LAOCEMENT PUBLIC COMPANY

VANGVIENG CEMENT PLANT No.II

A Summary of Business Performance of the nine-month 2019



I. Background

Lao Cement Public Company (LCC) is shifted from Lao Cement Co., Ltd. established in 1998 as a joint venture between Nhun Nan International Economic and Technical Cooperation Company (CYC) of People's Republic of China and State-owned Agriculture, Industry and Import-Export Service Development Company (DAI) of Lao PDR with the respective ownership rate of 60% (CYC) and 40% (DAI); the initial registered capital of US$ 1,100,000. Its main purpose is to build a cement factory financed by the Chinese Government. The Governmental loan was 269,612,040 yuan or US$ 32,561,841 at that time. By the end of 2014, the company repaid all principal and interest of this loan.

The company started to build Vang Vieng cement factory 2 on December 26, 1999 which officially started production on March 22, 2002 and has continued to produce and consume Ca Thing Thong cement according to American standards ASTM-C-150, GB-175: 2007 standards of People's Republic of China. There are 03 types of cement: Ca Thing Thong (Golden Bull brand) red cement, Ca Thing Thong (Golden Bull brand) blue cement and Ca Thing Thong (Golden Bull brand) green cement. Cement is all manufactured from domestic materials such as limestone, clay, sand, plaster and coal.

In 2013, the Government of Lao PDR adjusted the share ratio of the Company: 51% of Nhun Nan Yunnan International Economic and Technical Cooperation Company (CYC) and 49% of State-owned Agriculture, Industry and Import-Export Service Development Company (DAI). So far after being shifted into a public company and registered on the Lao stock market on March 02, 2018, the share ratio has been 35.6964% (CYC), 34.2966% (DAI), 0.007% (Founding shareholders) and 30% (the public).

II. Information of the Company

- Company name: Lao Cement Public Company
- Head office: Nongbone Village, Xayxetha district, Vientiane Capital
- Tel: 021 451116, 263121 Fax: 021 451222, 263120
- Website: WWW.LAOCEMENT.COM
- Factory: Vang Vieng II Cement Factory

- Address: Khanmac Village, VangVieng District, Vientiane Province
- Tel: 023 511245 Fax: 023 511247
- Design production capacity: 200,000 tons/year
- Registered capital: LAK 14,001,400,000

III. Vision, goal and mission:

1. Vision:

   Building a safe and environment-friendly production company, paying attention to quality, fairly cooperating with partners, maintaining mutual benefits and sustainable industrial development.

2. Mission:

   * Provide high- quality cement according to the prescribed standards, create trust for consumers.

   * Make customers satisfied about service.

   * Reduce production and consumption costs, increase business efficiency.

   * Develop technical and industrial personnel of the company to become experts in the future.

   * Improve the internal management efficiency according to international standards ISO: 9001: 2015

3. Objectives

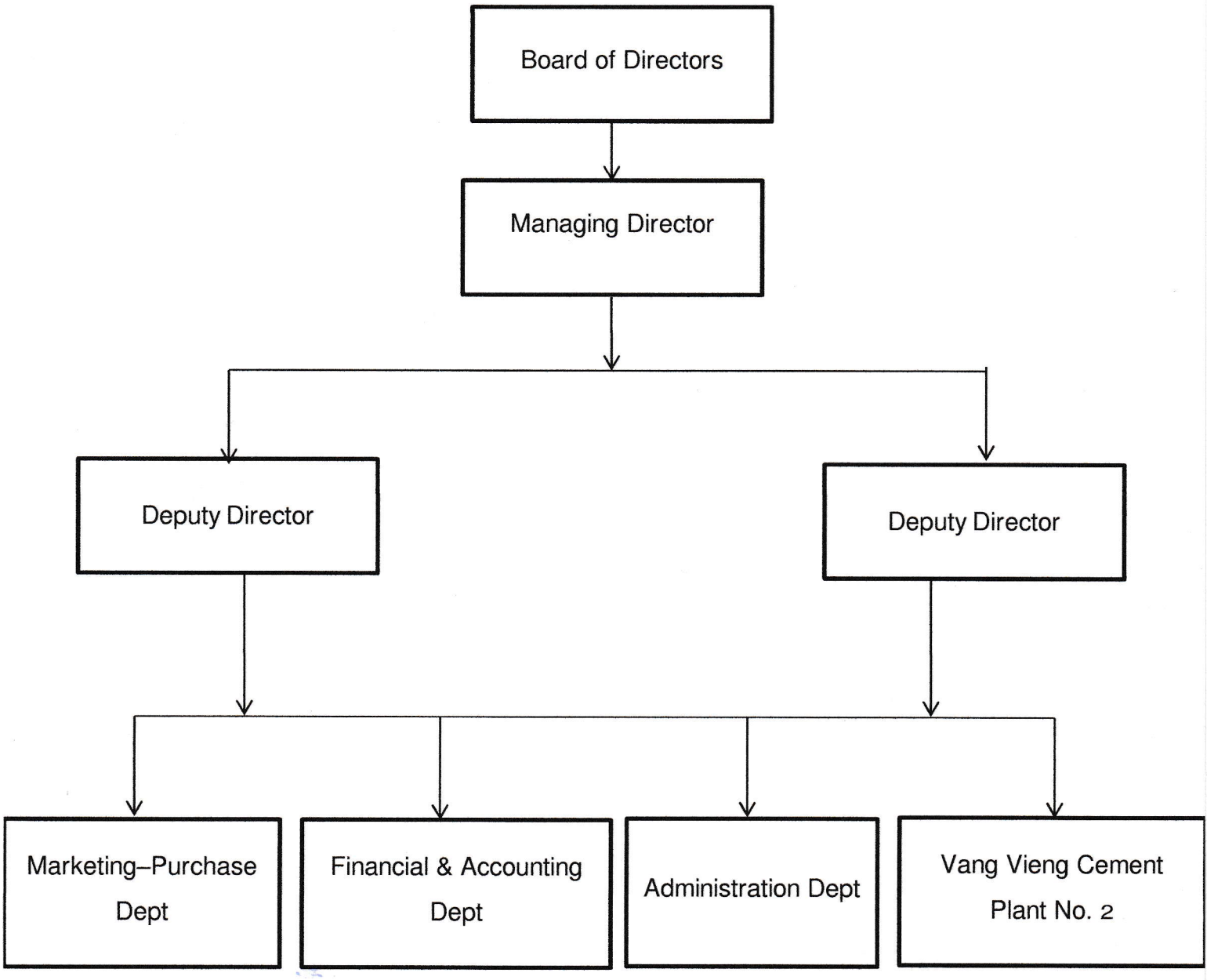
   1) Cement production: 200,000 tons/year.
   2) Supply of cement for projects and customers who complete contracts.
   3) Lower production costs and higher competitiveness.

IV. Organizational structure

4.1 Organizational structure

The organizational structure of Lao Cement Public Company consists of a Board of Directors of 10 people (including 3 independent members), a Board of Management of 3 people and 17 departments.

Organization of LCC Public Company



ORGANIZATION STRUCTURE OF VANGVIENG CEMENT PLANT No.II
Director of Plant
Deputy Director of Plant
Rotary Kiln (RTK)
Raw material (RAM)
Cement mill (CEM)
Central control room (CCR)
Planning (PLN)
Laboratory (LAB)
Deputy Director of Plant
Administration & Personnel (ADM)
Financial & Accounting (F&A)
Engineering (ENG)
Deputy Director of Plant
Mining (MIN)
Sales (SAL)
Electrical Maintenance (MTE)
Mechanical Maintenance (MTM)

☞ **Number of officers and employees**:

- Lao Cement Public Company (Cement factory 2) has a total of 376 employees (41 females) of which official Lao officers are 303 (31 females), the official Chinese officers are 11 (1 female); the unofficial employees are 62 people (9 females).

Details	Permanent staff Lao	Permanent staff china	Workers
- Head office - CEMENT PLANT No.II	31 staff, Female 13 staff 272 staff , Female 18 staff	7 staff, Female 1 staff 4 staff , Female 0 staff	4 staff, Female 4 staff 58 staff , Female 5 staff

4.2 Board of Directors of LCC consist of 10 Member :

- Mr Liu WEI	Chairman of board
- Mr Bounpeng BUAPHAN	Vice Chairman of board
- Mr Zhang LI	Vice Chairman of board
- Mr Li MING	Member of board
- Mr Khambon XAYLAOVONG	Member of board
- Mr Thongponh KINGKHAMPHET	Member of board
- Mr Jie YAOQI	Member of board
- Mr Xiao JIE	Independent of Board
- Mr Li CHUNBO	Independent of Board
- Mr Vongvichit KEOVONGKOT	Independent of Board

Structure of Board of Directors of LCC



Mr Liu WEI
Chairman of board



Mr BounpengBUAPHAN
Vice Chairman of board



Mr Zhang LI
Vice Chairman of board



Mr Li MING
Member
of board



Mr Khambon
XAYLAOVONG
Member
of board



Mr Thongponh
KINGKHAMPHET
Member
of board



Mr Jie YAOQI
Member
of board



Mr Xiao JIE
Independent
of Board



Mr Li
CHUNBO
Independent
of Board



Mr Vongvichit
KEOVONGKOT
Independent
of Board

4.3 Executive Managing Directors of LCC **consist of 03 Members :**

- Mr Zhang LI — Director (CEO)
- Mr Tongponh KINGKHAMPHET — Deputy Director (CFO)
- Mr Jie YAOQI — Deputy Director (COO)

Structure of Managing Directors of LCC



Mr Zhang LI
Director (CEO)



Mr Tongponh
KINGKHAMPHET
Deputy Director (CFO)



Mr Jie YAOQI
Deputy Director (COO)

V. Business activities in 09 months of Lao Cement Joint Stock Company

1. Priorize the distribution of goods: In the context of competition in price reduction of goods, it is necessary to prioritize the monitoring of large projects, at the same time, attract small and medium-sized customers in order to ensure the continuous distribution of goods and good service as well as recovery of debts.

2. Increase efficiency and reduce costs

First: Well control goods quality and procurement of raw materials, **Two**: ensure that production is carried out normally, technically supported to improve the efficiency of production management and material supply, thereby controlling quality and cost.

3. **Continue to consolidate techniques, improve control of production machinery and product quality:** complete the repair of warehouses to store caringer, increase the number of cement containers, thereby increasing the quantity of cement reserves.

4. **Continue to strengthen the organizational structure and staff**

5. **Pay attention to doing the job well - strong business, safe environment, contributing to social security as much as possible.**

6. **Make a report on coal exploration results in Khonpouk Village, Hinhope District, Vientiane Province.**

We strongly believe that only trying to follow the set-forth development path, we will be able to overcome the difficulties ahead.

VI. Production and business results

In the past 09 months, the Company achieved the following sales:

A. Production and consumption:

- Cement production: 143,336.8 tons
- Cement consumption: 142,106.84 tons

B. Turnover: LAK 65,52 billion

C. Costs: Total costs in the 09 months of 2019 is LAK 81,47 billion

D. Profits: Loss (LAK 15,95 billion)

VII. Consumption market

In the nine months of 2019, the Company focused on providing cement for large projects such as Laos-China highway construction project and Vientiane-VangVieng highway construction project, accounting for about 52% and other customers in Vieng Vang Province and Vientiane Capital.

- To promote marketing activities, the Company has advertised its products on radio stations, newspapers, leaflets, roadside advertising boards and on the internet.
- Because of fierce competition, in early September 2019, the company reduced the price of all kinds of cement to LAK 20,000/ton.

VIII. Fulfillment of obligations to the state and society

In the 9 months of 2019, the State has fulfilled its obligations of LAK 7,400,429,684 to the State, where:

+ VAT: LAK	6,786,388,286
+ Sales tax: LAK	550,875,770
+ Resource tax: LAK	63,165,628
+ Profit tax: LAK	20,000,000

- In addition to fulfillment of the obligations to the state as prescribed, it also gave social support of LAK 93,963,000 in kind and in cash. Moreover, it also contributed to repairing roads and bridges (Ban Phon Xu road to Na Khun village, VangVieng district, Vientiane province), supported and participated in activities of the local authorities and repaired other public works.

13 NOV 2019

General Director

Lao Cement Public Company

ZHANG LI

Lao Cement Public Company

Interim financial statements (Unaudited)

For the nine-month period ended 30 September2019

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, LaoPDR 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 Nov 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

During the period, the principal activities carried out by the Company 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 Nongbon Road, Nongbon Village, Xaysettha District, Vientiane Capital, Lao PDR.The Company also has Vangvieng Cement Plant No.II located in Vangvieng province, Lao PDR.

THE BOARD OF DIRECTORS

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

Mr. Liu Wei	Chairman
Mr. Bounpeng Buophan	Vice chairman
Mr. Zhang Li	Member
Mr. Li Ming	Member
Mr. Jie Yaoqi	Member
Mr. Khambon Xaylaovong	Member
Mr. Thongpon Kingkhamphet	Member
Mr. Xiao Jie	Independent member
Mr. Li Chun Bo	Independent member
Mr. Vongvichit Keovongkot	Independent member

GENERAL INFORMATION (continued)

THE COMPANY'S MANAGEMENT

The members of the Company's management during the period and at the date of this report are:

Mr. Zhang Li	General Director
Mr. Liu Wei	Director
Mr. Bounpeng Bouaphanh	Director
Mr. Li Ming	Director
Mr. Jie Yaoqi	Director
Mr. Khambon Xaylaovong	Director
Mr. Thongpon Kingkhamphet	Director
Mr. Xiao Jie	Director
Mr. Li Chun Bo	Director
Mr. Vongvichit Keovongkot	Director

AUDIT COMMITTEE

The members of the Company's audit committee during the period and at the date of this report are:

Mr. Xiao Jie	Chairman
Mr. Li Chun Bo	Member
Mr. Vongvichit Keovongkot	Member

AUDITORS

The auditor of the Companyis Ernst & Young Lao Co.,Ltd. The interim financial statements of the Company for the nine-month period 30 September 2018 and 30 September 2019 were neither audited nor reviewed.

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 interim financial statements for thenine-month period ended 30 September 2019.

MANAGEMENT'S RESPONSIBILITY IN RESPECT OF THE INTERIM FINANCIAL STATEMENTS

Management is responsible for the preparation of the interim financial statements which have been prepared in accordance with the accounting policies as described in Note 3 to the interim financial statements. These accounting policies are not intended to present the interim financial position, the interim results of operations and interim cash flows of the Company in accordance with international generally accepted accounting principles. In preparing those interim 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 interim financial statements; and,
- prepare the interim financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue its business.

Management is responsible for ensuring that proper accounting records are kept which disclose, with reasonable accuracy at any time, the interim financial position of the Company and for ensuring that the interim financial statements comply with 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 has confirmed that it has complied with the above requirements in preparing the accompanying interim financial statements.

APPROVAL OF THE FINANCIAL STATEMENTS

We hereby approve the accompanying interim financial statements for the nine-month period ended30September2019,which are preparedin accordance with the accounting policies as described in Note 3 to the interim financial statements.

On behalf of theBoard of Directors:

Zhang Li
General Director

Vientiane, Lao PDR

31 October 2019

Lao Cement Public Company

INTERIM BALANCE SHEET
as at 30 September 2019

	Notes	30September2019 LAK	31 December 2018 LAK
ASSETS			
Non-current assets			
Property, plant and equipment	4	24,585,124,921	28,326,971,138
Construction in progress	5	6,099,984,333	6,862,989,484
Intangible assets		328,548,475	328,548,475
Other non-current assets	6	-	368,200,000
Total non-current assets		**31,013,657,729**	**35,886,709,097**
Current assets			
Other current assets		1,386,523,047	1,040,538,316
Inventories	7	32,496,582,657	40,487,833,371
Other receivables	8	-	784,102,807
Advances to suppliers		-	32,639,750
Trade receivables	9	41,742,111,681	38,296,802,133
Short-term investments		5,964,221,359	12,000,000,000
Cash	10	7,587,415,993	6,249,412,532
Total current assets		**89,176,854,737**	**98,891,328,909**
TOTAL ASSETS		**120,190,512,466**	**134,778,038,006**
LIABILITIES AND EQUITY			
Current liabilities			
Borrowings	11	4,000,000,000	-
Trade payables		17,430,785,022	11,228,343,680
Advance from customers			152,773,000
Amounts due to related parties	23	-	7,316,302,084
Statutory obligations	12	5,792,197,979	7,916,000,726
Payables to employees		1,507,571,465	-
Welfare fund reserve	13	8,782,262	1,878,498,865
Other payables	14	15,452,656,075	13,746,210,887
Total current liabilities		**44,191,992,803**	**42,238,129,242**
TOTAL LIABILITIES		**44,191,992,803**	**42,238,129,242**
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	7,661,007,370
Plant expansion reserve		18,549,465,596	18,484,897,832
Retained earnings		11,357,026,012	28,006,028,051
Total equity		**75,998,519,663**	**92,539,908,764**
TOTAL LIABILITIES AND EQUITY		**120,190,512,466**	**134,778,038,006**

Zhang Li
General Director

Zhang Yongfu
Head of Accounting – Finance Department

Vientiane, Lao PDR

31 October 2019

Lao Cement Public Company

INTERIM INCOME STATEMENT
for the Nine-month period ended 30 September 2019

	Notes	*For the nine-month period ended 30 September 2019 LAK*	*For the nine-month period ended 30 September 2018 LAK*
Revenue from sale of goods	16	68,328,167,909	51,661,558,900
Cost of goods sold	17	(67,388,611,531)	(36,209,224,850)
Gross (loss)/profit		**939,556,378**	**15,452,334,050**
Other operating income		290,647,141	29,697,251
Reversal of provision for doubtful accounts		-	
Selling and distribution costs	18	(8,752,872,447)	(4,067,129,513)
Administrative expenses	19	(8,329,670,302)	(8,179,396,487)
Operating (loss)/profit		**(15,852,339,230)**	**3,235,505,300**
Finance income	20	518,954,772	372,265,735
Finance costs	21	(620,605,420)	(964,530,456)
(Loss)/profit before tax		**(15,953,989,878)**	**2,643,240,580**
Profit tax expenses	22	-	(643,728,869)
Net (loss)/profit after tax for the period		**(15,953,989,878)**	**1,999,511,711**

Zhang Li
General Director

Zhang Yongfu
Head of Accounting – Finance Department

Vientiane, Lao PDR

31 October 2019

Lao Cement Public Company

INTERIM STATEMENT OF CHANGES IN EQUITY
for the Nine-month period ended 30 September 2019

	Contributed capital LAK	*Share premium LAK*	*Legal reserve LAK*	*Plant expansion reserves LAK*	*Retained earnings LAK*	*Total LAK*
As at 1 January 2018	14,001,400,000	16,660,000	6,800,594,894	17,194,279,118	34,320,887,134	72,333,821,146
Issuance of new shares	6,000,600,000	18,369,315,511	-	-	-	24,369,915,511
Net profit for the period	-	-	-	-	1,945,206,312	1,945,206,312
Transfer to legal reserve	-	-	860,412,476	-	(860,412,476)	-
Transfer to other reserve	-	-	-	1,290,618,714	(1,290,618,714)	-
Additional tax for prior years in accordance with Tax inspection	-	-	-	-	(933,587,969)	(933,587,969)
Transfer to welfare reserve	-	-	-	-	(860,412,476)	(860,412,476)
Dividends declared	-	-	-	-	(2,800,279,200)	(2,800,279,200)
As at 30 September 2018	**20,002,000,000**	**18,385,975,511**	**7,661,007,370**	**18,484,897,832**	**29,520,782,611**	**94,054,663,324**
As at 1 January 2019	20,002,000,000	18,385,975,511	7,661,007,370	18,484,897,832	28,006,028,051	92,539,908,764
Net loss for the period	-	-	-	-	-15,953,989,878	-15,953,989,878
Transfer to legal reserve	-	-	43,045,176	-	-43,045,176	-
Transfer to other reserve	-	-	-	64,567,764	-64,567,764	-
Transfer to welfare reserve	-	-	-	-	-43,045,175	-43,045,175
Dividends declared	-	-	-	-	-1,200,120,000	-1,200,120,000
As at 30 September 2019	**20,002,000,000**	**18,385,975,511**	**7,704,052,546**	**18,549,465,596**	**10,701,260,058**	**75,342,753,711**

ບໍລິສັດ ຊີມັງລາວ ມະຫາຊົນ
Lao Cement Public Company

Zhang Li
General Director

Zhang Yongfu
Head of Accounting – Finance Department

Vientiane, Lao PDR

31 October 2019

NOTES TO THE INTERIM FINANCIAL STATEMENTS
as at 30 September 2019 and for the Nine-month period then ended

	Notes	*For the nine-month period ended 30 September 2019 LAK*	*For the nine-month period ended 30 September2018 LAK*
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/profit before tax		**(15,953,989,878)**	**2,643,240,580**
Adjustments for:			
Depreciation of property, plant and equipment	4	6,085,154,146	4,717,915,962
Reversal of provision for inventories		(209,496,558)	-
Reversal of provision for doubtful debts		(50,111,949)	(193,667,569)
Profit from investing activities	20	(275,995,029)	-
Net of foreign exchange gains		(75,566,684)	(103,940,874)
Interest expenses	21	167,777,776	458,488,772
Operating (loss)/income before working capital changes		**(10,312,228,177)**	**7,522,036,870**
(Increase)/decrease in trade and other receivables, including amount due from a related party		(18,929,261,018)	39,175,170,250
Decrease/(increase) in inventories		17,257,609,375	(39,556,614, 376)
(Decrease)/increase in trade and other payables, including amount due to a related party		(612,357,337)	27,853,504,776
Loan interest paid		(167,777,776)	(458,488,772)
Income tax paid		(396,724,779)	(763,821,741)
Net cash flows (used in)/from operating activities		**(13,160,739,712)**	**33,771,787,007**
INVESTING ACTIVITIES			
Acquisitions of property, plant and equipment		(1,860,201,308)	(8,713,253,692)
Collections from term deposit		12,000,000,000	-
Interest received		704,231,682	-
Net cash flows from/(used in) investing activities		**10,844,030,374**	**(8,713,253,692)**
FINANCING ACTIVITIES			
Dividend paid		(360,036,000)	(3,280,211,600)
Proceed from bank borrowings		4,000,000,000	-
Repayment of bank borrowings		-	(12,107,150,240)
Net cash flows from/(used in) financing activities		**3,639,964,000**	**(15,387,361,840)**
Net increase in cash		1,323,254,662	9,671,171,474
Cash at the beginning of the period		6,249,412,532	11,479,523,628
Impact of exchange rate fluctuation		14,748,799	12,720,534
Cash at the end of the period	**10**	**7,587,415,993**	**21,163,415,636**

Zhang Li
General Director

Zhang Yongfu
Head of Accounting – Finance Department

Vientiane, Lao PDR

31 October 2019

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, Lao PDR 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").

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During the period, the principal activities carried out by the Company 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 Nongbon Road, Nongbon Village, Xaysettha District, Vientiane Capita, Lao PDR. The Company also has Vangvieng Cement Plant No.II located in Vangvieng province, Lao PDR.

As at 30 *September*2019, the Company had 376employees (31 December 2018: 394employees).

2. BASIS OF PREPARATION

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

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 interim 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 interim 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 interim income statement.

Depreciation

Depreciation of property, plant and equipment is calculated on a straight-line basis over the expected useful lives 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

Useful lives 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 period 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 lives of 20 years.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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	-	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 interim balance sheet date.

Increases and decreases to the provision balance are recorded into the cost of goods sold and services rendered in the interim 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 provision for doubtful accounts represents amounts of outstanding receivables at the balance sheet date which are doubtful of being recovered. It is provided based on the overdue age of the doubtful 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%

Increases or decreases to the provision balance are recorded as provision for doubtful accounts in the interim income statement.

Cash

Cash comprises cash on hand and cash in banks.

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 period 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 interim balance sheet.

Share premium

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, etc).

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 shareholders on an annual basis.

Reserve fundsof currentperiod 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 into LAK 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 interim balance sheet date. All gains and losses are taken to the finance income and finance costs accounts, respectively, in the interim 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:

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation

Profit tax is the expected tax payable on the taxable profit for the period, 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 period.

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

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.

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 31 December 2018	134,001,137,634	210,889,233,994	20,188,472,198	1,783,784,625	2,070,067,576	436,983,816	369,369,679,843
Additions	349,618,052	1,908,235,239	-	66,932,638	18,522,000	-	2,343,307,929
At 30 September 2019	134,350,755,686	212,797,469,233	20,188,472,198	1,850,717,263	2,088,589,576	436,983,816	371,712,987,772
Accumulated depreciation							
At 31 December 2018	109,359,010,788	208,534,469,784	19,274,069,995	1,499,652,140	1,938,522,182	436,983,816	341,042,708,705
Charge for the period	4,916,745,713	930,892,910	99,667,005	63,084,642	74,763,876		6,085,154,146
At 30 September 2019	114,275,756,501	209,465,362,694	19,373,737,000	1,562,736,782	2,013,286,058	436,983,816	347,127,862,851
Net book value							
At 31 December 2018	24,642,126,846	2,354,764,210	914,402,203	284,132,485	131,545,394	-	28,326,971,138
At 30 September 2019	20,074,999,185	3,332,106,539	814,735,198	287,980,481	75,303,518	-	24,585,124,921

All Company's fixed assets are plugged as collateral of the borrowing as disclosed in Note 11.

5. CONSTRUCTION IN PROGRESS

	30September2019 LAK	*31 December 2018 LAK*
Konpook mining project	4,958,950,178	4,477,967,580
The plant's second phase project	1,141,034,155	2,385,021,904
	6,099,984,333	**6,862,989,484**

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. INVENTORIES

	30September2019 LAK	*31 December 2018 LAK*
Raw materials and consumables	5,635,083,281	7,165,325,755
Tools and supplies	12,495,107,400	12,573,847,789
Work in progress	13,845,785,802	17,369,090,233
Finished goods	520,606,175	3,907,764,222
Provision for inventories	-	(528,194,628)
	32,496,582,657	**40,487,833,371**

8. OTHER RECEIVABLES

	30 September 2019 LAK	*31 December 2018 LAK*
Income tax receivable from employee	-	429,622,937
Deposit to customers	-	-
Others	-	354,479,870
	-	**784,102,807**

9. TRADE RECEIVABLES

	30 September 2019 LAK	*31 December 2018 LAK*
Total trade receivables	41,742,111,681	39,706,280,475
Provision for doubtful accounts	-	(1,409,478,342)
	41,742,111,681	**38,296,802,133**

10. CASH

	30 September 2019 LAK	*31 December 2018 LAK*
Cash on hand	288,341,755	467,368,462
Cash in banks	7,299,074,238	5,782,044,070
	7,587,415,993	**6,249,412,532**

11. BORROWINGS

Details of the short-term loan from bank as at 30 September 2019is as follow:

Bank	*Maturity date*	*Interest rate per annum*	*Interest payment*	*Collateral*	*Currency*	*Amount*
Lao China Bank Co., Ltd	23 April 2020	10%	Monthly	[*]	LAK	4,000,000,000

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

12. STATUTORY OBLIGATIONS

	30September2019 LAK	*31 December2018 LAK*
Foreign contractor tax payable	1,895,543,690	2,602,263,634
Output value added tax	2,011,419,702	3,209,726,878
Profit tax payable (*Note 22*)	-	876,381,305
Other taxes	1,885,234,587	1,227,628,909
	5,792,197,979	**7,916,000,726**

13. WELFARE FUND RESERVE

	For the nine-month period ended 30 September 2019 LAK	*For the nine-month period ended 30 September2018 LAK*
As at 1 January	384,272,159	5,380,508,915
Appropriation from retained earnings	43,045,175	860,412,476
Utilized	(418,535,073)	(4,362,422,526)
As at 30 September	**8,782,261**	**1,878,498,865**

14. OTHER PAYABLES

	30September2019 LAK	*31 December2018 LAK*
Dividends payable (*)	14,421,447,960	13,581,363,960
Others	1,031,208,115	164,846,927
	15,452,656,075	**13,746,210,887**

(*) Details of dividends payable are as follows:

	30September2019 LAK	*31 December2018 LAK*
2018 dividends payable	840,084,000	-
2016 dividends payable	3,395,146,565	3,395,146,565
2015 dividends payable	5,773,056,205	5,773,056,205
2014 dividends payable	4,413,161,190	4,413,161,190
	14,421,447,960	**13,581,363,960**

15. CONTRIBUTED LEGAL CAPITAL

15.1 Shares

	30 September 2019		*31 December 2018*	
	Quantity	*Amount (LAK)*	*Quantity*	*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 has completed IPO process where12,001,200 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 2March 2018. The par value of each share is LAK 500.

The shareholding structure of the Company as at 30 September 2019 is as follows:

Shareholders	*Number of shares*	*Percentage*
China Yunnan Corporation for International Techno-Economic Cooperation (CYC)	14,280,000	36%
Lao Agriculture-Forestry Development and Service Company (DAI)	13,720,000	34%
Other public corporation and individual investors	12,004,000	30%
	40,004,000	**100%**

15.2 Dividends

Currency: LAK

	For the nine-month period ended 30 September 2019	*For the nine-month period ended 30 September 2018*
Dividends declared during the period	**1,200,120,000**	**2,800,279,200**
Dividends on ordinary shares for 2018: LAK 30 per share (2017: 63)	1,200,120,000	2,800,279,200

16. REVENUE FROM SALE OF GOODS

	For the nine-month period ended 30 September 2019 LAK	*For the nine-month period ended 30 September 2018 LAK*
Sale from bagged cement	23,295,011,519	28,315,477,117
Sale from bulk cement	45,033,156,390	23,346,081,783
	68,328,167,909	**51,661,558,900**

17. COST OF GOODS SOLD

	For the nine-month period ended 30 September 2019 LAK	*For the nine-month period ended 30 September 2018 LAK*
Sale from bagged cement	23,148,765,684	13,707,652,642
Sale from bulk cement	44,239,845,847	22,501,572,208
	67,388,611,531	**36,209,224,850**

18. SELLING AND DISTRIBUTION COSTS

	For the nine-month period ended 30 September 2019 LAK	*For the nine-month period ended 30 September 2018 LAK*
Transportation costs	7,480,886,688	2,787,327,166
Personnel expenses	799,966,429	955,076,862
Depreciation expenses	142,512,443	105,816,049
Other selling and distribution costs	329,506,887	218,909,436
	8,752,872,447	**4,067,129,513**

19. ADMINISTRATIVE EXPENSES

	For the nine-month period ended 30 September 2019 LAK	*For the nine-month period ended 30 September 2018 LAK*
Personnel expenses	1,891,467,942	2,939,303,442
Technical fees	1,105,983,732	1,011,837,580
Depreciation expenses	67,469,536	172,553,806
Utility and fuel expenses	214,268,281	197,939,555
Rental fee	387,582,247	343,703,000
Maintenance expenses	131,246,605	116,019,599
Printing and publication expenses	225,908,000	213,417,860
Travelling expenses	90,975,690	153,107,289
Pension and other benefits to staff	-	-
Other administrative expenses	4,214,768,242	3,031,514,356
	8,329,670,302	**8,179,396,487**

20. FINANCE INCOME

	For the nine-month period ended 30 September 2019 LAK	*For the nine-month period ended 30 September 2018 LAK*
Interest income	277,508,789	372,265,735
Foreign exchange gains	241,445,983	-
	518,954,772	**372,265,735**

21. FINANCE COSTS

	For the nine-month period ended 30 September 2019 LAK	*For the nine-month period ended 30 September 2018 LAK*
Foreign exchange losses	395,002,544	735,286,069
Interest expenses	167,777,776	229,244,386
Others	57,825,100	-
	620,605,420	**964,530,455**

22. PROFIT TAX EXPENSES

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 listed with in Lao Stock Exchange since 2 March 2018. According to Notification No. 2618/TD dated 04 September 2018 from Ministry of Finance, the Company is granted profit tax reduction of 5% from normal rate for the first five years from 2018 to 2021. After that, the Company has the obligation to pay PT at the rate of 20%. Accordingly, the Company's taxable income for the year 2019 would be subject to the PT rate of 15%.

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 period. The Company's liability for current tax is calculated using tax rates that have been enacted at the interim balance sheet date.

The estimation of profit tax is presented below.

	For the nine-month period ended 30 September 2019 LAK	*For the nine-month period ended 30 September 2018 LAK*
(Loss)/ profit before tax	**(15,953,989,878)**	2,643,240,580
Adjustments to increase/(decrease) loss/profit before tax:		
Reversal of provision for inventories	(209,496,558)	
Reversal of provision for doubtful debt	(50,111,949)	(193,667,569)
Other non-deductible expenses	1,806,992,947	762,924,847
Estimated current taxable (loss)/profit	**(14,406,605,438)**	**3,212,497,858**
Estimated current PT expenses at tax rate 15%	-	764,782,068
PT payable at beginning of the period	876,381,305	1,821,182,892
PT paid during the period	(396,724,779)	(763,821,741)
PT payable at the end of the period (Note 12)	**479,656,526**	**1,822,143,219**

23. RELATED PARTY TRANSACTIONS

Transactions with related parties are conducted at contractually agreed prices. Significant transactions with related parties during the nine month periodswere as follows:

Related parties	*Relationship*	*Nature of transaction*	*2019 LAK*	*2018 LAK*
China Yunnan Corporation for International Techno-Economic Cooperation (CYC)	Shareholder	Payment of purchase of materials	915,084,240	96,749,491
		Dividends declared	428,399,636	899,640,600
		Dividend paid	-	829,800,000
Lao Agriculture-Forestry Development and Service Company (DAI)	Shareholder	Purchase of materials	2,860,587,733	9,017,790,790
		Dividends declared	411,600,356	864,360,000
		Payment of purchase of materials	2,302,524,636	2,706,274,360
		Dividend paid	-	1,694,160,000

23. RELATED PARTY TRANSACTIONS (continued)

Balances due to related parties as at 30 September 2019 and 31 December 2018 were as follows:

Related parties	*Relationship*	*Nature of transaction*	*30September 2019 LAK*	*31 December 2018 LAK*
Amounts due to related parties				
China Yunnan Corporation for International Techno-Economic Cooperation (CYC)	Shareholder	Purchase of materials	439,073,992	1,354,158,232
Lao Agriculture-Forestry Development and Service Company (DAI)	Shareholder	Purchase of materials	6,520,206,949	5,962,143,852
			6,959,280,941	**7,316,302,084**
Other payables				
China Yunnan Corporation for International Techno-Economic Cooperation (CYC)	Shareholder	Dividend payable	8,164,782,740	7,736,383,104
Lao Agriculture-Forestry Development and Service Company (DAI)	Shareholder	Dividend payable	6,256,581,212	5,844,980,856
			14,421,363,952	**13,581,363,960**

23. RELATED PARTY TRANSACTIONS (continued)

Other transactions with related parties

Remuneration to management during the period were as follows:

	For the nine-month period ended 30 September 2019 LAK	*For the nine-month period ended 30 September 2018 LAK*
Salaries and Bonus	356,519,850	918,923,085
	356,519,850	**918,923,085**

24. SEGMENT INFORMATION

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. 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.

25. SUBSEQUENT EVENTS

There has not been any significant event that has arisen since the interim balance date that requires adjustments or disclosures on the interim financial statements.

26. APPROVAL FOR ISSUE

The interim financial statements as at 30 September 2019 and for the nine-month periodthen ended were authorised for issue by the Company'smanagement on 31 October 2019.

Zhang Li
General Director

Zhang Yongfu
Head of Accounting – Finance Department

Vientiane, Lao PDR

31 October 2019