



ບໍລິສັດ ດີລອຍ (ລາວ) ຈຳກັດຜູ້ດຽວ
ອາຄານຕະຫຼາດຫຼັກຊັບລາວ
ບ້ານໂພນທັນ, ຖະໜົນ T4
ເມືອງໄຊເສດຖາ
ຕັ້ງໄປສະນີ 2017, ນະຄອນຫຼວງວຽງຈັນ
ສປປ ລາວ

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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS AND DIRECTORS
MAHATHUEN LEASING PUBLIC COMPANY

Opinion

We have audited the financial statements of Mahathuen Leasing Public Company (the “Company”), which comprise the statement of financial position as at December 31, 2018, and the statement of income, statement of changes in shareholders’ equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of Mahathuen Leasing Public Company for the year ended December 31, 2018, are prepared, in all material respects, in accordance with the accounting policies described in Notes 2 and 3 to the financial statements.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (“ISAs”). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (“IESBA Code”) that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter - Basis of Accounting

Without qualifying our opinion, we draw attention to Notes 2 and 3 to the financial statements, which describes the basis of accounting of the Company. The accounting basis used in the preparation of these financial statements may differ from generally accepted accounting principles adopted in other countries and jurisdictions. The readers should therefore be aware that the accompanying financial statements are not intended to present the financial position and its financial performance and cash flows in accordance with generally accepted accounting principles adopted in jurisdictions other than Lao PDR.

Key Audit Matter

Key audit matter is the matter that, in our professional judgment, was of most significance in our audit of the financial statements of the current period. This matter was addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

| Key Audit Matter | Audit Responses |
|--|--|
| <p>Allowance for doubtful accounts</p> <p>The allowance for doubtful accounts represent management estimation of loss that would occur from the Company financial lease and installment loan portfolios as at the end of reporting period. The Company’s allowance for doubtful accounts on finance lease and installment loan receivables has been calculated based on past collection experiences and related current information.</p> <p>The allowance for doubtful accounts is a key audit matter as there are management’s judgement and subjective assumptions applied to the calculation of allowance for doubtful accounts.</p> <p>The allowance for doubtful accounts is presented as deductive amount of finance lease and installment loan receivables. Accounting policy and detail of allowance for doubtful accounts were disclosed in Note 3.2 and Note 5 to the financial statements.</p> | <p>Our key audit procedures included:</p> <ul style="list-style-type: none"> • Obtained an understanding of the Company’s design, implementation and evaluation of the key internal controls over source data and calculation of allowance for doubtful accounts • Performed operating effectiveness testing of key internal controls over source data and calculation of allowance for doubtful account • Assessed the adequacy of allowance and appropriateness of methodology, significant input and assumption used in calculation of finance lease and installment loan loss reserve to determine if they are in compliance with the accounting policies and have been consistently applied. • Tested calculation of allowance for doubtful accounts. • Performed analysis of the Company’s allowance for doubtful accounts by comparing to historical data and considering related current information. |

Other Information

Management is responsible for the other information. The other information comprises information included in the annual report but does not include the financial statements or our auditor’s report which is expected to be made available to us after the date of this auditor’s report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance of the Company.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and presentation of the financial statements in accordance with accounting policies described in Notes 2 and 3 to the financial statements, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

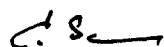
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern the basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine the matter that was of most significance in the audit of the financial statements of the current period and is therefore the key audit matter. We describe this matter in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



Choopong Surachutikarn
DELOITTE (LAO) SOLE COMPANY LIMITED
VIENTIANE CAPITAL

March 18, 2019

MAHATHUEN LEASING PUBLIC COMPANY
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2018

UNIT : LAK

| | Notes | 2018 | 2017 |
|--|-------|-----------------------|-----------------------|
| ASSETS | | | |
| CURRENT ASSETS | | | |
| Cash and cash equivalents | 4.1 | 6,159,987,949 | 2,033,555,517 |
| Current portion of finance lease and installment loan receivables | 5 | 39,429,347,750 | 32,162,409,615 |
| Asset held for sale | 6 | 121,900,877 | 123,101,216 |
| Other current assets | 7 | 296,906,544 | 218,293,115 |
| Total Current Assets | | 46,008,143,120 | 34,537,359,463 |
| NON-CURRENT ASSETS | | | |
| Cash deposit at Bank of Lao PDR | 8 | 2,000,002,700 | 1,388,002,700 |
| Finance lease and installment loan receivables | 5 | 22,469,360,783 | 14,900,153,611 |
| Leasehold improvements and equipment | 9 | 1,236,091,653 | 1,473,706,264 |
| Intangible asset | 10 | - | 1,694,000 |
| Total Non-current Assets | | 25,705,455,136 | 17,763,556,575 |
| TOTAL ASSETS | | 71,713,598,256 | 52,300,916,038 |

Notes to the financial statement form an integral part of these statements

MAHATHUEN LEASING PUBLIC COMPANY
STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT DECEMBER 31, 2018

UNIT : LAK

| | Notes | 2018 | 2017 |
|---|-------|-----------------------|-----------------------|
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 11 | 2,992,141,896 | 2,516,881,119 |
| Short-term borrowing from a related party | 12 | 1,608,000,000 | 9,600,000,000 |
| Current portion of liability under a finance lease agreement | 13 | 38,064,025 | 31,607,634 |
| Income tax payable | | 2,070,937,928 | 637,779,931 |
| Other current liabilities | | 20,081,800 | 19,824,928 |
| Total Current Liabilities | | <u>6,729,225,649</u> | <u>12,806,093,612</u> |
| NON-CURRENT LIABILITIES | | | |
| Liability under a finance lease agreement | 13 | 124,178,788 | 162,242,814 |
| Other non-current liabilities | | 49,500,000 | 80,918,738 |
| Total Non-current Liabilities | | <u>173,678,788</u> | <u>243,161,552</u> |
| TOTAL LIABILITIES | | <u>6,902,904,437</u> | <u>13,049,255,164</u> |
| SHAREHOLDERS' EQUITY | | | |
| SHARE CAPITAL | | | |
| Authorized share capital | 14 | <u>40,000,000,000</u> | <u>27,760,000,000</u> |
| Issued and paid-up share capital | | 40,000,000,000 | 27,760,000,000 |
| Premium on ordinary shares | 14 | 12,832,667,550 | - |
| RETAINED EARNINGS | | | |
| Appropriated - legal reserve | 16 | 2,443,735,507 | 1,784,378,967 |
| Unappropriated | | 9,534,290,762 | 9,707,281,907 |
| TOTAL SHAREHOLDERS' EQUITY | | <u>64,810,693,819</u> | <u>39,251,660,874</u> |
| TOTAL LIABILITES AND SHAREHOLDERS' EQUITY | | <u>71,713,598,256</u> | <u>52,300,916,038</u> |

Notes to the financial statement form an integral part of these statements

MAHATHUEN LEASING PUBLIC COMPANY
STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2018

UNIT : LAK

| | Notes | 2018 | 2017 |
|--|-------|------------------------|------------------------|
| REVENUES | | | |
| Revenue from interest - finance leases and installment loans | | 19,238,168,067 | 16,291,616,404 |
| Other incomes | 18 | 845,297,990 | 928,379,260 |
| Total Revenues | | <u>20,083,466,057</u> | <u>17,219,995,664</u> |
| EXPENSES | | | |
| Administrative expenses | 19 | 9,116,371,273 | 7,577,628,523 |
| Doubtful account and bad debt expense | | 484,412,558 | 555,054,349 |
| Net loss on foreign exchange rate | | 530,801,010 | 926,932,836 |
| Finance costs | | 1,160,157,824 | 1,265,129,096 |
| Total Expenses | | <u>11,291,742,665</u> | <u>10,324,744,804</u> |
| PROFIT BEFORE INCOME TAX EXPENSE | | 8,791,723,392 | 6,895,250,860 |
| INCOME TAX EXPENSE | 20 | <u>(2,198,157,997)</u> | <u>(1,456,527,931)</u> |
| NET PROFIT | | <u>6,593,565,395</u> | <u>5,438,722,929</u> |
| BASIC EARNINGS PER SHARE (LAK) | 15 | 211 | 196 |
| WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES (SHARES) | 15 | 31,281,096 | 27,760,000 |

Notes to the financial statement form an integral part of these statements

MAHATHUEN LEASING PUBLIC COMPANY
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2018

UNIT : LAK

| | Notes | Paid-up Share Capital | Premium on Ordinary Shares | Retained Earnings | | Total Shareholders' Equity |
|---|-------|--------------------------|----------------------------------|-------------------------------|----------------------|----------------------------------|
| | | | | Appropriated Legal Reserve | Unappropriated | |
| For the year ended December 31, 2017 | | | | | | |
| Beginning balance as at January 1, 2017 | | 27,760,000,000 | - | 1,240,506,674 | 5,437,031,271 | 34,437,537,945 |
| Profit for the year | | - | - | - | 5,438,722,929 | 5,438,722,929 |
| Appropriation of legal reserve | 16 | - | - | 543,872,293 | (543,872,293) | - |
| Dividends paid | 17 | - | - | - | (624,600,000) | (624,600,000) |
| Ending balance as at December 31, 2017 | | <u>27,760,000,000</u> | <u>-</u> | <u>1,784,378,967</u> | <u>9,707,281,907</u> | <u>39,251,660,874</u> |
| For the year ended December 31, 2018 | | | | | | |
| Beginning balance as at January 1, 2018 | | 27,760,000,000 | - | 1,784,378,967 | 9,707,281,907 | 39,251,660,874 |
| Increase in share capital | 14 | 12,240,000,000 | 12,832,667,550 | - | - | 25,072,667,550 |
| Profit for the year | | - | - | - | 6,593,565,395 | 6,593,565,395 |
| Appropriation of legal reserve | 16 | - | - | 659,356,540 | (659,356,540) | - |
| Dividends paid | 17 | - | - | - | (6,107,200,000) | (6,107,200,000) |
| Ending balance as at December 31, 2018 | | <u>40,000,000,000</u> | <u>12,832,667,550</u> | <u>2,443,735,507</u> | <u>9,534,290,762</u> | <u>64,810,693,819</u> |

Notes to the financial statement form an integral part of these statements

MAHATHUEN LEASING PUBLIC COMPANY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018

UNIT : LAK

| | Notes | 2018 | 2017 |
|--|-------|------------------|-----------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Profit before income tax expense | | 8,791,723,392 | 6,895,250,860 |
| Adjustments for: | | | |
| Bad debt and doubtful accounts | | 484,412,558 | 555,054,349 |
| Amortization of deferred commission expense | 4.2 | 3,308,882,883 | 1,933,404,186 |
| Impairment loss of asset held for sale (reversal) | | (2,460,000) | 14,960,000 |
| Depreciation and amortization | | 439,805,807 | 287,664,430 |
| Finance cost | | 1,160,157,824 | 1,265,129,096 |
| Unrealized loss on exchange rate | | (431,822) | 1,277,785,644 |
| Profit from operations before changes in operating assets and liabilities | | 14,182,090,642 | 12,229,248,565 |
| Changes in operating assets and liabilities | | | |
| (Increase) decrease in finance lease and installment loan receivables | | (18,629,008,926) | 632,231,976 |
| Decrease in asset held for sale | | 3,660,339 | 228,534,337 |
| (Increase) decrease in other current assets | | (78,613,429) | 3,227,633,138 |
| Increase in cash deposit at Bank of the Lao PDR | | (612,000,000) | - |
| Increase (decrease) in trade and other payables | | 514,492,097 | (2,202,484,344) |
| Increase (decrease) in liability under a finance lease agreement | | (31,607,635) | 193,850,447 |
| Increase in other current liabilities | | 256,872 | 1,451,651 |
| Increase (decrease) in other non-current liabilities | | (31,418,738) | 6,037,500 |
| Cash received (paid) from operations | | (4,682,148,778) | 14,316,503,270 |
| Cash paid for interest | | (1,199,389,144) | (1,361,257,020) |
| Cash paid for income tax | | (765,000,000) | (2,530,977,242) |
| Net cash provided by (used in) operating activities | | (6,646,537,922) | 10,424,269,008 |

MAHATHUEN LEASING COMPANY LIMITED
STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2018

UNIT : LAK

| | Notes | 2018 | 2017 |
|--|-------|-----------------------------|-----------------------------|
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Cash paid for purchases of leasehold improvements and equipment and intangible asset | | (200,497,196) | (1,163,261,000) |
| Net cash used in investing activities | | <u>(200,497,196)</u> | <u>(1,163,261,000)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Cash received from short-term borrowings from a related party | | 9,037,000,000 | - |
| Cash repayment of short-term borrowings from a related party | | (17,029,000,000) | (7,516,000,000) |
| Cash received from share subscription | | 25,072,667,550 | - |
| Dividends paid | | (6,107,200,000) | (624,600,000) |
| Net cash provided by (used in) financing activities | | <u>10,973,467,550</u> | <u>(8,140,600,000)</u> |
| Net increase in cash and cash equivalents | | 4,126,432,432 | 1,120,408,008 |
| Cash and cash equivalents as at January 1, | | <u>2,033,555,517</u> | <u>913,147,509</u> |
| Cash and cash equivalents as at December 31, | 4.1 | <u><u>6,159,987,949</u></u> | <u><u>2,033,555,517</u></u> |

Notes to the financial statement form an integral part of these statements

**MAHATHUEN LEASING PUBLIC COMPANY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

1. GENERAL INFORMATION AND OPERATION OF THE COMPANY

Mahathuen Leasing Public Company (the “Company”) is a company, incorporated and domiciled in the Lao People’s Democratic Republic (“Lao PDR”). The address of the Company’s registered office is at 628, Ban Phonphanao, K5, Kaysonephomvihan Road, Saysettha District, Vientiane Capital, Lao PDR. The principal business of the Company is to retail finance business through providing credit lines for individual customers to buy motorcycles.

The Company was incorporated on 2011 by obtaining an Enterprise Registration Certificate from the Ministry of Industry and Commerce. The Company commenced the operation after obtaining a license issued by Bank of the Lao PDR (“BOL”) on June 11, 2012. On November 20, 2017, the Company transformed from a Limited Company into a Public Company and changed the Company’s name from Mahathuen Leasing Company Limited to Mahathuen Leasing Public Company.

On June 13, 2018, the Company has been approved for offering its shares for initial public offering by the Lao Securities Commission. The symbol is MHTL.

The major shareholder of the Company is Mahathuen Holding Company Limited (incorporated in Thailand) which owns 67.72% and 97.58% of the Company’s shares as at December 31, 2018 and 2017, respectively.

2. BASIS FOR PREPARATION AND PRESENTATION OF THE FINANCIAL STATEMENTS

The Company maintains its accounting records in Lao Kip (“LAK”) and the financial statements have been prepared in accordance with the Company’s accounting policies. The Company’s accounting policies applied materially differ from International Financial Reporting Standards (“IFRS”). Accordingly, these financial statements are not intended to present the financial position and its financial performance and its cash flows, in accordance with IFRS.

The financial statements have been prepared under the measurement basis of historical cost except as disclosed in the significant accounting policies.

3. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with the Company’s accounting policies which the significant accounting policies are as follows:

3.1 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits held at call with banks and bank deposits with maturities of three months or less from the date of acquisition, but exclude restricted cash deposits.

3.2 Finance lease and installment loan receivables

Finance lease and installment loan receivables are initially recognized at the value of the consideration received or receivable for the whole contract period which includes unearned interest income (interest to be received for the whole contract period) and is subsequently measured at the remaining amount less remaining unearned interest income and allowance for doubtful accounts. The amount of the allowance is the difference between the recorded amount of the receivables and the amount expected to be collectible. The amounts of receivables which are due within 12 months are classified as current assets. The remaining amounts are classified as non-current assets.

The Company includes the initial direct costs such as commission expense incurred at the origination of the finance lease contracts and installment loan contracts from negotiation and acquisition of the contracts in the initial measurement of finance lease and installment loan receivables. The Company amortizes the initial direct costs to expense by using the effective interest rate method over the terms of contracts. In case of early termination of the contracts, initial direct costs are fully amortized as expense.

3.3 Allowance for doubtful accounts and bad debts

The Company's management estimates the allowance for doubtful debts from the ending balance based on past collection experiences and relevant current information. Bad debts are written off during the year in which they are identified and recognized in the statement of income. A bad debt recovery is recorded by reducing bad debt and doubtful account expense in the statement of income.

3.4 Asset held for sale

Asset held for sale is the asset seized from the lessee or borrower and is stated at cost less the expenses necessary to make the sale.

3.5 Leasehold improvements and equipment

Leasehold improvements and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

The cost of an item of leasehold improvements and equipment comprises its purchase price, import duties and non-refundable purchase taxes (after deducting trade discounts) and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The cost of replacing parts of leasehold improvements and equipment is included in the carrying amount of the asset when it is probable that future economic benefits will flow to the Company and the carrying amount of those replaced parts is derecognized.

Repairs and maintenance are charged to the statement of income during the accounting period in which they are incurred.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

| | |
|-------------------------------|-------------|
| Office furniture and fixtures | 5 years |
| Office equipment | 3 - 5 years |
| Vehicles | 5 years |

Whenever there is any indicator showing a permanent decrease in the amount of equipment; such as evidence of obsolescence or physical damage of an asset, significant changes in the manner in which an asset is used or is expected to be used, the Company shall recognize loss on decrease in value of equipment in the statement of income where the carrying amount of an asset is higher than the recoverable amount. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

3.6 Intangible asset

Intangible asset represents the acquired computer software which is capitalized as intangible asset on the basis of the cost incurred to acquire and bring into use the specific software. Amortization is calculated on a straight-line basis over its estimated useful life of 2 - 5 years.

Cost associated with maintaining the computer software is recognized as an expense as incurred.

Expenditure which enhances or extends the performance of the computer software beyond its original specifications is recognized as a capital improvement and added to the original cost of the software.

3.7 Premium on ordinary shares

Premium on ordinary shares is recognized when the Company receives money from the initial public offering and the amount has been calculated from the difference between initial public offer price and par value less cost of underwriting.

3.8 Revenue and expense recognition

Revenue from interest-finance leases and installment loans is recognized on an accrual basis which is calculated by using the effective interest rate method. Commission expense is recognized as expense as described in Note 3.2 and presented by deducting the revenue from interest.

Processing fee and service income are recognized when services are rendered.

Penalty fee (late payment charge) is recognized upon receipt.

Other income and expenses are recognized on an accrual basis.

3.9 Lease - where the Company is the lessor

Lease transferring a significant portion of the risks and rewards of ownership to the lessee is classified as a finance lease.

When assets are leased out under a finance lease, the net investment value in the lease is recognized as a receivable. The difference between the gross receivable and the net investment value of the receivable is recognized as unearned interest income. Interest income from finance leases is recognized as described in Note 3.8.

3.10 Leases - where the Company is the lessee

- Operating lease

Leases not transferring a significant portion of the risks and rewards of ownership to the lessee are classified as operating leases. Payments made under operating leases are charged to the statement of income on a straight-line basis over the periods of the leases.

- Finance lease

Lease in which substantially all the risk and reward of ownership, apart from legal title that is transferred to the Company is accounted for as a finance lease. The Company capitalized the asset and recorded liabilities in the statements of financial position of the lessee in the amount at the lower of the estimated present value of the underlying lease payments or at the fair value of the leased asset at the contractual date. The leased assets are depreciated using the straight-line method over their estimated useful lives. Financial charge is calculated by the effective interest rate method over the terms of the contracts. Financial charge and depreciation are recognized as expenses in the statement of profit or loss and other comprehensive income.

3.11 Foreign currency transactions

Foreign currency transactions are translated into LAK using the exchange rates prevailing at the date of the transaction.

At the end of each reporting period, foreign currency monetary assets and liabilities are retranslated by using the exchange rate at the closing rate. Non-monetary assets and liabilities denominated in a foreign currency are carried at cost using the exchange rate at the date of transaction.

Gains and losses resulting from the settlement of foreign currency transactions and from the retranslation of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of income.

3.12 Income tax expense

Income tax expense is recorded based on tax paid and accrued for the year.

3.13 Basic earnings per share

Basic earnings per share are calculated by dividing net profit for the year by the weighted average of ordinary shares issued and paid up during the year. In case of a capital increase, the number of shares is weighted according to the time of the registration of the paid-up share capital increase.

3.14 Use of management's judgement

The preparation of financial statements of the Company in conformity with the Company's accounting policies requires the Company's management to exercise judgment in order to determine the accounting policies, estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense during the reporting period. Although these estimates are based on management's reasonable consideration of current events, actual results may differ from these estimates. Significant judgments in applying accounting policies are as follows:

Allowance for doubtful accounts

The Company determines allowance for doubtful accounts on finance lease and installment loan receivables using past collection experiences and current information for estimation.

4. SUPPLEMENTARY DISCLOSURES OF CASH FLOW INFORMATION

4.1 Cash and cash equivalents as at December 31, consist of the following:

| | 2018 | 2017 |
|---------------|----------------------|----------------------|
| | LAK | LAK |
| Cash on hand | 170,524,748 | 207,457,332 |
| Cash at banks | <u>5,989,463,201</u> | <u>1,826,098,185</u> |
| | <u>6,159,987,949</u> | <u>2,033,555,517</u> |

4.2 Non-cash items from initial direct cost of finance lease receivables and installment loan receivables for the years ended December 31, are as follows:

| | 2018 | 2017 |
|--|------------------------|------------------------|
| | LAK | LAK |
| Initial direct cost brought forward | 1,870,808,538 | 1,498,267,724 |
| <u>Add</u> Increase during the years | 3,887,785,000 | 2,305,945,000 |
| <u>Less</u> Amortization of deferred commission expense | <u>(3,308,882,883)</u> | <u>(1,933,404,186)</u> |
| Initial direct cost carried forward | <u>2,449,710,655</u> | <u>1,870,808,538</u> |

5. FINANCE LEASE AND INSTALLMENT LOAN RECEIVABLES

Finance lease and installment loan receivables as at December 31, consist of the following:

| | December 31, 2018 | | |
|--|------------------------------|-----------------------------------|------------------------------|
| | Within one year | Over 1 year to 5 years | Total |
| | LAK | LAK | LAK |
| Finance lease receivables | | | |
| Finance lease receivables | 6,497,338,098 | 783,507,000 | 7,280,845,098 |
| <u>Less</u> Unearned interest income | <u>(1,485,973,925)</u> | <u>(153,426,956)</u> | <u>(1,639,400,881)</u> |
| | 5,011,364,173 | 630,080,044 | 5,641,444,217 |
| <u>Add</u> Initial direct cost | <u>50,991,097</u> | <u>24,887,343</u> | <u>75,878,440</u> |
| | 5,062,355,270 | 654,967,387 | 5,717,322,657 |
| <u>Less</u> Allowance for doubtful debts | <u>(1,242,617,131)</u> | <u>(28,792,326)</u> | <u>(1,271,409,457)</u> |
| Total finance lease receivables | <u>3,819,738,139</u> | <u>626,175,061</u> | <u>4,445,913,200</u> |
| Installment loan receivables | | | |
| Installment loan receivables | 52,666,393,406 | 27,345,125,000 | 80,011,518,406 |
| <u>Less</u> Unearned interest income | <u>(17,558,264,664)</u> | <u>(6,100,532,735)</u> | <u>(23,658,797,399)</u> |
| | 35,108,128,742 | 21,244,592,265 | 56,352,721,007 |
| <u>Add</u> Initial direct cost | <u>1,347,991,419</u> | <u>1,025,840,796</u> | <u>2,373,832,215</u> |
| | 36,456,120,161 | 22,270,433,061 | 58,726,553,222 |
| <u>Less</u> Allowance for doubtful debts | <u>(846,510,550)</u> | <u>(427,247,339)</u> | <u>(1,273,757,889)</u> |
| Total installment loan receivables | <u>35,609,609,611</u> | <u>21,843,185,722</u> | <u>57,452,795,333</u> |
| Total | <u>39,429,347,750</u> | <u>22,469,360,783</u> | <u>61,898,708,533</u> |
| | | | |
| | December 31, 2017 | | |
| | Within one year | Over 1 year to 5 years | Total |
| | LAK | LAK | LAK |
| Finance lease receivables | | | |
| Finance lease receivables | 18,545,931,720 | 3,713,377,000 | 22,259,308,720 |
| <u>Less</u> Unearned interest income | <u>(4,228,107,964)</u> | <u>(601,241,732)</u> | <u>(4,829,349,696)</u> |
| | 14,317,823,756 | 3,112,135,268 | 17,429,959,024 |
| <u>Add</u> Initial direct cost | <u>250,943,127</u> | <u>84,066,336</u> | <u>335,009,463</u> |
| | 14,568,766,883 | 3,196,201,604 | 17,764,968,487 |
| <u>Less</u> Allowance for doubtful debts | <u>(1,673,279,856)</u> | <u>(131,494,380)</u> | <u>(1,804,774,236)</u> |
| Total finance lease receivables | <u>12,895,487,027</u> | <u>3,064,707,224</u> | <u>15,960,194,251</u> |
| Installment loan receivables | | | |
| Installment loan receivables | 27,079,666,653 | 14,840,921,000 | 41,920,587,653 |
| <u>Less</u> Unearned interest income | <u>(8,429,783,974)</u> | <u>(3,454,937,352)</u> | <u>(11,884,721,326)</u> |
| | 18,649,882,679 | 11,385,983,648 | 30,035,866,327 |
| <u>Add</u> Initial direct cost | <u>909,549,404</u> | <u>626,249,671</u> | <u>1,535,799,075</u> |
| | 19,559,432,083 | 12,012,233,319 | 31,571,665,402 |
| <u>Less</u> Allowance for doubtful debts | <u>(292,509,495)</u> | <u>(176,786,932)</u> | <u>(469,296,427)</u> |
| Total installment loan receivables | <u>19,266,922,588</u> | <u>11,835,446,387</u> | <u>31,102,368,975</u> |
| Total | <u>32,162,409,615</u> | <u>14,900,153,611</u> | <u>47,062,563,226</u> |

The outstanding balances of finance lease receivables and installment loan receivables as at December 31, aged by the number of months are summarized as follows:

| | 2018 | 2017 |
|------------------------------|---|---|
| | Finance lease and installment loan receivables net of unearned interest income LAK | Finance lease and installment loan receivables net of unearned interest income LAK |
| Not yet due | 48,651,080,839 | 36,196,559,667 |
| Past due 1 - 3 months | 11,056,158,878 | 9,239,945,266 |
| Past due 4 - 5 months | 553,770,729 | 394,673,289 |
| Past due 6 - 12 months | 641,193,581 | 493,814,390 |
| Past due over 12 months | 1,091,961,197 | 1,141,107,249 |
| Total | 61,994,165,224 | 47,466,099,861 |
| Allowance for doubtful debts | 2,545,167,346 | 2,274,070,663 |

For the years ended December 31, 2018 and 2017, bad debts recognized in the statements of income as expenses are LAK 213.32 million and LAK 351.17 million, respectively.

6. ASSET HELD FOR SALE

Asset held for sale as at December 31, consists of the following:

| | 2018 | 2017 |
|---|---------------------|---------------------|
| | LAK | LAK |
| Asset held for sale - motorcycles | 134,400,877 | 138,061,216 |
| <u>Less</u> Allowance for diminution in value of assets | <u>(12,500,000)</u> | <u>(14,960,000)</u> |
| | 121,900,877 | 123,101,216 |

7. OTHER CURRENT ASSETS

Other current assets as at December 31, consist of the following:

| | 2018 | 2017 |
|---|--------------------|--------------------|
| | LAK | LAK |
| Other receivables - related parties (see Note 21) | - | 4,705,000 |
| Prepaid expenses | 244,604,184 | 119,608,242 |
| Advance payments | 8,343,020 | 5,134,520 |
| Others | 43,959,340 | 88,845,353 |
| | 296,906,544 | 218,293,115 |

8. CASH DEPOSIT AT BANK OF LAO PDR

As at December 31, 2018 and 2017, the Company has restricted cash deposits as mandatory reserves with Bank of the Lao PDR (the “BOL”) amounting to LAK 2,000 million and LAK 1,388 million, respectively, which equals 5% of the total registered share capital. Such cash cannot be used for day-to-day operation. It can only be refunded if the Company permanently closes its business.

9. LEASEHOLD IMPROVEMENTS AND EQUIPMENT

Leasehold improvements and equipment as at December 31, consist of the following:

As at December 31, 2018

| | Balance as at January 1, 2018 LAK | Additions LAK | Disposals LAK | Balance as at December 31, 2018 LAK |
|---|--|------------------|------------------|--|
| Cost | | | | |
| Office furniture and fixtures | 908,071,627 | 85,740,646 | - | 993,812,273 |
| Office equipment | 487,017,035 | 114,756,550 | - | 601,773,585 |
| Vehicles | 1,232,389,825 | - | - | 1,232,389,825 |
| Total | 2,627,478,487 | 200,497,196 | - | 2,827,975,683 |
| Accumulated depreciation | | | | |
| Office furniture and fixtures | (263,489,756) | (149,856,371) | - | (413,346,127) |
| Office equipment | (325,137,595) | (80,700,543) | - | (405,838,138) |
| Vehicles | (565,144,872) | (207,554,893) | - | (772,699,765) |
| Total | (1,153,772,223) | (438,111,807) | - | (1,591,884,030) |
| Leasehold improvements and equipment | 1,473,706,264 | | | 1,236,091,653 |

As at December 31, 2017

| | Balance as at January 1, 2017 LAK | Additions LAK | Disposals LAK | Balance as at December 31, 2017 LAK |
|---|--|------------------|------------------|--|
| Cost | | | | |
| Office furniture and fixtures | 263,894,900 | 644,176,727 | - | 908,071,627 |
| Office equipment | 402,766,292 | 84,250,743 | - | 487,017,035 |
| Vehicles | 800,460,295 | 431,929,530 | - | 1,232,389,825 |
| Total | 1,467,121,487 | 1,160,357,000 | - | 2,627,478,487 |
| Accumulated depreciation | | | | |
| Office furniture and fixtures | (227,934,926) | (35,554,830) | - | (263,489,756) |
| Office equipment | (261,115,941) | (64,021,654) | - | (325,137,595) |
| Vehicles | (378,382,611) | (186,762,261) | - | (565,144,872) |
| Total | (867,433,478) | (286,338,745) | - | (1,153,772,223) |
| Leasehold improvements and equipment | 599,688,009 | | | 1,473,706,264 |

Depreciation for the years ended December 31,

| | | |
|------|-----|-------------|
| 2018 | LAK | 438,111,807 |
| 2017 | LAK | 286,338,745 |

10. INTANGIBLE ASSET

Intangible asset as at December 31, consists of the following:

As at December 31, 2018

| | Balance as at January 1, 2018 LAK | Additions LAK | Disposals LAK | Balance as at December 31, 2018 LAK |
|--------------------------------------|--|--------------------|------------------|--|
| Computer software | | | | |
| Cost | 42,493,727 | - | - | 42,493,727 |
| <u>Less</u> Accumulated amortization | <u>(40,799,727)</u> | <u>(1,694,000)</u> | <u>-</u> | <u>(42,493,727)</u> |
| | <u>1,694,000</u> | | | <u>-</u> |

As at December 31, 2017

| | Balance as at January 1, 2017 LAK | Additions LAK | Disposals LAK | Balance as at December 31, 2017 LAK |
|--------------------------------------|--|--------------------|------------------|--|
| Computer software | | | | |
| Cost | 39,589,727 | 2,904,000 | - | 42,493,727 |
| <u>Less</u> Accumulated amortization | <u>(39,474,042)</u> | <u>(1,325,685)</u> | <u>-</u> | <u>(40,799,727)</u> |
| | <u>115,685</u> | | | <u>1,694,000</u> |

Amortization for the years ended December 31,

| | | |
|------|-----|------------------|
| 2018 | LAK | <u>1,694,000</u> |
| 2017 | LAK | <u>1,325,685</u> |

11. TRADE AND OTHER PAYABLES

Trade and other payables as at December 31, consist of the following:

| | 2018 LAK | 2017 LAK |
|--|----------------------|----------------------|
| Trade payables - related parties (see Note 21) | 336,516,000 | 318,291,000 |
| Trade payables - other parties | 1,637,791,000 | 1,220,810,333 |
| Other payables - related parties (see Note 21) | 1,152,400 | 4,623,360 |
| Other tax payable | 46,326,362 | 25,455,776 |
| Accrued expenses | 970,356,134 | 947,700,650 |
| | <u>2,992,141,896</u> | <u>2,516,881,119</u> |

12. SHORT-TERM BORROWING FROM A RELATED PARTY

Short-term borrowing from a related party as at December 31, consists of the following:

| | Interest rate per loan agreement % p.a. | Balances as at December 31, | | | |
|----------------------|---|-----------------------------|----------------------|-------------------|----------------------|
| | | 2018 | | 2017 | |
| | | THB | LAK | THB | LAK |
| Short-term borrowing | 10% - 12% | <u>6,000,000</u> | <u>1,608,000,000</u> | <u>37,500,000</u> | <u>9,600,000,000</u> |

As at December 31, 2018 and 2017, a short-term borrowing from a related party (see Note 21) represent an unsecured borrowing in Thai Baht which is repayable at maturity date within 1 year.

13. LIABILITY UNDER A FINANCE LEASE AGREEMENT

The Company entered into a financial lease agreement of vehicle. The minimum lease payments and their present value of liability under the finance lease agreement as at December 31, consist of the following:

| | Minimum lease payments | | Present value of minimum lease payments | |
|--|------------------------|--------------------|---|---------------------------|
| | 2018 LAK | 2017 LAK | 2018 LAK | 2017 LAK |
| Within 1 year | 50,622,268 | 50,622,268 | 50,622,268 | 50,622,268 |
| Over 1 year and within 5 years | 128,961,814 | 179,584,082 | 128,961,814 | 179,584,082 |
| | <u>179,584,082</u> | <u>230,206,350</u> | <u>179,584,082</u> | <u>230,206,350</u> |
| <u>Less</u> Deferred interest | - | - | (17,341,269) | (36,355,902) |
| | <u>179,584,082</u> | <u>230,206,350</u> | <u>162,242,813</u> | <u>193,850,448</u> |
| | | | 2018 LAK | 2017 LAK |
| Liability under a finance lease agreement, current portion | | | 38,064,025 | 31,607,634 |
| Liability under a finance lease agreement, non-current portion | | | <u>124,178,788</u> | <u>162,242,814</u> |
| | | | <u>162,242,813</u> | <u>193,850,448</u> |

14. SHARE CAPITAL

On August 10, 2017, the extraordinary shareholders' meeting approved a change of the par value of ordinary share from LAK 8,000 per share to LAK 1,000 per share. As a result, as at December 31, 2017, the number of shares increased from 3,470,000 shares to 27,760,000 shares. In addition, the shareholders' meeting approved an increase of share capital of the Company from LAK 27.76 billion to LAK 40.00 billion by issuing 12,240,000 new ordinary shares with a par value of LAK 1,000 each for issuing its share capital to the initial public offering. The Company registered the increase in the registered share capital with the Ministry of Industry and Commerce on September 3, 2018.

The Company had offered 12,087,000 new ordinary shares with a par value of LAK 1,000 per share at an offering price of LAK 2,100 per share to the public and 153,000 new ordinary shares at an offering price of LAK 1,470 per share to employees of the Company. This resulted in a share premium amounting to LAK 12,832.67 million, after netting of costs of underwriting of LAK 534.94 million.

15. EARNINGS PER SHARE

For the years ended December 31, 2018 and 2017, the Company calculated the weighted average number of ordinary shares and earning per share as follows:

| | 2018 | 2017 |
|--|----------------------|----------------------|
| Number of ordinary shares as at January 1, (shares) | 27,760,000 | 27,760,000 |
| Weighted average number of ordinary shares Issued and paid up during the year 12,240,000 x 105/365 | <u>3,521,096</u> | <u>-</u> |
| Weighted average number of ordinary shares for the years ended December 31, (shares) | <u>31,281,096</u> | <u>27,760,000</u> |
| Net profit for the year (LAK) | <u>6,593,565,395</u> | <u>5,438,722,929</u> |
| Basic earnings per share (LAK) | <u>211</u> | <u>196</u> |

16. LEGAL RESERVE

Under the Articles 156, 157 and 195 of the Business Enterprise Law of Lao PDR, the limited and public companies shall annually put ten percent of the net profit into such fund. When the reserve fund accumulates half of the registered capital, a limited company may suspend such reduction. Unless otherwise, provided by the bylaws of a limited company. The legal reserve fund shall only be used to recover from the losses of the Company.

17. DIVIDENDS

On February 24, 2017, the general shareholders' meeting of the Company passed a resolution to pay dividends from the profit of the year 2016 to shareholders amounting to LAK 624.60 million. Such dividends were paid on September 29, 2017.

On May 29, 2018, the general shareholders' meeting of the Company passed a resolution to pay dividends from retained earnings as at December 31, 2017 to shareholders amounting to LAK 6,107.20 million. Such dividends were paid on September 10, 2018.

18. OTHER INCOMES

Other incomes for the years ended December 31, consist of the following:

| | 2018 LAK | 2017 LAK |
|---------------------|---------------------------|---------------------------|
| Penalty - customers | 642,719,957 | 566,912,999 |
| Others | <u>202,578,033</u> | <u>361,466,261</u> |
| | <u>845,297,990</u> | <u>928,379,260</u> |

19. ADMINISTRATIVE EXPENSES

Administrative expenses for the years ended December 31, consist of the following:

| | 2018 | 2017 |
|--|----------------------|----------------------|
| | LAK | LAK |
| Staff costs | 5,104,000,422 | 4,114,040,737 |
| Remuneration to managements | 802,238,614 | 674,286,432 |
| Utility expenses | 366,490,105 | 321,274,316 |
| Marketing expenses | 21,045,000 | 36,659,375 |
| Net loss on sales of assets held for sale | 616,370,979 | 641,049,218 |
| Professional fee | 557,338,335 | 721,860,696 |
| Depreciation and amortization (see Notes 9 and 10) | 439,805,807 | 287,664,430 |
| Entertainment expenses | 87,120,581 | 142,809,341 |
| Stationery expenses | 150,561,978 | 119,836,710 |
| Others | 971,399,452 | 518,147,268 |
| | <u>9,116,371,273</u> | <u>7,577,628,523</u> |

20. TAXATION

The taxation system in the Lao PDR is characterized by numerous taxes and subject to interpretation. Different interpretations exist among numerous taxation authorities. In addition, taxes are subject to review and investigation by a number of authorities, who are enabled by law to impose severe fines, penalties and interest charges.

21. RELATED PARTY TRANSACTIONS

The Company has business transactions with its related parties which are key management personnel, including directors and companies associated with these individuals also constitutes related parties. Such transactions have been dealt with on the terms and basis determined between the Company and related parties.

Significant balances and transactions for the years ended December 31, are summarized as follows:

| Account name/Company's name | Relationship | As at December 31, | |
|------------------------------------|--------------------------|---------------------------|--------------------|
| | | 2018 | 2017 |
| | | LAK | LAK |
| Other receivables | | | |
| Ms. Inthavilay Oudom | Shareholder and director | - | 4,705,000 |
| | | <u>-</u> | <u>4,705,000</u> |
| Trade payables | | | |
| JB Honda | (1) | 142,475,000 | 214,571,000 |
| JB Honda Nonsavang | (1) | 92,250,000 | 103,720,000 |
| JB Honda Thangon | (1) | 101,791,000 | - |
| | | <u>336,516,000</u> | <u>318,291,000</u> |
| Other payables | | | |
| JB Honda | (1) | - | 4,623,360 |
| JB Honda Nonsavang | (1) | 1,152,400 | - |
| | | <u>1,152,400</u> | <u>4,623,360</u> |

| Account name/Company's name | Relationship | As at December 31, | |
|-------------------------------------|--------------------------|----------------------------------|----------------------|
| | | 2018 LAK | 2017 LAK |
| Short-term borrowing | | | |
| Ms. Inthavilay Oudom | Shareholder and director | <u>1,608,000,000</u> | <u>9,600,000,000</u> |
| Accrued interest expense | | | |
| Ms. Inthavilay Oudom | Shareholder and director | <u>7,048,936</u> | <u>46,280,256</u> |
| | | | |
| Account name/Company's name | Relationship | For the years ended December 31, | |
| | | 2018 LAK | 2017 LAK |
| Sales of asset held for sale | | | |
| JB Honda | (1) | <u>35,970,000</u> | <u>115,300,000</u> |
| Purchases of leasing assets | | | |
| JB Honda | (1) | 6,858,285,500 | 6,353,089,000 |
| JB Honda Nonsavang | (1) | 3,576,280,500 | 1,928,879,000 |
| JB Honda Thangon | (1) | 609,988,000 | - |
| | | <u>11,044,554,000</u> | <u>8,281,968,000</u> |
| Commission expense | | | |
| JB Honda | (1) | 460,035,000 | 432,550,000 |
| JB Honda Nonsavang | (1) | 245,250,000 | 136,010,000 |
| JB Honda Thangon | (1) | 42,750,000 | - |
| | | <u>748,035,000</u> | <u>568,560,000</u> |
| Other expenses | | | |
| JB Honda | (1) | 9,825,000 | 74,585,490 |
| JB Honda Nonsavang | (1) | 12,753,300 | - |
| | | <u>22,578,300</u> | <u>74,585,490</u> |
| Interest expense | | | |
| Ms. Inthavilay Oudom | Shareholder and director | <u>1,141,143,190</u> | <u>1,255,936,477</u> |

(1) The director of the Company is the shareholder of this entity.

Managements' remuneration for the years ended December 31, consists of the following:

| | 2018 LAK | 2017 LAK |
|---------------------|--------------------|--------------------|
| Short-term benefits | <u>802,238,614</u> | <u>674,286,432</u> |
| | <u>802,238,614</u> | <u>674,286,432</u> |

22. OPERATING LEASE COMMITMENT

The Company has commitments under long-term leases for office space. The minimum future lease payments under such lease agreement as at December 31, 2018 and 2017 are summarized as follows:

| | 2018 LAK | 2017 LAK |
|----------------------------------|---------------------------|---------------------------|
| Within one year | 53,307,292 | 85,095,925 |
| Over 1 year but not over 5 years | 561,080,833 | 503,308,444 |
| Over 5 years | 589,116,667 | 468,736,000 |
| | <u>1,203,504,792</u> | <u>1,057,140,369</u> |

Under the lease agreement, the lessors required the Company to pay rental for 12 months in advance on the date of agreement.

For the years ended December 31, 2018 and 2017, rentals applicable to such lease agreement which were paid and recorded as expenses in the statements of income are LAK 228.50 million and LAK 182.14 million, respectively.

23. APPROVAL FOR ISSUE OF THE FINANCIAL STATEMENTS

These financial statements were approved for issue by the authorized directors of the Company on March 18, 2019.