

**Lao China Bank Co., Ltd**

Financial Statements

For the year ended 31 December 2022



# Lao China Bank Co., Ltd

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# Lao China Bank Co., Ltd

## GENERAL INFORMATION

### THE BANK

Lao China Bank Co., Ltd (the "Bank") is a joint venture bank established in Lao People's Democratic Republic ("Lao PDR") between Banque Pour Le Commerce Exterieur Lao Public (39.87%) and Fudian Bank Co., Ltd (60.13%). The Bank operates under Banking License No. 20/BOL granted by Bank of the Lao PDR ("the BOL") on 20 January 2014. The latest business license is no. 0839/ERO, dated 26 April 2022.

The initial registered capital of the Bank is LAK 300,000,000,000. The actual paid-up capital as at 31 December 2022 is LAK 379,879,082,826 (31 December 2021: LAK 379,879,082,826).

The principal activities of the Bank are to provide comprehensive banking and related financial services in Lao PDR.

The Bank is located at Lao China Bank Head Office Building, No. 268, Unit 12, Sibounheuang Village, Chanthabouly District, Vientiane Lao PDR. As at 31 December 2022, the Bank has 01 (one) Head Office and 01 (one) branch in Luangnamtha Province, Lao PDR.

### BOARD OF DIRECTORS

Members of the Board of Directors during the year ended 31 December 2022 and at the date of these financial statements are as follows:

<i>Name</i>	<i>Title</i>	<i>Date of appointment/resignation</i>
Mr. Viengsouk Chounthavong	Chairman	Appointed on 26/08/2021
Mr. Yang Yong	Vice chairman	Appointed on 08/04/2022
Mr. Kith Sangsinsay	Member	Appointed on 26/08/2021
Mr. Fu Zhiqian	Independent member	Appointed on 26/08/2021
Mr. Wan Zhiteng	Member	Appointed on 26/08/2021

### MANAGEMENT

Members of the Management during the year ended 31 December 2022 and at the date of these financial statements are as follows:

<i>Name</i>	<i>Position</i>	<i>Date of appointment/resignation</i>
Mr. Wan Zhiteng	General Director	Appointed on 08/10/2021
Mr. Yang Ming	Deputy General Director	Resigned on 21/03/2022
Mr. Bounlath Soutisack	Deputy General Director	Appointed on 19/06/2019
Mr. Xiao Wei	Deputy General Director	Appointed on 10/08/2022

# Lao China Bank Co., Ltd

GENERAL INFORMATION (continued)

## **LEGAL REPRESENTATIVE**

The legal representative of the Bank from 01 January 2022 to this report date is Mr. Wan Zhiteng - General Director.

## **AUDITORS**

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

# Lao China Bank Co., Ltd

## REPORT OF MANAGEMENT

Management of Lao China Bank Co., Ltd (“the Bank”) is pleased to present this report and the Bank’s financial statements for the year ended 31 December 2022.

### MANAGEMENT’S RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

Management is responsible for the preparation of the financial statements of each financial year in accordance with the Accounting Law of the Lao PDR and the regulations stipulated by Bank of the Lao PDR relevant to preparation and presentation of financial statements. In preparing those financial statements, management is required to:

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

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

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

### STATEMENT BY MANAGEMENT

Management does hereby state that, in its opinion, the accompanying financial statements are prepared, in all material respects, in accordance with the Accounting Law of Lao PDR and the regulations stipulated by Bank of the Lao PDR relevant to preparation and presentation of financial statements.

For and on behalf of Management:

  
  
Mr. WAN ZHITENG  
General Director  
Lao China Bank Co., Ltd

Vientiane, Lao PDR

07 April 2023

Reference: 11487079/66942223-LAS

## **INDEPENDENT AUDITORS' REPORT**

**To: The Owners of Lao China Bank Co., Ltd**

### ***Opinion***

We have audited the financial statements of Lao China Bank Co., Ltd ("the Bank"), which comprise the statement of financial position as at 31 December 2022, the income statement, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Bank are prepared, in all material respects, in accordance with the Accounting Law of Lao PDR and with the regulations stipulated by Bank of the Lao PDR relevant to preparation and presentation of financial statements.

### ***Basis for Opinion***

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the ethical requirements that are relevant to our audit of the financial statements in Lao PDR, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### ***Emphasis of Matter – Basis of Accounting***

We draw attention to Note 2 to the financial statements, which describes the accounting policies adopted by the Bank. These accounting policies are not intended to present the financial position, the results of operations and cash flows of the Bank in accordance with international generally accepted accounting principles. Our opinion is not modified in respect of this matter.

### ***Responsibilities of the Bank's Management and Board of Directors for the Financial Statements***

The Bank's management is responsible for the preparation and presentation of the financial statements in accordance with the Accounting Law of Lao PDR and with the regulations stipulated by Bank of the Lao PDR relevant to preparation and presentation of financial statements, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

The Board of Directors are responsible for overseeing the Bank's financial reporting process.

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ▶ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



ERNST & YOUNG

Saman Wijaya Bandara  
Partner  
Audit Practising Registration  
Certificate No. 014/LCPAA-APT-2019

Vientiane, Lao PDR

07 April 2023

# Lao China Bank Co., Ltd

INCOME STATEMENT  
for the year ended 31 December 2022

Code	ITEMS	Notes	2022 LAK	2021 LAK
<b>A.</b>	<b>OPERATING INCOME AND EXPENSES</b>			
1.	Interest and similar income	3	95,727,383,131	58,977,980,057
2.	Interest and similar expense	3	(48,585,352,776)	(28,907,113,504)
<b>I.</b>	<b>NET INTEREST AND SIMILAR INCOME</b>		47,142,030,355	30,070,866,553
3	Fee and commission income	4	4,987,362,095	10,075,039,763
4	Fee and commission expense	4	(321,642,619)	(339,195,128)
5	Net gain from dealing in foreign currencies	5	48,987,105,427	15,195,156,321
<b>II.</b>	<b>NET OPERATING INCOME</b>		100,794,855,258	55,001,867,509
<b>B</b>	<b>OTHER INCOME AND EXPENSES</b>			
6	Other operating income	6	5,884,200	863,394,597
7	Administration expenses		(40,390,231,972)	(21,719,217,088)
7.1	Payroll and other staff costs	7	(17,014,037,286)	(11,855,519,272)
7.2	Other administration expenses	8	(23,376,194,686)	(9,863,697,816)
8	Depreciation and amortization charges		(8,553,227,372)	(7,942,533,989)
9	Other operating expenses	9	(2,861,633,868)	(5,826,013,400)
10	Net provision charges for non-performing loans	14.2	(11,775,000,000)	(13,250,000,000)

# Lao China Bank Co., Ltd

INCOME STATEMENT (continued)  
for the year ended 31 December 2022

Code	ITEMS	Notes	2022 LAK	2021 LAK
III.	PROFIT BEFORE TAX		37,220,646,246	7,127,497,629
11	Current profit tax	19	(8,616,607,557)	(3,402,830,169)
IV.	PROFIT AFTER TAX		28,604,038,689	3,724,667,460

Prepared by:



Mrs. YANG RONG  
Head of Accounting and Finance  
Department

Reviewed by:



Mr. WAN ZHITENG  
General Director

Vientiane, Lao PDR

07 April 2023

# Lao China Bank Co., Ltd

## STATEMENT OF FINANCIAL POSITION as at 31 December 2022

Code	ASSETS	Notes	31/12/2022 LAK	31/12/2021 LAK
<b>I</b>	<b>Cash and balances with Bank of the Lao PDR (“the BOL”)</b>		<b>247,086,736,575</b>	<b>317,428,603,226</b>
1	Cash on hand	10	62,576,072,422	45,744,609,655
2	Balance with the BOL	11	184,510,664,153	271,683,993,571
<b>II</b>	<b>Due from other banks</b>		<b>516,109,557,052</b>	<b>527,617,647,955</b>
1	Demand deposits	12.1	130,889,557,052	236,367,747,955
2	Term deposits	12.2	385,220,000,000	291,249,900,000
<b>III</b>	<b>Investment in securities</b>	<b>13</b>	<b>92,328,000,000</b>	<b>69,580,000,000</b>
<b>IV</b>	<b>Loans to customers, net of specific provision for credit activities</b>	<b>14</b>	<b>894,639,525,483</b>	<b>487,701,848,635</b>
<b>V</b>	<b>Property, equipment and right of use assets</b>		<b>73,576,229,694</b>	<b>78,784,327,055</b>
1	Fixed assets under purchasing or constructing	15.1	68,940,000	3,457,904,026
2	Tangible fixed assets	15.2	72,068,627,027	74,020,731,366
3	Right of use assets	15.3	1,438,662,667	1,305,691,663
<b>VI</b>	<b>Other assets</b>		<b>17,166,380,041</b>	<b>12,569,518,722</b>
1	Accrued interests		12,234,926,645	8,168,569,165
2	Tax advance	19	1,190,246,342	1,190,246,342
3	Other assets	16	3,741,207,054	3,210,703,215
	<b>TOTAL ASSETS</b>		<b>1,840,906,428,845</b>	<b>1,493,681,945,593</b>

# Lao China Bank Co., Ltd

STATEMENT OF FINANCIAL POSITION (continued)  
as at 31 December 2022

Code	LIABILITIES AND CAPITAL	Notes	31/12/2022 LAK	31/12/2021 LAK
<b>I</b>	<b>Due to other banks and other entities</b>	<b>17</b>	<b>293,392,481,810</b>	<b>148,699,073,150</b>
1	Demand deposit		13,370,100,000	755,373,150
2	Term deposits		131,289,600,000	33,946,500,000
3	Borrowings		148,732,781,810	113,997,200,000
<b>II</b>	<b>Due to customers</b>	<b>18</b>	<b>1,051,103,777,704</b>	<b>893,064,881,063</b>
1	Demand and daily deposits		247,978,035,509	261,994,635,294
2	Saving deposits		145,005,121,031	135,961,480,317
3	Term deposits		654,600,561,836	494,807,415,797
4	Margin deposit		3,520,059,328	301,349,655
<b>III</b>	<b>Other liabilities</b>		<b>55,219,517,130</b>	<b>29,160,772,382</b>
1	Accrued interest		28,740,729,644	18,423,745,896
2	Tax and other payable to the state budget	19	595,805,586	3,468,557,954
3	Other payables	20	24,402,421,998	5,949,876,684
4	Lease liabilities	15.3	1,480,559,902	1,318,591,848
	<b>TOTAL LIABILITIES</b>		<b>1,399,715,776,644</b>	<b>1,070,924,726,595</b>
<b>IV</b>	<b>Capital and reserves</b>			
1	Paid-up capital	21	379,879,082,826	379,879,082,826
2	Regulatory reserve		7,554,644,000	4,694,240,131
3	Business expansion reserve		8,546,155,200	8,546,155,200
4	General provision for credit activities	14.2	6,069,107,749	2,841,687,235
5	Retained earnings		39,141,662,426	26,796,053,606
	<b>TOTAL CAPITAL</b>		<b>441,190,652,201</b>	<b>422,757,218,998</b>
	<b>TOTAL LIABILITIES AND CAPITAL</b>		<b>1,840,906,428,845</b>	<b>1,493,681,945,593</b>

# Lao China Bank Co., Ltd

STATEMENT OF FINANCIAL POSITION (continued)  
as at 31 December 2022

Code	OFF BALANCE SHEET ITEMS	Notes	31/12/2022 LAK	31/12/2021 LAK
<b>I</b>	<b>Commitments</b>			
1	Commitments for financing given to customers		3,520,059,328	301,349,655
	<b>TOTAL COMMITMENTS GIVEN</b>		<b>3,520,059,328</b>	<b>301,349,655</b>
<b>II</b>	<b>Collaterals and Mortgages</b>			
<b>A</b>	<b>Collaterals and Mortgages for loans</b>			
1	Collaterals and Mortgages for loans to customers		5,327,841,875,582	2,784,202,019,000
<b>B</b>	<b>Collaterals and Mortgages for guarantees</b>			
1	Collaterals and Mortgages for guarantees given to customers		-	-
	<b>TOTAL COLLATERALS AND MORTGAGES</b>		<b>5,331,361,934,910</b>	<b>2,784,503,368,655</b>

Prepared by:



Mrs. YANG RONG  
Head of Accounting and Finance  
Department

Reviewed by:



Mr. WAN ZHITENG  
General Director

Vientiane, Lao PDR

07 April 2023

# Lao China Bank Co., Ltd

STATEMENT OF CHANGES IN EQUITY  
for the year ended 31 December 2022

ITEMS	Paid-up capital LAK	Regulatory reserves LAK	General provision for credit activities LAK	Business expansion reserves LAK	Retained earnings LAK	Total LAK
<b>Balance as at 31/12/2020</b>	<b>300,000,000,000</b>	<b>4,321,773,385</b>	<b>3,077,117,523</b>	<b>8,546,155,200</b>	<b>23,443,852,892</b>	<b>339,388,899,000</b>
Paid up capital during the year	79,879,082,826	-	-	-	-	79,879,082,826
Net profit for the year	-	-	-	-	3,724,667,460	3,724,667,460
Appropriation to regulatory reserves	-	372,466,746	-	-	(372,466,746)	-
Net provision charged during the year	-	-	(539,041,913)	-	-	(539,041,913)
Foreign exchange difference	-	-	303,611,625	-	-	303,611,625
<b>Balance as at 31/12/2021</b>	<b>379,879,082,826</b>	<b>4,694,240,131</b>	<b>2,841,687,235</b>	<b>8,546,155,200</b>	<b>26,796,053,606</b>	<b>422,757,218,998</b>
Paid up capital during the year	-	-	-	-	-	-
Net profit for the year	-	-	-	-	28,604,038,689	28,604,038,689
Appropriation to regulatory reserves	-	2,860,403,869	-	-	(2,860,403,869)	-
Net provision charged during the year	-	-	2,649,474,336	-	-	2,649,474,336
Foreign exchange difference	-	-	577,946,178	-	-	577,946,178
Dividend payment	-	-	-	-	(13,398,026,000)	(13,398,026,000)
<b>Balance as at 31/12/2022</b>	<b>379,879,082,826</b>	<b>7,554,644,000</b>	<b>6,069,107,749</b>	<b>8,546,155,200</b>	<b>39,141,662,426</b>	<b>441,190,652,201</b>

Prepared by:



Mrs. YANG RONG  
Head of Accounting and Finance Department  
Vientiane, Lao PDR  
07 April 2023

Reviewed by:



Mr. WAN ZHITENG, Ltd  
General Director ຫລວງ

# Lao China Bank Co., Ltd

## STATEMENT OF CASH FLOWS for the year ended 31 December 2022

ITEMS	Notes	2022 LAK	2021 LAK
<b>OPERATING ACTIVITIES</b>			
<b>Net profit before tax</b>		<b>37,220,646,246</b>	<b>7,127,497,629</b>
<i>Adjustments for:</i>			
Depreciation and amortization charges	15	8,553,227,372	7,942,534,227
Loan loss provision expenses	14	13,553,311,136	18,289,369,213
Interest Income		(95,727,383,131)	(58,977,980,057)
Interest Expense		48,585,352,776	28,907,113,504
<b>Operating profit before changing in operating assets and liabilities</b>		<b>12,185,154,399</b>	<b>3,288,534,516</b>
<i>(Increase)/Decrease in operating assets</i>			
Balances with other banks		(82,598,923,831)	30,757,564,626
Loans and advances to customers		(417,841,513,648)	(176,378,342,365)
Other assets		8,020,375,949	1,378,781,979
<i>Increase/(Decrease) in operating liabilities</i>			
Deposits and borrowings from other banks		109,957,826,850	(70,548,130,725)
Customer deposits and other amounts due to customers		158,038,896,641	188,980,034,477
Other liabilities		9,494,038,865	(2,373,069,537)
Profit tax paid during the year	19	(11,423,632,140)	(1,479,943,569)
Interest received		91,661,025,650	54,638,329,291
Interest paid		(38,268,369,028)	(24,977,018,812)
<b>Net cash flows (used in)/from operating activities</b>		<b>(160,775,120,293)</b>	<b>3,286,739,881</b>
<b>INVESTING ACTIVITIES</b>			
Payments to acquire property and equipment		(2,801,112,491)	(4,266,490,836)
Proceeds from disposals of fixed assets		-	-
Payments for investment in bonds		(22,748,000,000)	(3,180,000,000)
<b>Net cash flows used in investing activities</b>		<b>(25,549,112,491)</b>	<b>(7,446,490,836)</b>
<b>FINANCING ACTIVITIES</b>			
Capital contribution and dividend payment		(13,398,026,000)	79,879,082,826
Increase in borrowings		34,735,581,810	55,267,600,000
<b>Net cash flows from financing activities</b>		<b>21,337,555,810</b>	<b>135,146,682,826</b>
Difference from foreign exchange		537,795,588	-
<b>Net change in cash and cash equivalents</b>		<b>(164,448,881,386)</b>	<b>130,986,931,871</b>

# Lao China Bank Co., Ltd

STATEMENT OF CASH FLOWS (continued)  
for the year ended 31 December 2022

ITEMS	Notes	2022 LAK	2021 LAK
Cash and cash equivalents at the beginning of the year		538,452,913,796	407,465,981,925
Cash and cash equivalents at the end of the year	22	374,004,032,411	538,452,913,796

Prepared by:



Mrs. YANG RONG  
Head of Accounting and  
Finance Department

Vientiane, Lao PDR

07 April 2023

Reviewed by:



Mr. WAN ZHITENG  
General Director