
MAHATHUEN LEASING PUBLIC COMPANY

Interim Financial Statements

Six-month period ended June 30, 2020



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

ໂທ : +856 21 419 300
ແຟັກ : +856 21 419 305

Deloitte (Lao) Sole Company Limited
Lao Securities Exchange Building
Phonthan Village, T4 Road
Saysettha District
P.O. Box 2017, Vientiane Capital
Lao PDR

Tel : +856 21 419 300
Fax: +856 21 419 305
www.deloitte.com

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION BY THE INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

TO BOARD OF DIRECTORS MAHATHUEN LEASING PUBLIC COMPANY

We have reviewed the accompanying interim statement of financial position of Mahathuen Leasing Public Company (the “Company”) as at June 30, 2020 and the related statements of income, changes in shareholders’ equity and cash flows for the six-month period then ended, and the condensed notes to the interim financial information. The Company’s management is responsible for the preparation and presentation of this interim financial information in accordance with the accounting policies described in Notes 2 and 3 to the interim financial information. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with 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 aforementioned interim financial information is not prepared, in all material respects, in accordance with the accounting policies described in Notes 2 and 3 to the interim financial information.

Emphasis of Matter - Basis of Accounting

Without qualifying our conclusion, we draw attention to Notes 2 and 3 to the interim financial information, which describe the basis for preparation of the interim financial information and the accounting policies of the Company. The accounting basis used in the preparation of this interim financial information may differ from generally accepted accounting principles adopted in other countries and jurisdictions. The readers should therefore be aware that the accompanying interim financial information is not intended to present the interim financial position and its financial performance and cash flows in accordance with International Financial Reporting Standards.



Choopong Surachutikarn
DELOITTE (LAO) SOLE COMPANY LIMITED
VIENTIANE CAPITAL

August 26, 2020

MAHATHUEN LEASING PUBLIC COMPANY

STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2020

UNIT : LAK

	Notes	As at June 30, 2020 “Unaudited”	As at December 31, 2019
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	4.1	10,112,526,489	11,898,879,158
Current portion of finance lease and installment loan receivables	5	49,108,248,604	49,450,694,223
Asset held for sale	6	315,007,461	135,778,949
Other current assets	7	659,205,185	371,294,394
Total Current Assets		<u>60,194,987,739</u>	<u>61,856,646,724</u>
NON-CURRENT ASSETS			
Cash deposit at Bank of Lao PDR	8	2,000,002,700	2,000,002,700
Finance lease and installment loan receivables	5	23,872,271,268	28,541,865,938
Leasehold improvements and equipment	9	1,221,595,361	1,454,220,193
Other non-current assets		70,574	36,126,040
Total Non-current Assets		<u>27,093,939,903</u>	<u>32,032,214,871</u>
TOTAL ASSETS		<u><u>87,288,927,642</u></u>	<u><u>93,888,861,595</u></u>

See the condensed notes to the interim financial information

MAHATHUEN LEASING PUBLIC COMPANY
STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT JUNE 30, 2020

UNIT : LAK

	Notes	As at June 30, 2020 “Unaudited”	As at December 31, 2019
LIABILITIES AND SHAREHOLDERS’ EQUITY			
CURRENT LIABILITIES			
Trade and other payables	10	2,564,812,615	3,704,655,549
Current portion of liability under a finance lease agreement	11	102,323,424	124,178,788
Income tax payable		1,814,201,520	2,837,273,979
Other current liabilities		42,718,121	29,349,509
Total Current Liabilities		4,524,055,680	6,695,457,825
NON-CURRENT LIABILITIES			
Long-term borrowing from a financial institution	12	14,538,000,000	-
Long-term borrowings from related parties	13	948,000,000	20,100,000,000
Other non-current liabilities		98,750,000	78,125,000
Total Non-current Liabilities		15,584,750,000	20,178,125,000
TOTAL LIABILITIES		20,108,805,680	26,873,582,825
SHAREHOLDERS’ EQUITY			
SHARE CAPITAL			
Authorized share capital		40,000,000,000	40,000,000,000
Issued and paid-up share capital		40,000,000,000	40,000,000,000
Premium on ordinary shares		12,832,667,550	12,832,667,550
RETAINED EARNINGS			
Appropriated - legal reserve	14	3,252,194,002	3,252,194,002
Unappropriated		11,095,260,410	10,930,417,218
TOTAL SHAREHOLDERS’ EQUITY		67,180,121,962	67,015,278,770
TOTAL LIABILITES AND SHAREHOLDERS’ EQUITY		87,288,927,642	93,888,861,595

See the condensed notes to the interim financial information

MAHATHUEN LEASING PUBLIC COMPANY
STATEMENT OF INCOME
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2020
“UNAUDITED”

UNIT : LAK

	Notes	2020	2019
REVENUES			
Revenue from interest - finance leases and installment loans		12,663,371,533	11,253,736,185
Other income		447,287,524	419,250,332
Total Revenues		<u>13,110,659,057</u>	<u>11,672,986,517</u>
EXPENSES			
Administrative expenses	17	6,231,493,169	5,080,887,641
Doubtful accounts and bad debt expense		918,991,935	527,332,284
Finance costs		1,198,111,619	313,821,481
Net loss on exchange rate		119,649,870	282,664,179
Total Expenses		<u>8,468,246,593</u>	<u>6,204,705,585</u>
PROFIT BEFORE INCOME TAX EXPENSE		4,642,412,464	5,468,280,932
INCOME TAX EXPENSE	18	<u>(477,569,272)</u>	<u>(1,167,782,572)</u>
NET PROFIT		<u>4,164,843,192</u>	<u>4,300,498,360</u>
BASIC EARNINGS PER SHARE (LAK)	15	104	108

See the condensed notes to the interim financial information

MAHATHUEN LEASING PUBLIC COMPANY
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2020
"UNAUDITED"

UNIT : LAK

	Note	Paid-up Share Capital	Premium on Ordinary Shares	Retained Earnings Appropriated Legal Reserve	Unappropriated	Total Shareholders' Equity
For the six-month period ended June 30, 2019						
Beginning balance as at January 1, 2019		40,000,000,000	12,832,667,550	2,443,735,507	9,534,290,762	64,810,693,819
Profit for the period		-	-	-	4,300,498,360	4,300,498,360
Dividends paid	16	-	-	-	(5,880,000,000)	(5,880,000,000)
Ending balance as at June 30, 2019		40,000,000,000	12,832,667,550	2,443,735,507	7,954,789,122	63,231,192,179
For the six-month period ended June 30, 2020						
Beginning balance as at January 1, 2020		40,000,000,000	12,832,667,550	3,252,194,002	10,930,417,218	67,015,278,770
Profit for the period		-	-	-	4,164,843,192	4,164,843,192
Dividends paid	16	-	-	-	(4,000,000,000)	(4,000,000,000)
Ending balance as at June 30, 2020		40,000,000,000	12,832,667,550	3,252,194,002	11,095,260,410	67,180,121,962

See the condensed notes to the interim financial information

MAHATHUEN LEASING PUBLIC COMPANY
STATEMENT OF CASH FLOWS
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2020
“UNAUDITED”

UNIT : LAK

	Notes	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before income tax expense		4,642,412,464	5,468,280,932
Adjustments for:			
Bad debts and doubtful accounts		918,991,935	527,332,284
Amortization of deferred commission expense	4.2	2,196,972,500	1,887,508,052
Impairment loss of asset held for sale		18,750,000	17,500,000
Depreciation		263,486,998	226,212,837
Finance costs		1,198,111,619	313,821,481
Unrealized loss on exchange rate		139,559,129	679,397,008
Profit from operations before changes in operating assets and liabilities		9,378,284,645	9,120,052,594
Changes in operating assets and liabilities			
Decrease (increase) in finance lease and installment loan receivables		1,895,372,797	(6,738,698,006)
Increase in asset held for sale		(197,978,512)	(174,731,917)
(Increase) decrease in other current assets		(287,910,791)	87,540,322
Decrease in other non-current assets		36,055,466	-
Decrease in trade and other payables		(1,000,267,179)	(805,300,186)
Increase in other current liabilities		13,368,612	7,435,592
Increase in other non-current liabilities		20,625,000	12,125,000
Cash received from operations		9,857,550,038	1,508,423,399
Cash paid for interest		(1,337,687,374)	(344,036,726)
Cash paid for income tax		(1,500,641,731)	(789,296,197)
Net cash provided by operating activities		7,019,220,933	375,090,476

MAHATHUEN LEASING PUBLIC COMPANY
STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2020
“UNAUDITED”

UNIT : LAK

	Notes	2020	2019
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash paid for purchases of leasehold improvements and equipment		(30,862,166)	(489,935,053)
Net cash used in investing activities		<u>(30,862,166)</u>	<u>(489,935,053)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash repayment of short-term borrowing from a related party		-	(2,433,000,000)
Cash received from long-term borrowing from a financial institution		14,433,600,000	-
Cash received from long-term borrowings from related parties		-	19,360,000,000
Cash repayment of long-term borrowings from related parties		(19,200,000,000)	-
Cash payments for liability under a finance lease agreement		(21,855,364)	(18,148,274)
Dividends paid		(4,000,000,000)	(5,880,000,000)
Net cash (used in) provided by financing activities		<u>(8,788,255,364)</u>	<u>11,028,851,726</u>
Net (decrease) increase in cash and cash equivalents		(1,799,896,597)	10,914,007,149
Effects of change in exchange rate on cash and cash equivalents held in foreign currencies		13,543,928	12,079,164
Cash and cash equivalents as at January 1,		<u>11,898,879,158</u>	<u>6,159,987,949</u>
Cash and cash equivalents as at June 30,	4.1	<u><u>10,112,526,489</u></u>	<u><u>17,086,074,262</u></u>

See the condensed notes to the interim financial information

**MAHATHUEN LEASING PUBLIC COMPANY
CONDENSED NOTES TO THE INTERIM FINANCIAL INFORMATION
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2020
“UNAUDITED”**

1. GENERAL INFORMATION AND OPERATIONS 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 located 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 and tractors.

The Company was incorporated on September 2, 2011 by obtaining an Enterprise Registration Certificate from the Ministry of Industry and Commerce. The Company commenced the operations after obtaining a license issued by the Bank of the Lao PDR (“BOL”) on June 11, 2012. On November 20, 2017, the Company has 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 an initial public offering by Lao Securities Commission. The symbol is MHTL.

The Company’s major shareholder is Mahathuen Holding Company Limited which was registered in Thailand.

Coronavirus Disease 2019 Pandemic

A novel coronavirus (“COVID-19”) pandemic started in early 2020 in Lao PDR. It clearly affects overall Lao PDR and global economy, including the Company’s employees, customers, business partners and business operations.

In order to mitigate the impacts, the Company provides supports to customers as a relief measurement for loans to customers affected by the impact of COVID-19, following the Bank of Lao’s relief measurement to help debtors suffering from the Lao economic situation, by providing grace periods for principal and interest and reducing interest rates according to the conditions and terms specified by the Company.

Nevertheless, the Company’s management will continue to monitor the ongoing development and regularly assess the financial impact in respect of the valuation of assets, provisions and contingent liabilities.

2. BASIS FOR PREPARATION AND PRESENTATION OF THE INTERIM FINANCIAL INFORMATION

2.1 The Company maintains its accounting records in Lao Kip (“LAK”) and the interim financial information has been prepared in accordance with the Company’s accounting policies. The Company presents its interim financial information using the following policies and policies as disclosed in Note 3 to the interim financial information:

- The statement of financial position as of the end of the current interim period and a comparative statement of financial position as of the end of the immediately preceding financial year
- The statements of income cumulatively for the current financial year to date, with comparative statements of income for the comparable year-to-date period of the immediately preceding financial year
- The statement of changes in shareholders’ equity cumulatively for the current financial year to date, with a comparative statement for the comparable year-to-date period of the immediately preceding financial year
- The statement of cash flows cumulatively for the current financial year to date, with a comparative statement for the comparable year-to-date period of the immediately preceding financial year

2.2 The statement of financial position as at December 31, 2019, presented herein for comparison, has been derived from the audited financial statements of the Company for the year then ended. The statement of income, statement of changes in shareholders’ equity and statement of cash flows for the six-month period ended June 30, 2019, presented herein for comparison, have not been audited.

2.3 The Company’s accounting policies applied differ from International Financial Reporting Standards (“IFRSs”). Accordingly, these interim financial information is not intended to present the financial position and its financial performance and cash flows in accordance with IFRSs.

2.4 The unaudited results of operations presented in the six-month period ended June 30, 2020 are not necessarily an indication or anticipation of the operating results for the full year.

2.5 The interim financial information for the six-month period ended June 30, 2020 should be read in conjunction with the audited financial statements for the year ended December 31, 2019.

2.6 The interim financial information has been prepared under the measurement basis of historical cost except as disclosed in the significant accounting policies.

3. SIGNIFICANT ACCOUNTING POLICIES

The interim financial information has been prepared in accordance with the Company’s accounting policies which are consistent with those used in the financial statements for the year ended December 31, 2019.

4. SUPPLEMENTARY DISCLOSURES OF CASH FLOW INFORMATION

4.1 Cash and cash equivalents as at June 30, 2020 and December 31, 2019, consist of the following:

	As at June 30, 2020 LAK	As at December 31, 2019 LAK
Cash on hand	78,716,872	150,242,900
Cash at banks	10,033,809,617	11,748,636,258
	<u>10,112,526,489</u>	<u>11,898,879,158</u>

4.2 Non-cash items from the initial direct cost of finance lease receivables and installment loan receivables for the six-month periods ended June 30, consist of the following:

	2020 LAK	2019 LAK
Balance of initial direct costs as at January 1,	3,032,978,952	2,449,710,655
<u>Add</u> Increase during the periods	1,703,100,000	2,018,400,000
<u>Less</u> Amortization of deferred commission expense	<u>(2,196,972,500)</u>	<u>(1,887,508,052)</u>
Balance of initial direct costs as at June 30,	<u>2,539,106,452</u>	<u>2,580,602,603</u>

5. FINANCE LEASE AND INSTALLMENT LOAN RECEIVABLES

Finance lease and installment loan receivables as at June 30, 2020 and December 31, 2019, consist of the following:

	June 30, 2020		
	Within one year	Over 1 year to 5 years	Total
	LAK	LAK	LAK
Finance lease receivables			
Finance lease receivables	2,494,291,054	384,265,000	2,878,556,054
<u>Less</u> Unearned interest income	<u>(657,064,508)</u>	<u>(74,650,690)</u>	<u>(731,715,198)</u>
	1,837,226,546	309,614,310	2,146,840,856
<u>Add</u> Initial direct cost	<u>18,571,825</u>	<u>11,257,777</u>	<u>29,829,602</u>
	1,855,798,371	320,872,087	2,176,670,458
<u>Less</u> Allowance for doubtful debts	<u>(920,515,590)</u>	<u>(16,040,145)</u>	<u>(936,555,735)</u>
Total finance lease receivables	<u>935,282,781</u>	<u>304,831,942</u>	<u>1,240,114,723</u>
Installment loan receivables			
Installment loan receivables	67,229,236,996	29,154,097,000	96,383,333,996
<u>Less</u> Unearned interest income	<u>(18,428,107,342)</u>	<u>(6,095,357,527)</u>	<u>(24,523,464,869)</u>
	48,801,129,654	23,058,739,473	71,859,869,127
<u>Add</u> Initial direct cost	<u>1,473,744,397</u>	<u>1,035,532,452</u>	<u>2,509,276,849</u>
	50,274,874,051	24,094,271,925	74,369,145,976
<u>Less</u> Allowance for doubtful debts	<u>(2,101,908,228)</u>	<u>(526,832,599)</u>	<u>(2,628,740,827)</u>
Total installment loan receivables	<u>48,172,965,823</u>	<u>23,567,439,326</u>	<u>71,740,405,149</u>
Total	<u>49,108,248,604</u>	<u>23,872,271,268</u>	<u>72,980,519,872</u>

	December 31, 2019		
	Within one year	Over 1 year to 5 years	Total
	LAK	LAK	LAK
Finance lease receivables			
Finance lease receivables	2,800,331,380	679,225,000	3,479,556,380
<u>Less</u> Unearned interest income	<u>(788,617,386)</u>	<u>(138,546,919)</u>	<u>(927,164,305)</u>
	2,011,713,994	540,678,081	2,552,392,075
<u>Add</u> Initial direct cost	<u>24,684,571</u>	<u>21,100,414</u>	<u>45,784,985</u>
	2,036,398,565	561,778,495	2,598,177,060
<u>Less</u> Allowance for doubtful debts	<u>(871,743,566)</u>	<u>(15,366,272)</u>	<u>(887,109,838)</u>
Total finance lease receivables	<u>1,164,654,999</u>	<u>546,412,223</u>	<u>1,711,067,222</u>
Installment loan receivables			
Installment loan receivables	68,306,465,814	34,924,209,000	103,230,674,814
<u>Less</u> Unearned interest income	<u>(20,360,648,686)</u>	<u>(7,823,064,177)</u>	<u>(28,183,712,863)</u>
	47,945,817,128	27,101,144,823	75,046,961,951
<u>Add</u> Initial direct cost	<u>1,684,264,787</u>	<u>1,302,929,181</u>	<u>2,987,193,968</u>
	49,630,081,915	28,404,074,004	78,034,155,919
<u>Less</u> Allowance for doubtful debts	<u>(1,344,042,691)</u>	<u>(408,620,289)</u>	<u>(1,752,662,980)</u>
Total installment loan receivables	<u>48,286,039,224</u>	<u>27,995,453,715</u>	<u>76,281,492,939</u>
Total	<u>49,450,694,223</u>	<u>28,541,865,938</u>	<u>77,992,560,161</u>

The outstanding balances of finance lease receivables and installment loan receivables as at June 30, 2020 and December 31, 2019, aged by the number of months are summarized as follows:

	As at June 30, 2020	As at December 31, 2019
	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	47,188,294,194	61,212,855,428
Past due 1 - 3 months	22,318,751,064	13,268,021,709
Past due 4 - 5 months	1,372,398,188	653,924,905
Past due 6 - 12 months	1,109,320,588	1,033,085,847
Past due over 12 months	2,017,945,949	1,431,466,137
Total	<u>74,006,709,983</u>	<u>77,599,354,026</u>
Allowance for doubtful debts	<u>3,565,296,562</u>	<u>2,639,772,818</u>

6. ASSET HELD FOR SALE

Asset held for sale as at June 30, 2020 and December 31, 2019, consists of the following:

	As at June 30, 2020 LAK	As at December 31, 2019 LAK
Asset held for sale - motorcycles	350,007,461	152,028,949
<u>Less</u> Allowance for diminution in value of assets	<u>(35,000,000)</u>	<u>(16,250,000)</u>
	<u>315,007,461</u>	<u>135,778,949</u>

7. OTHER CURRENT ASSETS

Other current assets as at June 30, 2020 and December 31, 2019, consist of the following:

	As at June 30, 2020 LAK	As at December 31, 2019 LAK
Prepaid expenses	214,368,625	311,989,334
Advance payments	378,267,020	2,080,520
Others	66,569,540	57,224,540
	<u>659,205,185</u>	<u>371,294,394</u>

8. CASH DEPOSIT AT BANK OF THE LAO PDR

As at June 30, 2020 and December 31, 2019, the Company has restricted cash deposit as mandatory reserves with the Bank of the Lao PDR (the "BOL") amounting to LAK 2,000 million, which equals 5% of the total registered share capital. Such cash cannot be used for day-to-day operations. It can only be refunded if the Company permanently closes its business.

9. LEASEHOLD IMPROVEMENTS AND EQUIPMENT

Leasehold improvements and equipment consist of the following:

	For the six-month period ended June 30, 2020 LAK	For the year ended December 31, 2019 LAK
Carrying amount as at January 1,	1,454,220,193	1,236,091,653
Acquisitions during the period/year	30,862,166	702,092,568
Depreciation for the period/year	<u>(263,486,998)</u>	<u>(483,964,028)</u>
Carrying amount as at end of period /year	<u>1,221,595,361</u>	<u>1,454,220,193</u>

10. TRADE AND OTHER PAYABLES

Trade and other payables as at June 30, 2020 and December 31, 2019 consist of the following:

	As at June 30, 2020 LAK	As at December 31, 2019 LAK
Trade payables - related parties	156,705,000	203,158,000
Trade payables - other parties	1,296,083,000	2,255,247,000
Other payables - related parties	9,702,000	9,918,000
Tax payable	75,370,237	69,054,416
Accrued expenses	1,026,952,378	1,167,278,133
	<u>2,564,812,615</u>	<u>3,704,655,549</u>

11. LIABILITY UNDER A FINANCE LEASE AGREEMENT

The Company entered into a financial lease agreement for vehicles. The minimum lease payments and their present value of liabilities under the finance lease agreement as at June 30, 2020 and December 31, 2019, are summarised as follows:

	Minimum lease payments		Present value of minimum lease payments	
	As at June 30, 2020 LAK	As at December 31, 2019 LAK	As at June 30, 2020 LAK	As at December 31, 2019 LAK
Current portion of liability under a finance lease agreement	<u>103,650,680</u>	<u>128,961,814</u>	103,650,680	128,961,814
<u>Less</u> Deferred interest			<u>(1,327,256)</u>	<u>(4,783,026)</u>
			<u>102,323,424</u>	<u>124,178,788</u>

12. LONG-TERM BORROWING FROM A FINANCIAL INSTITUTION

As at June 30, 2020, the Company has a long-term borrowing from a financial institution of USD 1.50 million (equivalent to LAK 14,538 million), which carried an interest rate of Foreign Currency Deposit Rate plus 1.20% per annum and was guaranteed by its parent company and will be due within 3 years from the drawdown date (2019: Nil).

13. LONG-TERM BORROWINGS FROM RELATED PARTIES

Long-term borrowings from related parties as at June 30, 2020 and December 31, 2019, consist of the following:

	Interest rate per loan agreement % p.a.	Balances as at			
		June 30, 2020		December 31, 2019	
		THB	LAK	THB	LAK
Long-term borrowings	11.12% - 13.75%	3,000,000	<u>948,000,000</u>	67,000,000	<u>20,100,000,000</u>

As at June 30, 2020 and December 31, 2019, long-term borrowings from two related parties represent an unsecured borrowing in Thai Baht which is repayable at maturity date within 3 years.

14. LEGAL RESERVE

Under the Articles 156 and 157 of the existing Law on Enterprise of Lao PDR, a limited company shall annually after deducting losses, put ten percent of the net profit into a reserve 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.

Article 195 has stated that Articles 156 and 157 are also applicable to a public company.

15. BASIC EARNINGS PER SHARE

For the six-month periods ended June 30, 2020 and 2019, the Company calculated the weighted average number of ordinary shares and basic earnings per share as follows:

	2020	2019
Weighted average number of ordinary shares for the six-month periods ended June 30 (shares)	40,000,000	40,000,000
Net profit for the six-month periods ended June 30 (LAK)	4,164,843,192	4,300,498,360
Basic earnings per share (LAK)	104	108

16. DIVIDEND PAYMENTS

On April 26, 2019, the general shareholders' meeting passed a resolution to pay dividends from net profit for 2018 to shareholders amounting to LAK 5,880 million. Such dividends were paid in May 2019.

On May 29, 2020, the general shareholders' meeting passed a resolution to pay dividends from net profit for 2019 to shareholders amounting to LAK 4,000 million. Such dividends were paid in June 2020.

17. ADMINISTRATIVE EXPENSES

Administrative expenses for the six-month periods ended June 30, consist of the following:

	2020	2019
	LAK	LAK
Staff costs	3,615,636,434	2,988,163,174
Management remuneration	389,837,400	428,157,783
Utility expenses	262,198,041	193,189,459
Marketing expenses	24,952,000	187,330,000
Net loss on sales of assets held for sale	740,040,019	342,427,699
Professional fee	392,076,697	149,434,370
Depreciation	263,686,498	226,212,837
Entertainment expenses	25,010,100	52,154,575
Stationery expenses	99,362,172	95,796,400
Others	418,693,808	418,021,344
	<u>6,231,493,169</u>	<u>5,080,887,641</u>

18. 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.

The Company has been granted the privileges under the Tax Law of Lao PDR by reduction of 5% of the profit tax rate from the normal rate for four years from the date of registration on the Lao Securities Exchange.

On February 11, 2020, the Ministry of Finance (MoF) issued a notification No. 0424/MoF enforcing the new law on Tax No. 67/Sor Phor Sor dated June 18, 2019 to be effective for the financial period from January 1, 2020 onwards. Under the new law, Article 16, Item 2, Bullet Point 3 stated that the corporate income tax rate for companies listed in the Lao Securities Exchange will be 13% for four years from the date of registration on the Lao Securities Exchange.

19. 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 constitutes related parties. Such transactions have been dealt with on the terms and basis determined between the Company and related parties.

The amounts and nature of significant balances as at June 30, 2020 and December 31, 2019 and transactions for the six-month periods ended June 30, are summarized as follows:

Balances as at June 30, 2020 and December 31, 2019:

Account name/Company's name	Relationship	As at June 30, 2020 LAK	As at December 31, 2019 LAK
Trade payables			
JB Honda	(1)	65,414,000	53,510,000
JB Honda Nonsavang	(1)	31,988,000	107,382,000
JB Honda Thangon	(1)	59,303,000	42,266,000
		<u>156,705,000</u>	<u>203,158,000</u>
Other payables			
JB Honda	(1)	3,900,000	1,800,000
JB Honda Nonsavang	(1)	2,868,000	5,730,000
JB Honda Thangon	(1)	2,934,000	2,388,000
		<u>9,702,000</u>	<u>9,918,000</u>
Accrued interest expense			
Ms. Inthavilay Oudom	Shareholder and director	4,444,729	15,354,600
Mahathun Holding Co., Ltd.	Shareholder	-	162,739,500
		<u>4,444,729</u>	<u>178,094,100</u>
Long-term borrowings			
Ms. Inthavilay Oudom	Shareholder and director	948,000,000	2,100,000,000
Mahathun Holding Co., Ltd.	Shareholder	-	18,000,000,000
		<u>948,000,000</u>	<u>20,100,000,000</u>

Transactions for the six-month periods ended June 30:

Account name/Company's name	Relationship	2020 LAK	2019 LAK
Sale of asset held for sale			
JB Honda	(1)	-	7,500,000
		<u>-</u>	<u>7,500,000</u>
Purchases of leasing assets			
JB Honda	(1)	1,911,165,000	2,960,547,000
JB Honda Nonsavang	(1)	1,037,939,000	2,353,756,000
JB Honda Thangon	(1)	486,663,000	917,558,000
		<u>3,435,767,000</u>	<u>6,231,861,000</u>
Commission expense			
JB Honda	(1)	116,250,000	214,750,000
JB Honda Nonsavang	(1)	66,450,000	158,750,000
JB Honda Thangon	(1)	32,400,000	65,750,000
		<u>215,100,000</u>	<u>439,250,000</u>
Other expenses			
JB Honda	(1)	15,660,000	43,470,000
JB Honda Nonsavang	(1)	5,901,500	32,853,260
JB Honda Thangon	(1)	10,666,100	1,161,960
		<u>32,227,600</u>	<u>77,485,220</u>

Account name/Company's name	Relationship	2020 LAK	2019 LAK
Interest expense			
Ms. Inthavilay Oudom	Shareholder and director	100,374,934	119,923,804
Mahathun Holding Co., Ltd.	Shareholder	723,288,207	193,897,677
		<u>823,663,141</u>	<u>313,821,481</u>
Finance cost - guarantee expense			
Mahathun Holding Co., Ltd.	Shareholder	340,662,908	-
		<u>340,662,908</u>	<u>-</u>

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

Management remuneration for the six-month periods ended June 30, consists of the following:

	2020 LAK	2019 LAK
Short-term benefits	389,837,400	428,157,783
	<u>389,837,400</u>	<u>428,157,783</u>

20. OPERATING LEASE COMMITMENTS

The Company has commitments under long-term leases for office space. The minimum future lease payments under the lease agreements as at June 30, 2020 and December 31, 2019, are summarized as follows:

	As at June 30, 2020 LAK	As at December 31, 2019 LAK
Within one year	222,847,635	89,087,500
Over 1 year but not over 5 years	1,425,280,630	1,443,300,000
Over 5 years	435,242,319	505,450,000
	<u>2,083,370,584</u>	<u>2,037,837,500</u>

Under the lease agreements, the lessors required the Company to pay rental for 12 months in advance on the date of agreements. For the six-month periods ended June 30, 2020 and 2019, rentals applicable to such lease agreements which were paid and recorded as expense in the statements of income are LAK 195.08 million and LAK 124.91 million, respectively.

21. APPROVAL FOR ISSUE OF THE INTERIM FINANCIAL INFORMATION

This interim financial information was approved for issue by the authorized director of the Company on August 26, 2020.