
MAHATHUEN LEASING PUBLIC COMPANY

Financial Statements

Year ended December 31, 2020



ບໍລິສັດ ດີລອຍ (ລາວ) ຈຳກັດຜູ້ດຽວ
ອາຄານຕະຫຼາດຫຼັກຊັບລາວ
ບ້ານໂພນທັນ, ຖະໜົນ T4
ເມືອງໄຊເສດຖາ
ຜູ້ໂປສະນີ 2017, ນະຄອນຫຼວງວຽງຈັນ
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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, 2020, and the related statements of income, changes in shareholders' equity and 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, 2020, 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 describe 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’s financial lease and instalment loan receivables as at the end of the 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 3.3 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 accounts. • 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 and the management of the Company for the correction of the misstatement.

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 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

April 1, 2021

MAHATHUEN LEASING PUBLIC COMPANY
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2020

UNIT : LAK

	Notes	2020	2019
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	4.1	12,404,353,323	11,898,879,158
Current portion of finance lease and installment loan receivables	5	47,412,873,880	49,450,694,223
Asset held for sale	6	187,570,860	135,778,949
Other current assets	7	334,581,595	371,294,394
Total Current Assets		60,339,379,658	61,856,646,724
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	25,302,582,221	28,541,865,938
Leasehold improvements and equipment	9	1,037,381,048	1,454,220,193
Intangible asset	10	60,019,000	-
Other non-current assets		-	36,126,040
Total Non-current Assets		28,399,984,969	32,032,214,871
TOTAL ASSETS		88,739,364,627	93,888,861,595

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, 2020

UNIT : LAK

	Notes	2020	2019
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Trade and other payables	11	4,074,936,044	3,704,655,549
Current portion of liability under a finance lease agreement	12	78,339,545	124,178,788
Income tax payable		1,722,492,613	2,837,273,979
Other current liabilities		26,759,480	29,349,509
Total Current Liabilities		<u>5,902,527,682</u>	<u>6,695,457,825</u>
NON-CURRENT LIABILITIES			
Long-term borrowings from a financial institution	13	11,936,400,000	-
Long-term borrowings from related parties	14	-	20,100,000,000
Other non-current liabilities		140,375,000	78,125,000
Total Non-current Liabilities		<u>12,076,775,000</u>	<u>20,178,125,000</u>
TOTAL LIABILITIES		<u>17,979,302,682</u>	<u>26,873,582,825</u>
SHAREHOLDERS' EQUITY			
SHARE CAPITAL			
Authorized share capital	15	<u>40,000,000,000</u>	<u>40,000,000,000</u>
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	16	4,026,672,320	3,252,194,002
Unappropriated		13,900,722,075	10,930,417,218
TOTAL SHAREHOLDERS' EQUITY		<u>70,760,061,945</u>	<u>67,015,278,770</u>
TOTAL LIABILITES AND SHAREHOLDERS' EQUITY		<u>88,739,364,627</u>	<u>93,888,861,595</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, 2020

UNIT : LAK

	Notes	2020	2019
REVENUES			
Revenue from interest - finance leases and installment loans		24,401,153,857	23,301,597,190
Other income	19	<u>1,188,628,696</u>	<u>951,646,474</u>
Total Revenues		<u><u>25,589,782,553</u></u>	<u><u>24,253,243,664</u></u>
EXPENSES			
Administrative expenses	20	12,618,257,279	11,018,397,927
Doubtful accounts and bad debt expense		1,367,357,647	438,934,511
Net loss on foreign exchange rate		537,589,575	798,149,926
Finance costs		<u>2,197,475,810</u>	<u>1,657,544,101</u>
Total Expenses		<u><u>16,720,680,311</u></u>	<u><u>13,913,026,465</u></u>
PROFIT BEFORE INCOME TAX EXPENSE		8,869,102,242	10,340,217,199
INCOME TAX EXPENSE	21	<u>1,124,319,067</u>	<u>2,255,632,248</u>
NET PROFIT		<u><u>7,744,783,175</u></u>	<u><u>8,084,584,951</u></u>
BASIC EARNINGS PER SHARE (LAK)	17	194	202

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, 2020

UNIT : LAK

	Notes	Paid-up Share Capital	Premium on Ordinary Shares	Retained Earnings Appropriated Legal Reserve	Unappropriated Earnings	Total Shareholders' Equity
For the year ended December 31, 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 year		-	-	-	8,084,584,951	8,084,584,951
Appropriation of legal reserve	16	-	-	808,458,495	(808,458,495)	-
Dividends paid	18	-	-	-	(5,880,000,000)	(5,880,000,000)
Ending balance as at December 31, 2019		40,000,000,000	12,832,667,550	3,252,194,002	10,930,417,218	67,015,278,770
For the year ended December 31, 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 year		-	-	-	7,744,783,175	7,744,783,175
Appropriation of legal reserve	16	-	-	774,478,318	(774,478,318)	-
Dividends paid	18	-	-	-	(4,000,000,000)	(4,000,000,000)
Ending balance as at December 31, 2020		40,000,000,000	12,832,667,550	4,026,672,320	13,900,722,075	70,760,061,945

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, 2020

UNIT : LAK

	Note	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before income tax expense		8,869,102,242	10,340,217,199
Adjustments for:			
Bad debts and doubtful accounts		1,367,357,647	438,934,511
Amortization of deferred commission expense	4.2	4,116,923,471	3,948,481,702
Impairment loss of asset held for sale		7,500,000	3,750,000
Depreciation		532,941,312	483,964,029
Finance costs		2,197,475,810	1,657,544,101
Unrealized loss on exchange rate		331,993,356	1,346,082,035
Profit from operations before changes in operating assets and liabilities		17,423,293,838	18,218,973,577
Changes in operating assets and liabilities			
Decrease (increase) in finance lease and installment loan receivables		3,454,615,662	(15,803,365,842)
Increase in asset held for sale		(59,291,911)	(17,628,072)
Decrease (increase) in other current assets		72,838,838	(110,513,890)
Increase in trade and other payables		180,825,294	395,316,488
(Decrease) increase in other current liabilities		(2,590,029)	9,267,709
Increase in other non-current liabilities		62,250,000	28,625,000
Cash received from operations		21,131,941,692	2,720,674,970
Cash paid for commission expense		(3,658,410,000)	(4,531,750,000)
Cash paid for interest		(1,937,520,606)	(1,496,715,053)
Cash paid for income tax		(2,239,100,434)	(1,489,296,196)
Net cash provided by (used in) operating activities		13,296,910,652	(4,797,086,279)

MAHATHUEN LEASING COMPANY LIMITED
STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2020

UNIT : LAK

	Notes	2020	2019
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash paid for purchases of leasehold improvements and equipment and intangible asset		(176,121,167)	(702,092,569)
Net cash used in investing activities		<u>(176,121,167)</u>	<u>(702,092,569)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceed from long-term borrowings from related parties	4.3.3	-	18,550,000,000
Proceed from long-term borrowings from a financial institution	4.3.2	14,433,600,000	-
Cash repayment of short-term borrowing from a related party	4.3.1	-	(1,608,000,000)
Cash repayment of long-term borrowings from a related party	4.3.3	(20,100,000,000)	-
Cash repayment from long-term borrowings from a financial institution	4.3.2	(2,928,600,000)	-
Cash payments for liability under a finance lease agreement		(45,839,243)	(38,064,025)
Dividends paid		(4,000,000,000)	(5,880,000,000)
Net cash provided by (used in) financing activities		<u>(12,640,839,243)</u>	<u>11,023,935,975</u>
Net increase in cash and cash equivalents		479,950,242	5,524,757,127
Effects of change of exchange rate on cash and cash equivalents held in foreign currencies		25,523,923	214,134,082
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 December 31,	4.1	<u><u>12,404,353,323</u></u>	<u><u>11,898,879,158</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, 2020**

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 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 operation after obtaining a license issued by Bank of the Lao PDR (“BOL”) on June 11, 2012. On November 20, 2017, the Company has transformed from the limited company into 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 Lao Securities Commission. The symbol is MHTL.

The Company’s major shareholder is Mahathun 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 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, excluding 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 the contracts. In case of early termination of the contracts, initial direct costs are fully amortized as expenses.

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 expenses 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:

Leasehold improvements	5 years
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 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 the initial public offer price and par value less cost of underwriting.

3.8 Revenue and expense recognition

Revenue from interest-bearing 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 an 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 an 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, except legal title that is transferred to the Company is accounted for as a finance lease. The Company capitalized the asset and recorded the 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 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 foreign currencies are carried at cost using the exchange rate at the date of the 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 the 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:

	2020 LAK	2019 LAK
Cash on hand	65,894,780	150,242,900
Cash at banks	<u>12,338,458,543</u>	<u>11,748,636,258</u>
	<u>12,404,353,323</u>	<u>11,898,879,158</u>

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

	2020 LAK	2019 LAK
Initial direct cost brought forward	3,032,978,953	2,449,710,655
<u>Add</u> Increase during the years	3,658,410,000	4,531,750,000
<u>Less</u> Amortization of deferred commission expense	<u>(4,116,923,471)</u>	<u>(3,948,481,702)</u>
Initial direct cost carried forward	<u>2,574,465,482</u>	<u>3,032,978,953</u>

4.3 Changes in liabilities arising from financing activities

Changes in liabilities arising from financing activities arising from cash flows is classified as financing activities in the statements of cash flows for the years ended December 31, are as follows:

4.3.1 Short-term borrowing from a related party

	2020 LAK	2019 LAK
Balance as at January 1,	-	1,608,000,000
Cash repayment of short-term borrowing	<u>-</u>	<u>(1,608,000,000)</u>
Balance as at December 31,	<u>-</u>	<u>-</u>

4.3.2 Long-term borrowings from a financial institution

	2020 LAK	2019 LAK
Balance as at January 1,	-	-
Proceed from long-term borrowings	14,433,600,000	-
Cash repayment of long-term borrowings	(2,928,600,000)	-
Unrealized foreign exchange loss	<u>431,400,000</u>	<u>-</u>
Balance as at December 31,	<u>11,936,400,000</u>	<u>-</u>

4.3.3 Long-term borrowings from related parties

	2020 LAK	2019 LAK
Balance as at January 1,	20,100,000,000	-
Proceed from long-term borrowings	-	18,550,000,000
Cash repayment of long-term borrowings	(20,100,000,000)	-
Unrealized foreign exchange loss	-	1,550,000,000
Balance as at December 31,	<u>-</u>	<u>20,100,000,000</u>

5. FINANCE LEASE AND INSTALLMENT LOAN RECEIVABLES

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

	December 31, 2020		
	Within one year	Over 1 year	Total
	LAK	to 5 years LAK	LAK
Finance lease receivables			
Finance lease receivables	1,927,297,178	265,304,000	2,192,601,178
<u>Less</u> Unearned interest income	<u>(510,032,339)</u>	<u>(57,929,263)</u>	<u>(567,961,602)</u>
	1,417,264,839	207,374,737	1,624,639,576
<u>Add</u> Initial direct cost	<u>11,086,985</u>	<u>8,455,558</u>	<u>19,542,543</u>
	1,428,351,824	215,830,295	1,644,182,119
<u>Less</u> Allowance for doubtful debts	<u>(812,578,502)</u>	<u>(13,408,937)</u>	<u>(825,987,439)</u>
Total finance lease receivables	<u>615,773,322</u>	<u>202,421,358</u>	<u>818,194,680</u>
Installment loan receivables			
Installment loan receivables	66,878,967,440	31,462,254,000	98,341,221,440
<u>Less</u> Unearned interest income	<u>(19,145,950,699)</u>	<u>(7,061,229,923)</u>	<u>(26,207,180,622)</u>
	47,733,016,741	24,401,024,077	72,134,040,818
<u>Add</u> Initial direct cost	<u>1,436,638,734</u>	<u>1,118,284,205</u>	<u>2,554,922,939</u>
	49,169,655,475	25,519,308,282	74,688,963,757
<u>Less</u> Allowance for doubtful debts	<u>(2,372,554,917)</u>	<u>(419,147,419)</u>	<u>(2,791,702,336)</u>
Total installment loan receivables	<u>46,797,100,558</u>	<u>25,100,160,863</u>	<u>71,897,261,421</u>
Total	<u>47,412,873,880</u>	<u>25,302,582,221</u>	<u>72,715,456,101</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 and installment loan receivables as at December 31, aged by the number of months, are summarized as follows:

	2020	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	54,414,161,391	61,212,855,428
Past due 1 - 3 months	14,672,370,031	13,268,021,709
Past due 4 - 5 months	1,145,245,622	653,924,905
Past due 6 - 12 months	1,297,787,808	1,033,085,847
Past due over 12 months	2,229,115,542	1,431,466,137
Total	<u>73,758,680,394</u>	<u>77,599,354,026</u>
Allowance for doubtful debts	<u>3,617,689,775</u>	<u>2,639,772,818</u>

For the years ended December 31, 2020 and 2019, bad debts recognized in the statements of income as expenses are LAK 395.97 million and LAK 364.09 million, respectively.

6. ASSET HELD FOR SALE

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

	2020 LAK	2019 LAK
Asset held for sale - motorcycles	211,320,860	152,028,949
<u>Less</u> Allowance for diminution in value of assets	<u>(23,750,000)</u>	<u>(16,250,000)</u>
	<u>187,570,860</u>	<u>135,778,949</u>

7. OTHER CURRENT ASSETS

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

	2020 LAK	2019 LAK
Prepaid expenses	292,490,017	311,989,334
Advance payments	9,239,640	2,080,520
Value-added tax receivable	8,633,089	-
Others	24,218,849	57,224,540
	<u>334,581,595</u>	<u>371,294,394</u>

8. CASH DEPOSIT AT BANK OF LAO PDR

As at December 31, 2020 and 2019, the Company has restricted cash deposits as mandatory reserves with 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 as at December 31, consist of the following:

As at December 31, 2020

	Balance as at January 1, 2020 LAK	Additions LAK	Disposals LAK	Balance as at December 31, 2020 LAK
Cost				
Leasehold improvements	625,233,708	-	-	625,233,708
Office furniture and fixtures	519,842,181	25,969,166	-	545,811,347
Office equipment	704,760,145	90,133,001	-	794,893,146
Vehicles	1,680,232,218	-	-	1,680,232,218
Total	<u>3,530,068,252</u>	<u>116,102,167</u>	<u>-</u>	<u>3,646,170,419</u>
Accumulated depreciation				
Leasehold improvements	(317,920,343)	(103,318,856)	-	(421,239,199)
Office furniture and fixtures	(255,274,734)	(81,395,051)	-	(336,669,785)
Office equipment	(501,243,169)	(100,505,997)	-	(601,749,166)
Vehicles	<u>(1,001,409,813)</u>	<u>(247,721,408)</u>	<u>-</u>	<u>(1,249,131,221)</u>
Total	<u>(2,075,848,059)</u>	<u>(532,941,312)</u>	<u>-</u>	<u>(2,608,789,371)</u>
Leasehold improvements and equipment	<u>1,454,220,193</u>			<u>1,037,381,048</u>

As at December 31, 2019

	Balance as at January 1, 2019 LAK	Additions LAK	Disposals LAK	Balance as at December 31, 2019 LAK
Cost				
Leasehold improvements	587,186,532	38,047,176	-	625,233,708
Office furniture and fixtures	406,625,741	113,216,440	-	519,842,181
Office equipment	601,773,585	102,986,560	-	704,760,145
Vehicles	1,232,389,825	447,842,393	-	1,680,232,218
Total	<u>2,827,975,683</u>	<u>702,092,569</u>	<u>-</u>	<u>3,530,068,252</u>
Accumulated depreciation				
Leasehold improvements	(220,361,123)	(97,559,220)	-	(317,920,343)
Office furniture and fixtures	(192,985,004)	(62,289,730)	-	(255,274,734)
Office equipment	(405,838,138)	(95,405,031)	-	(501,243,169)
Vehicles	<u>(772,699,765)</u>	<u>(228,710,048)</u>	<u>-</u>	<u>(1,001,409,813)</u>
Total	<u>(1,591,884,030)</u>	<u>(483,964,029)</u>	<u>-</u>	<u>(2,075,848,059)</u>
Leasehold improvements and equipment	<u>1,236,091,653</u>			<u>1,454,220,193</u>

Depreciation for the years ended December 31,

2020	LAK	<u>532,941,312</u>
2019	LAK	<u>483,964,029</u>

10. INTANGIBLE ASSET

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

As at December 31, 2020

	Balance as at January 1, 2020 LAK	Additions LAK	Disposals LAK	Balance as at December 31, 2020 LAK
Computer software				
Cost	42,493,727	-	-	42,493,727
<u>Less</u> Accumulated amortization	(42,493,727)	-	-	(42,493,727)
Computer software under installation	-	60,019,000	-	60,019,000
	<u>-</u>			<u>60,019,000</u>

As at December 31, 2019

	Balance as at January 1, 2019 LAK	Additions LAK	Disposals LAK	Balance as at December 31, 2019 LAK
Computer software				
Cost	42,493,727	-	-	42,493,727
<u>Less</u> Accumulated amortization	(42,493,727)	-	-	(42,493,727)
	<u>-</u>			<u>-</u>

Amortization for the years ended December 31,

2020	LAK	<u>-</u>
2019	LAK	<u>-</u>

11. TRADE AND OTHER PAYABLES

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

	2020 LAK	2019 LAK
Trade payables - related parties (see Note 22)	190,075,000	203,158,000
Trade payables - other parties	2,179,740,000	2,255,247,000
Other payables - related parties (see Note 22)	28,136,000	9,918,000
Tax payable	52,852,813	69,054,416
Accrued expenses	1,624,132,231	1,167,278,133
	<u>4,074,936,044</u>	<u>3,704,655,549</u>

12. 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 liability under the finance lease agreement as at December 31, consist of the following:

	Minimum lease payments		Present value of minimum lease payments	
	2020 LAK	2019 LAK	2020 LAK	2019 LAK
Within 1 year	78,339,545	128,961,814	78,339,545	128,961,814
Over 1 year and within 5 years	-	-	-	-
	<u>78,339,545</u>	<u>128,961,814</u>	<u>78,339,545</u>	<u>128,961,814</u>
Less Deferred interest	-	-	-	(4,783,026)
	<u>78,339,545</u>	<u>128,961,814</u>	<u>78,339,545</u>	<u>124,178,788</u>
			2020 LAK	2019 LAK
Liability under a finance lease agreement, current portion			78,339,545	124,178,788
Liability under a finance lease agreement, non-current portion			-	-
			<u>78,339,545</u>	<u>124,178,788</u>

13. LONG-TERM BORROWINGS FROM A FINANCIAL INSTITUTION

As at December 31, 2020, the Company has a long-term borrowings from a financial institution of USD 1.20 million (equivalent to LAK 11,936 million), which carried interest rate of Foreign Currency Deposit Rate plus 1.20% per annum, were guaranteed by the Company's major shareholder and will due within 3 years from the drawdown date.

14. LONG-TERM BORROWINGS FROM RELATED PARTIES

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

	Interest rate per loan agreement % p.a.	Balances as at			
		December 31, 2020		December 31, 2019	
		THB	LAK	THB	LAK
Long-term borrowings	11.12% - 13.75%	-	-	67,000,000	20,100,000,000

As at December 31, 2019, long-term borrowings from two related parties (see Note 22) represent unsecured borrowings in Thai Baht which are repayable at maturity date within 3 years.

Subsequently, during the year 2020, the Company repaid such borrowings entirely earlier than its maturity date.

15. SHARE CAPITAL

As at December 31, 2020 and 2019, the Company issued 40 million ordinary shares with the par value of LAK 1,000 per share.

16. 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.

17. EARNINGS PER SHARE

For the years ended December 31, 2020 and 2019, the Company calculated the weighted average number of ordinary shares and earnings per share as follows:

	2020	2019
Weighted average number of ordinary shares for the years ended December 31, (shares)	<u>40,000,000</u>	<u>40,000,000</u>
Net profit for the year (LAK)	<u>7,744,783,175</u>	<u>8,084,584,951</u>
Basic earnings per share (LAK)	<u>194</u>	<u>202</u>

18. DIVIDENDS

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.

19. OTHER INCOME

Other income for the years ended December 31, consists of the following:

	2020 LAK	2019 LAK
Penalty - customers	883,308,009	736,633,539
Others	305,320,687	215,012,935
	<u>1,188,628,696</u>	<u>951,646,474</u>

20. ADMINISTRATIVE EXPENSES

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

	2020 LAK	2019 LAK
Staff costs	7,626,431,028	6,220,322,116
Remuneration to managements	829,630,856	843,639,698
Utility expenses	538,462,328	434,476,542
Marketing expenses	284,572,000	594,580,000
Net loss on sale of assets held for sale	1,179,382,249	921,660,314
Professional fee	324,899,720	303,824,055
Depreciation (see Notes 9)	532,941,312	483,964,029
Entertainment expenses	40,474,100	98,631,493
Stationery expenses	158,485,172	189,689,703
Others	1,102,978,514	927,609,977
	<u>12,618,257,279</u>	<u>11,018,397,927</u>

21. 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 reducing 5% of the profit tax rate from the normal rate for four years from the date of registration on the Lao Securities Exchange (The date of registration of the Company: June 13, 2018).

For the year ending December 31, 2019, the Company is entitled to a reduced profit tax rate of 19% for four years from the date of registration with Lao Security Exchange started under Article 29, Item 2 of the existing Law on Tax No. 70/NA dated December 15, 2015.

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.

22. 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 amount and nature of significant balances as at December 31, 2020 and 2019 and transactions for the years ended December 31, are summarized as follows:

Balances as at December 31, 2020 and 2019 consist of the following:

Account name/Company's name	Relationship	As at December 31,	
		2020 LAK	2019 LAK
Trade payables			
JB Honda	(1)	99,375,000	53,510,000
JB Honda Nonsayang	(1)	79,604,000	107,382,000
JB Honda Thangon	(1)	11,096,000	42,266,000
		<u>190,075,000</u>	<u>203,158,000</u>
Other payables			
JB Honda	(1)	13,020,000	1,800,000
JB Honda Nonsayang	(1)	9,410,000	5,730,000
JB Honda Thangon	(1)	5,706,000	2,388,000
		<u>28,136,000</u>	<u>9,918,000</u>
Accrued interest expense			
Ms. Inthavilay Oudom	Shareholder and director	-	15,354,600
Mahathun Holding Co., Ltd.	Shareholder	-	162,739,500
		<u>-</u>	<u>178,094,100</u>
Long-term borrowings			
Ms. Inthavilay Oudom	Shareholder and director	-	2,100,000,000
Mahathun Holding Co., Ltd.	Shareholder	-	18,000,000,000
		<u>-</u>	<u>20,100,000,000</u>
Accrued guarantee expense			
Mahathun Holding Co., Ltd.	Shareholder	367,549,304	-
		<u>367,549,304</u>	<u>-</u>

Transactions for the years ended December 31, consist of the following;

Account name/Company's name	Relationship	For the years ended December 31,	
		2020 LAK	2019 LAK
Sale of asset held for sale			
JB Honda	(1)	-	7,500,000
Purchase of leasing assets			
JB Honda	(1)	3,357,246,000	4,881,892,000
JB Honda Nonsavang	(1)	2,168,491,000	4,693,546,000
JB Honda Thangon	(1)	800,688,000	1,769,501,000
		<u>6,326,425,000</u>	<u>11,344,939,000</u>
Commission expense			
JB Honda	(1)	207,250,000	342,100,000
JB Honda Nonsavang	(1)	136,950,000	308,700,000
JB Honda Thangon	(1)	53,400,000	124,200,000
		<u>397,600,000</u>	<u>775,000,000</u>
Other expenses			
JB Honda	(1)	26,832,000	45,299,900
JB Honda Nonsavang	(1)	14,861,500	48,455,240
JB Honda Thangon	(1)	19,072,100	4,240,680
		<u>60,765,600</u>	<u>97,995,820</u>
Interest expense			
Ms. Inthavilay Oudom	Shareholder and director	122,228,021	235,775,402
Mahathun Holding Co., Ltd.	Shareholder	723,288,207	1,421,768,699
		<u>845,516,228</u>	<u>1,657,544,101</u>
Guarantee expense			
Mahathun Holding Co., Ltd.	Shareholder	1,165,838,510	-
		<u>1,165,838,510</u>	<u>-</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:

	2020 LAK	2019 LAK
Short-term benefits	<u>829,630,856</u>	<u>843,639,698</u>

23. COMMITMENTS

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

	2020 LAK	2019 LAK
Within one year	150,037,955	89,087,500
Over 1 year but not over 5 years	1,381,246,738	1,443,300,000
Over 5 years	<u>362,514,661</u>	<u>505,450,000</u>
	<u>1,893,799,354</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 agreement. For the years ended December 31, 2020 and 2019, rentals applicable to such lease agreements which were paid and recorded as expenses in the statements of income are LAK 397.62 million and LAK 283.08 million, respectively.

23.2 As at December 31, 2020, the Company has capital commitments relating to Computer software under installation of LAK 96.02 million. (2019: Nil)

24. APPROVAL FOR ISSUE OF THE FINANCIAL STATEMENTS

These financial statements were approved for issue by the authorised directors of the Company on April 1, 2021.