590,033,490	18,453,665,996