# Vientiane Center Lao Public Company

Interim financial statements

For the six-month period ended 30 June 2019

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# Vientiane Center Lao Public Company

GENERAL INFORMATION

## THE COMPANY

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

In 2019, the Company has completed Initial Public Offering (IPO) process offering where 51,199,900 shares with par value of LAK 1,000 per share and selling price of LAK 1,050 per share were issued. Accordingly, the Company received the Certificate of Initial Public Offering (IPO) completion No.0006/LSCO on 29 May 2019 issued by Lao Securities Commission Office and Business License No. 0833/ERM on 29 May 2019 issued by Department of Enterprise Registration and Management, the Ministry of Industry and Commerce of Lao PDR. The total 147,199,900 shares of the Company (under the ticker "VCL") have been officially listed on Lao Securities Exchange since 31 May 2019.

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

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

## THE BOARD OF DIRECTORS

The members of the Board of Directors during the period and as at the date of this report are:

| Name | Position |
|---|---|
| Mr. Wei Hua | Chairman |
| Ms. Orlathai Santikhongkha | Vice Chairman |
| Mr. Liu Guangcan | Member |
| Mr. Boulapha Santikhongkha | Member |
| Mr. Chai Jianhong | Member |
| Mr. Li Xiaodong | Member |
| Mr. Wuxinghua | Member |
| Mr. Xiao Yong | Member |
| Mrs. Deng Yu | Member |
| Mr. Lu Jian | Member |
| Mr. Viengsavanh Phanthaly | Member |

## MANAGEMENT

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

| *Name* | *Position* |
|---|---|
| Mr. Li Xiaodong | Executive Director |
| Mr. Sun Fei Hu | Director |
| Mr. Miao Zhen Wu | Director |

## AUDIT COMMITTEE

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

| *Name* | *Position* |
|---|---|
| Mr. Xiao Yong | Head |
| Mrs. Deng Yu | Member |
| Mr. Viengsavanh Phanthaly | Member |

GENERAL INFORMATION

## LEGAL REPRESENTATIVE

The Company's legal representative during the period and at the date of this report is Mr. Li Xiaodong, Executive Director.

## AUDITORS

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

# Vientiane Center Lao Public Company

REPORT OF MANAGEMENT

Management of Vientiane Center Lao Public Company ("the Company") is pleased to present its report and the interim financial statements of the Company for the six-month period ended 30 June 2019.

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting policies have been followed, subject to any material departures disclosed and explained in the interim financial statements; and
- prepare the interim financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue its business.

Management is responsible for ensuring that proper accounting records are kept which disclose, with reasonable accuracy at any time, the interim financial position of the Company and to ensure that the accounting records comply with accounting policies applied. It is also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

## STATEMENT BY MANAGEMENT

Management does hereby state that, in its opinion, the accompanying interim financial statements for the six-month period ended 30 June 2019 have been prepared in accordance with the accounting policies as described in Note 3 to the interim financial statements.

On behalf of management:

Mr. Li Xiaodong
Executive Director

Vientiane Capital, Lao PDR

15 August 2019

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# REPORT ON REVIEW OF INTERIM FINANCIAL STATEMENTS

**To: The Board of Directors of Vientiane Center Lao Public Company**

***Introduction***

We have reviewed the accompanying interim balance sheet of Vientiane Center Lao Public Company ("the Company") as of 30 June 2019 and the related interim income statement, statements of changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 5 to 30. Management is responsible for the preparation and presentation of these interim financial statements in accordance with the accounting policies as described in Note 3 to the interim financial statements. Our responsibility is to express a conclusion on these interim financial statements based on our review.

***Scope of review***

We conducted our review in accordance with 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 statements are not prepared, in all material respects, in accordance with Note 3 to the interim financial statements.

***Emphasis of Matter***

We draw attention to Note 3 to the interim financial statements, which describes the accounting policies adopted by the Company. These accounting policies are not intended to present the interim financial position, the interim results of operations and the interim cash flows of the company in accordance with international generally accepted accounting principles.

As presented in Note 3.3, the value added tax of rental income and other income was only recognised, declared and paid for the clients who received value added tax invoice from the Company.

As presented in Note 3.15, the Company recognises its revenue from Business Cooperation Contract and relevant value added tax obligation based on total income of the contract. However, the value added tax was only declared and paid on net amount received by the Company and for which invoices were issued by the Company.

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As also disclosed in Note 2 to the interim financial statements, the interim financial statements are prepared to assist the Company's management in meeting the reporting requirements of its owners. As a result, the interim financial statements may not be suitable for another purpose. Our report is intended solely for the information and use of the Company's management and its owners, and should not be distributed to or used by other parties.

Our conclusion is not modified in respect of these matters.




Anh Hoang Trinh
Partner

Vientiane, Lao PDR

15 August 2019

# Vientiane Center Lao Public Company

INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the six-month period ended 30 June 2019

| | Notes | *For the six-month period ended 30 June 2019 LAK* | *For the six-month period ended 30 June 2018 LAK* |
|---|---|---|---|
| Revenue | 4 | 14,132,353,619 | 13,902,534,461 |
| Other operating income | | 1,119,781,866 | 1,496,096,502 |
| **Gross income** | | **15,252,135,485** | **15,398,630,963** |
| Operating expenses | 5 | (10,054,703,429) | (9,441,390,526) |
| Valuation gain from investment property | 10 | 2,784,600,000 | 2,518,500,000 |
| **Operating profit** | | **7,982,032,056** | **8,475,740,437** |
| Financial income | | 55,642,010 | 6,437,970 |
| Financial expenses | 14 | (1,124,661,622) | (1,067,658,368) |
| **Profit before tax** | | **6,913,012,444** | **7,414,520,039** |
| Profit tax expense | 6 | (1,313,472,364) | (1,779,484,809) |
| **Profit for the period** | | **5,599,540,080** | **5,635,035,230** |
| **Other comprehensive income for the period, net of tax** | | - | - |
| **Total comprehensive income for the period, net of tax** | | **5,599,540,080** | **5,635,035,230** |
| *Earnings per share* | | | |
| - *Basic, profit for the period attributable to ordinary equity holders* | | *53.30* | *58.70* |

Prepared by:

Mr. Sun Fei Hu
Finance Manager

Reviewed by:

Mr. Li Xiaodong
Executive Director

Vientiane Capital, Lao PDR

15 August 2019

# Vientiane Center Lao Public Company

INTERIM STATEMENT OF FINANCIAL POSITION
as at 30 June 2019

| | Notes | 30 June 2019 LAK | 31 December 2018 LAK |
|---|---|---|---|
| **ASSETS** | | | |
| **CURRENT ASSETS** | | | |
| Cash | 7 | 39,165,858,257 | 4,144,271,082 |
| Trade and other receivables | 8 | 9,766,240,235 | 8,796,019,145 |
| Advance for property purchased | 9 | 23,400,000,000 | - |
| **Total current assets** | | **72,332,098,492** | **12,940,290,227** |
| **NON-CURRENT ASSETS** | | | |
| Investment property | 10 | 167,459,400,000 | 164,674,800,000 |
| **Total non-current assets** | | **167,459,400,000** | **164,674,800,000** |
| **TOTAL ASSETS** | | **239,791,498,492** | **177,615,090,227** |
| **EQUITY AND LIABILITIES** | | | |
| **LIABILITIES** | | | |
| **CURRENT LIABILITIES** | | | |
| Trade and other payables | 12 | 5,732,855,566 | 2,827,996,983 |
| Current portion of long-term borrowings | 11 | 64,232,500,000 | - |
| **Total current liabilities** | | **69,965,355,566** | **2,827,996,983** |
| **NON-CURRENT LIABILITIES** | | | |
| Long-term borrowings | 11 | - | 64,232,500,000 |
| Deferred tax liabilities | 6 | 4,436,347,991 | 3,152,429,037 |
| **Total non-current liabilities** | | **4,436,347,991** | **67,384,929,037** |
| **Total liabilities** | | **74,401,703,557** | **70,212,926,020** |
| **EQUITY** | | | |
| Contributed capital | 13 | 147,199,900,000 | 96,000,000,000 |
| Share premium | | 2,559,995,000 | - |
| Regulatory reserve fund | | 1,562,989,994 | 1,140,216,421 |
| Business expansion fund | | 1,562,989,994 | 1,140,216,421 |
| Retained earnings | | 12,503,919,947 | 9,121,731,365 |
| **Total equity** | | **165,389,794,935** | **107,402,164,207** |
| **TOTAL LIABILITIES AND EQUITY** | | **239,791,498,492** | **177,615,090,227** |

Prepared by:

Mr. Sun Fei Hu
Finance Manager

Reviewed by:

Mr. Li Xiaodong
Executive Director

Vientiane Capital, Lao PDR

15 August 2019

# Vientiane Center Lao Public Company

INTERIM STATEMENT OF CHANGES IN EQUITY
for the six-month period ended 30 June 2019

| | *Share capital LAK* | *Share premium LAK* | *Regulatory reserve fund LAK* | *Business expansion fund LAK* | *Retained earnings LAK* | *Total LAK* |
|---|---|---|---|---|---|---|
| **Balance as at 1 January 2018** | **96,000,000,000** | **-** | **53,102,842** | **53,102,842** | **424,822,737** | **96,531,028,421** |
| Net profit during the period | - | - | - | - | 5,635,035,230 | 5,635,035,230 |
| Appropriation of profit to reserves | - | - | 563,503,523 | 563,503,523 | (1,127,007,046) | - |
| **Balance as at 30 June 2018** | **96,000,000,000** | **-** | **616,606,365** | **616,606,365** | **4,932,850,921** | **102,166,063,651** |
| **Balance as at 1 January 2019** | **96,000,000,000** | **-** | **1,140,216,421** | **1,140,216,421** | **9,121,731,365** | **107,402,164,207** |
| Share issued | 51,199,900,000 | 2,559,995,000 | - | - | - | 53,759,895,000 |
| Adjustment of tax in previous year | - | - | (137,180,435) | (137,180,435) | (1,097,443,482) | (1,371,804,352) |
| Net profit during the period | - | - | - | - | 5,599,540,080 | 5,599,540,080 |
| Appropriation of profit to reserves | - | - | 559,954,008 | 559,954,008 | (1,119,908,016) | - |
| **Balance as at 30 June 2019** | **147,199,900,000** | **2,559,995,000** | **1,562,989,994** | **1,562,989,994** | **12,503,919,947** | **165,389,794,935** |

Prepared by:

Mr. Sun Fei Hu
Finance Manager

Vientiane Capital, Lao PDR

15 August 2019

Reviewed by:

Mr. Li Xiaodong
Executive Director

# Vientiane Center Lao Public Company

INTERIM STATEMENT OF CASH FLOWS
for the six-month period ended 30 June 2019

| | Notes | *For the six-month period ended 30 June 2019 LAK* | *For the six-month period ended 30 June 2018 LAK* |
|---|---|---|---|
| **OPERATING ACTIVITIES** | | | |
| **Profit before tax** | | **6,913,012,445** | **7,414,520,039** |
| *Adjustments for:* | | | |
| Valuation gain from investment property | 10 | (2,784,600,000) | (2,518,500,000) |
| Interest expense | | 1,124,069,112 | 1,067,658,368 |
| **Operating profit before changes in working capital** | | **5,252,481,556** | **5,963,678,407** |
| Increase in receivables | | (25,494,290,202) | (5,408,534,223) |
| Increase in payables | | 1,583,580,821 | 1,319,921,310 |
| Profit tax paid | | (80,080,000) | (40,000,000) |
| **Net cash flows (used in)/ from operating activities** | | **(18,738,307,825)** | **1,835,065,494** |
| **INVESTING ACTIVITIES** | | | |
| **Net cash flows from investing activities** | | - | - |
| **FINANCING ACTIVITIES** | | | |
| Proceeds from issuance of share capital – par value | | 51,199,900,000 | - |
| Share premium | | 2,559,995,000 | - |
| **Net cash flows from financing activities** | | **53,759,895,000** | - |
| **Net increase in cash during the period** | | **35,021,587,175** | **1,835,065,494** |
| **Cash at the beginning of the period** | | **4,144,271,082** | **10,226,197** |
| **Cash at the end of the period** | | **39,165,858,257** | **1,845,291,691** |

Prepared by:

Mr. Sun Fei Hu
Finance Manager

Reviewed by:

Mr. Li Xiaodong
Executive Director

Vientiane Capital, Lao PDR

15 August 2019

## 1. CORPORATE INFORMATION

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

In 2019, the Company has completed IPO process offering where 51,199,900 shares with par value of LAK 1,000 per share and selling price of LAK 1,050 per share were issued. Accordingly, the Company received the Certificate of Initial Public Offering (IPO) completion No.0006/LSCO on 29 May 2019 issued by Lao Securities Commission Office and Business License No. 0833/ERM on 29 May 2019 issued by Department of Enterprise Registration and Management, the Ministry of Industry and Commerce of Lao PDR. The total 147,199,900 shares of the Company (under the ticker "VCL") have been officially listed on Lao Securities Exchange since 31 May 2019.

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

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

## 2. BASIS OF PREPARATION

### 2.1 Basis of preparation

The interim financial statements of the Company have been prepared using the historical cost convention except for investment property that has been measured at fair value. These interim financial statements are expressed in Lao Kip ("LAK") as it is the currency in which the majority of the Company's transactions are denominated and settled.

The Company's interim financial statements have been prepared in accordance with the accounting policies as set out in Note 3. These accounting policies are not intended to present the interim financial position, the interim results of operations and the interim cash flows of the Company in accordance with international generally accepted accounting principles.

The interim financial statements are prepared to assist the Company in meeting the reporting requirements of its owners. As a result, the interim financial statements may not be suitable for another purpose.

***Fiscal year***

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

### 2.2 Significant accounting judgements, estimates and assumptions

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

**Judgements**

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

## 2. BASIS OF PREPARATION (continued)

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

***Classification of property***

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

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

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

As of 30 June 2019, the Company only has investment property presented in Note 10.

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

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

**Estimates and assumptions**

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

***Valuation of investment property***

The fair value of investment property is determined by real estate valuation experts using recognised valuation techniques and the principles as disclosed in Note 10.

***Taxes***

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

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

The Company classifies all other assets as non-current.

A liability is current when:

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

The Company classifies all other liabilities as non-current.

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

### *3.2 Fair value measurement*

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

| | |
|---|---|
| ▸ Accounting policy disclosures | *Note 3* |
| ▸ Valuation methods, significant estimates and assumptions | *Note 10* |
| ▸ Investment property | *Note 10* |

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

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

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

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

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

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

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

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

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

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

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

### 3.3 *Taxes*

*Current profit tax*

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

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

*Deferred tax*

Deferred tax is provided using the interim statement of financial position liability method on temporary differences at the interim statement of financial position date between the tax base of assets and liabilities and their carrying amount for financial reporting purposes.

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

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

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

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

### 3.3 *Taxes* (continued)

*Deferred tax* (continued)

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

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

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

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

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

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

*Value added tax*

The value added tax of rental income and other income was only recognised, declared and paid for the clients who received value added tax invoice from the Company.

Accounting policy for value added tax relating to Business Cooperation Contract ("BCC") is presented in Note 3.15.

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

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

### *3.4 Foreign currencies*

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

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

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

### *3.5 Investment property*

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

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

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

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

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

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

### *3.6 Impairment of non-financial assets*

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or Company's assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Company bases its impairment calculation on detailed budgets and forecast calculations for the whole Company as one CGU. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognised in the statement of comprehensive income in those expense categories consistent with the function of the impaired asset, except for property previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of comprehensive income unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

Intangible assets with indefinite useful lives are tested for impairment annually at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

### *3.7 Cash*

Cash comprises cash on hand and cash at bank.

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

### *3.8 Rent and other receivables*

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

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

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

### *3.9 Tenant deposits*

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

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

### *3.10 Interest bearing loans and borrowings*

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

### *3.11 Leases*

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

*Company as a lessor*

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

### *3.12 Reserves*

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

The appropriation of profit into business expansion fund is in accordance with Article 16 of the Company's Articles of Association. For the six-month period ended 30 June 2019, the Company has appropriated 10% of profit to business expansion fund.

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

### *3.13 Revenue recognition*

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

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

*Rental income*

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

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

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

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

*Other income*

Other income comprises income from renting billboards, event organization activities. These income are recognised in the period in which the services is provided.

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

Income from Business Cooperation Contract ("BCC") is recognised in accordance with accounting policy presented in Note 3.15.

*Interest income*

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

### *3.14 Borrowing costs*

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

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

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

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

The Company recognises its revenue from BCC and relevant value added tax obligation based on total income of the contract. The profit portion belonging to the other partner is recorded as its expense.

The Company then recognises the settlement obligation at net into receivables account. The value added tax obligation raising from the contract was declared and paid on net amount received by the Company.

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

## 4. REVENUE

| | *For the six-month period ended 30 June 2019 LAK* | *For the six-month period ended 30 June 2018 LAK* |
|---|---|---|
| Revenue from cooperation contract (*) | 10,193,227,273 | 9,853,376,818 |
| Rental income | 3,939,126,346 | 4,049,157,643 |
| | **14,132,353,619** | **13,902,534,461** |

(*) In accordance with the Cooperation Contract between the Company and Major Platinum Cineplex (Lao) Co., Ltd. (MAJOR), the Company contributes the 20-year lease term commencing from 7 August 2015 to 6 August 2035 of a part of its investment property into a cinema operation with MAJOR. The revenue from cinemas operations is shared between the Company and MAJOR on a fixed rate determined in the Contract. The total amount of cinemas revenue during the period has been recognised as the Company's revenue and the share of MAJOR of LAK 8,884,271,110 (*Note 5*) is recognised as the Company's expense.

## 5. OPERATING EXPENSES

| | *For the six-month period ended 30 June 2019 LAK* | *For the six-month period ended 30 June 2018 LAK* |
|---|---|---|
| Expense from cooperation contract (*Note 4*) | 8,884,271,110 | 8,589,356,314 |
| Staff costs | 185,640,000 | 192,741,000 |
| Others | 984,792,319 | 659,293,212 |
| | **10,054,703,429** | **9,441,390,526** |

## 6. TAXATION

In prior years, the Company is obliged to pay profit tax ("PT") at rate of 24% on total profit before tax in accordance with the Tax Law No.70/NA dated 15 December 2015 which is effective on or after 24 May 2016.

The Company has listed with in Lao Stock Exchange since 31 May 2019. According to Notification No. 2618/TD dated 04 June 2018 from Ministry of Finance, the Company is granted profit tax reduction of 5% from normal rate for the first five years from 2018 to 2021. Accordingly, the Company's taxable income for this period would be subject to the PT rate of 19%.

| | *For the six-month period ended 30 June 2019 LAK* | *For the six-month period ended 30 June 2018 LAK* |
|---|---|---|
| Current profit tax expenses | 29,553,410 | 1,175,044,809 |
| Deferred tax expenses | 1,283,918,954 | 604,440,000 |
| | **1,313,472,364** | **1,779,484,809** |

***Current Profit Tax ("PT")***

The tax returns filed by the Company are subject to examination by the tax authorities. As the application of tax laws and regulations is susceptible to varying interpretations, the amounts reported in the interim financial statements could change at a later date upon final determination by the tax authorities.

| | *For the six-month period ended 30 June 2019 LAK* | *For the six-month period ended 30 June 2018 LAK* |
|---|---|---|
| **Accounting profit before tax** | **6,913,012,445** | **7,414,520,039** |
| Tax rate | 19% | 24% |
| Profit tax expense | 1,313,472,364 | 1,779,484,809 |
| **Adjustments to increase/(decrease) Profit tax** | | |
| Depreciation of Investment property under Tax law | (754,844,954) | - |
| Non-taxable income regarding valuation gain from investment property | (529,074,000) | (604,440,000) |
| **Current profit tax expenses** | **29,553,410** | **1,175,044,809** |

## 6. TAXATION (continued)

***Deferred tax***

The following are the deferred tax liabilities recognised by the Company, and the movements thereon, during the current and previous periods.

*Currency: LAK*

| | *Statement of financial position* | | *Statement of profit or loss* | |
|---|---|---|---|---|
| | *30 June 2019* | *31 December 2018* | *For the six-month period ended 30 June 2019* | *For the six-month period ended 30 June 2018* |
| ***Deferred tax liabilities*** | | | | |
| Difference between tax base and accounting base relating to investment properties | (4,436,347,991) | (3,152,429,037) | (1,283,918,954) | (604,440,000) |
| ***Net deferred tax liabilities*** | ***(4,436,347,991)*** | ***(3,152,429,037)*** | | |
| ***Net deferred income tax credit/(charged) to statement of profit or loss*** | | | ***(1,283,918,954)*** | ***(604,440,000)*** |

## 7. CASH

| | *30 June 2019 LAK* | *31 December 2018 LAK* |
|---|---|---|
| Cash on hand | 1,190,301,064 | 70,958,598 |
| Cash at banks | 37,975,557,193 | 4,073,312,484 |
| | **39,165,858,257** | **4,144,271,082** |

## 8. TRADE AND OTHER RECEIVABLES

| | *30 June 2019 LAK* | *31 December 2018 LAK* |
|---|---|---|
| Receivables from related parties (*Note 14*) | 9,042,270,305 | 8,796,019,145 |
| Receivables from tenants | 723,969,930 | - |
| | **9,766,240,235** | **8,796,019,145** |

Rental and other operating income such as billboard advertising income from a number of tenants during period from 30 November 2017 to 30 June 2019 was collected and held by NNCD (please refer to Note 16).

## 9. ADVANCE FOR PROPETY PURCHASED

| | *30 June 2019 LAK* | *31 December 2018 LAK* |
|---|---|---|
| Advance to related parties (*Note 14*) | 23,400,000,000 | - |
| | **23,400,000,000** | **-** |

In accordance with Contract No. VCLP-F000001 dated 13 June 2019, the Company and NNCD agreed that NNCD will transfer to the Company an addition of 1708.29 sqm in the 2nd, 4th, 5th and 8th floor of the office building of the investment property presented in Note 10. The contract value is 29,250,000,000 LAK and the traction is expected to be completed in August 2019.

As at 30 June 2019, the Company already paid 23,400,000,000 LAK to the NNCD as the advance payment of the Contract.

## 10. INVESTMENT PROPERTY

| | *For the six-month period ended 30 June 2019 LAK* | *For the six-month period ended 30 June 2018 LAK* |
|---|---|---|
| **Beginning balance** | **164,674,800,000** | **160,231,700,000** |
| Addition during the period | - | - |
| Adjustment to fair value | 2,784,600,000 | 2,518,500,000 |
| **Ending balance** | **167,459,400,000** | **162,750,200,000** |

On 30 November 2017, the parent company - North NongChan Complex Development Co., Ltd ("NNCD") transferred to the Company a lease property ("the investment property") comprising retail and office space with a combined area of 9,607.88 sqm. Details are as follows:

- Part A: Retail and Office space on 1st, 2nd, 4th and 6th floors of Vientiane Center (Plaza Building) with the area of 5,753.66 sqm (Unit No. A1003, A2003, A1012, A1017-2, A1018, A1021, A1020, A1023, A1038, A2049, A4003-1, A4009, B4001, C1016, F6020 and F6027);

- Part B: Promotion Area and Office space on 1st, 6th, 7th and 9th Floors of Vientiane Center (Office Building) with the area of 3,854.22 sqm (Unit No. A1007-1, F6001 to 8, F6009-1, F6009-2, F6010 to F6015, F6016-1, F6016-2, F6017, F6018, F6019, F6021 to F6026, F6028 to F6031, F6032-1, F6032-2, F6033 to F6049, F7004 to F7010, F9001 to F9012 and A1000).

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

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

- Part A: 95,999,200,000 LAK with 62.87 years leasehold;

- Part B: 64,232,500,000 LAK with 62.87 years leasehold.

As at 30 June 2019, the investment property is recognised at fair value. In accordance with the internal valuation, the Company assessed that the fair value of the investment property has increased by LAK 2,784,600,000 compared to its fair value at 31 December 2018.

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

## 10. INVESTMENT PROPERTY (continued)

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

The following table shows the valuation techniques used in measuring the fair value of investment property, as well as the significant unobservable inputs used:

| *Valuation technique* | *Significant unobservable inputs* | *Inter-relationship between key unobservable inputs and fair value measurement* |
|---|---|---|
| Discounted cash flows: the valuation model considers the present value of net cash flows to be generated from the property, taking into account the rental price escalation rate for Retail space and Office space, occupancy rate, void periods, operating cost and other expenses.<br><br>The expected net cash flows are discounted using risk-adjusted discount rates. Among other factors, the discount rate estimation considers the quality of the building and its location, tenant credit quality and lease terms. | ▶ Rental price escalation rate for Retail space and Office space:<br>- Retail space: 5% per annum from 1 July 2019 to 31 December 2027, and 3% per annum from 1 January 2028 onwards;<br>- Anchor tenant space: 5% per annum from 1 July 2019 to 31 December 2020, and 3% per annum from 1 January 2021 onwards;<br>- Office space: 0% in 1 July 2019, 10% for every three years from 1 January 2021 to 31 December 2027, and 3% per annum from 1 January 2028 onwards.<br>▶ Occupancy rate<br>- Retail Space: 100% from 1 July 2019 to 31 December 2020, 98% from 1 January 2021 to 31 December 2027, and 95% from 1 January 2028 onwards;<br>- Anchor tenant space: 100% from 2018 to 2020, 98% from 2021 to 2027, and 90% from 2028 onwards;<br>- Office Space: 100% from 1 July 2019 to 31 December 2020, 95% from 1 January 2021 to 31 December 2027, and 80% from 1 January 2028 onwards.<br>▶ Risk-adjusted discount rate is at 13% (risk free rate plus risk premium). | The estimated fair value would increase/ (decrease) if:<br>▶ Rental price escalation rate for Retail space and Office were higher (lower);<br>▶ The occupancy rate were higher (lower);<br>▶ The risk-adjusted discount rate were lower (higher). |

## 10. INVESTMENT PROPERTY (continued)

### Fair value measurement – investment property

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

### Fair value hierarchy

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

| | *Fair value* | | | | |
|---|---|---|---|---|---|
| | *Quoted prices in active markets (Level 1)* | *Significant observable input (Level 2)* | *Significant Unobservable inputs (Level 3)* | *Total* | *Total gain in the period in the statement of profit or loss* |
| **30 June 2019** | | | | | |
| Investment property | - | - | 167,459,400,000 | 167,459,400,000 | 2,784,600,000 |
| | **-** | **-** | **167,459,400,000** | **167,459,400,000** | **2,784,600,000** |
| **30 June 2018** | | | | | |
| Investment property | - | - | 162,750,200,000 | 162,750,200,000 | 2,518,500,000 |
| | **-** | **-** | **162,750,200,000** | **162,750,200,000** | **2,518,500,000** |

## 11. SHORT-TERM AND LONG-TERM BORROWINGS

| | *30 June 2019 LAK* | *31 December 2018 LAK* |
|---|---|---|
| Short-term borrowings from related parties *(Note 14)* | 64,232,500,000 | - |
| Long-term borrowing from related parties *(Note 14)* | - | 64,232,500,000 |
| | **64,232,500,000** | **64,232,500,000** |

In accordance with Asset transfer minutes on 30 November 2017 and Loan agreement on 30 November 2017, the Company recognised a short-term borrowing from NNCD with its principal being the difference between the cost of the investment property at the time of transfer of LAK160,231,700,000 (*Note 10*) and the capital contributed by North NongChan Complex Development Co., Ltd of LAK95,999,200,000.

As at 31 December 2017, the principal, interest rate and repayment terms of the borrowings were being under negotiation between parties. The Company used 68 units in Part B of the investment property as collateral.

## 11. LONG-TERM AND SHORT-TERM BORROWINGS (continued)

According to the Amendment of Loan agreement on 13 June 2018, the loan has term for 2 years and bears Interest at 3.5% per year. Accordingly, the maturity date is 30 November 2019 and the principal and interest shall be paid on maturity date.

Both parties agreed that the lender has the right to choose the payment method only. The conditions and methods of payment are in accordance with the provisions of the Agreement:

- In case that the lender chooses payment method as cash, the amount of payment is equal to amount of loan and interest accordance with provision article 2.2 of the Agreement (from the date that the contract is effective until maturity date).
- In the case that the lender chooses the payment method as the new share issued by the Company, the number of new shares to be paid to the lender is calculated from the lower between (a) par value of borrower's share, (b) Net assets per share of borrower, (c) 90% of the average share price traded on the Lao Securities Exchange within 30 days prior to the payment date. In addition, if the lender chooses to receive new shares issued by the Company, the lender shall agree to waive interest charge.

On 30 June 2018, NNCD issued the letter No. 44/NNCD to decrease 250,000,000 LAK from the interest charge incurred for the six-month period from 1 January 2018 to 30 June 2018.

On 7 March 2019, the Company also received a letter from NNCD to allow the renewal of the loan agreement after due date on 30 November 2019.

## 12. TRADE AND OTHER PAYABLES

| | *30 June 2019 LAK* | *31 December 2018 LAK* |
|---|---|---|
| Profit tax payable (*) | 1,068,173,984 | 328,254,397 |
| Deferred revenue from tenants | 1,271,368,994 | - |
| Value added tax payable (**) | 3,032,793,106 | 2,068,295,491 |
| Others | 360,519,482 | 431,447,095 |
| | **5,732,855,566** | **2,827,996,983** |

(*), (**) In accordance with Tax Inspection minutes No. 0628/TD.VTE dated 26 July 2019 and No .0627/TD.VTE dated 26 July 2019 for the years ended 31 December 2017 and 31 December 2018, the Company needs to recognised an addition of 581,358,175 LAK value-added tax obligation and 790,446,177 LAK profit-tax obligation for these years. The Company then recorded these obligation as an adjustment of retained earnings.

## 13. ISSUED CAPITAL

| | *30 June 2019* | | *31 December 2018* | |
|---|---|---|---|---|
| | *Quantity* | *Amount (LAK)* | *Quantity* | *Amount (LAK)* |
| **Authorized shares** | | | | |
| **Issued and paid-up shares** | | | | |
| Ordinary shares | 147,199,900 | 147,199,900,000 | 96,000,000 | 96,000,000,000 |

In 2019, the Company has completed IPO process offering where 51,199,900 shares with par value of LAK 1,000 per share and selling price of LAK 1,050 per share were issued. Accordingly, the Company received the Certificate of Initial Public Offering (IPO) completion No.0006/LSCO on 29 May 2019 issued by Lao Securities Commission Office and Business License No. 0833/DOIC on 25 May 2019 issued by Department of Enterprise Registration and Management, the Ministry of Industry and Commerce of Lao PDR.

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

## 14. RELATED PARTY TRANSACTIONS

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

| *Related parties* | *Relationship* | *Nature of transaction* | *For the six-month period ended 30 June 2019* | *For the six-month period ended 30 June 2018* |
|---|---|---|---|---|
| | | | *LAK* | *LAK* |
| North Nongchan Complex Development Co., Ltd | Shareholder | Collection of rental fee on behalf of the Company | 2,459,369,343 | 5,405,562,066 |
| | | Interest charged | (1,124,069,112) | (1,067,658,368) |
| | | Settlement on behalf of the Company | (583,593,340) | (491,819,935) |
| | | Collection of management fee on behalf of NNCD | (148,721,491) | (214,996,939) |
| | | Advance for property purchased | 23,400,000,000 | - |

*Terms and conditions*

Management fee is charged on actual expense (e.g: cleaning, electricity, etc.) paid on behalf of the Company which is made by NNCD.

Outstanding balances at are unsecured and will be settled in cash. For the six-month period ended 30 June 2019, the Company has not made any provision for doubtful debts relating to amounts owed by related parties (31 December 2018: nil).

## 14. RELATED PARTY TRANSACTIONS (continued)

Balances due from and due to related parties as at 31 December 2018 and 30 June 2019 were as follows:

| *Related parties* | *Relationship* | *Nature of transaction* | *30 June 2019* | *31 December 2018* |
|---|---|---|---|---|
| | | | *LAK* | *LAK* |
| ***Trade and other receivables*** *(Note 8)* | | | | |
| North Nongchan Complex Development Co., Ltd | Shareholder | Net receivables | 9,042,270,305 | 8,796,019,145 |
| | | | **9,042,270,305** | **8,796,019,145** |
| ***Advance for property purchased*** *(Note 9)* | | | | |
| North Nongchan Complex Development Co., Ltd | Shareholder | Advance | 23,400,000,000 | - |
| | | | **23,400,000,000** | **-** |
| ***Short-term and long-term borrowings*** *(Note 11)* | | | | |
| North Nongchan Complex Development Co., Ltd | Shareholder | Borrowings (*) | 64,232,500,000 | 64,232,500,000 |
| | | | **64,232,500,000** | **64,232,500,000** |

(*) The loan has term for 2 years and bears interest at 3.5% per year. The principal and interest are payable in maturity date. Please refer to Note 10 for more detailed.

All other outstanding balances with related parties are unsecured and interest-free.

## 15. CAPITAL MANAGEMENT

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

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

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

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

| | *30 June 2019 LAK* | *31 December 2018 LAK* |
|---|---|---|
| Total liabilities | 74,401,703,557 | 70,212,926,020 |
| Less: cash and cash equivalents | (39,165,858,257) | (4,144,271,082) |
| **Net debt** | **35,235,845,300** | **66,068,654,938** |
| Equity | 165,389,794,935 | 107,402,164,207 |
| **Capital and net debt** | **200,625,640,235** | **173,470,819,145** |
| Gearing ratio | 18% | 38% |

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

## 16. COMMITMENTS

The Company lets out retail space and office space under operating lease arrangements. The future minimum rental receivables as at 30 June 2019 and 31 December 2018 under the operating lease agreements are as follows:

| | *30 June 2019 LAK* | *31 December 2018 LAK* |
|---|---|---|
| Less than 1 year | 6,217,453,292 | 5,631,816,790 |
| From 1-5 years | 19,938,759,920 | 20,680,986,588 |
| More than 5 years | 32,888,260,195 | 37,750,367,829 |
| **TOTAL** | **59,044,473,407** | **64,063,171,207** |

***Deposits and prepayment for rental fee paid by tenants***

As at 30 June 2019, NNCD is holding the deposits and prepayment for rental fee paid by certain tenants with the amount of 1.5 billion LAK and 11.5 billion LAK, respectively. At the date of this report, NNCD and the Company are under process to reach agreement on transferring date of these deposits and prepayment to the Company's accounts.

## 17. SEGMENT INFORMATION

The Company's principal activities per Business License are to develop and lease shopping malls and offices. In addition, these activities are only taking place within Lao PDR. As a result, the Company's management is of the view that there is only one segment for business and geography and therefore presentation of segmental information is not required.

## 18. EARNINGS PER SHARE

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

| | *For the six-month period ended 30 June 2019* | *For the six-month period ended 30 June 2018* |
|---|---|---|
| Net profit attributable to ordinary shareholders | 5,599,540,080 | 5,635,035,230 |
| Weighted average number of ordinary shares (*) | 105,051,916 | 96,000,000 |
| **Basic earnings per share** | **53.30** | **58.70** |

(*) The weighted average number of ordinary shares is calculated based on following information:

- Number of shares from 1 January 2019 to 29 May 2019 is 96,000,000.
- Number of shares from 29 May 2019 to 30 June 2019 is 147,199,900.

## 19. EVENTS AFTER THE REPORTING DATE

There has not been any other matter or circumstance that has arisen after 30 June 2019 that requires adjustment or disclosure in the interim financial statements of the Company.

Prepared by:

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Reviewed by:

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Vientiane Capital, Lao PDR

15 August 2019