Business Performance Report

the Sixth Month Period Ended 30th June 2022

Phousy Construction and Development

Public Company

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I. About Phousy Construction and Development Public Company

Phousy Construction and Development Public Company (referred to as "the **Company**" or "**PCD")** is one of the service providers in Design and Engineering, Procurement and Construction (Design and EPC) management. These include: design engineering, prototype engineering, procurement of materials for engineering works, and constructions. The Company aims to provide construction services focusing in infrastructure projects, namely: road construction, erosion protection and other related infrastructure work.

The Company, **"Phousy Luang Prabang Road & Bridge Construction and Maintenance Sole Company Limited",** was established by **Mr. Siphone Outhoumphone (Mr. Siphone)** in 1997 with registered capital of LAK 10,000 million, at that time, the Company targeted to be the construction service provider especially in infrastructure project in order to support and facilitate the transportation in northern part of Lao PDR. The Company has experienced the exponential growth which has made it to become the leader in construction engineering services firm of the northern part of Lao PDR. In 2009, **Mr. Sithong Phommachith (Mr. Sithong)**, a young businessman with a vision, became the Company's successor from Mr. Siphone which had achieved exceptional infrastructure projects, such as 2 levels asphalt paving in the northern areas, urban by-pass of Luang Prabang province, earthmoving project for building the road along Lao PDR-Viet Nam-Cambodia borders, conducted the road maintenance work damaged by natural disasters and others. The Company has the potential and therefore has become a leader in infrastructure development due to the fact the Company possesses number of personnel with high level of competency, state-of-the art in construction engineering and technology, maintain consistent quality and standards, on time for project hand over, as well as the ability to build trust to the customers who are the project owner. At present, the Company name has been changed to **Phousy Construction and Development Public Company** to enable the expansion of service scope in comprehensive construction engineering services and act as a project developer in the future.

Year		Summary Company Outstanding Events
1997	:	Phousy Luang Prabang Road & Bridge Construction and Maintenance Sole Company Limited were established by Mr. Siphone Outhoumphone (Mr. Siphone) with the registered capital LAK 10,000 million to operate the construction business by attend the bidding from the government or the Ministry of Public Works and Transportation (MPWT) or PWT division, Luang Prabang Province. Mr. Siphone saw the difficulty of the transportation, or ground logistic due to inconvenient and dangerous road and with his vision to expand construction business by focusing on infrastructure construction in northern part of the country.
2004 - 2005	:	From the country's economic growth and expansion spreading through small and large city, the in-land logistic has become more important. Mr. Siphone had expanded construction business to Xayaburi and Bokeo District but still focus on infrastructure construction such as Road and Bridge. At that time, Mr. Sithong was responsible for Administrative and Site Management.

2009	:	Mr. Sithong is a young business man with vision, he was successor to run the construction business by transferred from Mr. Siphone to Mr. Sithong and still use the same name as "Phousy Luang Prabang Road & Bridge Construction and Maintenance Sole Company Limited".
2011	:	Mr. Sithong saw the rapid growth of Luang Prabang Province in crowded area so he advised the Board of Directors to present a project to PWT division of Luang Prabang province to build the by-pass road No.13 North from Kokngiew Village to Phonexay Village and concrete bridge crossing Nam Khan river by total project cost of LAK 209,907 million, which Company used its own working capital to be an advance investment on the construction.
2016	:	According to Annual General Meeting of shareholders on 18th October 2016, the Company has approved to amend the par value to LAK 2,000 per share, increased the registered capital from LAK 10,000 million to LAK 700,000 million and transformed itself from Phousy Luang Prabang Road & Bridge Construction and Maintenance Sole Company Limited to **"Phousy Construction and Development Public Company"**. According to Extraordinary General Meeting on 18th November 2016, the Company has approved to increase registered capital in amount of LAK 300,000 million by issuing initial public offering in amount of 150 million shares with par value LAK 2,000 per share in order to initial public offering (IPO) to be listed in Lao Securities Exchange (LSX) which increased the Company's registered capital to LAK 1,000,000 million after IPO.
2017		On May 9, 2017, the Lao Securities Commission Office has issued a letter no. 220/LSCO to Phousy Construction and Development Public Company to reduce par value from 2000 Kip per share to 1000 Kip per share which resulted in the reduction of the registered capital amount from 700,000 million Kip to 582, 000 Kip. The altered registered capital amount was reflected in the business registration issued by Ministry of Industry and Commerce on June 27, 2017. On October 2, 2017, the company has completed its new registration capital with an additional amount of 82,000 million Kip right after its closing of the IPO resulting in the new registered capital of 582,000 million Kip. On October 10, 2017, the company had its first day trading and officially listed in the Lao Stock Exchange which has common shares of 82 million shares of par value 1000 Kip per share. The opening trade price per share was 1300 kip per share and closing trade price was at 1350 Kip per share

- **Address**

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- Tel: +856 21 229696
- Fax: +856 21 265394
- E-Mail: info@pcdlao.co
- Website: www.pcdlao.com

II. Core Business Operations

Vision

Phousy Construction and Development strives to pioneer the construction, technology and development in Lao PDR and expanded our business to ASEAN countries.

Mission

Our mission is to provide the best services with international standards in all areas such as high quality, timely delivery, attention to details, honesty and fairness to our partners and customers.

Values

P: Performance that is unrivalled

C: Comprehensive customer relations as the top priority

D: Delivery of on-time high quality work

III. Management and Corporate governance

3.1 Organizational Structures

Board of Directors of PCD



ທ່ານ ປອ ສີທອງ ພົມມະຈິດ ປະທານສະພາບໍລິຫານ

Ph.D Sithong PHOMMACHITH

Chairman



ທ່ານ ບຸນມີ ມະນີວົງ

ຮອງປະທານສະພາບໍລິຫານ / ສະມາຊິກອິດສະຫຼະ

Mr. Bounmy MANYVONG

Vice Chairman / Independent Member



ທ່ານ ສີທາ ພົມມະຈິດ

ສະມາຊິກສະພາບໍລິຫານ / ຜູ້ອຳນວຍການໃຫຍ່

Mr. Sitha PHOMMACHITH

Member / Chief Executive Officer



ທ່ານ ພູໂຂງ ອ້ວນລະມະນີ ສະມາຊິກ

ສະມາຊິກສະພາບໍລິຫານ

Mr. Phoukhong OUANLAMANY

Member



ທ່ານ ນັນທະລັດ ທິລະກຸນ

ສະມາຊິກອິດສະຫຼະ

Mr. Nanthalath THILAKUN

Member / Independent Member

Managing Directors of PCD



ທ່ານ ສີທາ ພົມມະຈິດ
ຜູ້ອ□ານວຍການໃຫຍ່
Mr. Sitha PHOMMACHITH
Chief Executive Officer



ທ່ານ ອຳໄพວັນ ຈັນທະພາລີ
ຜູ້ຊ່ວຍຜູ້ອຳນວຍການໃຫຍ່ຝ່າຍປະຕິບັດການ
Mr. Amphaivanh CHANHTHAPHALY
Chief Operations Officer



ທ່ານ ອາໂນໄລ ສີທາຣາດ
ຜູ້ຊ່ວຍຜູ້ອຳນວຍການໃຫຍ່ຝ່າຍການເງິນ
Mr. Anolay SIHARATH
Chief Financial Officer



ທ່ານ ດວງ ປະທຸມລັກ
ພະແນກ ຈັດຕັ້ງ ບໍລິຫານ
Mr. Duang PATHOUMLACK
Head of HR and Administration Department



ທ່ານ ພຸດທະເສນ ພົມມີໄຊ
ພະແນກ ພັດທະນາທຸລະກິດ ແລະ ການຕະຫຼາດ
Mr. Phoutthasen PHOMMIXAY
Head of Business Development and Marketing Department



ທ່ານ ວິລະຄົມ ພິລາກຸນ
ພະແນກ ອອກແບບ ແລະ ສຳຫລວດ
Mr. Vilakhom PHILAKOUN
Head of Design and Survey Department



ທ່ານ ເກດສະໜາ ຈັນທະວົງ
ພະແນກ ກໍ່ສ້າງ ເຕັກນິກ
Mr. Kethsana CHANHTHAVONG
Head of Construction and Monitoring Deparment



ທ່ານ ນາງ ໄธทอง ພົມມະຈິດ
ພະແນກ ການບັນຊີ ການເງິນ
Mrs. Haithong PHOMMACHITH
Head of Finance and Accounting Deparment



ທ່ານ ບຸນທິດ ທອງສັກດີ
ພະແນກ ພະແນກສາງ
Mr. Bounthod THONGSACKDY
Head of Inventory Department



ທ່ານ ຄອນສະຫວັນ ທຳວົງສິດ
ພະແນກ ຈັດຊື້ຈັດຈ້າງ
Mr. Khonesavanh THAMVONGSITH
Head of Procurement Department

3.2 Sharesholders

Shareholders	Before IPO		After IPO	
	No of Shares	%	No of Shares	%
I. Existing Shareholders	500,000,000	100%	500,000,000	100%
1.1 Ph.D Sithong Phommachith	415,000,000	83.00%	415,000,000	69.17%
1.2 Ms Pienkham Phommachith	50,000,000	10.00%	50,000,000	8.35%
1.3 Mr Siphone Outhoumphone	5,000,000	1.00%	5,000,000	0.83%
1.4 Ms Bouaphanh Outhoumphone	5,000,000	1.00%	5,000,000	0.83%
1.5 Mr Sitha Phommachith	5,000,000	1.00%	5,000,000	0.83%
1.6 Ms Haithong Phommachith	5,000,000	1.00%	5,000,000	0.83%
1.7 Ms Amphone Phommachith	5,000,000	1.00%	5,000,000	0.83%
1.8 Ms Touybouasy Phommachith	5,000,000	1.00%	5,000,000	0.83%
1.9 Ms Phetmany Outhoumphone	5,000,000	1.00%	5,000,000	0.83%
II. Investors from IPO			82,000,000	16.67%
	500,000,000		**582,000,000**	

3.2 Board of Directors and Executives.

Item	Name List	Positions
1	Ph.D Sithong Phommachith	Chairman
2	Mr Boumy Manyvong	Vise Chairman/Independent Director
3	Mr Nanthalath Thilakoun	Director/Independent Director
4	Mr Sitha Phommachith	Director/Chief Executive Officer
5	Mr Phoukhong Ouanlamany	Director

3.3 Audit Committee (The member of Audit Committee)

Item	Name List	Positions
1	Mr Nanthalath Thilakoun	Chairman of Audit Committee
2	Mr Bounmy Manyvong	Audit Committee
3	Mr Sitha Phommachith	Audit Committee

3.4 Risk Management Committee

(The member of Risk Management Committee)

Item	Name List	Positions
1	Mr Bounmy manyvong	Chairman of Risk Management Committee
2	Mr Nanthalath Thilakoun	Risk Management Committee
3	Mr Sitha Phommachith	Risk Management Committee

3.5 3 Compensation Committee (Member of Compensation Committee)

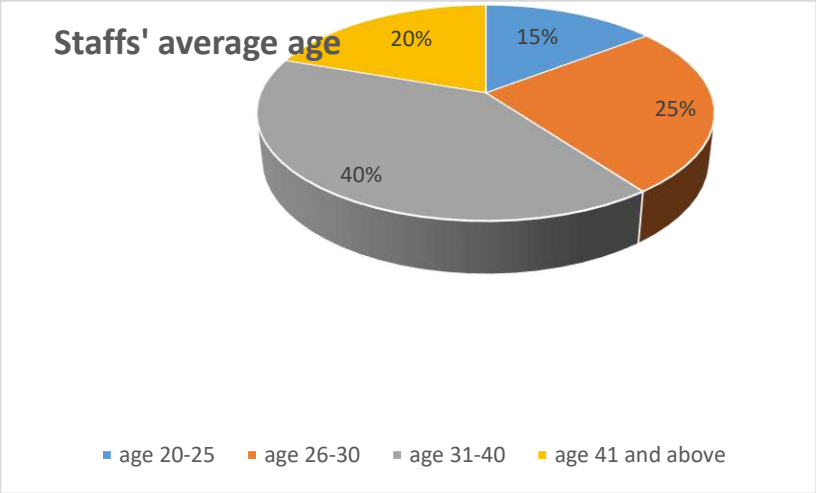
Item	Name List	Positions
1	Mr Nanthalath Thilakoun	Chairman of Compensation Committee
2	Ph.D Sithong Phommachith	Compensation Committee
3	Mr Sitha Phommachith	Compensation Committee

IV. Summary of Business Performance Report for the Sixth Month Period Ended 30th June 2022

4.1. Human Resource Management

In regard to the human resources management aspect, in the year 2022 PCD has focusing an organizational to be aligned with the structure and conditions of the Lao Securities Exchange. Social welfare provides better care for employees in the organization, works day by day and has annual leave according to Lao Labor Law. And implemented the order of No.06/ນຍ To combat and prevent the outbreak of COVID 19 strictly.

- Total number of staff as off 31/03/2022: 161 staffs
- Resigned: 12
- Recruit 0 new employee
- Staff Promotion: 0 staffs



➢ **Remuneration and Social Welfare**

- No Salary increases for staffs

➢ **Organize activities for unity of staffs**

- Not active in action due to outbreak COVID-19

Capacity building for staff

- In the Q2 of the Year 2022, we have training and send staff for seminar

4.2. Marketing

As a service provider of comprehensive engineering by emphasizing on infrastructure developments services which the majority of the project owners are the government sector. Therefore, our marketing strategy focus on the government sector by transferring the projects on a quality and on-time basis which is an important factor for the project owner that will trust on a quality provided by the Company which create an opportunity to get more jobs in the future. In addition, the Company has built good relationship with the government sector by provide and exchange the construction information along with the studies, exploration of addition areas for road project developments which creates a better chance of winning the bidding.

Currently, PCD is continuing to implement two unfinished projects: the construction of a two-story paved road from Ban Ou Village Luang Prabang District to Sibunheung village Nan district, Luang Prabang province, 50.2 km long, and an upgrade road from Kieu Cheia village to Muang Heub Village Phonethong district Laouang Prabang Province, 32.5 km in length.

V. The project plan continues to be implemented

1. The Vientiane-Pakse Expressway project, worth more than $ 4 billion, and we, Phousy Construction and Development Public Company, are among the four companies that have been shortlisted for the final round. The survey and design of the corridor is now underway, and the Ministry of Public Works and Transport is preparing to submit it to the government to endorse. (Only Phousy Construction and Development Public Company is responsible for the 4th phase from Xeno, Savannakhet to Napong, Saravane Province, the total length is 135.2 km, the initial estimated value is US $ 1,235.82)

2. Modern resettlement villages for low-income guests of 200,000 across the country, are also looking for foreign partners.

3. The construction project of Luang Prabang Special Economic Zone worth US $ 2.5 million is waiting for the project owner to continue demarcating the border and compensating for the environmental impact before it can be implemented.

VI. Projects in the plan for the year 2022-2025

1. Real estate development project on an area of 500 hectares in Luang Prabang Special Economic Zone. Estimated investment value 50,000,000 UDS
2. Luang Prabang Mekong Bridge Project worth about 38,000,000 USD
3. Signed a land lease agreement with 3 companies that it’s worth 120,000,000 USD

4. Signed a warehouse lease agreement with 2 companies in the PDR of China worth 180,000,000 USD
5. Signed a real estate contract (Permanent Resident) with 2 companies that it's worth 200,000,000 USD
6. Don Nun bypass project 30 Km

- **Characteristics of Target Customers**

Our target customers are divided into the government and private sectors especially on the infrastructure development projects in the northern part of the country covering the whole country. In the future, the Company's Marketing plans have been focusing on private sectors and sector of construction development for small, medium and mega size projects consecutively.

- **Project Bidding**

The distribution channel of the Company is getting contracts from the government by submitting the bidding documents to quote the prices and negotiate the works with the project owner. The Company then receives the project bidding documents to evaluate the quotation. From time to time, the Company propose the project directly to the project owner to get an approval of the project. However, the project owner shall inspect the possibility of that road construction or project; the feasibility study is needed to mitigate the competition risk in the bidding.

- **Competitive Strategy**

The Company has a policy to increase the work in construction from the government and private sectors. To achieve our target to be a leader in construction and country's development, the Company has planned to expand the business in the ASEAN Community. In order to have a competitive advantage and achieve the target, the Company has developed competitive strategies as followed:

A. Comprehensive construction service company

The Company is a comprehensive construction provider which are prompt to submit the project proposal or enter the bidding competition of both government and private project that have put readiness to the Company to be a leading industrial developer of the country, the Company plans to invest in infrastructure development projects and property development projects with personnel with experienced in construction engineering, use of modern technology, and aim for bigger and more complex projects. The abundance of construction materials and experienced workers have contributed a success to the Company.

B. Quality and standard of the work

Maintaining the quality and standard of work is the reason that the Company has been successful. From the beginning history of the Company, the Company managed to complete the work on time, with reliability and quality of work based on the contract, serves the customers with sincerity, detailed, and honestly.

C. Submitting the work on time

The infrastructure development work, especially on the road construction is a time-consuming project. Therefore, the Company must hand over the works on time as planned. The Company is well known for the submitting the work on time which is an important factor for the Company's success that requires long-term responsibility.

The Company has a systematic management by planning in each phase with continuous personnel empowerment to ensure effective implementation of work to finish on time.

D. Pays attention on the detail of the project

The Company pays the attention on the details in all projects with high experienced managers and engineers, expert in the road, bridge and other construction projects in order to monitoring all project activities which have contributed to the improvement continuously and therefore the decrease the construction costs in various ways. Moreover, the Company aims to achieve that target by developing management concept, use of modern technology to improve the performance as well as to decrease the construction costs.

E. Being honest and fair to our colleagues

As being honest, sincere, and fair for all related stakeholders including the project owner, designer, and supervisor. Due to the fact that the designer knows the project in details. From the principles of being honest and sincere, these have led us to become a well-known company, with a good relationship among the supervisors, designers, and colleagues.

F. Being reliable and trusted by our customers

From the Company's previous success, the Company is reliable and trusted by the customers and the project owner. Since then, the Company has been regularly contacted by the government sector to attend the bidding competition.

VII. Organization Strategies

From the ambition to provide the best services to gain credibility and trust amongst customers, we are ready to move forward to the future:

- Increase customer base to private sector for small, medium and mega size infrastructure development projects.
- Initiate real estate development portfolio to accommodate the growth of the cities in the country.
- Maintain trust and credibility of the existing customers who worked with us for 20 years by ensuring quality, standards, timely delivery and honesty with details oriented.

Managing Director

Phousy Construction and Development Public

Mr. Sitha PHOMMACHITH

Internal Audit of Company

Mr. Souvanny Kongphachit

PHOUSY CONSTRUCTION AND DEVELOPMENT PUBLIC COMPANY

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INTERIM FINANCIAL INFORMATION (UNAUDITED)

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2022



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AUDITOR'S REPORT ON THE REVIEW OF THE INTERIM FINANCIAL INFORMATION

To the Shareholders and the Board of Directors of Phousy Construction and Development Public Company

We have reviewed the interim financial information of Phousy Construction and Development Public Company (the Company), which comprises the statement of financial position as at 30 June 2022, the related statements of income, 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 interim financial information in accordance with the accounting policies as described in Note 2 to the interim financial information. 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 of interim financial information 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 interim financial information is not prepared, in all material respects, in accordance with the accounting policies described in Note 2 to the interim financial information.

For PricewaterhouseCoopers (Lao) Sole Company Limited

By: Pongphan Domerongphanudom
Partner

Date: 29 August 2022

PHOUSY CONSTRUCTION AND DEVELOPMENT PUBLIC COMPANY

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2022

Assets	Notes	Unaudited 30 June 2022 Million LAK	Audited 31 December 2021 Million LAK
Current assets			
Cash and cash equivalents	5	56	176
Trade and other receivables, net	6	153,348	153,049
Inventories		320	320
Other current assets	8	15,169	13,143
Total current assets		**168,893**	**166,688**
Non- current assets			
Property plant and equipment, net	9	447,571	448,129
Long-term loan to related parties		861	861
Financial investments - held-to-maturity	7	11,095	10,616
Total non-current assets		**459,527**	**459,606**
Total assets		**628,420**	**626,294**
Liabilities and equity			
Liabilities			
Current liabilities			
Trade and other payables	10	58,234	58,816
Long-term borrowings from financial institutions	11	38,422	38,422
Long-term borrowings – related parties	11	15,761	15,825
Profit tax payable	12	13,337	13,337
Other current liabilities	13	65,489	61,661
Total current liabilities		**191,243**	**188,061**
Total liabilities		**191,243**	**188,061**
Equity			
Authorised share capital	14	582,000	582,000
Share premium	14	12,540	12,540
Retained earnings/(Deficits)			
Appropriated legal reserve	15	11,572	11,572
Unappropriated		(168,935)	(167,879)
Total equity		**437,177**	**438,233**
Total liabilities and equity		**628,420**	**626,294**

Mr. Sitha PHOMMACHITH
Managing Director
Date: 29 August 2022

Mrs. Haithong PHOMMACHITH
Head of Finance and Accounting
Date: 29 August 2022

The accompanying notes on pages 6 to 14 are an integral part of this interim financial information.

PHOUSY CONSTRUCTION AND DEVELOPMENT PUBLIC COMPANY

STATEMENT OF INCOME
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2022

	Notes	Unaudited 30 June 2022 Million LAK	Unaudited 30 June 2021 Million LAK
Revenue from construction		-	6,441
Cost of construction		-	(2,141)
Gross profit		-	**4,300**
Other income		2,007	1,481
Allowance for doubtful gain/(loss), net		447	(1,353)
Administrative expenses		(1,976)	(1,350)
Foreign exchange gain		2,480	9
Interest expenses		(4,014)	(4,022)
Loss before income tax expenses		**(1,056)**	**(935)**
Profit tax expenses	17	-	(193)
Loss for the period		**(1,056)**	**(1,128)**
Loss per share			
Basic loss per share	18	(1.81)	(1.94)

Mr. Sitha PHOMMACHITH
Managing Director
Date: 29 August 2022

Mrs. Haithong PHOMMACHITH
Head of Finance and Accounting
Date: 29 August 2022

The accompanying notes on pages 6 to 14 are an integral part of this interim financial information.

PHOUSY CONSTRUCTION AND DEVELOPMENT PUBLIC COMPANY

STATEMENT OF CHANGES IN EQUITY
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2022

	Notes	Share capital Million LAK	Share premium Million LAK	Retained earnings/(Deficits) Legal reserve Million LAK	Retained earnings/(Deficits) Unappropriated Million LAK	Total Million LAK
Opening balance 1 January 2022 - Audited	14,15	**582,000**	**12,540**	**11,572**	**(167,879)**	**438,233**
Loss for the period		-	-	-	(1,056)	(1,056)
As at 30 June 2022 - Unaudited		**582,000**	**12,540**	**11,572**	**(168,935)**	**437,177**
Opening balance 1 January 2021 - Audited	14,15	**582,000**	**12,540**	**11,572**	**(153,984)**	**452,128**
Loss for the period		-	-	-	(1,128)	(1,128)
As at 30 June 2021 - Unaudited		**582,000**	**12,540**	**11,572**	**(155,112)**	**451,000**

Mr. Sitha PHOMMACHITH
Managing Director
Date: 29 August 2022

Mrs. Haithong PHOMMACHITH
Head of Finance and Accounting
Date: 29 August 2022

The accompanying notes on pages 6 to 14 are an integral part of this interim financial information.

PHOUSY CONSTRUCTION AND DEVELOPMENT PUBLIC COMPANY

STATEMENT OF CASH FLOWS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2022

	Notes	Unaudited 30 June 2022 Million LAK	Unaudited 30 June 2021 Million LAK
Cash flows from operating activities:			
Loss before income tax for the period		(1,056)	(935)
Adjustments for:			
- Unrealised gain on exchange rate		(2,480)	(9)
- Depreciation charge	9	558	2,051
- Interest expense		4,014	4,022
- Allowance for doubtful (gain)/loss, net		(479)	2,632
Operating loss before changing in operating assets and liabilities		**557**	**7,761**
Changes in operating assets			
- Trade and other receivables		180	(8,530)
- Investment in held-to-maturity		(479)	(484)
- Other current assets		(2,026)	(1,465)
Changes in operating liabilities			
- Trade and other accounts payable		1,898	2,325
- Other current liabilities		244	804
Cash generated from operations		**374**	**412**
Interest paid		(430)	(221)
Income tax paid		-	(22)
Net cash (used in) generated from operating activities		**(56)**	**169**
Cash flows from financing activities:			
Proceeds from borrowing		-	1,950
Repayments of borrowings	11	(64)	(2,091)
Net cash used in financing activities		**(64)**	**(141)**
Net (decrease)/increase in cash and cash equivalents		**(120)**	**28**
Cash and cash equivalent at the beginning of the period	5	176	88
Effect of exchange rate changes on cash and cash equivalent		-	-
Cash and cash equivalent at the end of the period	5	**56**	**116**
Non-cash items:			
Settlement receivable from GoL and investment in held-to-maturity	7	479	484

Mr. Sitha PHOMMACHITH
Managing Director
Date: 29 August 2022

Mrs. Haithong PHOMMACHITH
Chief Financial Officer
Date: 29 August 2022

The accompanying notes on pages 6 to 14 are an integral part of this interim financial information.

1. General information

Phousy Construction and Development Public Company is a public company. The address of the Company's registered office is at Continental Plaza Hotel, Nongbuathong-Tai Village, Sikhottabong District, Vientiane Capital, Lao PDR.

The principal businesses of the Company are construction, repair and maintenance for roads, bridges and others. There is only one customer which is Government of Lao PDR (GoL).

The Company was listed on the Lao Securities Exchange (LSX) market on 10 October 2017.

This interim financial information was authorised for issue managing director on 29 August 2022.

2. Basis of preparation

The 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 2021. The primary financial information (i.e. statement of financial position, statement of 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 issued by Lao Securities and Exchange Commission Office.

The interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2021.

Going concern assumption

The Company incurred a net loss of LAK 1,056 million for the six months period ended 30 June 2022 (2021: loss LAK 1,128 million) and the current liabilities exceeded the current assets in the amount LAK 22,350 million. The related parties issued confirmation letters to the Company that will not call borrowing and balance payable as 30 June 2022, total LAK 58,841 million within the next 12 months starting from 30 June 2022.

Therefore, these financial statements are prepared on going concern basis.

3. Significant events during the current period

The COVID-19 infections in Laos, the number of cases has been declined since the end of April 2022, in addition, the number of deaths reported decreased when compared to prior year. Laos fully reopened to tourism on 9 May 2022. All foreign tourists can now visit, some COVID-19 requirements remain in place.

Management reviewed the effect from those events to their business, according to Lao environment which number of inflections is low and can be controlled then this issue has not effect to their business. Management considered that there is no significant effect from Covid-19.

Management will continue to monitor the ongoing development and regularly assess the financial impact in respect for the valuation of assets, provisions and contingent liabilities.

4. 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 key sources of estimation uncertainty were the same as those that applied to the financial statements for the year ended 31 December 2021.

5. Cash and cash equivalents

	Unaudited 30 June 2022 Million LAK	Audited 31 December 2021 Million LAK
Cash on hand	15	79
Deposits held at call with financial institutions	41	97
Total	**56**	**176**

6. Trade and other receivables

	Unaudited 30 June 2022 Million LAK	Audited 31 December 2021 Million LAK
Trade account receivables	314,515	314,994
Less: Allowance for doubtful debt	(296,563)	(297,010)
Trade accounts receivable, net	17,952	17,984
Amount due from related parties (Note 19) b)	80,878	76,682
Short-term loan to Phousy Group (Note 19) b)	54,464	55,941
Other receivables	54	2,442
Total	**153,348**	**153,049**

7. Financial investments - held-to-maturity

	Unaudited 30 June 2022 Million LAK	Audited 31 December 2021 Million LAK
Opening balance 1 January	10,616	-
Addition*	479	10,616
Total	**11,095**	**10,616**

*During the period the Company had received the bonds which were issued by the Ministry of Finance to either for settlement the receivable from construction projects.

8. Other current assets

	Unaudited 30 June 2022 Million LAK	Audited 31 December 2021 Million LAK
Interest receivable from a related party*	14,224	12,493
Advances to suppliers	205	205
Advances to staff	38	38
Prepayments	68	48
Other receivables	634	359
Total	**15,169**	**13,143**

* Interest receivable from a related party – related to a loan to Phousy Group in Note 6.

9. Property, plant and equipment, net

	Million LAK
Opening net book value as at 1 January 2022 – Audited	448,129
Additions	-
Depreciation charge	(558)
Closing net book value as at 30 June 2021 – Unaudited	**447,571**

Land LAK 37,681 million are secured for borrowings (Note 11) and LAK 401,569 million are secured for the Phousy Group's borrowings.

Depreciation expense of amount LAK 558 million has been charged to administrative expenses.

10. Trade and other payables

	Unaudited 30 June 2022 Million LAK	Audited 31 December 2021 Million LAK
Trade payable – third party	15,154	14,358
Other payable – related parties (Note 19) b)*	43,080	44,458
Total	**58,234**	**58,816**

*During the period, the Company entered into the agreement with related parties for fixed foreign exchange rate, for currency US dollar into Lao KIP.

11. Borrowings, net

	Unaudited 30 June 2022 Million LAK	Audited 31 December 2021 Million LAK
Financial institution	38,422	38,422
Related parties (Note 19) b)	15,761	15,825
Total	**54,183**	**54,247**

	Unaudited 30 June 2022 Million LAK	Audited 31 December 2021 Million LAK
Current	54,183	54,247
Non - current	-	-
Total	**54,183**	**54,247**

The movement in borrowings can be analysed as follows:

	Million LAK
Opening balance as at 1 January 2022 - Audited	**54,247**
Additions	-
Repayments	(64)
Closing balance as at 30 June 2022 - Unaudited	**54,183**

11. Borrowings, net (continued)

Borrowing from financial institution:

The Company signed a borrowing agreement amount LAK 36,000 million and LAK 5,000 million with ST Bank Company Limited for working capital for road construction with interest rate of 17% and 13% per annum respectively since 29 May 2015. This borrowing is guaranteed by land of the Company (Note 9) and land of related parties. The Company is required to repay principal within 3 years after the first drawdown on annually and interest is payable on monthly.

As at reporting date, the new term loan was being discussed with lender, therefore the Company recognised interest expense based on the condition as mention on above.

The aging analysis of these borrowings is as follows:

	Unaudited 30 June 2022 Million LAK	Audited 31 December 2021 Million LAK
Less than one year	54,183	54,247
More than one year but not over 5 years	-	-
Over 5 years	-	-
Total	**54,183**	**54,247**

12. Profit tax payable

According to the profit tax payment practice between tax authority and the Company, profit tax is calculated by assessed taxes at pre-determined profit rates multiplied by profit tax rate and revenue from construction. The profit tax will off-set when Government of Laos make payment to the Company.

As at 30 June 2022, profit tax payable presented profit tax payable from construction revenue but GoL does not yet make payment.

13. Other current liabilities

	Unaudited 30 June 2022 Million LAK	Audited 31 December 2021 Million LAK
VAT payable*	31,211	31,211
Interest payable from financial institutions	26,865	24,012
Interest payable from related parties	2,565	1,835
Dividend payable	1,863	1,863
Advance received from sub-contractor	754	754
Advance received from Government	893	893
Accrued salary	154	-
Others	1,184	1,093
Total	**65,489**	**61,661**

* VAT payable is calculated by multiplied by 10% (before year 2021) of revenue from construction and it will off-set when Government of Laos make payment to the Company.

During this period, the Government of Laos has decreased it's standard Value Added Tax (VAT) rate from 10% to 7% effective since 1 January 2022 onward.

14. Share capital and premium on share capital

As at 30 June 2022, the Company has share 582,000,000 shares with a par value of LAK 1,000 per share and issued shares were fully paid.

The Company incurred premium on share LAK 12,540 million when list in Lao Securities Exchange in 2017.

15. Legal reserve

The legal reserve is set up in accordance with the requirement of the Enterprise Law of the Lao PDR, which 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.

16. Dividend

2022:
At the Annual General Meeting of Shareholders, held on 29 April 2022, the shareholders approved no dividend payments for the year 2021 because of the business operating result loss.

2021:
At the Annual General Meeting of Shareholders, held on 28 April 2021, the shareholders approved no dividend payments for the year 2020 because of the business operating result loss.

17. Profit tax expense

According to the profit tax payment practice between tax authority and the Company as described in (Note 12), profit tax expense presented profit tax from construction revenue during the period but GoL does not yet make payment.

18. Basic loss per share

As at 30 June 2022, basic loss per share are calculated by dividing the net loss attributable to shareholders by the weighted average number of ordinary shares in issue during the period.

	Unaudited 30 June 2022 Million LAK	Unaudited 30 June 2021 Million LAK
Weighted average number of ordinary shares (million shares)	582	582
Net loss for the period attributable to shareholders (million LAK)	(1,056)	(1,128)
Basic loss per share (LAK)	**(1.81)**	**(1.94)**

19. 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. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the enterprise, key management personnel, including directors and officers of the Company and close members of the family of these individuals and companies associated with these individuals also constitute related parties.

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

As at 30 June 2022, the Company is controlled by the Phommachith family, who own 86% of the Company's shares (2021: 86%). The remaining 14% of the share are widely held. The Company's ultimate controlling party is Mr. Sithong Phommachith. He is management of Phousy Group Sole Company Limited (Phousy Group).

Significant related party transactions during the period can be summarised as follows:

19. Related party transactions (Continued)

a) Purchases of goods or services and others

	Unaudited 30 June 2022 Million LAK	Unaudited 30 June 2021 Million LAK
Interest income from Phousy Group	1,731	1,474
Interest expense	830	838
Fuel expenses	243	90
Rental	90	90

b) Outstanding balances with related parties

	Unaudited 30 June 2022 Million LAK	Audited 31 December 2021 Million LAK
Amounts due from related parties (Note 6) (1)	80,878	76,682
Short-term loan to Phousy Group (Note 6) (2)	54,464	55,941
Short-term to loan related parties	861	861
Other payable – related parties (Note 10)	43,080	44,458
Long-term borrowings (Note 11) (3)	15,761	15,825

(1) This is consisting of amounts due from Phousy Group Sole Company Limited with no interest and call on demand.

(2) On 27 December 2017, the Company entered into short-term loan agreement LAK 86,531 million with Phousy Group for investment in development of new town project at Luang Prabang with interest rate 5% per annum, no collateral.

(3) Movement of borrowings can be analysis as below:

	Unaudited 30 June 2022 Million LAK	Audited 31 December 2021 Million LAK
Opening balance	15,825	16,000
Additions	-	3,600
Repayments	(64)	(3,775)
Ending balance	**15,761**	**15,825**

Borrowings from related parties with the interest rate range between 9.75% to 11.13% per annum and using for operating in the Company. The repayment terms are in the range of 1 to 4 years and will be repaid fully at the end of contract period, starting from 2017 to 2022.

19. Related party transactions (Continued)

b) Outstanding balance with related parties (Continued)

Borrowings are denominated in Lao Kip (LAK) and aging analysis of these borrowings is as follows:

	Unaudited 30 June 2022 Million LAK	Audited 31 December 2021 Million LAK
Less than one year	15,761	15,825
More than one year but not over 5 years	-	-
Over 5 years	-	-
Total	**15,761**	**15,825**

c) Managements remuneration

There was no benefit paid to managing director during the period.

20. Commitments

	Unaudited 30 June 2022 Million LAK	Audited 31 December 2021 Million LAK
Office rental commitment *	615	705

* The Company leases land and offices under non-cancellable operating lease agreements. The lease term is 10 years, and the majority of lease agreements are renewable at the end of the lease period at an agreed date.

21. Event after the reporting period

There are no significant events occurring after the period end requiring adjustments or disclosures to the financial information for the period ended 30 June 2022.