Lao Cement Public Company

Financial statements

For the year ended 31 December 2021

Lao Cement Public Company

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Lao Cement Public Company

GENERAL INFORMATION

THE COMPANY

Lao Cement Public Company ("the Company"), formerly known as Lao Cement Co., Ltd, was established in accordance with the Article of Association signed in Vientiane Laos on 15th December 1998 by Lao Agriculture-Forestry Development and Service Company ("Party A") and China Yunnan Corporation for International Techno-Economic Cooperation ("Party B").

On 6th December 1999, the Company received the first Business Licence No.1154/BLO issued by the Ministry of Industry and Commerce, which allowed the Company to operate in cement and other related cement products for domestic consumption and export.

The Company also obtained the following amended Business Licenses:

Business License	*Date*
0078/BLO	5 April 2006
1719/BLO	26 February 2009
0244/BLO	20 February 2012
1436/BLO	15 November 2012
791/BLO	13 November 2015
1016/BLO	5 December 2016
0247/BLO	24 March 2017
0688/BLO	2 August 2017
0160/BLO	20 February 2018

The principal activities of the Company according to its Business Licenses are:

- Production of cement and other related cement products;
- Wholesale and retail of cement and other related cement products for domestic consumption and export.

The Company's registered head office is at Phonphanao Village, Xaysettha District, Vientiane Capital, Lao PDR. The Company also has Vangvieng Cement Plant No. II which is located in Vangvieng province, Lao PDR.

BOARD OF DIRECTORS

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

Name	*Position*
Mr. Yang ChunYin	Chairman
Mr. Vanthong Sitthikoun	Vice chairman
Mr. Zhang Li	Member
Mr. Ou Yang Ji Yong	Member
Mr. Jie Yaoqi	Member
Mr. Khambon Xaylaovong	Member
Mr. Vichit Souvannalad	Member
Mr. Xiao Jie	Independent member
Mr. Li Chun Bo	Independent member
Mr. Vongvichit Keovongkot	Independent member

GENERAL INFORMATION (continued)

MANAGEMENT

Members of the Company's management during the year and at the date of this report are:

Name	*Position*
Mr. Zhang Li	General Director
Mr. Vichit Souvannalad	Deputy Director
Mr. Jie Yaoqi	Director
Mr. Khambon Xaylaovong	Director
Mr. Xiao Jie	Director
Mr. Li Chun Bo	Director
Mr. Vongvichit Keovongkot	Director

AUDIT COMMITTEE

Members of the Company's audit committee during the year and at the date of this report are:

Name	*Position*
Mr. Xiao Jie	Chairman
Mr. Li Chun Bo	Member
Mr. Vongvichit Keovongkot	Member

LEGAL REPRESENTATIVE

The legal representative of the Company during the year and at the date of this report is Mr. Zhang Li, General Director.

AUDITOR

The auditor of the Company is Ernst & Young Lao Co., Ltd.

Lao Cement Public Company

REPORT OF MANAGEMENT

Management of Lao Cement Public Company ("the Company") is pleased to present its report and the Company's financial statements for the year ended 31 December 2021.

MANAGEMENT'S RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

Management is responsible for the preparation of the financial statements which have been prepared in accordance with the accounting policies as described in Note 3 to the financial statements. These accounting policies are not intended to present the financial position, the results of operations and cash flows of the Company in accordance with international generally accepted accounting principles. In preparing those financial statements, management is required to:

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

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

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

STATEMENT BY MANAGEMENT

Management does hereby state that, in its opinion, the accompanying financial statements are prepared, in all material respects, in accordance with the accounting policies as described in Note 3 to the financial statements.

On behalf of the Board of Management:

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Lao Cement Public Company

Zhang Li
General Director

Vientiane, Lao PDR

14 April 2022

Ernst & Young Lao Co., Ltd
6th floor, Kolao Tower I, 23 Singha Road
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Reference: 61228095/E-22734543

INDEPENDENT AUDITORS' REPORT

To: The shareholders of Lao Cement Public Company

Opinion

We have audited the financial statements of Lao Cement Public Company ("the Company"), which comprise the balance sheet as at 31 December 2021, and the income statement, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including the summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Company are prepared, in all material respects, in accordance with the accounting policies as described in Note 3 to the financial statements.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under those standards are further described in the Auditors' 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) and the ethical requirements that are relevant to our audit of the financial statements in Lao PDR, and we have fulfilled our other ethical responsibilities in accordance with these requirements and 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 Matters

We draw attention to:

- Note 2 of the accompanying financial statements, which indicates that the Company incurred a net loss of LAK 21.6 billion for the year ended 31 December 2021. As of that date, the Company has accumulated losses of LAK 53.4 billion. Due to the impact of COVID-19 pandemic protective measurements by the Government of Lao PDR and the economic difficulty, the Company has temporarily ceased all its production since April 2020. On 25 August 2020, the Company published Announcement No.202/LCC about temporarily ceasing all production until further notice. These events indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern.
- Note 26 to the financial statements which presents certain corresponding figures in the financial statements which were restated to correct prior years' errors.
- Note 3 to the financial statements, which describes the accounting policies adopted by the Company. These accounting policies are not intended to present the financial position, the results of operations and the cash flows of the Company in accordance with international generally accepted accounting principles.

Our conclusion is not modified in respect of these matters.

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Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. In addition to the matter described in the Material Uncertainty Related to Going Concern section above, we have determined the matters described below to be the key audit matters to be communicated in our report. These matters were 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 these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Impairment of inventories

As at 31 December 2021, the Company presented the total of net inventories of LAK 20.8 billion, including the provision of LAK 5.3 billion. Such total inventories accounted for 41% of the total assets of the Company. We considered the valuation of inventories to be a key audit matter because (a) the impact of provision for inventories adjustment is material to the profit or loss for the year, and (b) the impairment calculation requires significant judgement in determining the impaired volume and estimated selling price. As a result, our audit procedures, among others, including obtaining the understanding of the Company's internal process over the valuation of inventories, verification of their physical conditions and testing the relevant net realisable values. The Company's disclosure about the relevant accounting policy and the detailed disclosure about the Company's inventories are presented in Notes 3 and Note 8.

Responsibilities of Management for the Financial Statements

The Company's management is responsible for the preparation of the financial statements in accordance with the accounting policies as described in Note 3 to the financial statements, and for such internal control as management determines is necessary to enable the preparation of the 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.

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Auditors' 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.

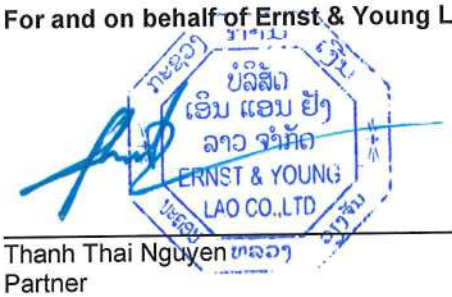
We also provide those charge with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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From the matters communicated with those charge with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's 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.

For and on behalf of Ernst & Young Lao Co.,Ltd



Thanh Thai Nguyen
Partner

Vientiane, Lao PDR

14 April 2022

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Lao Cement Public Company

BALANCE SHEET
as at 31 December 2021

	Notes	31 December 2021 LAK	31 December 2020 (Restated) LAK
ASSETS			
Non-current assets			
Property, plant and equipment	4	9,534,834,962	15,738,565,771
Construction in progress	5	6,822,689,571	6,820,639,571
Intangible assets		328,548,475	328,548,475
Other non-current assets	6	210,400,000	241,960,000
Total non-current assets		**16,896,473,008**	**23,129,713,817**
Current assets			
Other current assets	7	18,000,000	190,460,000
Inventories	8	20,801,679,743	25,590,188,553
Other receivables	9	38,921,847	121,947,501
Trade receivables	10	12,239,495,443	29,609,461,429
Cash	11	351,792,791	3,416,095,713
Total current assets		**33,449,889,824**	**58,928,153,196**
TOTAL ASSETS		**50,346,362,832**	**82,057,867,013**
LIABILITIES AND EQUITY			
Current liabilities			
Borrowings	12	2,000,000,000	8,000,000,000
Trade payables		2,211,807,006	4,751,971,174
Advance from customers		152,773,000	152,773,000
Amounts due to related parties	25	5,728,574,137	5,834,035,151
Statutory obligations	13	5,210,837,226	5,170,698,904
Payables to employees		9,494,267,488	11,682,408,305
Other payables	14	14,320,721,709	13,645,892,550
Total current liabilities		**39,118,980,566**	**49,237,779,084**
TOTAL LIABILITIES		**39,118,980,566**	**49,237,779,084**
Equity			
Contributed capital	15	20,002,000,000	20,002,000,000
Share premium		18,385,975,511	18,385,975,511
Legal reserve		7,704,052,546	7,704,052,546
Plant expansion reserve		18,549,465,596	18,549,465,596
Accumulated losses		(53,414,111,387)	(31,821,405,723)
Total equity		**11,227,382,266**	**32,820,087,930**
TOTAL LIABILITIES AND EQUITY		**50,346,362,832**	**82,057,867,014**

Zhang Li
General Director

Vientiane, Lao PDR
14 April 2022

Visay Douang Savath
Deputy Head of Accounting & Finance

Lao Cement Public Company

INCOME STATEMENT
for the year ended 31 December 2021

	Notes	2021 LAK	2020 (restated) LAK
Revenue from sale of goods	16	-	26,342,629,966
Cost of goods sold	17	-	(50,100,648,288)
Gross loss		**-**	**(23,758,018,322)**
Other operating income	18	147,557,115	355,106,778
Other operating expenses	19	(12,587,600,696)	-
Provision for doubtful accounts		(3,406,151,417)	(508,273,554)
Selling and distribution costs	20	-	(1,552,507,710)
Administrative expenses	21	(4,856,312,762)	(9,553,883,985)
Operating loss		**(20,702,507,760)**	**(35,017,576,793)**
Finance income	22	1,005,650	10,372,529
Finance costs	23	(891,203,554)	(990,187,011)
Loss before tax		**(21,592,705,664)**	**(35,997,391,275)**
Profit tax expenses	24	-	-
Net loss after tax for the year		**(21,592,705,664)**	**(35,997,391,275)**

Zhang Li
General Director

Vientiane, Lao PDR

14 April 2022

Visay Douang Savath
Deputy Head of Accounting & Finance

Lao Cement Public Company

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2021

	Contributed legal capital LAK	*Share premium LAK*	*Legal reserve LAK*	*Plant expansion reserve LAK*	*Retained earnings/ (accumulated losses) LAK*	*Total LAK*
As at 1 January 2020	20,002,000,000	18,385,975,511	7,704,052,546	18,549,465,596	4,175,985,552	68,817,479,205
Net loss for the year (Restated)	-	-	-	-	(35,997,391,275)	(35,997,391,275)
As at 31 December 2020 (Restated)	**20,002,000,000**	**18,385,975,511**	**7,704,052,546**	**18,549,465,596**	**(31,821,405,723)**	**32,820,087,930**
As at 1 January 2021 (restated)	20,002,000,000	18,385,975,511	7,704,052,546	18,549,465,596	(31,821,405,723)	32,820,087,930
Net loss for the year	-	-	-	-	(21,592,705,664)	(21,592,705,664)
As at 31 December 2021	**20,002,000,000**	**18,385,975,511**	**7,704,052,546**	**18,549,465,596**	**(53,414,111,387)**	**11,227,382,266**

Zhang Li
General Director

Visay Douang Savath
Deputy Head of Accounting & Finance

Vientiane, Lao PDR

14 April 2022

Lao Cement Public Company

STATEMENT OF CASH FLOWS
for the year ended 31 December 2021

	Notes	2021 LAK	2020 Restated LAK
OPERATING ACTIVITIES			
Loss before tax		**(21,592,705,664)**	**(35,997,391,275)**
Adjustments for:			
Depreciation of property, plant and equipment	4	6,203,730,809	8,245,904,324
Provisions for inventories		4,382,638,682	350,743,333
Provisions for doubtful accounts		3,406,151,417	508,273,554
Net foreign exchange loss		329,130,295	69,075,908
Profit from investing activities		(1,005,650)	(10,372,529)
Interest expenses	23	323,888,888	921,111,103
Working capital adjustments:			
Decrease/(increase) in trade and other receivables, including amount due from related parties		14,250,860,222	19,349,317,567
Decrease in inventories		405,870,128	13,226,474,364
(Decrease)/increase in trade and other payables, including amount due to related parties		(4,192,522,218)	(7,939,582,676)
Loan interest paid		(341,111,110)	(914,444,437)
Net cash flows used in operating activities		**3,174,925,799**	**(2,190,890,764)**
INVESTING ACTIVITIES			
Acquisitions of property, plant and equipment		(2,050,000)	(445,429,814)
Interest received		1,005,650	10,372,529
Net cash flows (used in)/from investing activities		**(1,044,350)**	**(435,057,285)**
FINANCING ACTIVITIES			
Issuance of shares		-	-
Dividend paid		-	-
Proceed from bank borrowings		-	8,000,000,000
Repayment of bank borrowings		(6,000,000,000)	(8,000,000,000)
Net cash flows from financing activities		**(6,000,000,000)**	**-**
Net decreased in cash		(2,826,118,551)	(2,625,948,049)
Cash at the beginning of the year		3,416,095,713	6,042,043,762
Forex		(238,184,371)	-
Cash at the end of the year	**11**	**351,792,791**	**3,416,095,713**

Zhang Li
General Director

Visay Douang Savath
Deputy Head of Accounting & Finance

Vientiane, Lao PDR

14 April 2022

1. CORPORATE INFORMATION

Lao Cement Public Company ("the Company"), formerly known as Lao Cement Co., Ltd, was established in accordance with the Article of Association signed in Vientiane Laos on 15th December 1998 by Lao Agriculture-Forestry Development and Service Company ("Party A") and China Yunnan Corporation for International Techno-Economic Cooperation ("Party B").

On 6th December 1999, the Company received its first Business Licence No.1154/BLO issued by the Ministry of Industry and Commerce, which allowed the Company to operate in cement and other related cement products for domestic consumption and export.

The Company also obtained the following amended Business Licenses:

Business License	*Date*
0078/BLO	5 April 2006
1719/BLO	26 February 2009
0244/BLO	20 February 2012
1436/BLO	15 November 2012
791/BLO	13 November 2015
1016/BLO	5 December 2016
0247/BLO	24 March 2017
0688/BLO	2 August 2017
0160/BLO	20 February 2018

The principal activities of the Company according to its Business Licenses are:

- Production of cement and other related cement product;
- Wholesale and retail of cement and other related cement product for domestic consumption and export.

The Company has temporarily ceased all production activities from April 2020 up to the date of this report.

The Company's registered head office is at Phonphanao Village, Xaysettha District, Vientiane Capita, Lao PDR. The Company also has Vangvieng Cement Plant No. II which is located in Vangvieng province, Lao PDR.

As at 31 December 2021, the Company had 25 employees (31 December 2020: 29 employees).

2. BASIS OF PREPARATION

The financial statements of the Company have been prepared using the historical cost convention. These financial statements are expressed in Lao Kip ("LAK") as it is the currency in which the majority of the Company's transaction are denominated and settled.

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

2. BASIS OF PREPARATION (continued)

Going concern assumption

The Company incurred net loss of LAK 21.59 billion for the year ended 31 December 2021. As of that date, the Company has accumulated losses of LAK 53.41 billion. Due to the impact of COVID-19 pandemic protective measurements by the Government of Lao PDR and the economic difficulty, the Company has temporarily ceased all its production since April 2020. On 25 August 2020, the Company published Announcement No.202/LCC about temporarily ceasing all production until further notice. These events indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern.

The Company has identified new investor and is developing a detail restructuring plan to which the Company can recover its normal operation. Alternatively, the Company's management also have financial plans to settle the short-term liabilities to continue in minimum operation in the coming year. On this basis, the Company's management considers it is still appropriate to prepare the Company's financial statements on the going concern basis.

The financial statements do not include any adjustments to assets and liabilities that may be necessary if the Company is unable to continue as a going concern.

Fiscal year

The Company's fiscal year starts on 1 January and ends on 31 December.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation.

The cost of a property, plant and equipment purchased by the Company consists of its purchase price and any directly attributable costs of bringing the asset to working condition for its intended use. Expenditures for additions, improvements and renewals are capitalized while expenditures for maintenance and repairs are charged to the income statement.

When an item of property, plant and equipment is sold or retired, their cost and accumulated depreciation are removed from the balance sheet and any gain or loss resulting from their disposal is included in the other operating income or expense accounts, respectively, in the income statement.

Construction in progress represents assets under construction. This includes the costs of construction and other directly attributable costs.

Fully depreciated assets are retained in the accounts until they are no longer in use and no further depreciation are recognized in the income statement.

Depreciation

Depreciation of property, plant and equipment is calculated on a straight-line basis over the expected useful life of the assets as follows:

Buildings and structures	5 to 20 years
Machinery and equipment	5 years
Means of transportation	5 years
Leasehold improvement	5 to 10 years
Office equipment	5 to 10 years
Others	10 years

The useful life of leasehold improvement is determined based on management estimates on expected usage and might be different with the lease term.

Depreciation on property, plant and equipment acquired or disposed of during the year is provided for on a pro-rata basis with reference to the month of acquisition or disposal. No depreciation is provided for assets under construction until such time that the relevant assets are completed and put into use.

Intangible assets

Intangible assets represent land use rights with indefinite term of use and are stated at cost. The cost of land use rights, which comprise the purchase price and any directly attributable costs, is not amortized.

Other non-current assets

Assets which were purchased, controlled and used by the Company of which tittles are registered under other parties' names are reported as Company's other non-current assets. Depreciation is calculated on a straight-line basis over the expected useful life of 20 years.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases

The determination of whether an arrangement is a lease, or contains a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

The Company as a lessee

Leases, where all the risks and benefits of ownership of the leased items are not transferred substantially to the Company are operating leases. Operating lease payments are recognized as an expense in the income statement on a straight-line basis over the lease term. Contingent rental payable is recognized as an expense in the period in which they are incurred.

Inventories

Inventories are stated at the lower of cost incurred in bringing each product to its present location and condition, and net realisable value.

Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs to complete and the estimated costs necessary to make the sale.

The periodic method is used to record inventories, which are valued as follows:

Raw materials, consumables, tools and supplies	-	Cost of purchase on a weighted average cost basis.
Work-in-progress and Finished goods	-	Cost of direct materials and labour plus attributable manufacturing overheads based on the normal operating capacity on a weighted average cost basis.

Provision for obsolete inventories

Provision for obsolete inventories is the estimated loss arising due to the impairment in value (through diminution, damage, obsolescence, etc.) of inventories based on appropriate evidence of impairment available at the balance sheet date.

Increases and decreases to the provision balance are recorded into the other operating expenses in the income statement.

Trade receivables and provision for doubtful accounts

Trade receivables are stated net of total gross trade receivables and provision for doubtful accounts.

The Company provides allowance for doubtful accounts for trade receivables based on the overdue age of the receivables as follows:

Overdue period	*Provision rate*
6 months to 1 year	30%
From 1 year to 2 years	50%
More than 2 years	100%

Cash

Cash comprises cash on hand and cash in banks.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Borrowing costs

Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Borrowing costs are recorded as expenses during the year in which they are incurred.

Trade payables, accrued expenses and other payables

Payables and accruals are recognized for amounts to be paid in the future for goods and services received, whether or not billed to the Company.

Contributed capital

Contributed capital is recognized in the balance sheet when cash is collected from the shareholders in the case of cash contribution or when there is approval from shareholders in the case of contribution in-kind, and share certificate is issued. Any unpaid capital based on Article of Association, enterprise and tax licenses is not recognized in the balance sheet.

Share premium reserve

The share premium is recognized upon issuance of additional shares, at a surplus between the offering price of additional share issuance and the par value, after deduction of share issuance cost (such as underwriting fees and other relevant valuation, consulting costs).

Reserves

Under the requirement of Enterprise Law no. 46/NA dated 26 December 2013, public companies are required to appropriate net profit to legal reserve fund.

The legal reserve fund is a fund to secure against risks, which is ten percent (10%) of its net profit into the reserve fund, after deducting its accumulated losses. When the legal reserve reaches one-half of the contributed charter capital, the Company may suspend the conversion of profit to such fund, unless otherwise approved by the Company's owners.

Other reserve funds including welfare fund reserve and plant expansion reserve which are appropriated from retained earnings in accordance with the Article of Incorporation of the Company dated 15 December 1998. The appropriation amount is determined by the Company's Board of Directors on an annual basis.

Reserve funds of current year are appropriated from net profit of prior year upon the approval of the Annual General Meeting of Shareholders.

Foreign currencies

The financial statements are presented in LAK which is the Company's functional and presentation currency. Transactions in currencies other than LAK are initially translated using the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the exchange rate ruling at the balance sheet date. All gains and losses are taken to the finance income and finance costs accounts, respectively, in the income statement.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, excluding trade discount, rebate and sales return. The following specific recognition criteria must also be met before revenue is recognised:

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Sale of goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually upon the delivery of the goods.

Interest

Revenue is recognised as the interest accrues (taking into account the effective yield on the asset) unless collectability is in doubt.

Taxation

Profit tax is the expected tax payable on the taxable profit for the year, using tax rate enacted at the balance sheet date and applicable to the reporting period, and any adjustment to tax payable in respect of previous years.

Other taxes payable include value added tax and employees' personal income tax.

Value added tax is the tax liability determined on revenue for the period computed using the applicable tax rate for the year.

Personal income tax is the tax payable on salary paid to staff for the period determined using applicable tax rate for the years.

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

Related party transactions

Parties are considered to be related if they have the ability to control or exercise significant influence over each other in making financial and operational decisions or are subject to common control or common significant influence.

Transactions with related parties are conducted based on market prices or, where no market prices exist, at contractually agreed prices.

Other operating expenses

Expenses relating to the suspended plants are recognised as other operating expenses.

Segment information

A segment is a component determined separately by the Company which is engaged in providing products or related services (business segment) or providing products or services in a particular economic environment (geographical segment), that is subject to risks and returns that are different from those of other segments.

The Company's principal activities per Business License are to produce and distribute cement and other related cement products. In addition, these activities are only taking place within Lao PDR. Therefore, the Company's risks and returns are not impacted by the Company's services that the Company is providing or the locations where the Company is doing the business. As a result, the Company's management is of the view that there is only one segment for business and geography and therefore presentation of segmental information is not required.

4. PROPERTY, PLANT AND EQUIPMENT

	Buildings and structures LAK	*Machinery and equipment LAK*	*Means of transportation LAK*	*Leasehold improvement LAK*	*Office equipment LAK*	*Others LAK*	*Total LAK*
Cost							
At 1 January 2021	134,382,315,687	213,077,367,762	21,688,472,198	1,855,693,263	2,088,589,576	436,983,816	373,529,422,302
At 31 December 2021	134,382,315,687	213,077,367,762	21,688,472,198	1,855,693,263	2,088,589,576	436,983,816	373,529,422,302
Accumulated depreciation							
At 1 January 2021	122,541,185,849	211,147,850,346	19,879,762,375	1,696,484,569	2,088,589,576	436,983,816	357,790,856,531
Charge for the year	5,386,158,993	328,517,549	424,243,940	64,810,327	-	-	6,203,730,809
At 31 December 2021	127,927,344,842	211,476,367,895	20,304,006,315	1,761,294,896	2,088,589,576	436,983,816	363,994,587,340
Net book value							
At 31 December 2020	11,841,129,838	1,929,517,416	1,808,709,823	159,208,694	-	-	15,738,565,771
At 31 December 2021	6,454,970,845	1,600,999,867	1,384,465,883	94,398,367	-	-	9,534,834,962

All Company's fixed assets are pledged as collateral for borrowings as disclosed in Note 12.

5. CONSTRUCTION IN PROGRESS

	31 December 2021	*31 December 2020*
	LAK	*LAK*
Konpook mining project	5,112,200,406	5,110,150,406
The plant's second phase project	1,710,489,165	1,710,489,165
	6,822,689,571	**6,820,639,571**

6. OTHER NON-CURRENT ASSETS

These represent the net book value of land and house which were purchased by the Company but were registered under the name of Mr. Vanhthong Sithikoun - the former President of the Company.

7. OTHER CURRENT ASSETS

	31 December 2021	*31 December 2020*
	LAK	*LAK*
Advance to employees	18,000,000	190,460,000
	18,000,000	**190,460,000**

8. INVENTORIES

	31 December 2021	*31 December 2020*
	LAK	*LAK*
Raw materials and consumables	4,660,106,097	5,051,423,187
Tools and supplies	10,554,283,208	10,568,836,246
Work in progress	10,117,771,841	10,117,771,841
Finished goods	773,052,368	773,052,368
Provision for inventories	(5,303,533,771)	(920,895,089)
	20,801,679,743	**25,590,188,553**

9. OTHER RECEIVABLES

	31 December 2021	*31 December 2020*
	LAK	*LAK*
Deposit to customers	-	113,896,000
Others	38,921,847	8,051,501
	38,921,847	**121,947,501**

10. TRADE RECEIVABLES

	31 December 2021 LAK	*31 December 2020 LAK*
Trade receivables	17,557,693,752	31,521,508,321
Provision for doubtful accounts	(5,318,198,309)	(1,912,046,892)
	12,239,495,443	**29,609,461,429**

Details of provision for doubtful accounts as at 31 December 2021 are as follows:

Overdue status	*Receivable balance*	*Provision*
6 months to 1 year past due	-	-
From 1 year to 2 years past due	4,313,187,783	2,156,593,892
More than 2 years past due	3,161,604,417	3,161,604,417
Total	**7,474,792,200**	**5,318,198,309**

Details of provision for doubtful accounts as at 31 December 2020 are as follows:

Overdue status	*Receivable balance*	*Provision*
6 months to 1 year past due	222,783,800	66,835,140
From 1 year to 2 years past due	797,030,671	398,515,335
More than 2 years past due	1,446,696,417	1,446,696,417
Total	**2,466,510,888**	**1,912,046,892**

11. CASH

	31 December 2021 LAK	*31 December 2020 LAK*
Cash on hand	13,891,418	83,946,385
Cash in banks	337,901,373	3,332,149,328
	351,792,791	**3,416,095,713**

12. BORROWINGS

Details of the short-term loan from bank as at 31 December 2021 is as follow:

Bank	*Maturity date*	*Interest rate per annum*	*Interest payment*	*Collateral*	*Currency*	*Amount*
Lao China Bank Co., Ltd	21 October 2022	10%	Monthly	[*]	LAK	2,000,000,000
TOTAL						**2,000,000,000**

[*] Collaterals include the Company's land, buildings, warehouses, factory and other assets in Vangvieng district and Vientiane province.

13. STATUTORY OBLIGATIONS

	31 December 2021 LAK	*31 December 2020 LAK*
Foreign contractor tax payables	2,999,996,916	2,916,991,480
Output value added tax	233,628,774	270,836,732
Profit tax payable (Note 24)	479,656,526	479,656,526
Other taxes	1,497,555,010	1,503,214,166
	5,210,837,226	**5,170,698,904**

14. OTHER PAYABLES

	31 December 2021 LAK	*31 December 2020 LAK*
Dividends payable to related parties (Note 25) (*)	13,581,363,960	13,581,363,960
Others	739,357,749	64,528,590
	14,320,721,709	**13,645,892,550**

(*) Details of dividends payable to related parties are as follows:

	31 December 2021 LAK	*31 December 2020 LAK*
2016 dividends payable to related parties	3,395,146,565	3,395,146,565
2015 dividends payable to related parties	5,773,056,205	5,773,056,205
2014 dividends payable to related parties	4,413,161,190	4,413,161,190
	13,581,363,960	**13,581,363,960**

15. CONTRIBUTED CAPITAL

15.1 Shares

	31 December 2021		31 December 2020	
	Quantity (shares)	Amount (LAK)	Quantity (shares)	Amount (LAK)
Authorized shares				
Issued and paid-up shares				
Ordinary shares	40,004,000	20,002,000,000	40,004,000	20,002,000,000

On 14 February 2018, the Company received the Certificate of Initial Public Offering (IPO) completion No.0008/LSX issued by Lao Securities Commission Office, according to which the Company had completed IPO process where 12,001,200 shares with par value of LAK 500 per share and selling price of LAK 2,400 per share were issued.

The total 40,004,000 shares of the Company (under the ticker "LCC") have been officially listed on Lao Securities Exchange since 2 March 2018. The par value of each share is LAK 500.

The shareholding structure of the Company as at 31 December 2021 is as follows:

Shareholders	Number of shares	Percentage
China Yunnan Corporation for International Techno-Economic Cooperation (CYC)	14,277,428	35.69%
Lao Agriculture-Forestry Development and Service Company (DAI)	13,717,372	34.29%
Lao China Securities Co., Ltd (LCS)	7,544,754	18.86%
Other public corporation and individual investors	4,464,446	11.16%
	40,004,000	

16. REVENUE FROM SALE OF GOODS

	2021 LAK	2020 LAK
Sale of bagged cement	-	8,142,692,226
Sale of bulk cement	-	18,199,937,740
	-	**26,342,629,966**

17. COST OF GOODS SOLD

	2021 LAK	2020 restated LAK
Sale of bagged cement	-	18,601,414,307
Sale of bulk cement	-	31,499,233,981
	-	**50,100,648,288**

18. OTHER OPERATING INCOME

	2021 LAK	2020 LAK
Sale of scrap	146,807,115	8,253,209
Commission income	-	343,353,569
Others	750,000	3,500,000
	147,557,115	**355,106,778**

19. OTHER OPERATING EXPENSES

These mainly comprise expenses relating to the suspended plants with detail is as follows:

	2021 LAK	2020 LAK
Depreciation expenses of suspended plants	6,041,190,590	-
Provision of inventory	4,382,638,682	-
Personnel expenses	808,242,389	-
Utility and fuel	182,113,576	-
Others	1,173,415,459	-
	12,587,600,696	**-**

20. SELLING AND DISTRIBUTION COSTS

	2021 LAK	2020 LAK
Transportation costs	-	316,104,994
Sales bonus	-	-
Personnel expenses	-	761,508,144
Depreciation expenses	-	125,322,312
Other selling and distribution costs	-	349,572,260
	-	**1,552,507,710**

21. ADMINISTRATIVE EXPENSES

	2021 LAK	2020 Restated LAK
Personnel expenses	2,717,065,743	4,536,462,434
Technical fees	728,353,796	1,172,413,142
Depreciation expenses	162,540,220	174,347,880
Utility and fuel expenses	109,364,152	154,860,667
Rental fee	15,156,438	165,258,170
Maintenance expenses	47,040,000	68,454,855
Printing and publication expenses	14,908,148	66,836,500
Travelling expenses	45,031,000	55,375,930
Pension and other benefit to staff	-	866,566,896
Advance to supplier written off	-	1,115,350,919
Other administrative expenses	1,016,853,265	1,177,956,592
	4,856,312,762	**9,553,883,985**

22. FINANCE INCOME

	2021 LAK	2020 LAK
Interest income	1,005,650	10,372,529
	1,005,650	**10,372,529**

23. FINANCE COSTS

	2021 LAK	2020 LAK
Interest expenses	323,888,888	921,111,103
Net foreign exchange losses	567,314,666	69,075,908
	891,203,554	**990,187,011**

24. PROFIT TAX

According to Amended Investment Certificate dated 17 November 1998, the Company was granted with an exemption from profit tax for 4 years commencing with the first year of earning profits and a 50% reduction on the applicable profit tax rate for the following 2 years. The Company has the obligation to pay profit tax ("PT") at the rate of 20% after the tax reduction period. The first year of earning profits is financial year ended 31 December 2005.

The Company has been listed with in Lao Stock Exchange since 2 March 2018. According to Notification No. 2618/TD dated 4 June 2018 from the Ministry of Finance, the Company is granted profit tax reduction of 5% from normal rate for the first four years from 2018 to 2021. Subsequently, the Company has the obligation to pay PT at normal applicable rate. In accordance with the Law on Profit Tax No.67/NA dated 18 June 2019 (replaced the Tax Law No.70/NA) which is effective for the periods from 1 January 2020, PT rate at 13% applied to the listed Company in LSX for a period of four years commencing from listed date and at 20% for the subsequent years. Accordingly, the Company's taxable income for the year 2021 would be subject to the PT rate of 13%.

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

The current tax payable is based on taxable profit for the year. The Company's liability for current tax is calculated using tax rates that have been enacted at the balance sheet date.

The estimation of profit tax is presented below.

Currency: LAK

	2021	*2020*
Loss before tax	**(21,592,705,664)**	**(35,997,391,275)**
Adjustments to decrease loss before tax:		
Provision for inventories	4,382,638,682	350,743,333
Provision for doubtful accounts	3,406,151,417	508,273,554
Other non-deductible expenses	1,419,463,952	526,598,028
Estimated current taxable losses	**(12,384,451,613)**	**(34,611,776,360)**
Estimated current PT expenses at rate 13% (2020: 15%)	-	-
PT payable at beginning of the year	479,656,526	479,656,526
PT paid during the year	-	-
PT payable at the end of the year (Note 13)	**479,656,526**	**479,656,526**

24. PROFIT TAX (continued)

Tax losses carried forward

The Company is entitled to carry tax loss forward to offset against taxable income arising within three years subsequent to the year in which the loss was incurred. At the balance sheet date, the Company has aggregated accumulated tax losses available for offset against future taxable income. Details are as follows:

Currency: LAK

Originating year	*Can be utilized up to*	*Tax loss amount*	*Utilized up to 31 December 2021*	*Forfeited*	*Unutilized at 31 December 2020*
2019	2024	22,074,986,857	-	-	22,074,986,857
2020	2025	34,611,776,360	-	-	34,611,776,360
2021	2026	12,384,451,613	-	-	12,384,451,613
TOTAL		**69,071,214,830**	**-**	**-**	**69,071,214,830**

Estimated tax loss as per the Company's profit tax declaration for the year 2019, 2020 and 2021 have not been audited by the local tax authorities as of the date of these financial statements.

25. RELATED PARTY TRANSACTIONS

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

Related parties	*Relationship*	*Nature of transaction*	*2021 LAK*	*2020 LAK*
China Yunnan Corporation for International Techno-Economic Cooperation (CYC)	Shareholder	Purchase of materials	-	479,179,910
		Payment on behalf of the related party	111,709,960	-
		Payment of purchase of materials	-	262,672,974
Lao Agriculture-Forestry Development and Service Company (DAI)	Shareholder	Purchase of materials	-	858,276,674
		Payment of purchase of materials	256,666,240	1,213,600,710

25. RELATED PARTY TRANSACTIONS (continued)

Balances due to related parties as at 31 December 2021 and 31 December 2020 were as follows:

Related parties	*Relationship*	*Nature of transaction*	*31 December 2021 LAK*	*31 December 2020 LAK*
Amounts due to related parties				
China Yunnan Corporation for International Techno-Economic Cooperation (CYC)	Shareholder	Purchase of materials	738,922,588	611,050,641
Lao Agriculture-Forestry Development and Service Company (DAI)	Shareholder	Purchase of materials	4,989,651,549	5,222,984,510
			5,728,574,137	**5,834,035,151**
Other payables (Note 14)				
China Yunnan Corporation for International Techno-Economic Cooperation (CYC)	Shareholder	Dividend payable	7,736,383,104	7,736,383,104
Lao Agriculture-Forestry Development and Service Company (DAI)	Shareholder	Dividend payable	5,844,980,856	5,844,980,856
			13,581,363,960	**13,581,363,960**

Other transactions with related parties

Remuneration to management during the year were as follows:

	2021 LAK	*2020 LAK*
Salaries and bonus	444,096,336	720,428,086
	444,096,336	**720,428,086**

26. RESTATEMENT OF CORRESPONDING FIGURES

Certain corresponding figures as at and for the year ended 31 December 2021 were restated to correct prior years' error relating to the un-recognition of compensation of liabilities for employees following the cancellation of employment contracts amounting to LAK 11.4 billion incurred during the year ended 31 December 2020. Details are as below:

Currency: LAK

	31 December 2020 (Previously presented)	*Restatement*	*31 December 2020 (Restated)*
Balance sheet as at 31 December 2020			
Payables to employees	266,070,774	11,416,337,531	11,682,408,305
(Accumulated losses)/ retained earnings	(20,405,068,192)	(11,416,337,531)	(31,821,405,723)

	2020 (Previously presented)	*Restatement*	*2020 (Restated)*
Income statement for the year ended 31 December 2020			
Cost of goods sold	(42,047,783,234)	(8,052,865,054)	(50,100,648,288)
Administrative expenses	(6,190,411,508)	(3,363,472,477)	(9,553,883,985)
Loss before tax	(24,581,053,744)	(11,416,337,531)	(35,997,391,275)

	2020 (Previously presented)	*Restatement*	*2020 (Restated)*
Statement of cash flows for the year ended 31 December 2020			
Loss before tax	(24,581,053,744)	(11,416,337,531)	(35,997,391,275)
(Decrease)/increase in trade and other payables, including amount due to related parties	(19,355,920,207)	11,416,337,531	(7,939,582,676)

27. SUBSEQUENT EVENTS

There has not been any significant event that has arisen since 31 December 2021 that requires adjustments or disclosures to be made in the financial statements.

28. APPROVAL FOR ISSUE

The financial statements as at and for the year ended 31 December 2021 were authorised for issue by the Company's management on 14 April 2022.

Zhang Li
General Director

Visay Douang Savath
Deputy Head of Accounting & Finance

Vientiane, Lao PDR

14 April 2022