



## **PROSPECTUS**

### **LAO CEMENT PUBLIC COMPANY (“LCC”)**



**Initial Public Offering (IPO) of  
Total 12,001,200 ordinary shares with par value of  
LAK 500 per share**

**Offering price: 2,400 kip/share  
For ordinary shares offering to the public investors inside  
Lao PDR and International**

**Subscription period:  
Between: 8:30 AM to 3:30 PM  
During 21 December 2017 to 04 January 2018**

<b>Financial Advisory:</b>	<b>Lao-China Securities Company Limited</b>
<b>Underwriter:</b>	<b>Lao-China Securities Company Limited</b>
<b>External Auditor:</b>	<b>Ernst and Young Lao Co, Ltd</b>
<b>Legal Advisor:</b>	<b>Lao Premier International Law Office Limited</b>

**As part of the IPO, the Offering Shares are being allotted and offered in public to investors in Lao PDR and internationally by Lao-China Securities Company Limited (the “Underwriter”). It does not comply with the laws of any jurisdiction other than Lao PDR, and has not been and will not be lodged, registered or approved pursuant to or under any applicable securities or equivalent legislation or by any regulatory authority of any jurisdiction other than Lao PDR.**



## Securities Intermediary Institutes

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## Definitions

Terms	Definitions
Cement	Finished product manufactured from cement plants
Cement Factory	An integrated cement manufacturing plant that contain both clinker plant and cement plant, from the purchase of raw materials to the sales of cement.
China	The People's Republic of China
Concession areas	Land granted by the government through concession agreement signed between the government and the Company. The Company has the right to use and develop the land according to the purpose defined in the concession agreement
CYC	China Yunnan Corporation for International Techno-Economic Cooperation, a company registered in China
DAI	State Enterprise For Agriculture-Industry Development Import Export & General Services (formally known as “Lao Agriculture-Forestry Development and Service Company”), a company registered in Lao PDR
Development	Companies that involved in the development and construction of factories and mines
Environment	All living and non-living things occurring naturally, including land, water, atmosphere and all living species.
Evaluation	Technical and economic assessments
Exploration	The right to survey and explore an area in search for mine reserve, using several technical methods such as surface inspection, geology, chemical fertilizers. Such works including hole and ground drilling, surface and underground digging, in order to identify the mine reserve with economical value and define their characteristics, shape and quality.
E&Y	Ernst and Young Lao Limited
Financial Advisor or Underwriter or LCS	Lao-China Securities Company Limited
FYE	Fiscal Year End
GOL	The Government of the Lao PDR, including its ministries, departments, offices, agencies, and its provincial, district and village level authority bodies
IPO	Initial Public Offering





ISO 9001:2000 or ISO 9001:2008 or ISO 9001:2015	Quality Management Systems Standards
LAK	Lao Kip, the lawful currency of Lao PDR
Lao PDR	The Lao People's Democratic Republic
LCC or the Company	Lao Cement Public Company
LPI	Lao Premier International Law Office Limited
LSCO	Lao Securities Commission Office
LSX	Lao Securities Exchange
Par Value	Stock value stated in the corporate charter
Raw Materials	Basic materials that are used in the production of the Company's cement products, including but not limited to: limestone, clay, gypsum, minerals, coal and other essential materials for production.
Underwriting Agreement	A contract signed between the Issuer Company and the Underwriter to administer the public issuance and distribution of the securities from the Issuer Company
USD	United States Dollar, the lawful currency of the United States of America



## Executive Summary

This executive summary is a part of this prospectus with the summary information of the offering details, business nature and risk of the securities issuer ("the Company"). It may not contain all the information that may be important to investors. Investors should read and understand this section together with the entire prospectus, including financial data, *risk factors* and other related notes before making an investment decision. Prospectus filed to Lao Securities Commission Office ("LSCO") can be obtained from Underwriter and relevant selling agents, or Lao Securities Exchange ("LSX") website (<http://www.lsx.com.la>).

Executive Summary of the Initial Public Offering ("IPO") and listing in LSX

Subscription Period: from 21 December 2017 to 04 January 2018

### ❖ Information in relation to the Share Offering:

Company Name:	Lao Cement Public Company
Symbols:	LCC
Incorporation Date:	6 December 1999
Business Type:	Production and sales of cement and other related cement product for domestic consumption and export
Registered Capital:	LAK 14,001,400,000
Par Value:	LAK 500 per share
Number of Offering Share:	12,001,200 shares
Offering Price:	LAK 2,400 per share
Offering Proportion to Total Shares:	30% (thirty percent) of all registered capital after IPO
Registered Office:	Nongbone Road, Xaysetha District, Vientiane Capital, P.O. box 6821 Tel: (856-21) 412111, 451116 Fax: (856-21) 451222, 263120
Factory Address:	Heenkunmark Village, KM145 North 13 Road, Vang Vieng District, Vientiane Province
E-mail	<a href="mailto:info@laocement.com">info@laocement.com</a> / <a href="mailto:lcc@laocement.com">lcc@laocement.com</a>
Website	<a href="http://www.laocement.com">www.laocement.com</a>

### ❖ Use of Proceeds

The net proceeds from the Offering is to facilitate the Company to: i) increase its clinker production capacity from 700 ton per day to 1,000 ton per day and its cement production capacity from 850 ton per day to 1,200 ton per day by performing technological upgrade to its existing production facilities to satisfy the increasing demand from existing and new customers; and ii) fund its daily working capital. The details are as follows:



Table 1: Use of Proceeds

Purpose		Required Amount	Use of Proceeds	Estimated Timeframe
1	Technological upgrade	Approximately LAK 30 billion	Approximately LAK 30 billion	2017 - 2020
2	Daily working capital	Approximately LAK 900 million	Approximately LAK 900 million	2017
<b>Total</b>			<b>Approximately 30.9 billion</b>	

### ❖ Dividend policy

The Company has a policy to pay dividend to the Company's shareholders at a rate of not less than 50 percent of the available net profits of the Company after deducting legal reserve and other non-regulatory reserve funds (if any).

The shareholders' meeting resolution for the dividend payment approval is for (1) annual dividend payment and (2) interim dividend payment. The interim dividend payment must be approved by shareholders' meeting resolution or the shareholders may authorize the Board of Directors to approve interim dividend payment. The interim dividend payment can be paid, considering current financial condition and appropriateness, but it must accord with related regulation. The Company plans to distribute its current retained earnings within 3 years.

The dividend distribution policy of not less than 50 percent of the net profit (after deducting legal reserve and other non-regulatory reserve funds) may change from time to time, upon the consideration and approval of the shareholders on aspects such as economic conditions, cash flows, investment plans, regulations and capital adequacy for business expansion in the future of the Company as well as law and regulation.

The dividend shall be paid in LAK and shareholders of the Company will be granted an income tax exemption for the dividend received from the Company according to the law and regulation of the LSCO.

### ❖ Details of Issuer

Lao Cement Public Company (formally known as "Lao Cement Company Limited" or "Vang Vieng II Cement Plant") was initially established in 1999 under a joint venture between DAI and CYC, which allowed the Company to produce and sell cement and other cement related products for domestic consumption and export. The registered capital of the Company is LAK 8,360 million, with a shareholding ratio of 60% (CYC) and 40% (DAI). In March 2003, the Government of China completed the construction of the Company's plant and operated since then. The Plant is using new dry production line technology, capable to produce cement at an approximately 700 tons per day or 210,000 tons per year. The quality



of cements is analyzed in different stages of production to ensure the products are up to the respective quality standards such as ASTM C150 Type I and ISO 679.

Under the brand name “Golden Bull Cement”, there are 3 types of cement products produced and sold by the Company, which are 1) Portland cement type I, manufactured according to American Standard PI (ASTM C150 Type I), 2) P 42.5 cement, manufactured according to ISO 679, and 3) P 32.5 cement or Mixed Cement Mix or Mixed Cement 05-2001, manufactured according to Lao Standard 05-2001. The Company’s products have become the most well-known brand in the local market for its high quality.

Since 2006, in order to improve the quality controls over the manufacturing and selling process of the Company, the management brought in ISO 9001 into the Company. ISO 9001 helps the Company to achieve a global standard, from the supply of raw materials, controls over production, maintenance of equipment, to meeting the need of its customers. ISO 9001 also helps the Company to improve the efficiency of production and distribution of cement. Currently the Company was granted a certificate for complying ISO 9001:2015.

The Company offers its cement products to general public and construction projects such as the 450<sup>th</sup> Year Road, Heen Hiep Bridge, Nam Mung 3 Hydropower Plant, Prime Minister’s Office and National Stadium KM 16. With several upcoming construction projects such as hydropower dams, road, bridge and Lao China railway in the government’s development plans, the Company’s current production capacity may not be sufficient to meet the market demand in the future. Therefore, since 2013, the Company is researching the feasibility to upgrade its current production capacity of 700 tons per day and build a new plant with a capacity of 1 million tons per year.

## ❖ Shareholding Structure

Table 2: Shareholding Structure

No	Shareholders	Before IPO		After IPO	
		No. of shares	%	No. of shares	%
1	CYC	14,280,000	50.9950	14,280,000	35.6964
2	DAI	13,720,000	48.9952	13,720,000	34.2966
3	Mr. Khambon Xaylaowvong	400	0.0014	400	0.0010
4	Mr. Vanthong Sitthikoun	400	0.0014	400	0.0010
5	Mr. Thongpon Kingkhamphet	400	0.0014	400	0.0010
6	Mr. Zhang Li	400	0.0014	400	0.0010
7	Mr. Li Ming	400	0.0014	400	0.0010
8	Mr. Tian Qing	400	0.0014	400	0.0010
9	Mr. Jie Yao Qi	400	0.0014	400	0.0010
10	Investor from IPO	-	-	12,001,200	30.0000
	<b>Total</b>	<b>28,002,800</b>	<b>100.0000</b>	<b>40,004,000</b>	<b>100.0000</b>

❖ **Board of Directors**

The Company consists of 10 board members as follows:

Table 3: Board of Directors

No	Name	Position
1	Mr. Liu Wei	Chairman
2	Mr. Bounpaeng Bouaphun	Vice Chairman
3	Mr. Zhao Shi	Vice Chairman
4	Mr. Zhang Li	Executive Director / Chief Executive Officer
5	Mr. Thongpon Kingkhamphet	Executive Director
6	Mr. Chen Jian De	Director
7	Mr. Khambon Xaylaowvong	Director
8	Mr. Xiao Jie	Independent Director
9	Mr. Li Chun Bo	Independent Director
10	Mr. Vongvichit Keovongkod	Independent Director

❖ **Revenue Structure**

The company's main revenue derived from the sale of cement and cement related products, which are categorized according to its nature as follows:

Table 4: Revenue structure

	2014		2015		2016	
	Amount (LAK million)	%	Amount (LAK million)	%	Amount (LAK million)	%
Cement (Bag)	54,656	44.03	66,063	44.43	54,414	53.54
Cement (Bulk)	65,382	52.67	76,459	51.42	46,503	45.75
Clinker	4,107	3.31	6,178	4.15	720	0.71
<b>Total</b>	<b>124,145</b>	<b>100.00</b>	<b>148,700</b>	<b>100.00</b>	<b>101,637</b>	<b>100.00</b>



## ❖ Summary of Financial Statements and Key Financial Ratio

Table 5: Summary of Financial Statements

<i>In LAK million</i>	<b>2014</b>	<b>2015</b>	<b>2016</b>
Total Assets	137,467	124,474	125,914
Total Liabilities	77,892	62,887	66,319
Total Equity	59,575	61,587	59,595
Sales Revenue	124,145	148,700	101,637
Cost of Sales	(98,773)	(117,392)	(82,016)
Gross Profit	25,372	31,308	19,621
Operating Profit	10,108	12,987	9,454
Profit Before Tax	7,875	9,825	7,656
Income Tax Expense	(1,949)	(1,965)	(2,246)
Net Profit	<b>5,926</b>	<b>7,860</b>	<b>5,410</b>

Table 6: Key Financial Ratios

<b>Ratio</b>		<b>2014</b>	<b>2015</b>	<b>2016</b>
<b>Profitability Ratio</b>				
Gross Profit Margin	%	20.44	21.05	19.30
Operating Profit Margin	%	8.14	8.73	9.30
Net Profit Margin	%	4.77	5.29	5.32
Return on Equity	%	9.95	12.76	9.08
<b>Liquidity Ratio</b>				
Current ratio	times	1.04	1.18	1.18
Quick ratio	times	0.47	0.52	0.58
Operating cash flow ratio	times	(0.07)	0.38	0.07
Trade receivables turnover	times	4.90	6.18	3.45
Days sales outstanding	day	74	59	106
Inventory turnover	times	2.30	2.84	2.20
Days sales of inventory	day	159	128	166
Trade payables turnover	times	19.00	11.07	11.14
Days payable outstanding	day	19	33	33
Cash conversion cycle	day	214	155	239



Ratio		2014	2015	2016
<b>Efficiency Ratio</b>				
Return on assets	%	4.31	6.31	4.30
Return on fixed assets	%	11.14	16.73	12.38
Total assets turnover	times	0.90	1.19	0.81
<b>Solvency Ratio</b>				
Debt to equity ratio	times	1.31	1.02	1.11
Interest bearing debt to equity ratio	times	0.71	0.28	0.33
Interest coverage ratio	times	4.88	3.26	3.69
Debt service coverage	times	5.91	0.67	0.80

#### ❖ Risk Factors

- Risks on managing environmental pollution
- Risks from increasing competition
- Risk of raw materials shortage
- Risk on concession right
- Risks of failure to list on LSX

#### ❖ Financial Performance and Position for the Past 3 years (2014-2016)

##### ➤ Financial Performance:

The Company's revenue grew by 19.78% from LAK 124,145 million in FYE 2014 to LAK 148,700 million in FYE 2015 and subsequently fell by 31.65% to LAK 101,637 million in FYE 2016. Consequently, the Company's profit before tax (PBT) rose 24.76% to LAK 9,825 million from FYE 2014's total of LAK 7,875 million, and dropped 22.08% to 7,656 million in FYE 2016. Net profit grew by 32.64% from LAK 5,926 million in FYE 2014 to LAK 7,860 million in FYE 2015 and fell by 31.17% to LAK 5,410 million in FYE 2016.

The Company's cement sales are heavily depended and limited to the Company's current production capacity and condition. Currently the Company's cement production is running at its full capacity. With proper maintenance and minimum productions downtime period, it will lead to higher sales, and consequently resulting in higher revenue for that period, or vice versa. Furthermore, intense competition in this industry continued to drive the product's selling price to its lowest, further deteriorated the Company's revenue, and subsequently impacted the Company's PBT and net profit.

In this context, the Company focused on increasing efficiency, decreasing cost and investing for the future. Through this IPO, the Company plans to carry out a



debottlenecking project that will address heretofore-insufficient internal production in cement plant. This project will give the Company additional capacity of 90 thousand tons of cement annually. The project delivers clear benefits to the business; the first is to address current capacity limitations to stay competitive within the domestic market. This additional capacity will improve the Company's efficiency, thus reducing the Company's energy cost.

➤ **Financial Position:**

- Total Assets

As at 31 December 2014, 2015 and 2016, the Company had total assets of LAK 137,467 million, LAK 124,474 million and LAK 125,914 million respectively, where current assets contributed 58.90%, 59.48% and 62.08% of total assets for the year 2014, 2015 and 2016, respectively.

- Total Liabilities

As at 31 December 2014, 2015 and 2016, the Company had total liabilities of LAK 77,892 million, LAK 62,887 million and LAK 66,319 million respectively, where total liabilities only comprise of current liabilities, i.e. the Company does not have any non-current liability for the past three consecutive years. The major components of current liabilities are "borrowings", "trade payables", "other payables" and "welfare fund reserve", which in total, contributed 89.56%, 88.59% and 88.59% of total current liabilities as at 31 December 2014, 2015 and 2016.

- Shareholders' Equity:

As at 31 December 2014, 2015 and 2016, the total shareholders' equity increased from LAK 59,575 million or 43.34% of total assets to LAK 61,587 million or 49.48% of total assets but decreased to LAK 59,595 million or 47.33% of total assets respectively. The registered capital and paid up capital for the Company as at 31 December 2014, 2015 and 2016 are LAK 8,360 million and LAK 3,631 million respectively. Return on equity (ROE) stood at 9.95%, 12.76% and 9.08% in FYE 2014, FYE 2015 and FYE 2016, respectively.





## Part 1

### Lao Cement Public Company

#### 1. The Issuing Company

##### 1.1 General Information of the Company

Company Name:	Lao Cement Public Company
Symbol:	LCC
Incorporation Date:	6 December 1999
Business type:	Production and sale of cement and other cement related products for domestic consumption and export.
Paid up capital:	LAK 14,001,400,000
Registered Office:	Nongbone Road, Xaysetha District, Vientiane Capital, P.O box 6821
Tel:	(856-21) 412111, 451116
Fax:	(856-21) 451222, 263120
Factory location:	Heenkunmark Village, Vang Vieng District, Vientiane Province KM145 North 13 Road
E-mail:	<a href="mailto:info@laocement.com">info@laocement.com</a> <a href="mailto:lcc@laocement.com">lcc@laocement.com</a>
Website:	<a href="http://www.laocement.com">www.laocement.com</a>

##### 1.2 Company Background

Prior 1995, there were no cement factories within the country and must rely on imports from neighboring countries for nearly USD 110 per tons. Due to increasing demand for cement to support major infrastructure construction within the country, the GOL developed long term and medium term plan to develop the cement industry in line with the demand for each period.

In 1991, under the mandate of the GOL and government of China, DAI signed a cooperation agreement with CYC to build Vang Vieng Cement Factory I, the first cement factory in Lao PDR, with a production capacity approximately 90,000 tons per year. The factory has an average sale of 77,000 tons per year and 1995 has become a milestone in the history of Lao PDR.

Vang Vieng Cement Factory I was established with a total investment of USD 13.9 million, fully paid by the GOL, whereas its counterpart from China responsible to undertake the factory's construction, equipment's procurement and installation and manage and operate the factory for 3 years' period. Hence, the construction of Vang Vieng Cement Factory I built a strong relationship foundation between DAI and CYC.

Following the success on the construction and operation of the Vang Vieng Cement Factory I, in 1998, DAI and CYC carried out a feasibility study for expanding current



operations, namely the construction of Vang Vieng Cement Factory II and presented the results to both GOL and the Government of China, with a plan to establish the Company by applying loan with the Government of China.

In December 1999, LCC was incorporated with a shareholding structure of:

Table 7: Shareholding structure at the incorporation of the Company

No	Shareholders	Registered capital	Number of shares	%
1	CYC	4,263,600,000	60,000	60
2	DAI	4,096,400,000	40,000	40
<b>Total</b>		<b>8,360,000,000</b>	<b>100,000</b>	<b>100%</b>

The Company started its construction of factory on 3 March 2000 and completed in July 2001. Vang Vieng Cement Factory II has a production capacity of approximately 200,000 tons per year, produce Portland cement type I, manufactured according to American Standard PI (ASTM C150 Type I) and P 42.5 cement, manufactured according to ISO 679. Between 2002 and 2015, the Company has produced and sold cement products as follows:

Table 8: Production and Distribution of Cement in 2002-2015.

Year	Cement (ton)	Revenue from sales (LAK)	VAT (LAK)
2002	144,372	77,764,547,160	4,823,400,984
2003	245,722	139,877,199,395	655,214,882
2004	227,532	134,636,331,290	7,043,659,425
2005	271,844	152,377,270,948	9,030,181,071
2006	246,593	152,320,117,699	13,596,426,271
2007	273,884	174,368,797,592	15,532,416,431
2008	218,000	128,330,250,020	12,578,606,843
2009	271,817	157,262,159,652	14,557,002,790
2010	244,989	155,497,785,031	18,542,872,252
2011	260,405	141,229,090,909	18,963,970,845
2012	254,317	176,382,972,806	21,954,677,845
2013	222,126	154,280,646,085	17,461,101,971
2014	219,120	155,463,768,242	15,647,542,657
2015	246,000	160,000,000,000	17,993,159,347
<b>Total</b>	<b>2,881,601</b>	<b>1,904,327,168,587</b>	<b>178,629,690,957</b>



Through the years, the Company has achieved an average sale of approximately USD 20 million per year and contributed approximately USD 2 million per year to the state, which are one of the significant contributions to the socio-economic development in the surrounding provinces as well as the economy of Lao PDR. Due to the Company's high quality products, contribution to positive economic growth and successful cooperation between nations, the Company was selected by both Republican Parties of Lao PDR and China as enterprise model between two nations. Each year, state-owned enterprises and businesses across the country and from surrounding countries organize corporate visits to the Company. In addition, the Company's factory is also visited by thousands of students across the country, as a destination for field trip.

In 2006, in order to enhance customer satisfaction and integrate with international standards on quality service and development, LCC implemented Quality Management ISO 9001 to ensure quality process flows across company and factory. The implementation greatly improves the process flows within the Company, from the import of raw materials to customer satisfaction.

In 2010, in order to satisfy the demand of general public in the use of cement for general construction, LCC introduced P 32.5 cement / Mixed Cement Mix / Mixed Cement 05-2001, manufactured according to Lao Standard 05-2001.

The Company offers its cement products to general public and construction projects such as the 450<sup>th</sup> Year Road, Heen Hiep Bridge, Nam Mung 3 Hydropower Plant, Prime Minister's Office and National Stadium KM 16. With several upcoming construction projects such as Lao China high speed railway, hydropower dams, road and bridge in the government's development plans, the Company's current production capacity may not be sufficient to meet the market demand in the future.

Since 2011, the Company was under the advice of state's leaders to expand its business operation through fund raising activities in the capital market of the Lao PDR.

On 30 August 2013, the Deputy Prime Minister and Chairman of the Securities Management Committee issued a letter No. 004 to appoint a team for the Company to prepare for the fund raising activities in the capital market. The team member consists of representatives from the Ministry of Defense, the Ministry of Finance, the Securities and Exchange Commission and other related parties.

Through the consultation and approval from the two founding shareholders of the Company on 30 December 2016 the Company increased its registered capital to LAK 14,001,400,000, introduced another 7 shareholders into the Company and lowered the par value of the Company's share to LAK 500 per share, in order to fulfill the conditions to become a public company and issuance of shares, in accordance with the relevant laws and regulations.

Table 9: Shareholding structure after converting to a public company

No	Shareholders	Registered capital	Number of shares	%
1	CYC	7,140,000,000	3,570,000	50.9950



2	DAI	6,860,000,000	3,430,000	48.9952
3	Mr. Khambon Xaylaowvong	200,000	400	0.0014
4	Mr. Vanhtong Sittikoun	200,000	400	0.0014
5	Mr. Thongpon Kingkhamphet	200,000	400	0.0014
6	Mr. ZHANG LI	200,000	400	0.0014
7	Mr. LI MING	200,000	400	0.0014
8	Mr. TIAN QING	200,000	400	0.0014
9	Mr. JIE YAO QI	200,000	400	0.0014
<b>Total</b>		<b>14,001,400,000</b>	<b>7,000,700</b>	<b>100%</b>

Currently, LCC operates under the enterprise registration certificate No. 1055/ERO dated 31/10/2017

### 1.3 Related Companies

The Company's shareholders, DAI and CYC owned several companies operate within the industry or its chain. Transactions with related parties are conducted based on arm's length basis. The details are as follows:

Table 10: Related Companies

Company Name	Shareholders	Shareholding Proportion	Business Type	Nature of Transaction
Packing Product Company Limited	DAI	90%	Packing product	Supply cement bags to LCC and other customers
	CYC	10%		
Lao Cement Company	DAI	40%	Cement production	General supply
Savannakhet Cement Factory	DAI	100%	Cement production	General supply
Coal Exploration	DAI	100%	Exploration of coal	General supply
DAI Bokeo Branch	DAI	100%	Farming - animal husbandry	General supply
Vang Vieng 1 Cement factory	DAI	100%	Cement production	General supply
Oak Wood Processing Factory	DAI	100%	Wood processing products	General supply



## 2. Use of Proceeds

The net proceeds from the Offering is to facilitate the Company to: i) increase its clinker production capacity from 700 ton per day to 1,000 ton per day and its cement production capacity from 850 ton per day to 1,200 ton per day by performing technological upgrade to its existing production facilities in order to satisfy the increasing demand from existing and new customers; and ii) fund its daily working capital. The details are as follows:

Table 11: Use of Proceeds

Purpose		Required Amount	Use of Proceeds	Estimated Timeframe
1	Technological upgrade	Approximately LAK 30 billion	Approximately LAK 30 billion	2017 - 2020
2	Daily working capital	Approximately LAK 900 million	Approximately LAK 900 million	2017
Total			Approximately 30.9 billion	

## 3. Risk Factor

### 3.1 Risk on managing environmental pollution

In general, production of cement produces dust, where most of the cement plant has a system to collect and recycle it. In the future, the Law on Environmental Protection of Lao PDR will continue to improve and raise awareness to the general public in the protection of environment. The cement industry in the Lao PDR may need to comply with stricter environmental requirements where further cost may be incurred, eventually affecting the financial performance of the Company.

In response to the issue on environmental pollution, the Company is committed to comply with all environmental laws and regulations, continuously monitor on environmental issue and implement environmentally friendly equipment. The Company's factory was built with high quality treatment solution to reduce air and water pollution.

### 3.2 Risks from increasing competition

With the open trade policy within ASEAN, the cement industry in Lao PDR is facing an unprecedented market competition. Lao PDR is the main importer of cement and raw materials from Vietnam and Thailand. With the entry of cement from Vietnam and Thailand, the competition in the domestic market will increased gradually. Furthermore, China, following its "one belt one road initiative" strategy, begins to open cement factory in Lao PDR, to support its objective to bridge the 'infrastructure gap' and thus accelerate economic growth across the Asia Pacific area. Hence, intense competition is expected in the near future.

In order to mitigate this risk, after conducting analysis and research, the Company concluded that an improvement to the quality of cement products to be used in major



infrastructure construction projects is necessary. By raising fund to expand the Company's production capacity, the Company is able to increase its market shares in the domestic market and thus generates more revenue.

### **3.3 Risk of raw materials shortage**

Cement manufacturing industry is required to go through a series of manufacturing process that consume mass quantity of raw materials and electricity. Therefore, non-availability of raw materials and power sources due to shortage of supply or policy constraints may expose the Company to a risk of increased cost.

In response to this risk, the Company had gone through a thorough review during the selection of the factory location. Beside the availability of raw materials and power sources, its quality, reserve capacity and distance to the factory were also under consideration during the review.

### **3.4 Risk on concession right**

The Company has obtained concession contract for 29 years and mining rights for limestone, clay and sandstone, which has high economic value and reserve. The Company has the rights to explore, mining and consumes such minerals. Consequently, there is a risk that the company may force to cease from operation if the company is not allowed to renew its operating concession.

Currently the concession period of 29 years still remain for another 10 years. In response to this risk, the Company are granted priority to extend its concession period by the GOL in the current concession agreement. Therefore, in order to ensure the Company's going concern after IPO, the Company is in the progress to extend its concession period with the relevant authorities. The limestone reserve is sufficient to support the Company's demand for the next 100 years. However, the mining right for the mine will be ended on 5 October 2019. Meanwhile, the mining right for sandstone will also to be expired on 18 September 2018 and the mining right for clay will also to be ended on 9 February 2020. After the expiry of those mining rights, the Company will require to apply for renewal but are subjected to the approval of the relevant authorities.

### **3.5 Risks of failure to list on LSX**

The Company intends to increase capital through IPO and apply to list its shares on the LSX, where LCS acts as financial advisor and underwriter for the Company. The Company may face the risk of failing to obtain approval to list in LSX if the Company is unable to fulfill the listing requirements namely the number of shareholders of a listed company shall not less than 100 and share distribution must more than 10% of the total registered shares.

## **4. Current Business**

### **4.1 Overview of the Cement Industry in ASEAN**

The cement industry of the 10 ASEAN member countries (Brunei, Indonesia, Lao PDR, Malaysia, Myanmar, Philippines, Singapore, Thailand, Vietnam and Cambodia), play different

role in each country. Among the 10 ASEAN countries, Vietnam is the largest producer with 58 cement factories across the country and a total production capacity of 91,420,000 tons per year (Table 12). It is followed by Indonesia, which has 15 cement factories nationwide, producing 63,050,000 tons of cement annually. Thailand, Philippines, and Malaysia are also relatively large producers, as opposed to Singapore and Brunei. Although the latter two countries do not own any cement factories, cement is still an essential material in the construction industry.

Table 12: Overview of the cement industry in ASEAN

Country	Number of Factories	Annual Production Capacity (Tons)	GDP Growth (%)	Industrial Production Growth (%)
Vietnam	58	91,420,000	5.3	5.0
Indonesia	15	63,050,000	5.3	4.3
Thailand	11	4,665,000	2.9	-3.1
Philippines	18	28,026,000	6.8	9.0
Malaysia	11	27,830,000	4.7	5.0
Laos	16	4,400,000	8.3	11.0
Myanmar	13	3,090,000	6.8	11.4
Cambodia	1	960,000	7	7.0
Brunei	0	0	1.4	1.5
Singapore	0	0	4.1	1.7

Source: World Metals Summit 2015, Cement all over the world, CIA cement overview, Global economic growth IMF

## 4.2 The Cement Industry in Lao PDR

The development of cement industry in Lao PDR has a late start. In 1992, with the assistance of China, the first cement production line was built in Lao PDR.

Table 13: Cement Factories in Lao PDR

No.	Factory Name and Location	Annual Production Capacity (tons)	Production Commencement Year
1	Vang Vieng Cement Factory1	80,000	1995
2	Vang Vieng Cement Factory 2 (LCC)	240,000	2002
3	Vang Vieng Cement Factory 3	1,000,000	2014
4	Luang Prabang Cement Factory 1	80,000	On hold



5	Luang Prabang Cement Factory 2	240,000	2013
6	Luang Prabang Cement Factory 3	1,000,000	Prepare to build
7	Thakhek Cement Factory 1	1,000,000	2007
8	Thakhek Cement Factory 2 (BMG)	1,000,000	Prepare to build
9	Thakhek Cement Factory 3 (SCG)	2,000,000	2017
10	Thakhek Cement Factory 4 (Km20)	1,000,000	2016
11	Salavan Cement Factory	500,000	2012
12	Xiangkhouang Cement Factory	50,000	Completed but not yet commence production
13	Oudomxay Cement Factory	1,000,000	Under construction
14	Vientiane Concrete Mixing Plant Km27	100,000	2005
15	Vientiane Concrete Mixing Plant Km35	400,000	2012
16	Savannakhet Concrete Mixing Plant	150,000	2004
<b>Total</b>		<b>6,760,000</b>	

*Note: Cement factory, an integrated cement manufacturing plant that contain both clinker plant and cement plant.*

### 4.3 Manufacturing Process Flow

#### 4.3.1 Mining Work

Figure 1: Exploration of limestone



Raw materials such as limestone, clay, sandstone, coal and gypsum are extracted from the mining site and transported to the Company's storage area or warehouse without being processed.



### 4.3.2 Crashing Process

Figure 2: Storage warehouse



Raw materials with mass sizes such as limestone and coal are being processed into suitable sizes and transferred to storage warehouse.

### 4.3.3 Mixing Process

Figure 3: Mixing into raw meal



Processed raw materials are then conveyed from storage warehouse to mixing mill by belt, and mixed according to preset formula. The resulting substance, called “raw meal” are then stored in raw meal silo for next process.

#### 4.3.4 Burning Process

Figure 4: Burning procedure



Raw meal is then delivered to rotary kiln with a diameter of 0.3 meter wide and 4.8 meters long for burning. By using coal as an energy source to create a burning environment with a temperature up to 1,450 degrees in a process known as calcinations, a hard substance, called “clinker” are formed.

Figure 5: Chemical Laboratory



The resulting products from each phase throughout the manufacturing process are being analyzed and examined in laboratory by a team of chemical analysts, to ensure the quality of the resulting products.

### 4.3.5 Grinding Process

Figure 6: Grinding Process



Clicker is then ground with other materials such as gypsum in a cement mill into fine powder to make cement. Different proportion of ingredients forms different type of cement product. Cement is then stored in silo.

### 4.3.6 Packaging and Shipping

Figure 7: Cement transportation



Cement is delivered to end users either in bags, or as bulk powder. Cement in bags is packed at the packaging machine, up to 50kg per bag; whereas cement in bulk is transported using truck or self-loading cement truck.



## 4.4 Main Products

### 4.4.1 Portland Cement Type 1

Portland cement type I, manufactured according to American Standard PI (ASTM C150 Type I), is suitable for major construction, irrigation, roadways, airfield, hydropower plant, electric pole and the manufacturing of high quality concrete bricks and construction materials.

Figure 8: Portland cement type I



Figure 9: Projects using Portland Cement Type I



Prime Minister's Office

National Stadium



Don Chan Palace Hotel



National Assembly Hall

#### 4.4.2 P.42.5 cement (ISO 679)

Figure 10: P.42.5 cement (ISO 679)



P.42.5 cement (ISO 679), manufactured according to ISO 679 or China Standard GB 175-1999, is suitable for general construction that requires medium quality of concrete such as constructing a site, producing all kind of roof tiles and manufacturing of construction parts.

### 4.4.3 Mixed cement

Figure 11: Mixed cement



Mixed Cement, manufactured according to Lao Standard 05-2001, is suitable for roofing, tile roofing and construction of medium weight brick.

## 5. Future Business Plans

### 5.1 Fund Raising and Listing on LSX

Over the years, the continuous economic growth in Lao PDR has attracted investors from ASEAN, China and countries across the region to invest in various areas in Lao PDR. There are numerous growths in the construction of major infrastructure in the country. For the next three years, the construction of China-Laos Railway, several hydropower projects and highway projects are underway in the planning phase of the Lao PDR's economic development program. At the same time, in conjunction with the growth in construction sector, the competition in the cement industry and other building materials are growing intensively.

In order to cope with the above issue, LCC plans to raise fund through capital market to fund its future development activities. By listing on LSX, the Company will be the first cement manufacturing company listed in Lao PDR.

### 5.2 Expansion Plan to Upstream Sector – Coal Mining

As coal is an essential material used in the production of cement, the Company is striving to complete its mine exploration and obtain mining concession license for the next 1 to 2 years. Once the mining concession is obtained, the self-extracted coal may eventually reduce the cost of cement production, so as to compete and meet the market demand in the surrounding provinces.

For the next 3 to 5 years, based on the quality and reserve of coal, the Company foresees an opportunity to build a coal power station to generate electricity for own consumption, which may further reduce its production cost. Furthermore, the coal dust discharged during



the process of power generation could be used as a decent component for cement and concrete mixing. As a result, besides being economically efficient, it also helps maintain a good environment.

### **5.3 Expansion Plan to Upstream Sector – Limestone Factory**

The Company currently owns the right to mine for limestone. Therefore, the Company foresees an opportunity to build a limestone factory to further expand its operation into limestone processing for chemical and commercial use.

### **5.4 Expansion Plan in Current Operation**

The Company currently plans to increase its production capacity through technological upgrade. The plan is separated into two phases:

Phase 1:

- To improve the weighing system from the conveyance of raw materials to wind pressure system, this can significantly reduce the consumption of electricity and coal.
- To identify and improve the power consumption of existing equipment, in order to reduce energy waste.
- To improve the grinding ability for clinker to increase cement production.
- To create additional cement silo to store cement and produce more cement products, in order to increase competitiveness and fulfill the market demand.

Phase 2:

By upgrading the technological potential of existing machineries in the production lines, the clinker production capacity of the Company will be enhanced from 700 tons per day to 1,000 tons per day (annual production capacity from 200,000 tons to 300,000 tons). This upgrade will not only increase production capacity, but also reduce cost and increase production efficiency at the same time.

### **5.5 Expansion Plan to Downstream Sector**

For the next 2 to 3 years, in order to expand the Company's distribution channel, increase its market share, maintain the supply to market and build business confidence, the Company plans to cooperate with concrete company, construction material company and distributor via the form of business cooperation and joint venture.

## **6. Assets Used in the Business Operation**

Non-current assets and current assets of the Company are as follows:



Table 14: Assets Used in the Business Operation for the last 3 years

In LAK Million

Description	2014		2015		2016	
	Amount	%	Amount	%	Amount	%
Non-Current Assets	56,505	41.10	50,434	40.52	47,748	37.92
Current Assets	80,962	58.90	74,040	59.48	78,166	62.08
<b>Total Assets</b>	<b>137,467</b>	<b>100.00</b>	<b>124,474</b>	<b>100.00</b>	<b>125,914</b>	<b>100.00</b>

As at 31 December 2014, 2015 and 2016, the Company had total assets of LAK 137,467 million, LAK 124,474 million and LAK 125,914 million respectively, where current assets contributed 58.90%, 59.48% and 62.08% of total assets for the year 2014, 2015 and 2016 respectively.

Table 15: Current Assets

In LAK Million

Description	2014		2015		2016	
	Amount	%	Amount	%	Amount	%
Other current assets	70	0.09	70	0.09	198	0.25
Inventories	42,939	53.03	41,328	55.82	37,223	47.62
Other receivables	1,547	1.91	821	1.11	18	0.02
Amounts due from related parties	3	0.01	-	0.00	-	0.00
Advances to suppliers	1,686	2.08	198	0.27	2,262	2.90
Trade receivables	25,334	31.29	24,070	32.51	29,420	37.64
Cash	9,383	11.59	7,553	10.20	9,045	11.57
<b>Total non-current assets</b>	<b>80,962</b>	<b>100.00</b>	<b>74,040</b>	<b>100.00</b>	<b>78,166</b>	<b>100.00</b>

“Inventories”, “trade receivables” and “cash” are the major asset classes within current asset, which in total, contributed 95.91%, 98.53% and 96.83% of total current assets as at 31 December 2014, 2015 and 2016 respectively.

## 7. Legal Disputes

During the normal course of business operations, the Company was not sued in any court or involved in any legal dispute which may affect the asset of the Company or resulted in any litigation or regulatory proceedings. Currently, the Company is not involved in any litigation, arbitration, claims, tribunal, criminal proceedings or other disputes whether actual or prospective, and whether as claimant, defendant, third parties or witness.

In addition, the certification letter from the People’s Court of Vientiane Capital No. 36 on 10 April 2017 stated that the Company does not have any pending litigations.





## 8. Capital Structure

Currently, LCC has a total registered and paid up capital of LAK 14,001,400,000 which consists of 28,002,800 shares with a par value of LAK 500 per share. After IPO, the Company's registered and paid up capital shall be increased to LAK 20,002,000,000 which consists of 40,004,000 shares with a par value of LAK 500 per share.

### 8.1 Stockholders Structure

Table 16: Stockholders Structure

No	Shareholders	Before IPO		After IPO	
		No. of shares	%	No. of shares	%
1	CYC	14,280,000	50.9950	14,280,000	35.6964
2	DAI	13,720,000	48.9952	13,720,000	34.2966
3	Mr. Khambon Xaylaowvong	400	0.0014	400	0.0010
4	Mr. Vanhthong Sitthikoun	400	0.0014	400	0.0010
5	Mr. Thongpon Kingkhamphet	400	0.0014	400	0.0010
6	Mr. Zhang Li	400	0.0014	400	0.0010
7	Mr. Li Ming	400	0.0014	400	0.0010
8	Mr. Tian Qing	400	0.0014	400	0.0010
9	Mr. Jie Yao Qi	400	0.0014	400	0.0010
10	Investors from IPO	-	-	12,001,200	30.0000
	<b>Total</b>	<b>28,002,800</b>	<b>100.0000</b>	<b>40,004,000</b>	<b>100.0000</b>

### 8.2 Dividend Policy

The Company has a policy to pay dividend to the Company's shareholders at a rate of not less than 50 percent of the available net profits of the Company after deducting legal reserve and other non-regulatory reserve funds (if any).

The shareholders' meeting resolution for the dividend payment approval is for (1) annual dividend payment and (2) interim dividend payment. The interim dividend payment must be approved by shareholders' meeting resolution or the shareholders may authorize the Board of Directors to approve interim dividend payment. The interim dividend payment can be paid, considering current financial condition and appropriateness, but it must accord with related regulation. The Company plans to distribute its current retained earnings within 3 years.

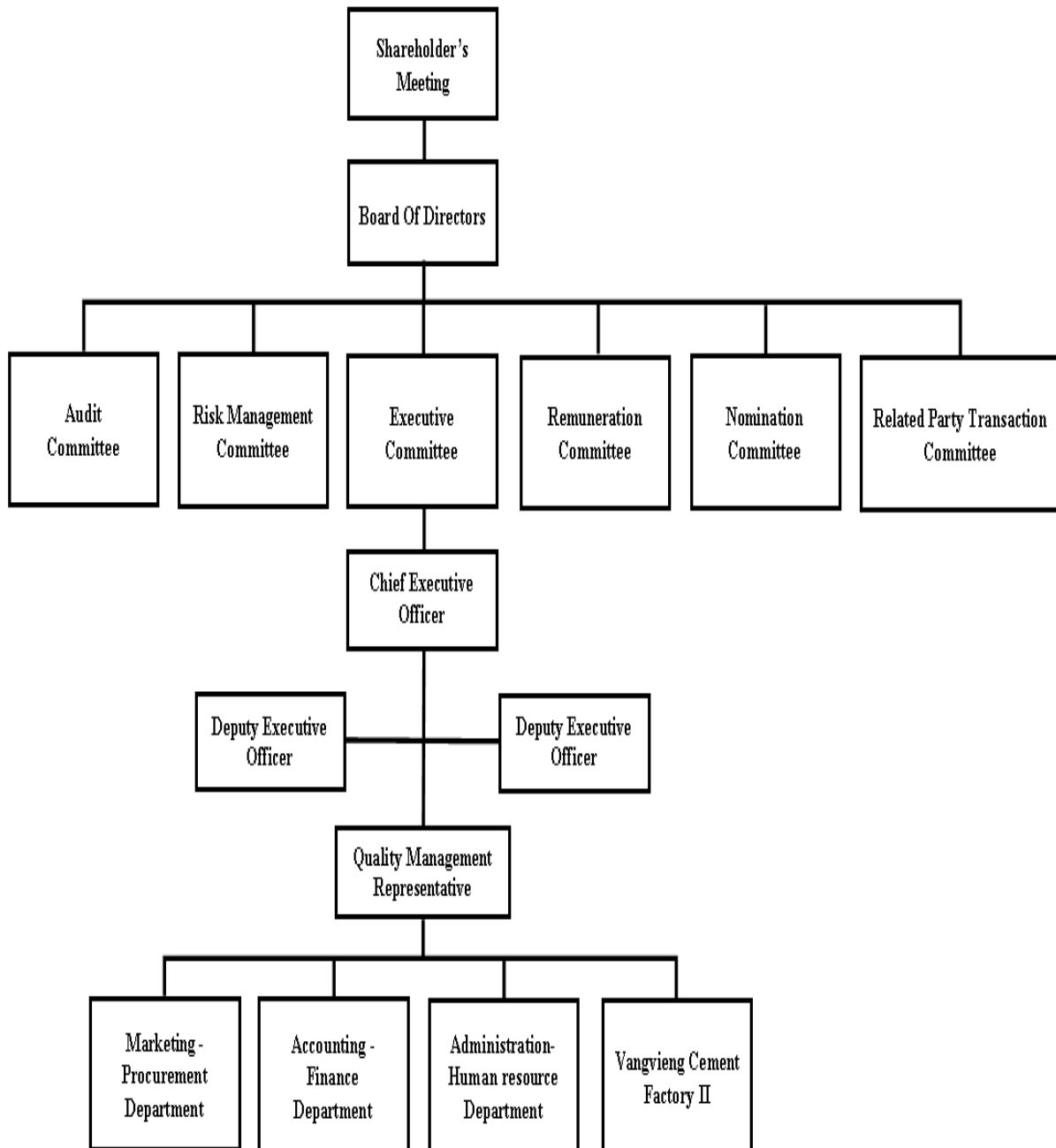
The dividend distribution policy of not less than 50 percent of the net profit (after deducting legal reserve and other non-regulatory reserve funds) may change from time to time, upon the consideration and approval of the shareholders on aspects such as economic

conditions, cash flows, investment plans, regulations and capital adequacy for business expansion in the future of the Company as well as law and regulation.

The dividend shall be paid in LAK and shareholders of the Company will be granted an income tax exemption for the dividend received from the Company according to the law and regulation of the LSCO.

## 9. Management and Corporate Governance

Figure 12: Organization Chart





## **9.1 Shareholders' Meeting**

### **9.1.1 Shareholders' Meeting**

The shareholders' meeting is a meeting of the shareholders of a company that has the highest authorization within an organization.

The Annual General Meeting (AGM) of the shareholders of the Company shall be held at least once a year latest by April of each year and, if it is later listed on the LSX, the Company shall comply with the regulations of the LSCO of the LSX and other related laws.

The Extraordinary General Meeting of Shareholders (EGM) shall be held when any resolution needs to be approved or on the required scope of work, following to the Company's regulation or related law.

### **9.1.2 Quorum of Shareholders' Meeting**

Quorum of shareholders' meeting of the Company is organized as follows:

- Annual General Meeting: the quorum shall be at least two shareholders representing more than half of total paid up shares.
- Extraordinary General Meeting: the quorum shall be at least two shareholders representing more than half of total paid up shares.

The shares resulting from invalid shares transferring activity will not be counted in the quorum even though those invalid shareholders attend the meeting.

### **9.1.3 Voting Right**

A shareholder is generally entitled to one vote per share. A resolution may be approved at the general meeting by simply majority vote. However, specific matters require approval from votes of at least two-third of shareholders or their proxies attending the meeting and more than 80% of total shares contributed. The following matters related to the Company require special resolution of the shareholders are:

- Voting on matters specified by the Enterprise Law
- Amending the Article of Association (AOA) or Memorandum of Association (MOA).
- Increasing or decreasing the capital of the Company
- Merger or dissolution of the Company
- Sale or transfer of all or substantial part of the Company's business to another person.
- Purchase or acceptance of the business of other enterprise.

Pursuant to the Enterprise Law, a shareholder may be prohibited from voting on matter in which they are involved or directly or indirectly attributable to their personal gain or benefit. The participating members in the shareholders' meeting shall determine whether a shareholder falls within this scope.



## 9.2 Board of Directors

The Board consists of 10 qualified and experienced executives, with the following details:

Table 17: Board of Directors

No	Name	Position
1	Mr. Liu Wei	Chairman
2	Mr. Bounpaeng Bouaphun	Vice Chairman
3	Mr. Zhang Li	Executive Director
4	Mr. Zhao Shi	Director
5	Mr. Jie Yao Shi	Director
6	Mr. Khambon Xaylaowvong	Director
7	Mr. Thongpon Kingkhamphet	Director
8	Mr. Xiao Jie	Independent Director
9	Mr. Li Chun Bo	Independent Director
10	Mr. Vongvichit Keovongkod	Independent Director

### 9.2.1 Roles and Responsibilities of Board of Directors

The roles and responsibilities of the Board of Directors are as follows:

- Coordinate and adapt the tasks of the members of the Board of Directors;
- Appoint board members of a company that is vacant before the next shareholders' meeting;
- Determine the management plan of the company to be presented in the shareholders' meeting;
- Perform other roles and responsibilities as required by the Company's policy;
- Act responsibly, maintain integrity and perform duty with due diligence in accordance with the Company's policy, the shareholders' meeting and laws and regulations;
- Consider the appointment of the executive committee by the members of the Board of Directors and define the scope of the jurisdiction, duties and responsibilities of the executive committee;
- In case where the independent director and member of internal audit committee is vacant before the next shareholders' meeting, the Board of Directors can search for candidate and appoint new independent director and member of internal audit committee. By considering the qualification and restriction of the independent director and member of internal audit committee under the relevant laws and regulation or by the shareholders' proposals, the appointed person holding the vacancy shall continue the remaining tenure of



his/her predecessor until such change is notified to the shareholders in the next shareholders' meeting;

- Consider and change the member of the Board who hold the control over the Company and propose such change to the shareholders in the next shareholders' meeting;

- Appoint a person to manage the Company under the supervision of the Board of Directors, or authorize a board member to perform any action within a period of time and cancel such authorization at any time if necessary;

- Consider and approve the purchase, sale, transfer and disposal of the Company's assets, Such consideration and approval shall complied with the laws and regulations on securities and must be approved in the shareholders' meeting;

- Consider and approve asset-related items except for those items which must be approved by the shareholders' meeting, and comply with the laws and regulations relating to the Securities Act during the process of such considering and approving;

- Evaluate the performance and determine the remuneration of the Board of Directors and senior managements and propose to the shareholders for resolution in the next shareholders' meeting;

- Encourage management to have a proper and effective risk management system;

- Promote and monitor the execution of clear and measurable business objectives with consideration of their appropriateness and feasibility;

- Tenure for each director is 2 years.

## **9.2.2 Board of Directors Meeting**

The Meeting of Board of Directors must be attended by at least half of the board members. The chairman of the board meeting shall be the Chairman of the Board of Directors. When the Chairman is unable to attend the meeting, the Chairman could assign such role to the Vice-Chairman or elect a director act as a chairman of the board meeting.

The Company shall held a board meeting once a year, there are two type of meeting: 1) annual general meeting; and 2) extraordinary meeting, which to be held under the recommendation of the Company's Chief Executive Officer or Managing Director.

## **9.2.3 Term of Board of Directors**

The Board of Directors are appointed and removed by the majority of the shareholders who attend the meeting. Each of the directors has 2 years term and be able to be re-appointed for another term as state in the Company's regulation or related law.

If the director is active for nearly two years, the Board of Directors must propose such to the shareholders in the shareholders' meeting to appoint a new director before the end of the term for that director.

In the event that the director has reached his/her 2-years tenure, but new director has not yet been appointed in the shareholders' meeting, the old directors are allowed to



continue to fulfill his/her responsibilities and duties, until the appointment of new director, but such act shall not be more than one year.

### 9.3 Internal Audit Committee

#### 9.3.1 Member of Internal Audit Committee

The Internal Audit Committee of the Company consists of 3 members:

Table 18: Internal Audit Committee

No	Name	Position
1	Mr. Xiao Jie	Chairman of Internal Audit Committee / Independent Director
2	Mr. Li Chun Bo	Audit Committee / Independent Director
3	Mr. Vongvichit Kheovongkod	Audit Committee / Independent Director

#### 9.3.2 Qualifications of the Internal Audit Committee

- Bachelor's Degree or equivalent qualification in accounting, auditing, law, finance-banking or business administration or other business-related qualifications.

- Never been sentenced for a bankruptcy and served as an executive in a company which was sentenced for a bankruptcy.

- Never been convicted for a criminal offense, such as fraud, embezzlement, document falsification, bribery, corruption, or money laundering.

- Holding no more than one percent of the total shares with voting rights of the Company or its related company

- Never or used to be directors who involved in management, employees, paid consultants, or who have controlling power over the Company or its related company, unless the person has left the Company more than 2 years before the submission for listing in LSX, but this qualification will not be applied to the case that an independent director is a civil servant or consultant of the government which the government is a major shareholder or has controlling power over the Company.

- Not an individual with a bloodline or registered by law as father, mother, spouse, sibling and child of the Company's executive or major shareholder, a person with controlling power over the Company or a person who may be appointed as the Company's executive or having controlling power over the Company or its subsidiaries.

- Never have or had a business relations with the Company, its subsidiaries, its major shareholder or shareholders with controlling power over the Company which may have a conflict of interests or affected in giving a non-independent opinion or judgment unless the person has ended the duty with the Company more than 2 years before the submission for listing in LSX.



- Not being or was a shareholder, or has controlling power over the external auditor's company that the Company hired or are going to hire as a consulting auditor, unless the person has ended his/her duty with the Company more than 2 years before the submission for listing in LSX.

- Not doing the businesses that are similar to or competitive with the Company and its subsidiaries.

- Not having difficulty which may obstruct to give an independent opinion to the Company and its subsidiaries.

- The qualification of the internal audit committee may be assigned by the Company's Board of Directors to conduct due diligence on the operation of the Company, its subsidiaries, its associates, major shareholder or a person who has controlling power by collective decision.

### 9.3.3 Roles and Responsibilities of Internal Audit Committee

- Plan an auditing program in accordance with the scopes and responsibilities that have been designated by the Board of Directors which the program must cover the Company's key business and must be approved by the Board of Directors.

- Participate in planning the activities of the Company to facilitate the auditing process.

- Monitor the operation of the other committees according to the plan approved in shareholders' meeting or by Board of Directors and reported to the Board of Directors on a regular basis.

- Issue an annual report and submit to the Board of Directors for approval.

- Coordinate with external auditor to perform the auditing.

- Evaluate the quality of the Company's external auditor, including its independence and relationships.

- Perform other roles and responsibilities as assigned by the Board of Directors;

- Tenure for each member is 2 years.

## 9.4 Executive Committee

### 9.4.1 Member of Executive Committee

The Executive Committee of the Company consists of 3 members:

Table 19: Executive Committee

No	Name	Position
1	Mr. Zhang Li	General Director
2	Mr. Thongpon Kingkhamphet	Deputy Director
3	Mr. Ma Can	Deputy Director

### 9.4.2 Roles and Responsibilities of the Executive Committee

- Research, plan and improve the regulatory framework of the Company to present to the Board of Directors' meeting for consideration.
- Prepare the management plan of the Company and propose to the Board of Directors and then to the shareholders' meeting for consideration.
- Conduct business activities report and annual plan to present to the Board of Directors for consideration in the shareholders' meeting.
- Propose the appointment and removal of the Company's directors to the Board of Directors for consideration.
- Administer the Company's day-to-day job within the scope and responsibilities of each person which assigned by the Board of Directors.
- Coordinate and provide information and documents, including clarify issues to the Internal Audit Committee, external auditors, and the Board of Directors.
- Report the Company's activities to the Board of Directors and Internal Audit Committee.
- Perform other roles and responsibilities as required by the Company's regulation.

## 9.5 Risk Management Committee

### 9.5.1 Member of Risk Management Committee

The Risk Management Committee consists of 4 members:

Table 20: Risk Management Committee

No	Name	Position
1	Mr. Khambon Xaylaowvong	Chairman of Risk Management Committee
2	Mr. Li Chun Bo	Risk Management Committee
3	Mr. Chen Wei	Risk Management Committee

### 9.5.2 Roles and Responsibilities of Risk Management Committee

- Set policies and structures of risk management to propose to the executive committee in accordance to the direction of risk management for both domestic and international market.
- Establish a risk management strategy to assess, monitor and control each type of risks to a level that can be controlled by coordination with other entities.
- Assess risk at the company level and determine how risk management is at a manageable level, as well as control of risk management as planned.





- Review and effectively improve the risk management policies in order to cope with the potential risks.
- Report the results to the Board of Directors on a quarterly basis.
- Create a risk management manual.
- Identify risks, analyze and assess the possible risks and their possibility and impact to the Company.
- Perform other roles and responsibilities as required by the Company's regulation.
- Tenure for each member is 2 years.

## 9.6 Remuneration Committee

### 9.6.1 Member of Remuneration Committee

The Remuneration Committee of the Company consists of 3 members:

Table 21: Remuneration Committee

No	Name	Position
1	Mr. Xiao Jie	Chairman of Remuneration Committee
2	Mr. Zhao Xing Sheng	Remuneration Committee
3	Mr. Vixay Duangsawath	Remuneration Committee

### 9.6.2 Roles and Responsibilities of Remuneration Committee

- Identify the principle and detail of compensation.
- Study the compensation for the Board of Directors and Executive Director to submit to the Board of Directors to present in the shareholders' meeting for approval.
- Study compensation for head of departments and deputy of departments to present to the Board of Directors for approval.
- Report its activities and results to the Board of Directors and Shareholders' Meeting.
- Disclose information in the annual report related to the list of remuneration committee, the number of meetings of the remuneration committee, the number of meetings attended by each of the remuneration committee, assessment result of the remuneration committee and the action plan of remuneration committee.
- Perform other roles and responsibilities as assigned by the Board of Directors.

## 9.7 Nomination Committee

### 9.7.1 Member of Nomination Committee

The nomination committee of the company consists of 3 members:

Table 22: Nomination Committee

No	Name	Position
1	Mr. Xiao Jie	Chairman of Nomination Committee
2	Mr. Ma Can	Nomination Committee
3	Mr. Chanthavylai Xayyalath	Nomination Committee

### 9.7.2 Roles and Responsibilities of Nomination Committee

- Define the principles and procedures regarding the nomination of personnel to hold a position in the Board of Directors. The principles and procedures must be transparent and verifiable.

- Study the qualification, knowledge, experience and suitability criteria in accordance to the agreement on Board of Directors of the Company.

- Introduce the nominate individuals to Board of Directors to consider and propose to the shareholders' meeting for approval.

- Report its activities to the Board of Directors.

- Disclose information in the annual report related to the list of nomination committee, the number of meetings of nomination committee, the number of meetings attended by each of the nomination committee and assessment result of the nomination committee and the action plan of nomination committee.

- Perform other roles and responsibilities as assigned by the Board of Directors.

## 9.8 Related Party Transaction Committee

### 9.8.1 Member of Related Party Transaction Committee

The related party transaction committee of the Company consists of 3 members:

Table 23: Related Party Transaction Committee

No	Name	Position
1	Mr. Li Chun Bo	Chairman of Related Party Transaction Committee
2	Mr. Jie Yao Qi	Related Party Transaction Committee
3	Mr. Chanthavylai Xayyalath	Related Party Transaction Committee

### 9.8.2 Roles and responsibilities of Related Party Transaction Committee

- Compile a name list of individual and organization that related to the Company including with the changes to the name of individuals and organization that related to the Company to LSCO.



- Analyze and monitor the procedures of related party transactions.
- Appoint an independent financial advisor.
- Perform other roles and responsibilities as determined by the Company.

## 9.9 General Director

### 9.9. Roles and Responsibilities of General Director

The general director is the representative of the Company, also act as a coordinator between the Company, the Board of Directors and third parties. He/she has the duties to perform the business in accordance with the resolution of the meetings of the shareholders and the Board of Directors, the AOA and relevant laws and regulations.

The roles and responsibilities of general director are as follows:

- Examine matters relating to human resources and management development plans.
- Create business policies, business operation plan, business strategies and annual budget of the Company and propose to the Board of Directors of the Company for their approval.
- Monitor business operation of the Company in accordance with the business policies, business operation plan, business strategies and budget approved by the Board of Directors.
- Consider and approve expenditures on normal business operation of the Company, such as asset procurement and important capital investment for the Company's interest within limited budget.
- Manage and utilize the Company's capital in accordance with the defined objectives and goals.
- Cooperate with independent auditor on the explanation of sources and correctness of the figures and data presented in the financial statements before propose to the shareholders' meeting for their approval.

### 9.10 Human Resources Development

The Company has developed a continuous learning environment for their employees to improve knowledge and upgrade technical skill, by conducting internal training and send employees to practice with related unit. Under the guidance and supervision of person in charge in human resource, the Company currently has a total employee of 375 persons.

Table 24: Numbers of Employees for the past three years (2014 – 2016)

Year	Male	Female	total
2014	351	44	395
2015	345	40	385
2016	337	38	375



## 10. Internal Audit

The Company has its own internal audit department responsible for evaluating the working performance of every department within the Company, in order to keep its performance aligned with the Company's goal. The internal audit department uses Key Performance Indicator (KPI) as a benchmark for evaluation. Moreover, the internal audit department also performs periodic monitoring and annual evaluation on the personal performance of each employee. In addition, the internal audit department submits internal audit report periodically to the Internal Audit Committee of the Company for review.

At present, the Company held the international certification on quality management standard, ISO 9001:2015. The Company inspects its production work flows regularly, in order to conform to the standard. In addition, the Company also implemented a five-dimensional policy to provide a systematic and efficient operation and management at all times.

In conclusion, the Company has a decent internal control system, corporate government and risk management up to the international standard.

## 11. Related Party Transaction

The transactions with relevant parties are conducted based on market prices or, where no market prices exist, at contractually agreed prices. Significant transaction with related parties during the year ended 31 December 2014, 2015 and 2016 were as follows:

Table 25: Related Party Transaction

*In LAK million*

Related parties	Relationships	Nature of Transaction	2014	2015	2016
CYC	Shareholders	Pay on behalf of the relevant parties	13,058	12,152	-
		Dividends	-	-	2,829
DAI	Shareholders	Purchasing raw materials	3	-	1,234
		Dividends	-	-	2,944

Balances due to related parties as at 31 December 2014, 2015 and 2016 were as follows:



*In LAK million*

Related parties	Relationships	Nature of Transaction	2014	2015	2016
Amount due to related parties					
CYC	Shareholders	Pay on behalf of the relevant parties	3	1,714	1,781
		Dividends	-	-	-
DAI	Shareholders	Purchasing raw materials	-	-	1,234
		Dividends	-	-	-
Total			3	1,717	3,015
Other payables					
CYC	Shareholders	Purchasing raw materials	1,714	-	11,015
		Dividends		8,186	-
DAI	Shareholders	Purchasing raw materials	442	-	-
		Dividends	-	9,561	12,505
Total			2,156	17,747	23,520

## 12. Financial Information and Operating Results

### 12.1 Financial Statements and Key Financial Ratios

Table 26: Balance Sheet

Financial Summary (LAK Million)	FYE 2014	FYE 2015	FYE 2016
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	53,179	46,980	43,715
Construction in progress	2,377	2,568	3,210
Intangible assets	328	328	329
Other non-current assets	621	558	494
<b>Total non-current assets</b>	<b>56,505</b>	<b>50,434</b>	<b>47,748</b>



<b>Financial Summary (LAK Million)</b>	<b>FYE 2014</b>	<b>FYE 2015</b>	<b>FYE 2016</b>
<b>Current assets</b>			
Other current assets	70	70	198
Inventories	42,939	41,328	37,223
Other receivables	1,547	821	18
Amounts due from related parties	3	-	-
Advances to suppliers	1,686	198	2,262
Trade receivables	25,334	24,070	29,420
Cash	9,383	7,553	9,045
<b>Total current assets</b>	<b>80,962</b>	<b>74,040</b>	<b>78,166</b>
<b>TOTAL ASSETS</b>	<b>137,467</b>	<b>124,474</b>	<b>125,914</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities</b>			
Trade payables	5,198	10,600	7,359
Advance from customers	159	264	413
Amounts due to related parties	2,156	1,714	3,015
Borrowings	42,532	17,482	19,776
Statutory obligations	3,674	3,754	4,143
Payables to employees	1,909	1,442	-
Interest payables	235	-	-
Welfare fund reserve	9,032	9,812	8,003
Other payables	12,997	17,819	23,610
<b>Total current liabilities</b>	<b>77,892</b>	<b>62,887</b>	<b>66,319</b>
<b>Total LIABILITIES</b>	<b>77,892</b>	<b>62,887</b>	<b>66,319</b>
<b>Equity</b>			
Contributed legal capital	3,631	3,631	3,631
Legal reserve	4,454	5,233	6,220
Plant expansion reserve	13,674	14,844	16,324
Retained earnings	37,816	37,879	33,420
<b>Total equity</b>	<b>59,575</b>	<b>61,587</b>	<b>59,595</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>137,467</b>	<b>124,474</b>	<b>125,914</b>



Table 27: Income Statement

<b>Financial Summary (LAK Million)</b>	<b>FYE 2014</b>	<b>FYE 2015</b>	<b>FYE 2016</b>
Revenue from sale of goods	124,145	148,700	101,637
Cost of goods sold	(98,773)	(117,392)	(82,016)
<b>Gross profit</b>	<b>25,372</b>	<b>31,308</b>	<b>19,621</b>
Other operating incomes	1,114	46	841
Provision for doubtful debt	-	-	(1,062)
Selling and distribution costs	(4,797)	(7,503)	(2,148)
Administrative expenses	(11,581)	(10,864)	(7,798)
<b>Operating profit</b>	<b>10,108</b>	<b>12,987</b>	<b>9,454</b>
Financial Incomes	507	818	138
Financial costs	(2,740)	(3,980)	(1,936)
<b>Profit before tax</b>	<b>7,875</b>	<b>9,825</b>	<b>7,656</b>
Income tax expenses	(1,949)	(1,965)	(2,246)
<b>Net profit after tax for the year</b>	<b>5,926</b>	<b>7,860</b>	<b>5,410</b>

Table 28: Cash Flow Statement

<b>Financial Summary (LAK Million)</b>	<b>FYE 2014</b>	<b>FYE 2015</b>	<b>FYE 2016</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Profit before tax</b>	<b>7,875</b>	<b>9,825</b>	<b>7,656</b>
Adjustments for:			
Depreciation of property, plant and equipment	10,562	8,456	8,143
Provisions for decline/(increase) in value of inventories	2,150	1,110	(1,239)
Provisions for doubtful debts			1,062
Unrealized foreign exchange gains	-	(15)	(2)
Interest income	(507)	(802)	(136)
Interest expenses	2,002	2,649	1,591
<b>Operating income before working capital changes</b>	<b>22,082</b>	<b>21,223</b>	<b>17,075</b>
Decrease/(increase) in receivables	(8,447)	3,575	(7,672)
Increase in inventories	(16,096)	499	5,345





Increase in payables (other than interest, corporate income tax)	867	4,181	(6,624)
<b>Financial Summary (LAK Million)</b>	<b>FYE 2014</b>	<b>FYE 2015</b>	<b>FYE 2016</b>
Other inflow/(outflow) from operating activities	303	(895)	(210)
Loan interest paid	(2,274)	(2,743)	(1,591)
Income tax paid	(1,949)	(1,949)	(1,887)
<b>Net cash flows from/(used in) operating activities</b>	<b>(5,514)</b>	<b>23,891</b>	<b>4,436</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisitions of property, plant and equipment	(1,173)	(1,488)	(5,376)
Interest received	508	802	136
<b>Net cash flows used in investing activities</b>	<b>(665)</b>	<b>(686)</b>	<b>(5,240)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from bank borrowings	-	-	27,043
Repayment of bank borrowings	(1,222)	(25,050)	(24,749)
<b>Net cash flows used in financing activities</b>	<b>(1,222)</b>	<b>(25,050)</b>	<b>2,294</b>
Net decrease in cash	(7,401)	(1,845)	1,490
Cash at the beginning of the year	16,784	9,383	7,553
Impact of exchange rate fluctuation	-	15	2
<b>Cash at the end of the year</b>	<b>9,383</b>	<b>7,553</b>	<b>9,045</b>

Table 29: Key Financial Ratios

<b>Key Financial Ratios</b>		<b>2014</b>	<b>2015</b>	<b>2016</b>
<b>Profitability ratio</b>				
Gross profit margin	%	20.44	21.05	19.30
Operating profit margin	%	8.14	8.73	9.30
Net profit margin	%	4.77	5.29	5.32
Return on equity	%	9.95	12.76	9.08
<b>Liquidity ratio</b>				
Current ratio	time	1.04	1.18	1.18
Quick ratio	time	0.47	0.52	0.58
Operating cash flow ratio	time	(0.07)	0.38	0.07
Trade receivables turnover	time	4.90	6.18	3.45



Days sales outstanding	day	74	59	106
Inventory turnover	time	2.30	2.84	2.20
<b>Key Financial Ratios</b>		<b>2014</b>	<b>2015</b>	<b>2016</b>
Days sales of inventory	day	159	128	166
Trade payables turnover	time	19.00	11.07	11.14
Days payable outstanding	day	19	33	33
Cash conversion cycle	day	214	155	239
<b>Efficiency ratio</b>				
Return on assets	%	4.31	6.31	4.30
Return on fixed assets	%	11.14	16.73	12.38
Total assets turnover	time	0.90	1.19	0.81
<b>Solvency ratio</b>				
Debt to equity ratio	time	1.31	1.02	1.11
Interest bearing debt to equity ratio	time	0.71	0.28	0.33
Interest coverage ratio	time	4.88	3.26	3.69
Debt service coverage	time	5.91	0.67	0.80

## 12.2 Report and Analysis of the Operating Results

The Company's revenue grew by 19.78% from LAK 124,145 million in FYE 2014 to LAK 148,700 million in FYE 2015 and subsequently fell by 31.65% to LAK 101,637 million in FYE 2016. Consequently, the Company's profit before tax (PBT) rose 24.76% to LAK 9,825 million from FYE 2014's total of LAK 7,875 million, and dropped 22.08% to 7,656 million in FYE 2016. Profit after tax (PAT) grew by 32.64% from LAK 5,926 million in FYE 2014 to LAK 7,860 million in FYE 2015 and fell by 31.17% to LAK 5,410 million in FYE 2016.

The Company's cement sales are heavily depended and limited to the Company's current production capacity and condition.

The Company's cement sales are heavily depended and limited to the Company's current production capacity and condition. Currently the Company's cement production is running at its full capacity. With proper maintenance and minimum productions downtime period, it will lead to higher sales, and consequently resulting in higher revenue for that period, or vice versa. Furthermore, intense competition in this industry continued to drive the product's selling price to its lowest, further deteriorated the Company's revenue, and subsequently impacted the Company's PBT and net profit.

In this context, the Company focused on increasing efficiency, decreasing cost and investing for the future. Through this IPO, the Company plans to carry out a debottlenecking project that will address heretofore-insufficient internal production in cement plant. This project will give the Company additional capacity of 90 thousand tons of cement annually.



The project delivers clear benefits to the business; the first is to address current capacity limitations to stay competitive within the domestic market. This additional capacity will improve the Company's efficiency, thus reducing the Company's energy cost.

### 12.2.1 Revenue from Sale of Goods

Table 30: Revenue from Sale of Goods

	2014		2015		2016	
	Amount (LAK million)	%	Amount (LAK million)	%	Amount (LAK million)	%
Cement (Bag)	54,656	44.03	66,063	44.43	54,414	53.54
Cement (Bulk)	65,382	52.67	76,459	51.42	46,503	45.75
Clinker	4,107	3.31	6,178	4.15	720	0.71
<b>Total</b>	<b>124,145</b>	<b>100.00</b>	<b>148,700</b>	<b>100.00</b>	<b>101,637</b>	<b>100.00</b>

The Company's revenue grew by 19.78% from LAK 124,145 million in FYE 2014 to LAK 148,700 million in FYE 2015 and subsequently fell by 31.65% to LAK 101,637 million in FYE 2016.

### 12.2.2 Cost of Goods Sold

Table 31: Cost of Goods Sold

	FYE 2014		FYE 2015		FYE 2016	
	LAK million	%	LAK million	%	LAK million	%
Raw materials	12,361	12.51	14,071	11.99	9,237	11.26
Parts and consumables	37,162	37.62	51,303	43.70	28,659	34.95
Depreciation expenses	23,041	23.33	24,625	20.98	20,178	24.60
Personnel expenses	10,005	10.13	8,544	7.28	9,212	11.23
Others	16,204	16.41	18,849	16.05	14,730	17.96
	<b>98,773</b>	<b>100.00</b>	<b>117,392</b>	<b>100.00</b>	<b>82,016</b>	<b>100.00</b>

The Company's cost of goods sold increased by 18.85% from LAK 98,773 million in FYE 2014 to LAK 117,392 million in FYE 2015 and decreased by 30.13% to LAK 82,016 million in FYE 2016.

Parts and consumables form a major component of the Company's cost of goods sold and had increased by 38.05% from LAK 37,162 million in FYE 2014 to LAK 51,303 million in FYE



2015 and decreased by 44.14% to LAK 28,659 million in FYE 2016. Raw coal is one of the essential consumables within the production of cement, which contributed higher proportion of manufacturing cost. The Company's raw coals are currently obtained from a few local suppliers. In order to improve cost efficiency and mitigate the raw coal price volatility, the Company plans to expand its operation to upstream sector, by explore and develop a raw coal reserve and mine for the Company's own consumption.

Personnel expenses decreased progressively in line with the decrease of number of employees (including technical, manufacturing and supervisory, but excluding managerial and professional, clerical and administrative and sales and marketing) from 395 as at 31 December 2014 to 385 as at 31 December 2015 and to 375 as at 31 December 2016 due to decrease in manpower requirement.

Depreciation of building and structure, and machinery and equipment increased by 6.87% from LAK 23,041 million in FYE 2014 to LAK 24,625 million in FYE 2015 but decreased by 18.06% to LAK 20,178 million in FYE 2016. The plant commenced its operation in 2002 and most of the machinery and equipment were operated since its commencement. The Company acquired more machinery and equipment to replace existing aged, outdated or worn-out machinery and equipment, in order to increase production efficiency and reduce regular maintenance cost.

### **12.2.3 Gross Profit**

The Company recorded an improve in gross profit margin (GP margin) from 20.44% in FYE 2014 to 21.05% in FYE 2015 but decline to 19.30% in FYE 2016. The trend in GP margin from FYE 2014 to FYE 2016 was due to the movement in cost of operation. As the Company's production is greatly limited by its annual production capacity of 210,000 tons, when the Company's actual production exceed its annual production capacity (supported by proper maintenance and minimum productions downtime period), will eventually create economic of scale for the Company, i.e. increase production efficiency with increasing size of operation, resulting in decreasing cost and thus increasing GP margin. On the contrary, when the Company's actual production cannot surpass its annual production capacity, higher cost of operation will occurred, eventually causing gross profit margin erosion.

### **12.2.4 Other Operating Income**

Other operating income decreased by 95.87% from LAK 1,114 million in FYE 2014 to LAK 46 million in FYE 2015 but increased by 1728.26% to LAK 841 million in FYE 2016. Other operating income is mainly derived from gains from transportation services. The Company hires transportation companies to deliver its products to their customers and charges the transportation cost to customer. Both receipt and payment of these services are offset and presented as net, recognized as either "other operating income" (if a net gain is occurred after offset) or "selling and distribution costs" (if a net loss is occurred after offset). The significant decreased in FYE 2015 was mainly due to net loss is occurred for



transportation services after offset, which recognized in selling and distribution cost, resulting lower other operating income.

### 12.2.5 Selling and Distribution Costs

The breakdown of the Company's selling and distribution costs are as follows:

Table 32: Selling and Distribution Costs

	FYE 2014		FYE 2015		FYE 2016	
	LAK million	%	LAK million	%	LAK million	%
Transportation costs	-	0.00	2,767	36.88	366	17.04
Sales bonus	2,940	61.29	3,220	42.91	-	0.00
Personnel expenses	904	18.84	856	11.41	958	44.60
Depreciation expenses	198	4.13	192	2.56	191	8.89
Other selling and distribution costs	755	15.74	468	6.24	633	29.47
	<b>4,797</b>	<b>100.00</b>	<b>7,503</b>	<b>100.00</b>	<b>2,148</b>	<b>100.00</b>

Selling and distribution costs primarily consist of transportation costs, sales bonus, personnel expenses and depreciation expenses and other selling and distribution costs.

Selling and distribution costs had increased by 56.41% from LAK 4,797 million in FYE 2014 to LAK 7,503 million in FYE 2015 but decreased by 71.37% to LAK 2,148 million in FYE 2016. The increase from FYE 2014 to FYE 2015 was mainly due to increase in losses from transportation services, caused by timing difference between transportation cost charged to customers and invoiced by transportation service providers. The decrease from FYE 2015 to FYE 2016 was mainly due to reduction in sales bonus and transportation cost. Reduction in sales bonus was due to over-accrual of sales bonus in previous years, which offset with sales bonus of FYE 2016, led to a net sales bonus of LAK 0 recorded in FYE 2016. Reduction in transportation cost was due to high base number in FYE 2015.

### 12.2.6 Administrative Expenses

Table 33: Administrative Expenses

	FYE 2014		FYE 2015		FYE 2016	
	LAK million	%	LAK million	%	LAK million	%
Personnel expenses	4,083	35.26	4,250	39.12	2,681	34.38
Technical fees	1,586	13.69	1,640	15.10	1,663	21.33



	FYE 2014		FYE 2015		FYE 2016	
	LAK million	%	LAK million	%	LAK million	%
Depreciation expenses	1,147	9.90	1,177	10.83	481	6.17
Other administrative expenses	4,765	41.15	3,797	34.95	2,973	38.13
	<b>11,581</b>	<b>100.00</b>	<b>10,864</b>	<b>100.00</b>	<b>7,798</b>	<b>100.00</b>

Administrative expenses primarily consist of personnel expenses, technical fees, depreciation expenses and other administrative expenses.

Administrative expenses decreased by 6.19% from LAK 11,581 million in FYE 2014 to LAK 10,864 million in FYE 2015 and by 28.22% to LAK 7,798 million in FYE 2016. The decrease in FYE 2015 was mainly due to other administrative expenses which decreased from LAK 4,765 million in FYE 2014 to LAK 3,797 million in FYE 2015. The decrease in FYE 2016 was mainly due to personnel expenses which decreased from LAK 4,250 million in FYE 2015 to LAK 2,681 million in FYE 2016, which caused by welfare benefit of managerial level was paid through welfare fund reserve, in accordance with the resolution of annual board meeting in FYE 2016. Despite the decrease in personnel expenses, the number of employees employed in the managerial and professional and clerical and administrative increased from 19 as at 31 December 2014 to 28 as at 31 December 2015 and to 41 as at 31 December 2016.

The Company ability to nimbly adapt to the year's challenging environment saw it successfully reducing the administrative expenses, mainly personnel expenses at the desired level by managing resources more efficiently.

### 12.2.7 Operating Profit

The Company's effort in cost management resulting an improvement in operating profit margin (OP margin), despite operating profit for these three years were fluctuated. The Company recorded an improve in OP margin from 8.14% in FYE 2014 to 8.73% in FYE 2015 and further improve to 9.30% in FYE 2016.

### 12.2.8 Finance Income and Finance Cost

Finance income relates to interest income from saving deposits placed with financial institutions and unrealized gain from foreign exchange transactions. The Company's finance income increased by 61.34% from LAK 507 million in FYE 2014 to LAK 818 million in FYE 2015 but decreased by 83.13% to LAK 138 million in FYE 2016. The increase/decrease in finance income was in line with the movement in saving deposits placed with the financial institutions.

Finance costs relates to the Company's interest expense on borrowings taken for the Company's working capital. The Company's finance cost was increased by 45.26% from LAK 2,740 million in FYE 2014 to LAK 3,980 million in FYE 2015 but decreased by 51.36% to LAK 1,936 million in FYE 2016. The Company obtained overdraft facility and short-term facilities (payable within 12 months) from Lao China Bank in FYE 2014. The increase of finance cost



in FYE 2015 was mainly due to increased borrowings due to the above mentioned overdraft facility and short-term loans. The decrease of finance cost in FYE 2016 was mainly due to abolishment of overdraft facility and replaced with short-term loans with lower interest rate.

### 12.2.9 Profit before Tax

The Company's PBT was increased by 24.76% from LAK 7,875 million in FYE 2014 to LAK 9,825 million in FYE 2015, as a result of higher production output and efficient cost management in FYE 2015.

The Company's PBT was decreased by 22.08% from LAK 9,825 million in FYE 2015 to LAK 7,656 million in FYE 2016. It was mainly due to lower production output, as a result of longer production downtime period in FYE 2016, despite costs were well managed during the period.

### 12.2.10 Income Tax Expense

Table 34: Income Tax Expense

	FYE 2014	FYE 2015	FYE 2016
Taxation recognized in the income statement (in million kip)	1,949	1,965	2,246
Company's privilege tax rate (%)	20.00%	20.00%	20.00%
Effective tax rate (%)	24.75%	20.00%	29.34%

The Company is subject to income tax at the applicable statutory tax rate in Lao PDR. However, according to Amended Investment Certificate dated 17 November 1998, the Company was granted with an exemption from corporate income tax for 4 years commencing from the first year for earning profit and a 50% reduction on the application corporation income tax rate, i.e. 20% for the following 2 years. The Company has the obligation to pay income tax at the rate of 20% after the tax deduction period. The first year of earning profits is financial year ended 31 December 2005. Accordingly, the Company's taxable income for the year 2014, 2015 and 2016 would be subject to the income tax rate of 20%.

Effective tax rate in FYE 2014 was higher at 24.75%. It was mainly due to higher taxable profit for the year ended 31 December 2014 was assessed by the tax authorities, based on the Tax Assessment No. 2488/MoF.TF dated 17 March 2015 issued by the Ministry of Finance.

Effective tax rate in FYE 2015 is equals to company's privilege tax rate.

In FYE 2016, effective tax rate was higher at 29.34% as compared to 20.00% in FYE 2015. The higher effective tax rate in FYE 2016 was mainly due to higher taxable profit after adjustments made to profit before tax on provision for doubtful debt and unrealized foreign exchange gains, and additional income tax was imposed for the year 2015 as a result of tax assessment conducted in FYE 2016.





### 12.2.11 Net Profit

The Company's net profit was increased by 32.64% from LAK 5,926 million in FYE 2014 to LAK 7,860 million in FYE 2015. It was due to higher production output and efficient cost management in FYE 2015 which also contributed to an increase of net profit margin (NPM) from 4.77% in FYE 2014 to 5.29% in FYE 2015. The Company's net profit was decreased by 31.17% from LAK 7,860 million in FYE 2015 to LAK 5,410 million in FYE 2016. However, NPM increased from 5.29% in FYE 2015 to 5.32% in FYE 2016 due to costs were well managed during the period.

## 12.3. Report and Analysis of Financial Position

### 12.3.1. Analysis of Total Assets

Table 35: Analysis of Total Assets

Description	2014		2015		2016	
	LAK million	%	LAK million	%	LAK million	%
Non-Current Assets	56,505	41.10	50,434	40.52	47,748	37.92
Current Assets	80,962	58.90	74,040	59.48	78,166	62.08
<b>Total Assets</b>	<b>137,467</b>	<b>100.00</b>	<b>124,474</b>	<b>100.00</b>	<b>125,914</b>	<b>100.00</b>

As at 31 December 2014, 2015 and 2016, the Company had total assets of LAK 137,467 million, LAK 124,474 million and LAK 125,914 million, respectively, where current assets contributed 58.90%, 59.48% and 62.08% of total assets for the year 2014, 2015 and 2016, respectively.

### 12.3.2. Analysis of Current Assets

Table 36: Analysis of Current Assets

Description	2014		2015		2016	
	LAK million	%	LAK million	%	LAK million	%
Other current assets	70	0.09	70	0.09	198	0.25
Inventories	42,939	53.03	41,328	55.82	37,223	47.62
Other receivables	1,547	1.91	821	1.11	18	0.02
Amounts due from related parties	3	0.01	-	0.00	-	0.00
Advances to suppliers	1,686	2.08	198	0.27	2,262	2.90
Trade receivables	25,334	31.29	24,070	32.51	29,420	37.64



Description	2014		2015		2016	
	LAK million	%	LAK million	%	LAK million	%
Cash	9,383	11.59	7,553	10.20	9,045	11.57
<b>Total non-current assets</b>	<b>80,962</b>	<b>100.00</b>	<b>74,040</b>	<b>100.00</b>	<b>78,166</b>	<b>100.00</b>

“Inventories”, “trade receivables” and “cash” are the major asset classes within current asset, which in total, contributed 95.91%, 98.53% and 96.83% of total current assets as at 31 December 2014, 2015 and 2016, respectively.

### 12.3.3. Analysis of Non-current Assets

Table 37: Analysis of Non-current Assets

	FYE 2014		FYE 2015		FYE 2016	
	LAK million	%	LAK million	%	LAK million	%
Property, plant and equipment	53,179	94.11	46,980	93.15	43,715	91.55
Construction in progress	2,377	4.21	2,568	5.09	3,210	6.72
Intangible assets	328	0.58	328	0.65	329	0.69
Other non-current assets	621	1.10	558	1.11	494	1.04
<b>Total current assets</b>	<b>56,505</b>	<b>100.00</b>	<b>50,434</b>	<b>100.00</b>	<b>47,748</b>	<b>100.00</b>

As for non-current asset, most of it is formed by “property, plant and equipment”, which made up of about 94.11%, 93.15% and 91.55% of total non-current assets as at 31 December 2014, 2015 and 2016, respectively.

Return on assets (ROA) stood at 4.31%, 6.31% and 4.30% in FYE 2014, FYE 2015 and FYE 2016, respectively.

### 12.3.4. Analysis of Current Liabilities

Table 38: Analysis of Current Liabilities

	FYE 2014		FYE 2015		FYE 2016	
	LAK million	%	LAK million	%	LAK million	%
Trade payables	5,198	6.67	10,600	16.86	7,359	11.10
Advance from customers	159	0.20	264	0.42	413	0.62
Amounts due to related parties	2,156	2.77	1,714	2.73	3,015	4.54
Borrowings	42,532	54.60	17,482	27.80	19,776	29.82



Statutory obligations	3,674	4.72	3,754	5.97	4,143	6.25
Payables to employees	1,909	2.45	1,442	2.29	-	0.00
Interest payables	235	0.30	-	0.00	-	0.00
Welfare fund reserve	9,032	11.60	9,812	15.60	8,003	12.07
Other payables	12,997	16.69	17,819	28.33	23,610	35.60
<b>Total current liabilities</b>	<b>77,892</b>	<b>100.00</b>	<b>62,887</b>	<b>100.00</b>	<b>66,319</b>	<b>100.00</b>

As at 31 December 2014, 2015 and 2016, the Company had total liabilities of LAK 77,892 million, LAK 62,887 million and LAK 66,319 million, respectively, where total liabilities are only comprise of current liabilities, i.e. the Company does not have any non-current liability for the past three consecutive years. The major components of current liabilities are “borrowings”, “trade payables”, “other payables” and “welfare fund reserve”, which in total, contributed 89.56%, 88.59% and 88.59% of total current liabilities as at 31 December 2014, 2015 and 2016.

### 12.3.5. Analysis of Working Capital

The Company’s working capital is funded through cash generated from the Company’s operating activities and borrowings from financial institutions, as well as the Company’s existing cash.

As at 31 December 2016, the Company has cash of LAK 9,045 million and total borrowings of LAK 19,776 million. As at 31 December 2016, the Company has working capital of LAK 11,847 million being the difference between current assets of LAK 78,166 million and current liabilities of LAK 66,319 million.

The Company’s current ratio increased from 1.04 times as at 31 December 2014 to 1.18 times as at 31 December 2015. Current assets decreased by LAK 6,922 million from FYE 2014 to FYE 2015 arising mainly from decrease in inventories, cash and advances to suppliers, which is in line with the Company’s increased revenue in FYE 2015. Current liabilities also decreased by LAK 15,005 million from FYE 2014 to FYE 2015, arising mainly from decreased in borrowings, which offset by the increased in trade and other payables.

The Company’s current ratio in FYE 2016 remained at 1.18 times, as compared with FYE 2015. The Company’s current assets and current liabilities increased by LAK 4,126 million and LAK 3,432 million from FYE 2015 to FYE 2016 respectively, resulting in a similar current ratio in FYE 2016. The Company’s trade receivables increased by LAK 5,350 million whilst short term borrowings increased by LAK 2,294 million from FYE 2015 to FYE 2016.

### 12.3.6. Analysis of Inventories

Inventories fell by 3.75% from LAK 42,939 million in FYE 2014 to LAK 41,328 million in FYE 2015 and by 9.93% to LAK 37,223 million in FYE 2016. Days sales of inventory decreased from 159 days in FYE 2014 to 128 days in FYE 2015 but increased to 166 days in FYE 2016. The days sales of inventory are greatly affected by the nature of this industry and external factors such as weather and season.



The high day sales of inventory are also affected by the turnover of the Company's materials on site, spare parts and consumables, which are part of inventories, as the Company needs to pre-order those materials on site, spare parts and consumables and keep them ready on site at the plant in order to perform the maintenance services. This pre-ordering of materials on site, spare parts and consumables enables the work orders to be completed faster, hence reducing downtime for the production due to maintenance works.

The management is of the view that no further impairment is required for inventory as at 31 December 2016.

### 12.3.7. Analysis of Trade Receivables

Trade receivables was decreased by 4.99% from LAK 25,334 million in FYE 2014 to LAK 24,070 million in FYE 2015 but increased by 22.23% to LAK 29,420 million in FYE 2016. The Company's days sales outstanding decreased from 74 days in FYE 2014 to 59 days in FYE 2015. The decrease in the Company's day sales outstanding in FYE 2015 was due to improvement in collections from customers. The Company's days sales outstanding increased from 59 days in FYE 2015 to 106 days in FYE 2016 due to slower repayment from the customers during FYE 2016.

The days sales outstanding in FYE 2014, FYE 2015 and FYE 2016 are exceed the normal credit period of up to 30 days. Extension of credit period up to 180 days are normally granted to regular customers as a part of sales strategy and customers' loyalty maintained with the customers.

Debt exceeding the credit terms of 180 days amounted to LAK 1,950 million or 6.40% of the total trade receivables in FYE 2016. No debt exceeding the average credit terms of 180 days in FYE 2014 and FYE 2015. A significant portion of these overdue trade receivables are regular customers that have been transacting with the Company for an extensive period of time. As at 31 December 2016, the Company only recorded LAK 109 million of trade receivables which are past due between 1 and 2 years and LAK 651 million past due more than 2 years, which are deemed to have higher credit risk.

### 12.3.8. Analysis of Cash

The breakdown of cash is as follows:

Table 39: Analysis of Cash

<i><b>In Million Kip</b></i>	<b>2014</b>	<b>2015</b>	<b>2016</b>
Cash on hand	948	391	835
Cash in banks	8,435	7,162	8210
<b>Total cash</b>	<b>9,383</b>	<b>7,553</b>	<b>9,045</b>

The Company's cash are mostly held in LAK, USD and THB. Where cash are held in USD and THB, there will be exchange rate fluctuations on the cash held.



Cash was decreased by 19.50% from LAK 9,383 million in FYE 2014 to LAK 7,553 million in FYE 2015 and increased by 19.75% to LAK 9,045 million in FYE 2016. The decrease in FYE 2015 was mainly due to using cash generated from operating activities amounting LAK 23,891 million, along with a portion of existing cash to repay bank borrowings amounting LAK 25,050 million. The increase in cash in FYE 2016 was mainly derived from cash generated from operating activities and net proceeds from bank borrowings, after investing in property, plant and equipment.

### 12.3.9. Analysis of Property, Plant and Equipment

The Company incurred capital expenditure (capex) for the following financial years, the breakdown of which is as follows:

Table 40: Analysis of Addition to Property, Plant and Equipment

<i><b>In Million Kip</b></i>	<b>2014</b>	<b>2015</b>	<b>2016</b>
Buildings and structures	9	31	215
Machinery and equipment	39	1,162	4,454
Means of transportation	43	-	-
Leasehold improvement	30	67	31
Office equipment	27	23	28
Others	4	14	6
Constructions in progress	1,021	191	642
<b>Total</b>	<b>1,173</b>	<b>1,488</b>	<b>5,376</b>

In FYE 2014, the Company incurred higher capex on construction in progress to explore opportunity on upstream business and production capacity expansion. In FYE 2015, the Company incurred capex on machinery and equipment to expand the Company's operational facilities. In FYE 2016, machinery and equipment was the highest capex incurred by the Company of LAK 4,454 million as a continuous effort to expand the Company's operational facilities.

The increase in capex for the past three financial years was an essential measurement taken by the Company in order to stay competitive within the industry. The Company's capex for the past three financial years was solely depended on the Company's ability to generate sufficient cash flows from operations.

Return on fixed assets (ROFA) stood at 11.14%, 16.73% and 12.38% in FYE 2014, FYE 2015 and FYE 2016, respectively.



### 12.3.10. Analysis of Borrowings

Borrowings fell by 58.90% from LAK 42,532 million in FYE 2014 to LAK 17,482 million in FYE 2015 but grew by 13.12% to LAK 19,776 million in FYE 2016. The Company has substantial short-term borrowings, which mostly comprise of secured term loans. Short-term borrowings remained as a source of working capital.

As at 31 December 2016, the Company's total outstanding borrowings, all of which were interest-bearing, amounting to LAK 19,776 million, as set out below:

Table 41: Analysis of Borrowings

<b><i>In Million Kip</i></b>	<b>Interest rate</b>	<b>Total</b>
Term loans - secured	8.00%	<b>19,776</b>
<b>Interest bearing debt to equity ratio</b>		<b>0.33</b>

All the secured term loans are payable within 12 months and denominated in LAK. The term loans were used as working capital to support the Company's operation. The term loans are secured by the land and house in Vientiane bought by the Company but registered under the name of Mr. Vanhthong Sithikoun, the former president of the Company.

The Company has not defaulted on payment of principal sums and/or interests in respect of any borrowings throughout FYE 2014, FYE 2015 as well as FYE 2016. The Company is not in breach of any terms and conditions or covenants associated with the credit arrangements or borrowings which can materially affect the Company's financial position and results of business operations.

The Company's interest bearing debt to equity ratio decreased significantly from 0.71 times as at 31 December 2014 to 0.28 times as at 31 December 2015 mainly due to the decrease in loans and borrowings by LAK 25,050 million. The interest bearing debt to equity ratio increased from 0.28 times as at 31 December 2015 to 0.33 times as at 31 December 2016 mainly due to the increase in loans and borrowings by LAK 2,294 million in FYE 2016.

### 12.3.11. Analysis of Trade Payables

Trade payables grew by 103.92% from LAK 5,198 million in FYE 2014 to LAK 10,600 million in FYE 2015 but fell by 30.58% to LAK 7,359 million in FYE 2016. Day payable outstanding for FYE 2014 is within the normal credit terms of 30 days granted by the Company's creditor but exceed the normal credit terms of 30 days in FYE 2015 and FYE 2016. The days payable outstanding had increased marginally over the past three years i.e. 19 days in FYE 2014, 33 days in FYE 2015 and 33 days in FYE 2016 was due to better relationships and consequently, longer credit terms given by some of the Company's suppliers.

As at 31 December 2016, there is no dispute in respect of trade payables and no legal action initiated by our suppliers to demand for payment.



### **12.3.12. Analysis of Other Payables**

Other payables increased by 37.10% from LAK 12,997 million in FYE 2014 to LAK 17,819 million in FYE 2015 and by 32.50% to LAK 23,610 million in FYE 2016. The increase was mainly due to increase in dividend payable to shareholders, from 12,936 million in FYE 2014 to LAK 17,747 million in FYE 2015 and to LAK 23,520 million in FYE 2016, as a result of the existing shareholders' plan to utilize its dividend to pay for unpaid share capitals and increase its registered capitals by reinvest its dividend to the Company. Along with the Company's plan to IPO, the existing shareholders plan to increase its share capital from LAK 8,360 million to LAK 14 billion during the Company's restructuring phase, in order to maximize its benefits and maintain its controls as the major shareholders.

### **12.3.13. Analysis of Welfare Fund Reserve**

Welfare fund reserve was increased by 8.64% from LAK 9,032 million in FYE 2014 to LAK 9,812 million in FYE 2015 but decreased by 18.44% to LAK 8,003 million in FYE 2016. Welfare fund reserve is an employee-related benefit compensation plan created by the Company. According to the Article of Association, welfare fund reserve is set up for retirement and welfare benefit of the Company's employees. The Company appropriates a portion of its net profit for contribution into this reserve. The appropriation amount and disbursement is determined by the Company's Board of Directors on an annual basis.

In FYE 2014, FYE 2015 and FYE 2016, the Company appropriated 10% of its profits respectively into this reserve. Disbursement was happened in FYE 2016 only, where LAK 2,795 million had been disbursed to employees.

### **12.3.14. Analyze of Shareholders' Equity**

As at 31 December 2014, 2015 and 2016, the total shareholders' equity increased from LAK 59,575 million or 43.34% of total assets to LAK 61,587 million or 49.48% of total assets but decreased to LAK 59,595 million or 47.33% of total assets, respectively. The registered capital and paid up capital for the Company as at 31 December 2014, 2015 and 2016 are LAK 8,360 million and LAK 3,631 million, respectively

The major portion of shareholders' equity is formed by retained earnings, which made up of about 63.48%, 61.50% and 56.08% of total shareholders' equity as at 31 December 2014, 2015 and 2016, respectively.

Return on equity (ROE) stood at 9.95%, 12.76% and 9.08% in FYE 2014, FYE 2015 and FYE 2016, respectively.





## Part 2

### Information relating to the offer

The following section outlines information relating to the shares of the Company and ownership rights of the shareholders based on the Company's Article of Association (AOA) and the relevant laws and regulations of Lao PDR.

#### 1. Description of Shares

##### 1.1 General

The Company was registered as a limited company that produces and sells cement and other cement related product under license enterprise No. 791/ERO dated 13 November 2015 with registered capital of LAK 8,360,000,000 which consists of 100,000 shares with a par value of LAK 83,600 per share, where CYC and DAI hold 60 and 40 percent respectively.

According to the minutes of the Board of Directors' Meeting No. 01, dated 28 October, 2016, the shareholding ratio was changed and registered with the Ministry of Industry and Commerce under the Business License No. 1016/ERO dated 5 December 2016. The shareholding ratio for CYC and DAI was changed to 51% and 49% respectively.

According to the minutes of the 2<sup>nd</sup> Annual General Meeting of Shareholders on 14 December 2016, CYC and DAI approved the following agenda: 1) reduce par value from LAK 83,600 to LAK 2,000; 2) increase registered capital from LAK 8,360,000,000 to LAK 14,001,400,000, representing an increase of 2,620,500 shares; 3) subscribe to the following additional capital: CYC subscribed 1,438,200 shares, amounting LAK 2,876,400,000 and DAI subscribed 1,381,800 shares, amounting to LAK 2,763,600,000; and 4) offer a total of 700 shares to 7 external investors.

According to the minutes of the 3<sup>rd</sup> Annual General Meeting of Shareholders on 30 December 2016, all shareholders approved the agenda to change company status from limited company to public company and registered with the Ministry of Industry and Commerce under the Business License No. 0247/ERO date 24 March 2017 with registered capital of LAK 14,001,400,000 which consists of 7,000,700 shares with a par value of LAK 2,000. Currently, LCC operates under the Business License No. 1055/ERO, date 31 October 2017 with the registered capital of LAK 14,001,400,000, which consists of 28,002,800 shares with a par value of LAK 500.

In order to promote the company in its IPO, the Company's par value of LAK 2,000 is further reduced to LAK 500 and thus increased the Company's shares to 28,002,800 shares. A total new share of 12,001,200 shares is offered to the public during the IPO.



## 1.2 Capital

The Company's capital stipulated in this prospectus is LAK 20,002,000,000 consisting of 40,004,000 shares, with a par value of LAK 500 per share.

After the IPO, the financial advisor and underwriter, Lao-China Securities Company Limited, shall propose to list all shares of the Company on LSX. The Company expects the proposal will be approved for the implementation, and the qualification of the Company will be in line with LSX's regulation.

## 1.3 Limitations of Foreign Shareholders

According to the regulation on the management on securities trading of foreign investors in Lao PDR (revised) No. 005/LSCO, dated 8 December 2015, foreign investors can hold stocks of a listed securities company or a listed company following the order set out in Article 8 of the regulation as follows:

- 1) As required by the laws of the relevant sector;
- 2) In accordance with the resolution of the shareholder meeting of the issuing company or the registered company;
- 3) According to the LSCO;

Based on the resolution of the issuance of IPO, the Company agreed not to limit foreign shareholder ratio and are able to hold a maximum of 100% of the total shares in order to comply with the regulation on the management on securities trading of foreign investors in Lao PDR (revised) No. 005/LSCO, dated 8 December 2015, Article 8.

There are no restrictions on foreign investor's shareholding proposed by the law of the relevant sector. Therefore, the limitations of foreign shareholders shall complied with the resolution of the shareholders' meeting of the Company.

## 1.4 Shareholders Meeting

According to the Enterprise Law and the Company's regulation, the Board of Directors shall call for the annual general meeting of the shareholders of the Company at least once a year, before April of each year. The Board of Directors shall call for extraordinary general meeting of shareholders when: 1) absence of external auditor; 2) more than half of the directors of the Board of Directors agreed to call for shareholders' meeting; 3) shareholder proceed for lawsuit at the court and the court order to call for shareholders' meeting; and 4) shareholder(s) that held at least 20 percent of the total shares of the Company call for shareholders' meeting, in writing and inform the purpose of meeting. The Board of Directors shall call for extraordinary general meeting of shareholders within 30 days from the date of received the notification.

According to the law, a notice of a shareholders' meeting shall be directly sent via the appropriate channels to all shareholders of the Company at least 5 days prior to convening the meeting day.

After listed on LSX, the Company must comply with the LSCO regulation on shareholders' meeting of the listed company No. 0006/LSCO dated 10 February 2016 and follow the guidance of the shareholders' meeting of the listed company.



According to the guidance of the shareholders' meeting of the listed company as mentioned above, when the Board of Directors call for a shareholders' meeting, the Board of Directors is responsible to consider and propose agenda to be approved by the shareholders. Notices and documents must be submitted to the shareholders listed on the shareholders' book and must be notified in advance of 10 business days before the convening the meeting day.

The quorum for a shareholders' meeting of the Company shall be at least two shareholders representing more than half of total paid up shares.

### **1.5 Voting Right**

A shareholder is generally entitled to one vote per share. A resolution may be approved at the general meeting by simply majority vote. However, specific matters require approval from votes of at least two-third of shareholders or their proxies attending the meeting and more than 80% of total shares contributed. The following matters related to the Company require special resolution of the shareholders are:

- Voting on matters specified by the Enterprise Law
- Amending the Article of Association (AOA) or Memorandum of Association (MOA).
- Increasing or decreasing the capital of the Company
- Merger or dissolution of the Company
- Sale or transfer of all or substantial part of the Company's business to another person.
- Purchase or acceptance of the business of other enterprise.

Pursuant to the Enterprise Law, a shareholder may be prohibited from voting on matter in which they are involved or directly or indirectly attributable to their personal gain or benefit. The participating members in the shareholders' meeting shall determine whether a shareholder falls within this scope.

### **1.6 Dividend Payment**

The shareholders' meeting resolution for the dividend payment approval is for (1) annual dividend payment and (2) interim dividend payment. The interim dividend payment must be approved by shareholders' meeting resolution or the shareholders may authorize the Board of Directors to approve interim dividend payment. The interim dividend payment can be paid, considering current financial condition and appropriateness, but it must accord with related regulation. The Company plans to distribute its current retained earnings within 3 years.

The dividend distribution policy of not less than 50 percent of the net profit (after deducting legal reserve and other non-regulatory reserve funds) may change from time to time, upon the consideration and approval of the shareholders on aspects such as economic conditions, cash flows, investment plans, regulations and capital adequacy for business expansion in the future of the Company as well as law and regulation.



The dividend shall be paid in LAK and shareholders of the Company will be granted an income tax exemption for the dividend received from the Company according to the law and regulation of the LSCO.

### **1.7 Pre-emptive Right on Shares Offering and Additional Shares Issuance**

Pursuant to the Enterprise Law, the Company is required to call for a shareholders' meeting to seek for approval on any increase of the Company's registered capital. Existing shareholders have the rights to subscribe for the additional shares according to their share proportion. If the existing shareholders could not manage to subscribe their proportion of the additional shares within the stipulated timeframe, the Company shall consider the shareholder has given up its rights to subscribe, thus the Company could offer the additional shares to other existing shareholders.

An increase in registered capital shall be registered with the MOIC within 10 business days from the date specified for the payment of subscribed shares.

In addition, after the registration of the increase of capital, the Company shall give public notice of the increase within 10 business days from the registration date.

### **1.8 Right on Settlement**

In the event of liquidation, the assets remaining after distribution to the creditors in full shall be distributed to the shareholders in proportion to the number of shares held by the shareholders.

### **1.9 Shareholder Register Book**

The Company shall record name and surname, address and nationality of the shareholders in the shareholder book herein after it's called "shareholder register book".

### **1.10 Disclosure of Financial Statements**

The Enterprise Law provides that the Board of Directors must cooperate with the independent auditor by providing clarifications on the source and accuracy of numbers and information appearing in the financial statements before submitting them to the shareholders' meeting for approval. The financial statements must be certified by the independent auditor and approved by the shareholders at the annual general meeting.

In addition, the Reporting and Disclosure of Information No. 007/LSC, dated 3 April 2014 requires the Company to prepare and submit the audited annual financial statements and reviewed quarterly financial statements to LSCO. Moreover, the Company is subject to further requirements of the LSX.

Under the Regulation regarding Reporting and Disclosure of Information No. 007/LSC, dated 3 April 2014, the normal reporting and disclosure of information is on a quarterly, half-yearly, and yearly basis.

- (1) Quarterly reporting and disclosure: The securities issuing companies and the listed companies are required to report and disclose information for the first and the third



quarters of the year within 45 days from the end of the first and the third quarter respectively. The quarterly report shall include the summary of the Company's business operation for that quarter and the financial statements certified by its accounting department, internal audit department, and directors.

- (2) Semi-annual reporting and disclosure: The securities issuing companies and the listed companies are required to report and disclose information for the first half of the year within 60 days from the end of the second quarter. The report shall include the summary of the Company's business operation for the first half of the year and the financial statements which have been examined by an independent auditor approved by the LSCO and have been accepted by the Company's Board of Directors' meeting. The semi-annual financial statements shall also include the Company's information for the second quarter.
- (3) Annual reporting and disclosure: The securities issuing companies and the listed companies are required to report and disclose information for the year within 120 days from the end of each fiscal year. The report shall include the summary of the Company's business operation for the year and the financial statements which have been examined by an independent auditor approved by the LSCO and have been accepted by the shareholders' meeting. Such annual financial statements shall also include the Company's information for the fourth quarter.

## 2. Share Transfer Restriction

Upon the certain period, the promoters of the Company are restricted to transfer their shares at least 10% of registered capital within 2 years from the date of registering as public company in consistent with Enterprise Law. In addition, if the Company is listed on LSX, according to listing regulation of LSX, No. 005/LSX, dated 26<sup>th</sup> November 2015, the largest shareholders and related parties shall be restricted to transfer all shares within 6 months from the listing date (Silent Period).

## 3. Determination of Offering Prices

The determination of the offering price is based on "Price to Earnings per Share" (P/E Ratio). The Company has determined an offering price not lower than book value per share and a P/E ratio not more than 16 as below:

Table 42: Determination of Offering Prices

Before IPO Subscription	Book Value	Shares	BVPS
	67,080,728,164	28,002,800	2,396
After IPO Subscription	Book Value	Shares	BVPS
	95,883,678,164	40,004,000	2,397



Before IPO Subscription				
Net Profit 2016	Shares	EPS	Price	P/EPS
5,410,000,000	28,002,800	193.19	2,400	12.42
After IPO Subscription				
Estimate Net Profit 2017	Shares	EPS	Price	P/EPS
6,177,000,000	40,004,000	154.41	2,400	15.54

## 4. Distribution, Subscription and Allocation of IPO

### 4.1 Distribution Method

The shares are being distributed and offered in a public offering by the Underwriter and through the Selling Agent to investors inside Lao PDR and overseas.

- The distribution of IPO

- The distribution of 12,0001,200 shares of this IPO shall be distributed to both public investors in the Lao PDR and overseas;
- The shares offered in this IPO do not have any specific policy on the number of shares and offering price to be offered to specific parties;

### 4.2 Information of Underwriter and Selling Agents

#### 4.2.1 Information on Underwriter

Lao-China Securities Company Limited is the first securities company to be established under the cooperation between Lao PDR and the People's Republic of China, which has been granted license from the Lao PDR and commenced operation on 21 June 2013 with a registered capital of LAK 100 billion, which operates a full-service securities business:

- Brokerage on stock trading;
- Financial advisory and underwriting
- Proprietary trading and others as permitted by the LSCO.

LCS assists businesses and companies in Lao PDR to capitalize on capital markets, improve corporate structure and list on the LSX. LCS also assists on strengthening business operation, reduce financial cost and raise company's standards.

LCS has a vision of creating "mutual benefit", LCS focuses on providing unique quality services and offering products and modern financial service model to investors, serves as a link between investors and local and foreign capital markets, by a team of highly experienced experts from both international and domestic.



LCS's office is located at:

Lao Securities Exchange Building

6<sup>th</sup> Floor, Kamphaengmaueng Road (T4),

Phonthan Neua Village, Xaysetha District, Vientiane Capital.

Telephone: (856-21) 419 212

Fax: (856-21) 419221

Call center: (856-21) 419210-1

Website: www.lcs.com.la

#### 4.2.2 Settlement Bank

Banque Pour Le Commerce Extérieur Lao Public, as the representative bank for settlement of the Underwriter, investors in Lao PDR and overseas can open a bank account in LAK with the settlement bank to subscribe the ordinary shares for this offering. Please see the details below:

Table 43: Branches of Settlement Bank

1	Banque Pour Le Commerce Extérieur Lao Public(Head Office)	No. 01, Pangkham Road, XiengNgeun Village, Chanthabouly District, Vientiane Capital	Tel: (856-21) 213200-1 , (856 21) 223243-4 (856-21) 217899 , (856-21) 222495 Fax: (856-21) 213202 , (85621) 223012, (856-21) 214944 Email: bcelhovt@bcel.com.la, bcelhqv@bcel.com.la P.O Box: 2925 Swift Code: COEBLALA
2	Champasak Branch	No. 11, Phatthanalakmuang Village, Pakse District, Champasak Province	Tel: (856-31) 213207 Fax: (856-31) 213206 P.O box: 789 Swift Code: COEBLALA
3	Phongsaly Branch	Route Phoufa, Chommouang village, Phongsaly District, Phongsaly Province	Tel: (856-88) 210224 Fax: (856-88) 210221 Email: bcelpsl@bcel.com.la Swift Code: COEBLALA
4	Luangprabang Branch	Route Kaison, Phonepheng village, Luangprabang District, Luangprabang province	Tel: (856-71) 252814 Fax: (856-71) 260598 Email: bcellpb@bcel.com.la





			P.O Box: 534 Swift Code: COEBLALA
5	Xayabouly Branch	Route Kaison, Simoaung Village, Xayabouly District, Xayabouly Province	Tel: (856-74) 260038 Fax: (856-74) 211318 Email: bcelxyb@bcel.com.la Swift Code: COEBLALA
6	Khammouane Branch	Route Vientiane, Chomthong Village, Thakhek District, Khammouane Province	Tel: (856-51) 212689, 212688, Fax: (856-51) 212685, 214409, Email: bcelkmn@bcel.com.la Swift Code: COEBLALA
7	Xiengkhouang Branch	Route No. 7 Xaysana, Phonsavanh Tai Village, Paek District, Xiengkhouang Province	Tel: (856-61) 213297 Fax: (856-61) 213293 Email: bcelxkh@bcel.com.la Swift Code: COEBLALA
8	Dongdok Branch	Route No. 13 North, Khamhung Village, Xaythany District, Vientiane Capital	Tel: (856-21) 771495 Fax: (856-21) 771496 Email: bcelddb@bcel.com.la
9	Vientiane Capital Branch	Route ASEAN, thongkhankham Village, Chanthabouly District, Vientiane Capital	Tel: (856-21) 213205, 219763, 219764 Fax: (856-21) 219765 Email: bcelvtc@bcel.com.la P.O Box: 2925 Swift Code: COEBLALA
10	Borikhamsay Branch	Route No. 13 South, Phonxaynue Village, Paksan District, Borikhamsay Province	Tel: (856-54) 280112 Fax: (856-54) 790918 Email: bcelblx@bcel.com.la Swift Code: COEBLALA
11	Bokeo Branch	Route Saikang, Yaihuaysainue Village, Huaysai District, Bokeo Province	Tel: (856-84) 212170 Fax: (856-84) 212169 Email: bcelbok@bcel.com.la
12	Vang-Vieng Branch	Route Kang-Muang, Sawang Village, Vangvieng District, Vientiane Province	Tel: (856-23) 511434 Fax: (856-23) 511433 Email: bcelvv@bcel.com.la Swift Code: COEBLALA



13	Savannakhet Branch	Route Lathsavongseuk, Sounantha Village, Kaisonephomvihan District, Savannakhet Branch	Tel: (856-41) 212261 Fax: (856-41) 212723 Email: bcelsvn@bcel.com.la Swift Code: COEBLALA
14	Saravan Branch	Route No. 15A, Nahlek Village, Saravan Province	Tel: (856-34) 212016 Fax: (856-34) 212037 Email: bcelslv@bcel.com.la Swift Code: COEBLALA
15	Luangnamtha Branch	Route Luangnamtha, Phonxay Village, Luangnamtha District, Luangnamtha Province	Tel: (856-86) 211316 Fax: (856-86) 212334 Email: bcellnt@bcel.com.la Swift Code: COEBLALA
16	Huaphan Branch	Route Phathy, Phanxay Village, Xamnue District, Huaphan Province	Tel: (856-64) 312178 Fax: (856-64) 312090 Email: bcelhpn@bcel.com.la
17	Attapeu Branch	Route No. 16I, phonsawang Village, Samakhixay District, Attapeu Province	Tel: (856-36) 210062-0, 211929 Fax: (856-36) 211939, 210063 Email: bcelatp@bcel.com.la
18	Oudomxay Branch	Route 13 North, Nahwannoy Village, Xay District, Oudomxay Province	Tel: (856-81) 211260 Fax: (856-81) 212234 Email: bcelodx@bcel.com.la Swift Code: COEBLALA
19	Xekong Branch	Route No. 16, Maihuamuang Village, Lamam District, Xekong Province	Tel: (856-38) 211689 Fax: (856-38) 211689 Email: bcelsek@bcel.com.la Swift Code: COEBLALA
20	Phonhong Branch	Route No. 13 north, Phonhong Village, Phonhong District, Vientiane Province	Tel: (856-23) 212171 Fax: (856-23) 212173 Swift Code: COEBLALA

**Source:** Banque Pour Le Commerce Exterieur Lao Public

#### 4.2.3 Underwriting Condition

The Company has appointed Lao-China Securities Company Limited to be the Underwriter for the total 12,001,200 shares by guaranteeing the purchase of the remaining shares. On the underwriting condition of the Company's shares in this IPO, the Company and



the Underwriter shall comply with the term and conditions that stipulated in the underwriting agreement.

#### **4.3 Estimated Expenditures in relation to the Offer**

The Company shall pay the underwriting fees to the Underwriter. The Selling Agents shall receive partial commission for taking underwriting from the Underwriter. The total expenditures in relation to the offer excluding underwriting fees shall be paid mostly by the Company and it is expected to be approximately LAK 1.5 billion.

### **5. Subscription on IPO**

#### **5.1 Procedures for Obtaining Prospectus and Subscription Form**

The prospectus and the share subscription form will be available to investors at LCS's office on 6th floor, LSX Building, Kamphaengmaueng Road (T4), Phonthan Village, Xaysetha District, Vientiane Capital, Lao PDR from 8.30 am to 3.30 pm from 21 December 2017 to 04 January 2018 hereafter referred to as "subscription period".

#### **5.2 Subscription Method**

A subscriber can obtain the subscription form at the Underwriter, within the Subscription Period specified in this section. The subscriber must clearly fill out the subscription form, have its authorized signatory to sign together with the Company's seal affixed (if any), and must pay a subscription price according to the procedures in this section, by the end of the Subscription Period.

In this Offering, the subscription shall be at the minimum amount of 100 shares and in multiples of 100 shares.

A subscriber must fully and clearly fill out the subscription form and submit all documents as shall be required by the Underwriter together with the full payment of the subscription price to the Underwriter. A subscriber must make a subscription payment in a full amount of the share subscription by cash transferring into the shown account number on the subscription form so that the Underwriter could receive such amounts within the last day of subscription.

A subscriber shall bring (1) subscription form and (2) identification document and (3) prove of transfer/deposit with an amount equal or exceed the subscription amount to subscriber's securities trading account (similar to securities trading process) and submit those documents to Lao-China Securities Company Limited at 6<sup>th</sup> floor, LSX building, Kamphaengmeuang T4 Rd, Saysetha district, Phonethan Neua Village, Vientiane Capital, Lao PDR within due and time defined on the subscription form.



Required certification documents:

- (1) For Lao individual: A certified copy of Lao ID card
- (2) For Foreign individual: A certified copy of passport
- (3) Letter of attorney: in case there is a third person to be a subscriber's representative
- (4) Juristic person: A certified copy of the passport or Lao ID card of authorized person(s) and/or copies of certificate of incorporation (if any)

The Underwriter and Selling Agents must issue a certification as an evidence for the subscribers, the Underwriter and Selling Agents have to notify the subscribers the number of allocated shares, procedure and settlement period.

### **5.3 Subscription Payment Method**

Investors who wish to subscribe for the IPO are required to deposit or transfer sufficient amount of fund into the shares subscription account with Lao-China Securities Company Limited as specified in the subscription form. Those who wish to transfer fund from their securities account with respective securities brokers shall authorize their securities brokers to transfer the fund equal to their subscription amount into the shares subscription account as specified in the subscription form.

The subscribers shall be responsible for any fees and charges incurred by the bank and losses incurred due to foreign currency exchange (if any) and provide the proof of payment to the underwriter before the end of the subscription period. Any successful subscriptions are non-cancellable and not subject to refund except those stipulated in 6.2. "Refund of Subscription Payment".

## **6. Allocation of Shares**

### **6.1 Shares Allocation Principal**

After the underwriter and selling agents has already completed the share subscription process accordingly, the share allocation to investor will be completed within 5 business days after the share subscription period has been ended. To ensure the right and maximize the benefit of the investors and the Company, the underwriter shall have discretion to allocate the shares to any or all of the investors in accordance with the Company's best interest, which may be based on first come first serve or averaging method or others, as deemed appropriate according to the relevant regulations.

However, the underwriter and selling agent reserve the right to refuse a subscription for the shares according to the subscription form where the underwriter or selling agent (as the case may be) deems that such subscription does not comply with the subscription method, in order to smooth all of the process and made in the best interests of the Company. In the case all offering shares are booked prior the subscription closed, the underwriter shall close the subscription period before as stated in above.



## 6.2 Refund of Subscription Payment

According to Article 19 of the regulation on issuance of shares No. 018/LSC on 27 July 2015, the underwriter shall send a refund of subscription payment to the subscribers who do not receive the full allotment of the shares in this IPO for which they subscribed by mean of a wire transfer to the subscriber's bank account within 5 business days from the end of the Offering Period.

Failing to made refund within 5 business days, the underwriter shall be liable to pay the relevant subscribers default interest at the saving interest rate of the bank designated by the underwriter.

## 7. Delivery of Share

The share registrar shall deposit the shares in the securities account of the subscribers through registered brokers who have opened accounts on behalf of their clients as notified by the subscribers in the subscription forms. The shares will then be registered and deposited at the Securities Depository Center of the LSX.

## 8. Use of Proceeds

The net proceeds from the Offering is to facilitate the Company to: i) increase its clinker production capacity from 700 ton per day to 1,000 ton per day and cement production capacity from 850 ton per day to 1,200 ton per day by performing technological upgrade to its existing production facilities in order to satisfy the increasing demand from existing and new customers; and ii) fund its daily working capital. The details are as follows:

Table 44: Use of Proceeds

Purpose		Required Amount	Use of Proceeds	Estimated Timeframe
1	Technological upgrade	Approximately LAK 30 billion	Approximately LAK 30 billion	2017 - 2020
2	Daily working capital	Approximately LAK 900 million	Approximately LAK 900 million	2017
<b>Total</b>			<b>Approximately 30.9 billion</b>	



### Part 3

## Certification of the Accuracy of the Lao Prospectus

### 1. Certification of the Accuracy by the Company

We have reviewed the information contained herein the Lao Prospectus and with cautious as the position of the Chief Executive Officer and certified that such information is accurate and complete.

IN WITNESS WHEREOF, we also certified that all the information in this document is certified true and correct as the same set. We hereby authorized Mr. Zhang Li to countersign on every page of this document. Document will be considered an uncertified document without the countersign of Mr. Zhang Li.


#### Signatures by the Board of Directors of the Company

Name	Position	Signature
Mr. Liu Wei	Chairman of the Board of Directors	
Mr. Bounpang Bouaphun	Vice President of the Board of Directors	
Mr. Zhang Li	Board members	
Mr. Zhao Shi	Board members	
Mr. Jie Yao Qi	Board members	



Mr. Khambon Xaylaowvong	Board members	
Mr. Thongpon Kingkhamphet	Board members	
Mr. Xiao Jie	Board members	
Mr. Li Chun Bo	Board members	
Mr. Vongvichit Keovongkod	Board members	

### Signatures by Accounting & Finance Department

Name	Position	Signature
Mr. Chen Wei	Head of Accounting – Financial Department	

### Authorized Person

Name	Position	Signature
Mr. Zhang Li	Managing Director / Board Member	



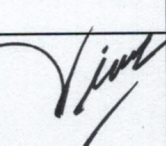


## 2. Certification of the Accuracy by the Financial Advisor

This prospectus is a part of the IPO listing application documents of Lao Cement Public Company made by the Company and Lao-China Securities Company Limited under the financial advisory agreement for Initial Public Offering.

We hereby certified that the analysis, value estimation and word definition in this prospectus is prepared according to the information provided by Lao Cement Public Company.

### Lao-China Securities Company Limited

Name	Position	Signature
Mr. Bounthavy SIDAVONG	Deputy Managing Director	

**Bounthavy SIDAVONG**



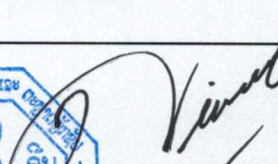


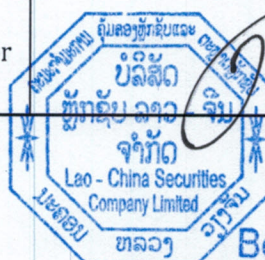
### 3. Certification of the Accuracy by the Underwriter

This prospectus is a part of the IPO listing application documents of Lao Cement Public Company made by the Company and Lao-China Securities Company Limited under the underwriting agreement for Initial Public Offering.

We hereby certified that the analysis, value estimation and word definition in this prospectus is prepared according to the information provided by Lao Cement Public Company.

#### Lao-China Securities Company Limited

Name	Position	Signature
Mr. Bounthavy SIDAVONG	Deputy Managing Director	



Bounthavy SIDAVONG



**Appendix 1    Financial Statements**

**Appendix 2    Subscription Form**