Vientiane Center Lao Public Company

Interim financial statements

For the six-month period ended 30 June 2020

CONTENTS

	Pages
General information	1 - 2
Report of management	3
Report on review of interim financial statements	4
Interim statement of profit or loss and other comprehensive income	5
Interim statement of financial position	6
Interim statement of changes in equity	7
Interim statement of cash flows	8
Notes to the interim financial statements	9 - 29

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 where additional 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.

BOARD OF DIRECTORS

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

Name	*Position*	*Date of appointment/resignation*
Mr. Wei Hua	Chairman	Resigned on 29 May 2020
Ms. Zhou Lei	Chairman	Appointed on 29 May 2020
Ms. Orlathay Santikhongkha	Vice Chairman	
Mr. Liu Guangcan	Member	Resigned on 29 May 2020
Mr. Wei Hua	Member	Appointed on 29 May 2020
Mr. Boulapha Santikhongkha	Member	
Mr. Chai Jianhong	Member	Resigned on 29 May 2020
Mr. Sun Feihu	Member	Appointed on 29 May 2020
Mr. Li Xiaodong	Member	
Mr. Wu Xinghua	Member	
Mr. Xiao Yong	Member	
Ms. Deng Yu	Member	
Mr. Joexiong Bouasynengma	Member	
Mr. Viengsavanh Phanthaly	Member	

MANAGEMENT

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

Name	*Position*	*Date of appointment/resignation*
Mr. Li Xiaodong	Executive Director	
Mr. Xu Bo	Director	Resigned on 29 May 2020
Mr. Wu Xinghua	Director	Appointed on 29 May 2020
Mr. Sun Fei Hu	Director	

GENERAL INFORMATION (continued)

AUDIT COMMITTEE

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

Name	*Position*	*Date of appointment/resignation*
Mr. Xiao Yong	Head	Resigned on 29 May 2020
Ms. Deng Yu	Head	Appointed on 29 May 2020
Ms. Zhou Lei	Member	Appointed on 29 May 2020
Ms. Deng Yu	Member	Resigned on 29 May 2020
Mr. Viengsavanh Phanthaly	Member	

LEGAL REPRESENTATIVE

The Company's legal representative during the period and at the date of this report is Mr. Wei Hua. The Company is under process to change its legal representative to Ms. Zhou Lei.

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 2020.

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 of operations and interim cash flows for the period. 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 standards 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 are 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.

28 August 2020

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Reference: 61403331/22072473

REPORT ON REVIEW OF INTERIM FINANCIAL STATEMENTS

To: The Shareholders of Vientiane Center Lao Public Company

We have reviewed the accompanying interim statement of financial position of Vientiane Center Lao Public Company ("the Company") as of 30 June 2020 and the related interim statement of profit or loss and other comprehensive income, interim 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 29. 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 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 statements are not prepared, in all material respects, in accordance with the accounting policies as described in 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.

Our conclusion is not modified in respect of this matter.

ERNST & YOUNG LAO CO.,LTD

Anh Hoang Trinh
Partner

Vientiane, Lao PDR

28 August 2020

A member firm of Ernst & Young Global Limited

Vientiane Center Lao Public Company

INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the six-month period ended 30 June 2020

	Notes	*For the six-month period ended 30 June 2020 LAK*	*For the six-month period ended 30 June 2019 LAK (restated)*
Revenue	4	4,634,958,301	5,248,082,509
Other operating income		1,000,000,064	1,119,781,866
Gross income		**5,634,958,365**	**6,367,864,375**
Operating expenses	5	(267,254,737)	(1,170,432,319)
Valuation gain from investment property	10	-	2,784,600,000
Operating profit		**5,367,703,628**	**7,982,032,056**
Financial income		133,375,250	55,642,010
Financial expenses		(1,136,558,402)	(1,124,661,622)
Profit before tax		**4,364,520,476**	**6,913,012,444**
Profit tax expense	6	(715,140,253)	(1,313,472,364)
Profit for the period		**3,649,380,223**	**5,599,540,080**
Other comprehensive income for the period, net of tax		-	-
Total comprehensive income for the period, net of tax		**3,649,380,223**	**5,599,540,080**
Earnings per share			
- *Basic profit for the period attributable to ordinary equity holders*	*18*	*24.79*	*53.30*

Prepared by:

Mr. Sun Fei Hu
Finance Manager

Reviewed by:

Mr. Li Xiaodong
Executive Director

Vientiane Capital, Lao PDR

28 August 2020

Vientiane Center Lao Public Company

INTERIM STATEMENT OF FINANCIAL POSITION
as at 30 June 2020

	Notes	30 June 2020 LAK	31 December 2019 LAK
ASSETS			
CURRENT ASSETS			
Cash	7	21,779,388,251	38,655,476,969
Trade and other receivables	8	17,478,051,108	13,207,235,168
Advance for property purchased	9	10,000,000,000	23,400,000,000
Total current assets		**49,257,439,359**	**75,262,712,137**
NON-CURRENT ASSETS			
Investment property	10	192,650,944,308	165,197,500,000
Tangible fixed assets		5,585,000	-
Total non-current assets		**192,656,529,308**	**165,197,500,000**
TOTAL ASSETS		**241,913,968,667**	**240,460,212,137**
EQUITY AND LIABILITIES			
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	12	3,146,035,685	3,929,632,436
Total current liabilities		**3,146,035,685**	**3,929,632,436**
NON-CURRENT LIABILITIES			
Long-term borrowings	11	64,232,500,000	64,232,500,000
Deferred tax liabilities	6	5,296,122,932	4,773,943,187
Total non-current liabilities		**69,528,622,932**	**69,006,443,187**
Total liabilities		**72,674,658,617**	**72,936,075,623**
EQUITY			
Share capital	13	147,199,900,000	147,199,900,000
Share premium		2,559,995,000	2,559,995,000
Regulatory reserve fund		2,141,362,174	1,776,424,152
Business expansion fund		2,141,362,174	1,776,424,152
Retained earnings		15,196,690,702	14,211,393,210
Total equity		**169,239,310,050**	**167,524,136,514**
TOTAL LIABILITIES AND EQUITY		**241,913,968,667**	**240,460,212,137**

Prepared by:

Mr. Sun Fei Hu
Finance Manager

Reviewed by:

Mr. Li Xiaodong
Executive Director

Vientiane Capital, Lao PDR

28 August 2020

Vientiane Center Lao Public Company

INTERIM STATEMENT OF CHANGES IN EQUITY
for the six-month period ended 30 June 2020

	Share capital LAK	*Share premium* LAK	*Regulatory reserve fund* LAK	*Business expansion fund* LAK	*Retained earnings* LAK	*Total* LAK
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**
Shares 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**
Balance as at 1 January 2020	**147,199,900,000**	**2,559,995,000**	**1,776,424,152**	**1,776,424,152**	**14,211,393,210**	**167,524,136,514**
Net profit during the period	-	-	-	-	3,649,380,223	3,649,380,223
Dividend declared	-	-	-	-	(1,934,206,687)	(1,934,206,687)
Appropriation of profit to reserves	-	-	364,938,022	364,938,022	(729,876,044)	-
Balance as at 30 June 2020	**147,199,900,000**	**2,559,995,000**	**2,141,362,174**	**2,141,362,174**	**15,196,690,702**	**169,239,310,050**

Prepared by:

Mr. Sun Fei Hu
Finance Manager

Reviewed by:

Mr. Li Xiaodong
Executive Director

Vientiane Capital, Lao PDR

28 August 2020

Vientiane Center Lao Public Company

INTERIM STATEMENT OF CASH FLOWS
for the six-month period ended 30 June 2020

	Notes	*For the six-month period ended 30 June 2020 LAK*	*For the six-month period ended 30 June 2019 LAK*
OPERATING ACTIVITIES			
Profit before tax		**4,364,520,476**	**6,913,012,444**
Adjustments for:			
Valuation gain from investment property	10	-	(2,784,600,000)
Interest expense		1,136,558,402	1,124,069,113
Operating profit before changes in working capital		**5,501,078,878**	**5,252,481,557**
Changes in receivables		7,992,625,658	(25,494,290,202)
Changes in payables		(759,878,343)	1,583,580,821
Profit tax paid		(216,678,916)	(80,080,000)
Net cash flows from/(used in) operating activities		**12,517,147,277**	**(18,738,307,824)**
INVESTING ACTIVITIES			
Investment property purchased		(27,453,444,308)	-
Purchase of tangible fixed assets		(5,585,000)	-
Net cash flows used in investing activities		**(27,459,029,308)**	-
FINANCING ACTIVITIES			
Proceeds from issuance of share capital – par value		-	51,199,900,000
Share premium		-	2,559,995,000
Dividend payment		(1,934,206,687)	-
Net cash flows (used in)/from financing activities		**(1,934,206,687)**	**53,759,895,000**
Net (decrease)/increase in cash during the period		**(16,876,088,718)**	**35,021,587,176**
Cash at the beginning of the period		**38,655,476,969**	**4,144,271,082**
Cash at the end of the period	7	**21,779,388,251**	**39,165,858,258**

Prepared by:

Mr. Sun Fei Hu
Finance Manager

Reviewed by:

Mr. Li Xiaodong
Executive Director

Vientiane Capital, Lao PDR

28 August 2020

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 Initial Public Offering (IPO) process where additional 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.

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.

2. BASIS OF PREPARATION (continued)

2.2 Significant accounting judgements, estimates and assumptions (continued)

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:

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 Company develops and intends to sell before, or on completion of, construction.

As of 30 June 2020, 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.

2. BASIS OF PREPARATION (continued)

2.2 Significant accounting judgements, estimates and assumptions (continued)

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 3.5*
▸ Valuation methods, significant estimates and assumptions	*Note 10*
▸ Investment property	*Note 10*

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Fair value measurement (continued)

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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 ***Taxes*** (continued)

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

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:

- 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 period 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Taxes (continued)

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 3.14.

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

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 Cash

Cash comprises cash on hand and cash at bank.

3.7 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.

3.8 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.

3.9 Interest bearing loans and borrowings

All loans and borrowings are initially recognised at amount received 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.

3.10 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.

3.11 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 appropriation to reserve, 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 2020, the Company has appropriated 10% of profit to business expansion fund.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.12 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 operating income

Other operating income comprises income from renting billboards and event hall, which is recognised in the period 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 3.14.

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.

3.13 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)

3.14 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 net income of the contract, being the difference between total income and the profit portion belonging to the other partner of the BCC.

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 2020 LAK	*For the six-month period ended 30 June 2019 LAK (restated)*
Revenue from cooperation contract (*)	357,120,526	1,308,956,163
Rental income	4,277,837,775	3,939,126,346
	4,634,958,301	**5,248,082,509**

(*) 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 joint cinemas operation with MAJOR. The revenue from the cinemas operation is shared between the Company and MAJOR on a fixed rate determined in the Contract.

5. OPERATING EXPENSES

	For the six-month period ended 30 June 2020 LAK	*For the six-month period ended 30 June 2019 LAK (restated)*
Staff costs	174,860,000	185,640,000
Others	92,394,737	984,792,319
	267,254,737	**1,170,432,319**

6. TAXATION

In prior years, the Company is obliged to pay 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 and expired with the issuance of Income Tax Law No.67/NA.

According to Tax Law No.70/NA, the Company is granted profit tax reduction of 5% from normal rate for the first four years from 2019 to 2022 because the Company has been listed on Lao Stock Exchange since 31 May 2019.

Under Income Tax Law No.67/NA dated 18 June 2019, which is effective on or after 1 January 2020, the normal profit tax ("PT") rate is 20%. In addition, the companies which are registered on Lao Stock Exchange, shall be granted incentive rate at 13% for four years from the date of registration.

Accordingly, the Company's management is of the view that taxable income would be subject to the PT rate of 19% for 2019 and 13% for 2020.

	For the six-month period ended 30 June 2020 LAK	*For the six-month period ended 30 June 2019 LAK*
Current profit tax expenses	192,960,508	29,553,410
Deferred tax expenses	522,179,745	1,283,918,954
	715,140,253	**1,313,472,364**

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 2020 LAK	*For the six-month period ended 30 June 2019 LAK*
Accounting profit before tax	**4,364,520,477**	**6,913,012,445**
Tax rate	13%	19%
Profit tax expense	567,387,662	1,313,472,364
Adjustments to increase/(decrease) Profit tax		
Non-deductible interest expense	147,752,592	-
Depreciation of investment property under Tax law	(522,179,746)	(754,844,954)
Non-taxable income regarding valuation gain from investment property	-	(529,074,000)
Current profit tax expenses	**192,960,508**	**29,553,410**

6. TAXATION (continued)

Deferred tax

The table below presents the deferred tax liabilities recognised by the Company, and the movements thereon, during the current and previous periods.

Currency: LAK

	Interim statement of financial position		*Interim statement of profit or loss*	
	30 June 2020	*31 December 2019*	*For the six-month period ended 30 June 2020*	*For the six-month period ended 30 June 2019*
Deferred tax liabilities				
Difference between tax base and accounting base relating to investment property	(5,296,122,932)	(4,773,943,187)	(522,179,745)	(1,283,918,954)
Net deferred tax liabilities	***(5,296,122,932)***	***(4,773,943,187)***		
Net deferred tax charged to statement of profit or loss			***(522,179,745)***	***(1,283,918,954)***

7. CASH

	30 June 2020 LAK	*31 December 2019 LAK*
Cash on hand	87,846,927	133,881,789
Cash at banks	21,691,541,324	38,521,595,180
	21,779,388,251	**38,655,476,969**

8. TRADE AND OTHER RECEIVABLES

	30 June 2020 *LAK*	*31 December 2019* *LAK*
Receivables from related parties (*Note 14*) (*)	15,608,158,205	12,226,797,139
Receivables from tenants (**)	1,663,427,729	980,438,029
Other receivables	206,465,174	-
	17,478,051,108	**13,207,235,168**

(*) Rental and other operating income such as billboard advertising income from a number of tenants during the period from 30 November 2017 to 30 June 2020 was collected and held by North NongChan Complex Development Co., Ltd ("NNCD"). Please refer to Note 16 for further information.

(**) The amount includes LAK 260,415,271 receivables from Puer Co Ltd. who has not made payment for rental fee from January 2019 to 30 June 2020. The Company and Puer Co Ltd. is under the negotiation for re-schedule of payment.

9. ADVANCE FOR PROPERTY PURCHASED

	30 June 2020 *LAK*	*31 December 2019* *LAK*
Advance to related parties (*Note 14*)	10,000,000,000	23,400,000,000
	10,000,000,000	**23,400,000,000**

Details of the advances are as follows:

	30 June 2020 *LAK*	*31 December 2019* *LAK*
Advance for 1st acquisition of office space (*)	-	23,400,000,000
Advance for 2nd acquisition of office space (**)	10,000,000,000	-
	10,000,000,000	**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 additional 1,708.29 sqm in the 2nd, 4th, 5th and 8th floor of the Vientiane Center (Plaza) office buildings with contract value at LAK 29,250,000,000. In accordance with the Revised Contract No. VCLP-000002 on 25 Dec 2019, the additional area was updated to 1,709.5 sqm with value at LAK 30,198,788,739 (inclusive VAT at 10%). The Company and NNCD completed the transfer of these area on 1 January 2020. Please refer to Note 10 for more information about the additional office area.

(**) In accordance with Agreement on 21 January 2020, the Company and NNCD agreed that NNCD will transfer to the Company additional 1,380.3 sqm in the 3rd floor of the Vientiane Center (Plaza) office buildings with contract value at USD 2,070,450. As at 30 June 2020, the Company already paid LAK 10,000,000,000 to NNCD as the advance payment of the Agreement.

10. INVESTMENT PROPERTY

	For the six-month period ended 30 June 2020 LAK	*For the six-month period ended 30 June 2019 LAK*
Beginning balance (*)	**165,197,500,000**	**164,674,800,000**
Addition during the period (**)	27,453,444,308	-
Adjustment to fair value	-	2,784,600,000
Ending balance	**192,650,944,308**	**167,459,400,000**

(*) On 30 November 2017, the parent company - NNCD transferred to the Company a lease property ("the investment property – 1st component") 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, F6002, F6003, F6004, F6005, F6006, F6007, F6008, 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 – 1st component 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 2020, the investment property - 1st component is recognised at fair value. In accordance with the internal valuation, the Company assessed that the fair value of the investment property - 1st component has remained the same compared to its fair value at 31 December 2019.

The fair value of the investment property - 1st component 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, operating cost and other expenses. 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: - Retail space: 5% per annum from 1 July 2020 to 31 December 2027, and 3% per annum from 1 January 2028 onwards; - Anchor tenant space: 3% per annum from 1 July 2022 onwards; - Office space: 10% for every three years from 1 January 2020 to 31 December 2029, and 3% per annum from 1 January 2030 onwards. ▶ Occupancy rate - Retail Space: 100% from 1 July 2020 to 31 December 2020, 98% from 1 January 2021 to 31 December 2027, and 96% from 1 January 2028 onwards; - Anchor tenant space: 100% from 1 July 2020 to 31 December 2020, 98% from 2021 to 2027, and 90% from 2028 onwards; - Office Space: 100% from 1 July 2020 to 31 December 2020, 95% from 1 January 2021 to 31 December 2027, and 80% from 1 January 2028 onwards. ▶ Risk-adjusted discount rate is at 13% (risk free rate plus risk premium).	The estimated fair value would increase/ (decrease) if: ▶ Rental price escalation rate for Retail space and Office were higher (lower); ▶ The occupancy rate was higher (lower); ▶ The risk-adjusted discount rate was lower (higher).

10. INVESTMENT PROPERTY (continued)

(**) On 1 January 2020, the Company received the transfer of additional 1,709.5 sqm in the 2nd, 4th, 5th and 8th floor (the investment property - 2nd component) of the Vientiane Center (Plaza) office buildings with value at LAK 30,198,788,739 (inclusive VAT at 10%).

As at 30 June 2020, the investment property - 2nd component is recognised at fair value. In accordance with the internal valuation, the Company assessed that the fair value of the investment property - 2nd component has remained the same compared to its purchased value at 1 January 2020.

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. Each year, the management team recommends and the audit committee appoints an internal/external valuer who is responsible for the valuation of the Company's property for the purpose of determining its fair value in the interim financial statements. Selection criteria include market knowledge, reputation, independence and whether professional standards 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 interim 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 2020					
Investment property			192,650,944,308	192,650,944,308	-
			192,650,944,308	**192,650,944,308**	**-**
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**

11. LONG-TERM BORROWINGS

	30 June 2020 LAK	*31 December 2019 LAK*
Long-term borrowing from related parties *(Note 14)*	64,232,500,000	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 NNCD of LAK95,999,200,000. The Company used 68 units in Part B of the investment property as collateral.

11. LONG-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 original contractual maturity date is 30 November 2019 and the principal and interest shall be paid on maturity date.

Both parties agreed that only the lender has the right to choose the payment method. 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 principal 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 4 March 2019, NNCD issued the letter No. 44/NNCD to decrease 700,000,000 LAK from the interest charge incurred for the year ended 31 December 2018.

On 30 November 2019, NNCD and the Company entered the Revised Loan contract with new repayment date on 29 November 2021 and new collateral being 51 units of the investment property - 1st component.

12. TRADE AND OTHER PAYABLES

	30 June 2020 LAK	*31 December 2019 LAK*
Profit tax payable	583,552,906	607,271,314
Deferred revenue from tenants	2,096,062,338	548,578,974
Value added tax payable	-	2,135,433,326
Others	466,420,441	638,348,822
	3,146,035,685	**3,929,632,436**

13. SHARE CAPITAL

	30 June 2020		*31 December 2019*	
	Quantity	*Amount (LAK)*	*Quantity*	*Amount (LAK)*
Issued and paid-up shares				
Ordinary shares	147,199,900	147,199,900,000	147,199,900	147,199,900,000

In 2019, the Company has completed IPO process offering where additional 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.

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 2020*	*For the six-month period ended 30 June 2019*
			LAK	*LAK*
North Nongchan Complex Development Co., Ltd	Shareholder	Collection of rental fee and others on behalf of the Company	1,986,652,289	2,459,369,343
		Interest charged	(1,136,558,402)	(1,124,069,112)
		Settlement on behalf of the Company	(171,852,000)	(583,593,340)
		Collection of management fee on behalf of NNCD	(348,347,062)	(148,721,491)
		Advance for property purchased	10,000,000,000	23,400,000,000
		Transfer of investment property	(27,453,444,308)	-

Terms and conditions

Outstanding balances at 30 June 2020 are unsecured and will be settled in cash. For the six-month period ended 30 June 2020, the Company has not made any provision for doubtful debts relating to amounts owed by related parties (31 December 2019: nil).

Purchase and interest from related parties are made on the basis of contract negotiation.

14. RELATED PARTY TRANSACTIONS (continued)

Balances due from and due to related parties as at 30 June 2020 and 31 December 2019 were as follows:

Related parties	*Relationship*	*Nature of transaction*	*30 June 2020*	*31 December 2019*
			LAK	*LAK*
Trade and other receivables *(Note 8)*				
North Nongchan Complex Development Co., Ltd	Shareholder	Net receivables	15,608,158,205	12,226,797,139
			15,608,158,205	**12,226,797,139**
Advance for property purchased *(Note 9)*				
North Nongchan Complex Development Co., Ltd	Shareholder	Advance	10,000,000,000	23,400,000,000
			10,000,000,000	**23,400,000,000**
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 revised term of 2 years and bears interest at 3.5% per year. The principal and interest are payable at maturity date. Please refer to Note 11 for more details.

Other than long-term borrowing from NNCD, 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 2020 LAK	*31 December 2019 LAK*
Total liabilities	72,674,658,617	72,936,075,623
Less: cash	(21,779,388,251)	(38,655,476,969)
Net debt	**50,895,270,366**	**34,280,598,654**
Equity	169,239,310,050	167,524,136,514
Capital and net debt	**220,134,580,416**	**201,804,735,168**
Gearing ratio	23%	17%

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 2020 and 31 December 2019 under the operating lease agreements are as follows:

	30 June 2020 LAK	*31 December 2019 LAK*
Less than 1 year	7,331,658,547	5,637,693,872
From 1-5 years	10,637,915,920	11,927,326,954
More than 5 years	129,187,347	236,548,522
TOTAL	**18,098,761,814**	**17,801,569,348**

16. COMMITMENTS (continued)

Commitments under BCC

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 joint cinemas operation with MAJOR. The revenue from the cinemas operation is shared between the Company and MAJOR on a fixed rate determined in the Contract. Accordingly, MAJOR has to pay to the Company as following:

- Area A:
  - (i) Shared revenue of gross box office and,
  - (ii) Shared revenue of concession.
- Area B:
  - (i) Shared revenue of bowling including related equipment rentals or sales,
  - (ii) Shared revenue of foods and beverage sales from bowling facilities and from any karaoke area that MAJOR may operate.
- Other: fixed monthly charge.

The Company shall not have right to terminate the BCC prior the expiration of the lease term, unless (i) there is a material breach by MAJOR; or (ii) there is the event of force majeure circumstances; or (iii) either party files for bankruptcy or goes into liquidation.

Deposits and prepayment for rental fee paid by tenants

As at 30 June 2020, other than amount receivables presented in Note 8, NNCD is holding the deposits and prepayment for rental fee paid by certain tenants with the amount of 1.9 billion LAK and 9.9 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 2020	*For the six-month period ended 30 June 2019*
Net profit attributable to ordinary shareholders in LAK	3,649,380,223	5,599,540,080
Weighted average number of ordinary shares (*)	147,199,900	105,051,916
Basic earnings per share	**24.79**	**53.30**

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

- Number of shares from 1 January 2020 to 30 June 2020 is 147,199,900.

19. RESTATEMENT OF PRIOR YEAR'S INTERIM FINANCIAL STATEMENTS DUE TO CHANGES IN ACCOUNTING POLICIES

ITEMS	*Previously stated LAK*	*Restatement LAK*	*Restated LAK*
For the six-month period ended 30 June 2019			
Revenue	14,132,353,619	(8,884,271,110)	5,248,082,509
Operating expenses	(10,054,703,429)	8,884,271,110	(1,170,432,319)

The restatement is due to the change in accounting policies relating to Business Cooperation Contract ("BCC") in the form of jointly controlled operation, which was disclosed in the financial statements for the year ended 31 December 2019.

20. SIGNIFICANT EVENT

In accordance with the Resolution on Measures to prevent the Spread of Covid-19 on 30 March 2020 issued by the Company's management, the retails area of the properties was temporary closed from 30 March 2020 to 29 April 2020 while the office area of the properties remains open. The Company then extended the measures until 3 May 2020 and resumed the operation of retails area on 4 May 2020. Exemption of April 2020 rental fee was provided to the tenants of retails area who had to close their shops.

The Company already performed preliminary assessment of the possible impact of Covid-19 on its operations, cash flows and financial condition as well as operations of its tenants and customers. The management is of the view that the overall business of the Company is not significantly affected by the pandemic and the Company's measures.

21. EVENTS AFTER THE REPORTING DATE

There has not been any matter or circumstance that has arisen after 30 June 2020 that requires adjustment or disclosure to be made in the interim financial statements of the Company.

Prepared by:

Mr. Sun Fei Hu
Finance Manager

Reviewed by:

Mr. Li Xiaodong
Executive Director

Vientiane Capital, Lao PDR

28 August 2020