

Petroleum Trading Lao Public Company



Initial Public Offering (“IPO”) of
60,000,000 Ordinary shares with Par Value at LAK 2,000 per share

Offering Price:

Offering Price: LAK 4,000 per share allocating for investors in Lao PDR and international

Subscription Period:

Between 8.30 – 15.30, during 1st, 3rd, and 4th December 2014

Financial Advisor

APM(LAO) Securities Co., Ltd.

Lead Underwriter : Lanexang Securities Public Company
External Auditor : Ernst & Young Lao Co., Ltd.
Internal Auditor : PricewaterhouseCoopers (Lao) Co., Ltd.
Legal Advisor : Lao Premier International Law Office Limited

Prior to making a decision to invest, investors should exercise their own judgment when considering the information relating to the issuing company and the conditions of securities, including the suitability for investment and the relevant risk exposure. The effectiveness of this prospectus does not represent that the Lao Securities Commission Office (LSCO) or Lao Securities Exchange (LSX) has recommended investment in the securities, nor assured the value or returns on the securities, nor certified the accuracy and completeness of information contained in this prospectus. The liability for certification of the accuracy and completeness of information contained in this prospectus rests with the offers of securities.

If the prospectus contains any false or omits to state any material information which should be disclosed, securities holders shall be entitled to claim damages from the issuing company or the owner of the securities pursuant to the relevant laws and regulations in the Lao PDR.

Investor may review and request a copy of the registration statement and prospectus filed with the LSCO or via its website at <http://www.lsc.gov.la>

**Investing in the Company’s shares involves risk.
Investors should consider the information herein before making a decision to invest.**



Petroleum Trading Lao Public Company (“Company” or “PTL”) is offering 60,000,000 increased ordinary shares of the Company (“Shares”), in accordance with the rules and regulations of LSCO pursuant to the initial public offering (“IPO” or “Offer”)

As part of the offer, the Shares are being distributed and offered in public to investors in Lao PDR and international by Lanexang Securities Public Company (“LXS” or “Underwriter”) through Lao Development Bank (“LDB” or “Selling Agent”) which the offering to other countries outside of Lao PDR have been not obtained the approval in reliance on applicable laws except in Lao PDR.

A prospectus originally written in Lao language (“Lao prospectus”) has been filed with LSCO. The English translation (“English prospectus”) of the Lao prospectus was prepared by APM(LAO) Securities Co., Ltd. (“FA” or “APMLAO”) and the Company. Although care was taken to render the translation as reliable as possible, it does not carry any legal authority and no representation is made to its accuracy and the English translation is not a prospectus defined under the Securities Law No.21/NA (“SEC Law”). Only the original text written in the Lao language has legal force under the SEC law and the Lao law requires the distribution of a prospectus that has become effective under the SEC Law in connection with any public offering of Shares in Lao PDR. The Offer will be in compliance with the applicable rules and regulations of the LSCO and the Lao prospectus was prepared specifically for the initial public offering of the Shares in Lao PDR. No representation is being given that the form of contents of the Lao prospectus and English prospectus should be read together prior to making an investment decision to buy the Shares.

This Offer is the initial public offering of the Company’s Shares and if the LSX approves the initial listing application of the Company, the Company’s shares will be listed on the LSX. The LSX is a new secondary market which was established in October 2010. The Company will apply for the listing and trading of the shares on the LSX on date. The Company expects that its shares will be listed on the LSX and begin trading on or around date.

The Company expects that payment for the Shares will be within the offering period, in immediately available funds, that delivery of the Shares to shareholders will be made through the LSX’s depository with the Securities Depository Center and the Shares of the Company will be approved for listing on the LSX no more than 7 days after submitting the listing application.

Prior to investment in the Shares, investors should consider risks involved. Please read the sections titled “Risk Factors” prior to investing in the Shares”.

<p>Investing in the Company’s shares involves risk. Investors should consider the information herein before making a decision to invest.</p>

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<p>➤ Issuer Petroleum Trading Lao Public Company Kamphengmeuang Road, Phonthan Village, Saysettha District Vientiane Capital Tel/Fax: (+856 21) 264834 / (+856 21) 264836</p>	<p>➤ Financial Advisor APM (LAO) Securities Co., Ltd. Lao Securities Exchange Bldg., 7th Fl. T4 Road, Phonthan Neau Villange Saysettha District, Vientiane Capital Tel/Fax: (+856 21) 419170 / (+856 21) 419171</p>
<p>➤ Legal Advisor Lao Premier International Law Office Lao Securities Exchange Bldg., 7th Fl. T4 Road, Phonthan Neau Villange Saysettha District, Vientiane Capital Tel/Fax: (+856 21) 265471 / (+856 21) 265474</p>	<p>➤ Underwriter Lanexang Securities Public Company (LXS) Lao Securities Exchange Bldg., 5th Fl. T4 Road, Phonthan Neau Villange Saysettha District, Vientiane Capital Tel/Fax: (+856 21) 265461 / (+856 21) 265466</p>
<p>➤ External Auditor Ernst & Young Lao Co., Ltd. Capital Tower, 6th Fl. 23 Singha Rd., Nongbone Village Saysettha District, Vientiane Capital Tel/Fax: (+856 21) 455077 / (+856 21) 455078</p>	<p>➤ Internal Auditor PricewaterhouseCoopers (Lao) Co., Ltd. ANZ Commercial Building, 4th Fl. 33 Lane Xang Avenue, Ban Hatsady, Chanthabouly District, Vientiane Capital Tel/Fax: (+856 21) 222718-9 / (+856 21) 222723</p>
<p>➤ Selling Agent Lao Development Bank (LDB) Souphanouvong Avenue, Ban Sihome, Chanthabouly District Vientiane Capital Tel/ Fax: (+856 21) 21 213300-03 / (+856 21) 213304, (+856 21) 222506</p>	

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Definitions and Abbreviations

Term	Refers to:
Company or PTL	Petroleum Trading Lao Public Company
Financial Advisor or APMLAO or FA	APM (LAO) Securities Co., Ltd.
EY	Ernst & Young Lao Co., Ltd.
LPI	Lao Premier International Law Office
LSX	The Lao Securities Exchange
LSCO	The Lao Securities Commission Office
IPO	Initial Public Offering
Par Value	The Stated Value or Face Value
COCO	Company Owned Company Operated
CODO	Company Owned Dealer Operated
PLT	PLUS Platinum Gas Station
GLD	PLUS Gold Gas Station
STD	PLUS Standard Gas Station
THN	PLUS Thongthin Phathana Gas Station or PLUS Local Gas Station
THN-B	Thongthin Phathana Big
AEC	ASEAN Economic Community
ERP	Enterprise Resource Planning
EDC	Electronic Data Capture
Financial Statements	The financial statements, consisting of: 1) The Balance Sheet 2) The Income Statement 3) Statement of Cash Flow, which are reviewed and audited by EY for the years 2011, 2012 and 2013
Underwriter	Lanexang Securities Public Company or (“LXS”)
Underwriting Agreement	The Underwriting Agreements between the Company and the Underwriter
Offer or Combined Offer	The Initial Public Offering of the shares in accordance with the rules and regulations of the LSC pursuant to the initial public offering
Lao PDR	The Lao People’s Democratic Republic
LAK or Kip	The Lao Kip, which is the legal tender currency of Lao PDR
API	American Petroleum Institute
ISO 9001:2008	International Organization for Standardization 9001:2008 (Standard for Business Organization, Management and Quality)
ISO 14001:2004	International Organization for Standardization 14001:2004 (Standard for Environmental Control)



Term	Refers to:
OSHAS 18001:2007	The Occupational Health and Safety Advisory Services 18001:2007 (Standard for occupational health and safety management systems)
UKAS	United Kingdom Accreditation Service
Section 7 of Fuel Trade Act B.E. 2543	<p>Any person is fuel trader having trade volume of each type of fuel or in all types altogether per year from one hundred thousands metric tons or upwards, or fuel trader of only liquefied petroleum gas having trade volume per year from fifty thousands metric tons or upwards shall have a license to operate fuel trading granted by the Minister.</p> <p>Application for license, issuance of license and qualification of license holder shall be in accordance with the rules prescribed in the ministerial regulations.</p> <p>Any person applying for being fuel trader under this Section shall not be the fuel trader whose trading license has been revoked under Section 34 and the period from the revocation date is less than one year, and the directors, managers or persons authorized to act on behalf of the applicant shall not be the directors, managers or persons authorized to act on behalf of fuel trader whose trading license has been revoked, and the period from the revocation date is less than one year</p>
Section 12 of Fuel Trade Act B.E. 2543	<p>Any person being fuel transporter of the type and volume prescribed by the Minister shall be required to submit information in accordance with the forms prescribed by the Director- General within the period of sixty days from the date of such notification comes into force.</p> <p>After the Minister having notified the determination of type or volume of fuel mentioned in paragraph one or the alteration of the type or volume which has already been prescribed, fuel transporter being carrying out fuel transportation and required to submit information shall submit his information to the Director-General in accordance with the forms prescribed by the Director- General within sixty days from the date on which the notification comes into force.</p>



Term	Refers to:
	Where there is change in items filed under paragraph one or paragraph two, fuel transporter shall submit additional information in accordance with the forms prescribed by the Director-General within thirty days from the date of change.

The following summary may contain only some information that related to the Initial Public Offering (IPO) and may not contain all of the information that is important to investors. Investors should read this entire Prospectus, including the financial data and related notes and the “Risk Factors” before making an investment decision.

Part 1 Executive Summary

Executive Summary is a part in the prospectus, which is the information summary of the offering details, types and risk of the securities issuer (“Company”). Thus, investors should carefully pay attention to study in the prospectus filled to Lao Securities Commission Office (“LSCO”) in the website (<http://www.lsc.gov.la>).

Executive Summary of the Initial Public Offering (“IPO”) and listing in
Lao Securities Exchange (“LSX”)
Subscription Period: 1st, 3rd, and 4th December 2014

Offering Details:

Issuer:	Petroleum Trading Lao Public Company (“PTL”)
Registered Capital:	LAK 350,000,000,000
Business License:	418/ChorThorVor, dated on 14 October 2014
Business Type:	Importing and distributing fuels and petroleum products in full range service throughout Lao PDR
No. of offering shares:	60,000,000 shares
No. of shares to be listed:	235,000,000 shares
Par value:	LAK 2,000 per share
Offering Price:	LAK 4,000 per share

The offering:

- | | |
|---|-------------------|
| 1.) IPO to the investors inside Lao PDR: | 30,000,000 shares |
| 2.) IPO to the investors outside Lao PDR: | 30,000,000 shares |

Website: www.petrotradelaos.com

Future Plan and Proceeds of Funds

Objective	Total Investment amount (LAK)	Proceed of fund from IPO (LAK)	Estimated period of investment
1.) Investment in increasing 20 gas stations over the country	LAK 68 billion	Not less than LAK 54 billion	At the end of 2014 or early 2015
2.) Investment in the Company’s working capital for importing petroleum	LAK 80 billion	Not less than LAK 42 billion	2015
3.) Investment in logistic system	LAK 40 billion	Not less than LAK 24 billion	2015
<u>Total</u>	<u>LAK 188 billion</u>	<u>Not less than LAK 120 billion</u>	

Dividend Policy

The Company will pay the dividend to the shareholders not less than 50% of net profit after the deduction of necessary fee, legal reserve and other reserve (if any) in accordance with the law. In case of the Company has deficit in retain earnings in prior ten years, the dividend will not be paid.

The Board of Directors' resolution for dividend payment approval and number of time that the Company will pay the dividend, must be approved by the shareholders' meeting of the Company and rely on the related regulations which will depends on the economic situation, cash flow, investment plan, conditions and other Company's obligation as well as the law and the capital adequacy in order to business expansion in the future.

The dividend of shall be paid in LAK (Kip) currency and will be subject to tax exemption according to the laws and regulations of Lao PDR.

Details of Issuer

Petroleum Trading Lao Public Company ("Company" or "PTL") is a leading importer of petroleum in Lao PDR, the Company distributes fuel and petroleum products, consist of 5 products which are 1.Diesel, 2.Benzene Regular 91, 3.Benzene Super 95, 4.Bunker Oil and 5.Lubricant oil, through gas stations, construction projects, and other manufacturers. The products were imported from refineries in Thailand which are oil traders under Section 7 of the Fuel Oil Trading Act B.E.2543. The Company has been importing the petroleum from well-known suppliers, such as, Chevron (Thailand) Limited (Chevron), ESSO (Thailand) Public Company Limited (ESSO), IRPC Public Company Limited (IRPC) and The Shell Company of Thailand Limited (Shell). The imported petroleum will be preserved in 5 fuel depots which located in major cities that closed to the border of Thailand. They can store the oil up to 3,610,000 Liter. The Company sells the petroleum through their own retail gas stations under the trademark "PLUS" which currently have 107 branches over the country. The stations were managed under 2 models, which are Company Owned, Company Operated (COCO) for 8 stations, and Company Owned, Dealer Operated (CODO) for 99 stations. Moreover, the Company also sells the petroleum to Project client, Industrial factory, and wholesaler (Jobber) in Lao PDR

Shareholding Structure

Shareholders	Before IPO		After IPO	
	No. of shares	%	No. of shares	%
1. Mr. Chanthone's family	173,400,000	99.085%	173,400,000	73.789%
1.1 Mr. Chanthone Sitthixay	129,250,000	73.857%	129,250,000	55.000%
1.2 Mrs. Savanhthong Phongsavanh.	43,750,000	25.000%	43,750,000	18.617%
1.3 Mrs. Veunvisa Anoulangsy	100,000	0.057%	100,000	0.043%
1.4 Mr. Viengkhone Sitthixay	100,000	0.057%	100,000	0.043%
1.5 Mrs. Manivone Sitthixay	100,000	0.057%	100,000	0.043%
1.6 Mrs. Savanhphone Phongsavanh	100,000	0.057%	100,000	0.043%
2. Other shareholders	1,600,000	0.915%	1,600,000	0.680%
2.1 Mrs. Chanthadom Meksavanh	800,000	0.457%	800,000	0.340%
2.2 Mr. Bounthanh Chittavong	400,000	0.229%	400,000	0.170%
2.3 Mr. Takounsine Xaphakdy	400,000	0.229%	400,000	0.170%
3. Investors from IPO	-	-	60,000,000	25.531%
Total	175,000,000	100.000%	235,000,000	100.000%

Board of Directors and Audit Committee

No.	Name	Position
1	Mr. Vang Rattanavong	Chairman / Chairman of Audit Committee / Independent Director
2	Mrs. Savanhthong Phongsavanh	Vice Chairman
3	Mr. Chanthone Sithixay	Vice Chairman / Chief Executive Officer
4	Mrs. Daly Pholsena	Director / Vice Chairman of Audit Committee / Independent Director
5	Mr. Noupnan Mahaphone	Director / Audit Committee / Independent Director
6	Mrs. Chanthadom Meksavanh	Director
7	Mr. Bounthanh Chittavong	Director
8	Mr. Phoxay Chanthavongsa	Director
9	Mr. Viengkhone Sithixay	Director

Revenue Structure of the Company

Table: Revenue Structure based on products

Details	2011		2012		2013	
	Amount (LAK: millions)	%	Amount (LAK: millions)	%	Amount (LAK: millions)	%
1. Revenue from fuels and petroleum products	902,462	99.71%	1,022,507	100.34%	1,080,802	100.54%
Diesel	716,446	79.16%	856,412	84.04%	856,004	79.63%
Benzene Regular 91	184,669	20.40%	164,023	16.10%	221,343	20.59%
Benzene Super 95	-	-	-	-	1,139	0.10%
Bunker Oil	-	-	-	-	389	0.04%
Lubricant Oil	1,346	0.15%	2,072	0.20%	1,927	0.18%
2. Revenue from other products	2,618	0.29%				
Total Revenue	905,080	100.00%	1,022,507	100.34%	1,080,802	100.54%
Discount	-	-	(3,495)	(0.34%)	5,762	(0.54%)
Total Net Revenue	905,080	100.00%	1,019,012	100.00%	1,075,040	100.00%

Risk Factors

1. Business Risk
 - 1.1. Risk of fuel price fluctuation
 - 1.2. Risk from competition in business
 - 1.3. Risk from reliance on main supplier
 - 1.4. Risk from transportation
 - 1.5. Risk of CODO's contract renewal
2. Financial Risk
 - 2.1. Exchange Rate Risk
 - 2.2. Risk from lending to related company
3. Management Risk
 - 3.1. Risk from reliance on existing management
 - 3.2. Risk from controlling interest by the existing major shareholders
4. Offering Risk
 - 4.1. Liquidity risk from regulatory process of listing in the LSX

Summary of financial statement and performance

Details	2011	2012	2013
Total assets: (LAK: million)	202,814	280,883	561,573
Total liabilities: (LAK: million)	105,605	178,768	192,440
Total shareholders' equity: (LAK: million)	97,208	102,114	369,133
Total revenue: (LAK: million)	905,080	1,019,012	1,075,040
Cost of sale: (LAK: million)	(843,103)	(948,046)	(1,003,917)
Gross profit: (LAK: million)	61,977	70,966	71,123
Net profit: (LAK: million)	21,608	26,514	19,133
Earnings per share: (LAK/share)	21,608,372	26,514,447	109.33
Par value: (LAK/share)	75,600,000	75,600,000	2,000
Number of paid-up shares: (shares)	1,000	1,000	175,000,000
Debt to equity ratio: (times)	1.09	1.75	0.52
Return on assets: (%)	10.65%	10.96%	4.54%
Return on equity: (%)	22.23%	26.60%	8.12%

Management Discussion and Analysis on financial statement for the year 2011 - 2013

Operating result

Revenue from sales the product and service has been increased continuously was equal to LAK 905,080 million in 2011, increased to LAK 1,019,011 million in 2012 and increased to LAK 1,075,040 million in year 2013. From 2011 to 2012, the revenue was grew up 12.59%, and then grew up 5.50% in 2013 compared with the revenue from the previous year. The main revenue of the Company was the sales from fuel and petroleum products, which the Company invested throughout those years in order to top up the growth of petroleum industry both in wholesale and retail. During those years, the Company kept focus to invest for gas stations in CODO and logistics system which were the key factors to drive the Company's business both in wholesale and retail to grow continuously. At the same time, cost of sales and expenses were also keep growing corresponding with the business expansion such as interest payment, selling and administrative expenses, rental expenses, depreciation and amortization, utility expenses, and maintenance cost which increased as the assets increased. This resulted in total cost and expenses in the year 2011-2013 equal to LAK 31,398 million, LAK 38,615 million and LAK 46,682 million, respectively, thus, the expenses portion was grew from 3.47% in the year 2011, to be 3.79% in 2012 and 4.34% in 2013, which corresponding the same direction with the growth of revenue.

Net profit of the Company was equal to LAK 21,608 million in the year 2011, then increased to LAK 26,514 million in 2012 which growth up to 22.70% compare with year 2011. In 2012 the company has increasing revenue from selling equal to LAK 113,932 million or equal to 12.59% from the previous year and the Company was able to manage the cost margin efficiently at 93% of total revenue. In 2013 the net profit was LAK 19,133 million which decreased 27.84% compared with the previous year, due to the increasing of selling and administrative expenses by 22.44% of the total revenue compared with the previous year. Therefore, the net profit for the year 2013 had declined significantly, even though the interest and tax were decreased.

Financial Position

Assets

At the end of 31st December of 2011-2013 the Company has total asset of LAK 202,814 million, LAK 280,883 million and LAK 561,573 million respectively. The increase in total assets mainly came from increase in buildings, properties and equipment for operating, which resulted from expansion in number of gas stations in order to catch up the growth of demand, the increase in assets also caused by increase in trade receivables and other receivables corresponding with growth in the Company's operating results.

Liabilities

At the end of 31st December 2011, 2012, and 2013, the Company had total liabilities of LAK 105,605 million, LAK 178,768 million and LAK 192,440 million respectively. The increasing in total liabilities were mainly from the increasing in short-term loan and long-term loan from financial institutions as well as the liabilities under the financial lease agreements, in order to use for operating and expanding the business, and for using as a working capital. Moreover, the increase in liabilities also came from the increasing in trade payables and other payables corresponding with growth in the Company's operating results.

Shareholders' equity

At the end of 31st December 2011, 2012, and 2013, the Shareholder's equity were LAK 97,208 million, LAK 102,114 million and LAK 369,133 million respectively. The registered capital in 2011 to 2013 was equal to LAK 75,600 million, LAK 75,600 million, and LAK 350,000 million respectively. And the retained earnings were LAK 21,608 million, LAK 26,514 million, and LAK 19,133 million respectively.

Investor Relation: Mr. Khamphout Somboun
E-mail: khamphout.sb@petrotradelaos.com

Tel: (+85621) 264 834

1.1 Issuing Company

Petroleum Trading Lao Public Company (“Company” or “PTL”), was established by Mr. Chanthone Sithixay (“Mr. Chanthone”) and his wife Mrs. Savanhthong Phongsavanh whose are well-known businessperson in Lao PDR. They both have high experiences in many kinds of business, such as import/export business of various products in Lao PDR.

They have been to many area of the country, both urban area and remote area. Therefore, they have found the obstacle to access the source of energy or petroleum, especially in remote area. And the petroleum sold in the remote area would often be more expensive than the price that was set by government’s organization causing them to realize the great level of consumption needed parallel with the growth of the economy which petroleum is an important factor in the country’s development. With an intention of creating a gas station where it offers a good quality at a fair price, hence, PTL was founded by Mr. Chanthone on 3rd October 2008 with registered capital of LAK 28.8 billion to operate the business of importing petroleum and sell it through retail gas station, construction project, and Infrastructure project with head office at Ban Soununtha, Kaisonepomvihan district, Savannakhet province.

Since 2009, the Company has been having a rapid growth due to the vision of Mr. Chanthone and the executive team which focus on controlling the quality of the product and services, in additional, the increasing in fuel consumption from both business sector and household sector. In 2009, the Company invested in constructing the first fuel depot “PLUS 1” at Vientiane Capital, and in the same year, 14 gas stations were operated in 2 types of station which are PLUS Standard Gas Station (STD) and PLUS Thongthin Gas Station (THN).

The Company has been importing the petroleum from well-known suppliers, such as, Chevron (Thailand) Limited (Chevron), ESSO (Thailand) Public Company Limited (ESSO), IRPC Public Company Limited (IRPC) and The Shell Company of Thailand Limited (Shell). The Company has increased the volume of fuel importation according to Lao PDR’s rapid growth in economic situation from Infrastructure project and domestic demand for fuel consumption, and also outsourced the transportation service to a logistic company in order to support the incremental growth in fuel volume.

In 2010 and 2011, the Company grew quickly during that period resulted from an increasing in fuel consumption from both business sector and household sector, and another factor was the approval of an investment in Infrastructure projects by Lao PDR government, for example, the concession of constructing a Special Economic Zone all over the country, Hydropower and coal power plant construction project, and mine concessions. These factors was the main reason that support the increasing in demand for fuel consumption, therefore, the Company has taken the opportunities to expand by increased the registered capital to LAK 75.60 billion in 2011 to supported the increasing stations which grew to 72 stations in the same year. The Company also built another 3 fuel depots at 3 different places which are 1.Muang Ngeun Fuel Depot: 700,000 liter at Xayaburi province 2.Vientiane Fuel Depot: 1,120,000 liter and 3.Pakxan Fuel Depot: 350,000 liter at Bolikhamxai province. Furthermore, the Company has invested in logistic system by owning 11 oil trucks according to the quality control procedure for both product and services in order to ensure that Lao people can access to the high quality petroleum at a fair price. The Company became the Number 2 who had highest revenue from selling petroleum in Lao PDR in 2011.

In 2012, the Company launched new type of station in order to satisfy the daily life of people in the city which requires convenient, quick, and safe. Subsequently, PLUS Gold Gas Station (GLD) was introduced to the Lao People in the cities. The design is unique and a sample model station of modern gas station in future. The Company has expended additionally 26 stations that make the total

number of gas stations are increased to 98 stations. Furthermore, the Company can keep the market share of fuel distribution and be the second best in the Lao PDR in two consecutive years.

In 2013, the Company increased the registered capital from LAK 75.60 billion to 350 billion on 2nd October 2013 and has moved the Company's headquarter from Savannakhet province to Vientiane Capital City that is the economic center of Lao PDR. This headquarter is a management center of the Company to increase competitive capability in both domestic and international. The increasing in registered capital is to expand additional 11 stations, develop goods quality control and organization efficiently in order to meet international standard (ISO) 9001:2008, and become a professional in order to serve the AEC in 2015. The Company has improved the gas transport system and enhanced employees' knowledge. This period is the Company's transition period to develop the quality and efficiency of operation system. Thus the significant development points are as follows:

- In the gas station, the Company has developed the service manner continuously. To improve the gas station become the center service and fulfills the daily lifestyle of city people, in the concept of complex gas station service and "life station" which is modern, and included all convenience facilities. To improve gas station service is not just only refill gas but it also provides more happiness and convenience services. For these reasons, the Company has launched a PLUS Platinum Gas Station (PTN) that is complex gas station service (the details are stated in current business part) and in the same year, the Company has expanded additional 7 stations that make the total number of gas stations are 105 stations. And this year, the Company can keep the market share of fuel distribution and be the second best in Lao PDR in three consecutive years.
- Information Technology (IT), the Company has hired software experts from Thailand to develop the software system for payment service by fleet card instead of cash. This system is not only improved the Company's control efficiently but also assists clients or business owner to monitor the fuel expenses, due to fuel expenses are main cost of goods transport, and the system also can reduce the risk of cash payment.
- The Quality of services, operation and petroleum products, the Company has received the certificates of the international standard from United Kingdom Accreditation Service (UKAS) the details are following:
 - I. ISO 9001: 2008 Quality Management System
 - II. ISO 14001: 2004 Environmental Management System
 - III. OHSAS 18001: 2007 Occupational Health and Safety Management SystemsBesides that, the Company has invested additional in gas transport trucks, 23 trucks that make total number of trucks are 34 trucks and this year, the transport unit of the Company has been separated and established as the Sitthi Logistic Lao Co., Ltd. In addition, the Company has its own Lab to measure fuel quality based on American Petroleum Institute standard (API) that measure the spark level and dirty element in the oil, to guarantee that the Company delivers the high quality fuel to Lao People.
- The Company has reorganized the structure of the Companies clearly in order to support the Companies' growth in long term. It could help the Company to control and define the growth strategy of each unit intensely and increased the sources of fund. The structure can also indicate the competition capability of each business, therefore, the Company has separated each unit and established as a new companies. The details are as follows:
 - I. The fuel transportation was separated and established as the Sitthi Logistic Lao Co., Ltd.
 - II. The PLUS Daily Mart convenience store was separated and established as Lao Daily Mart Import-Export Co., Ltd.
 - III. The Fleet Card business was separated and established as Well Tech Lao Co., Ltd

IV. Car Care Center business under the franchise “Moly Care” from Thailand was separated and established as Soudaphone Import-Export and Service Co., Ltd.

In 2014 to present, the Company continues to keep the high quality of the products, and develops services to improve the Company’s reputation. The Company is member of Lao Petroleum and Gas Association under the supervision of Lao National Chamber of Commerce and Industry (LNCCI) which is an important party to help conducting the petroleum policy including the retail oil price in Lao PDR’s gas station. Besides that, the Company has launched one more depot in August 2014 such: Pakse depot which is able to contain oil 640,000 liters and makes the total number of the depots are 5 depots which located in major cities that closed to Thai border who is the main suppliers. These depots are able to store oil up to 3,610,000 Liters, and the Company has launched 2 PLUS Platinum Gas Stations (PTN) that make the total number of gas station are 107 stations. In this year, the Company is also increased registered capital by issuing common shares and Initial Public Offering (IPO), amount 60,000,000 shares, par: LAK 2.000 /share, equal to LAK 120.000 billion, in order to serve the Company’s growth to become a leading company in Lao PDR and ASEAN region in future.

The Company is a leading importer of petroleum in Lao PDR which has been the second best in the market considered from the market share and revenue since 2011. The Company has 5 categories of product which are 1.Diesel oil 2.Benzene Regular 91 3.Benzene Super 95 4.Bunker oil and 5.Lubricant oil. The Company sells the petroleum through their own retail gas stations under the brand “PLUS” which currently have 107 stations over the country. The stations were managed under 2 models, which are Company Owned, Company Operated (COCO) for 8 stations, and Company Owned, Dealer Operated (CODO) for 99 stations. Moreover, the Company also sells directly to the Project client, Industrial factory, and wholesaler (Jobber) in Lao PDR.

Table 1.1.1: Summary of highlighted events

Year	Summary of highlighted events
2008	<ul style="list-style-type: none"> ➤ Petroleum Trading Lao Public Company Limited (PTL) was established with registered capital: LAK 28.80 billion, 75% of shares were held by Mr. Chanthone Sitthixay and 25% were held by his wife Mrs. Savanhthong Phongsavanh. The business objectives are import and distribute petroleum products through the gas stations in Lao PDR.
2009	<ul style="list-style-type: none"> ➤ Launched the first high standard gas station at Phon Than that is called the gas station “PLUS 1” ➤ Launched the first depot which is able to store the oil up to 700,000 liters in Savannakhet province
2010	<ul style="list-style-type: none"> ➤ The Company has received the certificates of the international standard from United Kingdom Accreditation Service (UKAS), three types: ISO 9001:2008 Quality Management System, ISO 14001:2004 Environmental Management Systems, and OHSAS 18001:2007 Occupational Health and Safety Management Systems. ➤ Launched a depot at Vientiane Capital City, oil capacity: 1,120,000 liters and another depot at Meung Ngeun, Sayaboury Province, and oil capacity: 700,000 liters.
2011	<ul style="list-style-type: none"> ➤ The Company has increased registered capital to LAK 75.60 billion in order to support the expansion of gas station cover all area of Lao PDR ➤ Launched the first PLUS Gold Gas Station in Vientiane Capital city ➤ Launched the Paksan depot in Bolikhamxay province, oil capacity: 350,000 liters. ➤ The Company took the position into the second largest fuel distributor in Lao PDR

		by market share
2012	:	<ul style="list-style-type: none"> ➤ Launched the first PLUS Platinum Gas Station (PTN) in Vientiane Capital city, namely: PLUS Done Koice gas station at Done Koice village, Sisattanak District, Vientiane Capital city. ➤ The Company can maintain the position of the second largest fuel distributor in the Lao PDR by market shares. ➤ The Company applied the modern technology to enhance and manage the sale division by using Electronic Data Capture (EDC) and store data from the center to every branches throughout the country by developing ERP System. ➤ The Company invested in developing fuel sale system by using electronic card instead of cash payment (Fleet Card) which became the first company in Lao PDR that initiated to bring the high technology to control and manage the cost in business operation. The card is able to use for gas payment in the Company stations.
2013	:	<ul style="list-style-type: none"> ➤ The Company has increased the registered capital to LAK 350.00 billion in order to support the Company's growth, and the expansion of investment to be the top of gas station service in Lao PDR. And to support the growth in demand for fuel consumption in Laos and the ASEAN Economic Community (AEC). ➤ The Company has received the extension of certificates of the international standard from United Kingdom Accreditation Service (UKAS), three types are: ISO 9001:2008, ISO 14001:2004, OHSAS 18001:2007. ➤ The Company has clearly restructured the Company and the related companies in order to meet the growth in long term. ➤ The Company can maintain the position of the second largest fuel distributor in the Lao PDR by market shares.
2014	:	<ul style="list-style-type: none"> ➤ The Company became a member of Lao Petroleum and Gas Association ➤ According to Annual General Shareholders' Meeting in 2014 on 18th June 2014 has agreed in the important issues such as: <ul style="list-style-type: none"> – Reduce par value per that is stated from LAK 350,000,000 per share to LAK 2,000 per share that is made the number of share increase from 1,000 shares to 175,000,000 shares. – The shares are distributed from two shareholders to 9 shareholders to meet the requirements of public company establishment. ➤ According to Extraordinary General Shareholders' Meeting 1/2014, on 9th October 2014, the shareholders have agreed on the issues as follows: <ul style="list-style-type: none"> – Approved to increase registered capital LAK 470 billion by issuing common shares: 60,000,000 shares, par: LAK 2,000, distribution: Initial Public Offering (IPO). – To establish Petroleum Trading Lao Public Company and submitting to be listed in the Lao Securities Exchange

**Related Companies****Table 1.1.2: the related companies**

Khouanchay Trading Import - Export Co., Ltd.	
Founded	: 1 st September 2011 (as the current business license)
Headquarter	: Sisavangvong street, Soumonetha village, Kaysonephomvihane district, Savannakhet province
Business type	: wholesales no specific products
Paid up Registered Capital	: LAK 9,000,000,000
CEO	: Mr. Chanthone Siththixay
Relationship	: - the same CEO: Mr. Chanthone Siththixay - the major shareholder of PTL is Mr. Chanthone Siththixay who holds 75% of total shares and Mrs. Savanhthong Phongsavanh hold 25% of total shares.
Sitthi Logistic Lao Co., Ltd.	
Founded	: 16 th August 2013
Headquarter	: Sibounheung village, Chanthaboury District, Vientiane Capital City
Business type	: Local and international transportation service
Paid up Registered Capital	: LAK 16,000,000,000
CEO	: Mr. Chanthone Siththixay
Relationship	: - the same CEO: Mr. Chanthone Siththixay - the major shareholder of PTL is Mr. Chanthone Siththixay who holds 75% of paid up capital and Mrs. Savanhthong Phongsavanh hold 25% of paid up capital.
Sitthi Inter Trading Import-Export Co., Ltd	
Founded	: 23 th September 2013
Headquarter	: Hong-Kay-Keo village, Chanthabouly district, Vientiane capital city
Business type	: Import: goods consumption, food, cosmetic, nutrition food, energy drink, construction equipment, electronic appliances, industrial equipment and agricultural equipment Export: Agricultural industrial products, handicraft and forest products.
Paid up Registered Capital	: LAK 9,000,000,000
CEO	: Mrs. Savanhthong Phongsavanh
Relationship	: -CEO is major shareholder of PTL: Mrs. Savanhthong Phongsavanh holds 50% of total shares and Mr. Viengkhone Siththixay holds 50% of total shares. The two major

**Sitthi Inter Trading Import-Export Co., Ltd**

shareholders are: wife and brother of Mr. Chanthone Sitthixay respectively.
-Mrs. Savanthong Phongsavanh is CEO of this company who is a major shareholder who holds 25% of PTL and Mr. Viengkhone Sitthixay holds 0.057% of PTL shares in paid up capital.

Black Canyon (Lao) Import-Export Co., Ltd.

Founded : 30th September 2011
Headquarter : Anou village, Chanthabouly district, vientiane Capital
Business type : Wholesale food, beverage, Tabaco, and import coffee Brand “Black Canyon”
Paid up Registered Capital : LAK 9,000,000,000
CEO : Mrs. Manivone Sitthixay
Relationship : Mr. Chanthone Sitthixay is major shareholders of PTL who holds 50% of this company’s total shares and Mrs. Manivone Sitthixay holds 50% of this company and hold 0.057% of PTL, she is also a younger sister of Mr. Chanthone Sitthixay.

Lao Daily Mart Import-Export Co., Ltd.

Founded : 14th May 2013
Headquarter : Sibounheung village, Chanthaboury District, Vientiane Capital City
Business type : Goods consumption, it is franchise business and distribute goods under trademark PLUS Daily Mart”
Paid up Registered Capital : LAK 8,000,000,000
CEO : Mr. Chanthone Sitthixay
Relationship : Mr. Chanthone Sitthixay is major shareholders of PTL who holds 75% of this company’s shares and Mrs. Savanthong Phongsavanh holds 25% of this company’s shares or paid up capital.

Soudaphone Import-Export and Service Co., Ltd.

Founded : 12th August 2013
Headquarter : Sibounheung village, Chanthaboury District, Vientiane Capital City

**Sitthi Inter Trading Import-Export Co., Ltd**

Business type	: Car care: car maintenance and fixing, car interior and exterior decoration and change wheels under "MOLY CARE"
Paid up Registered Capital	: LAK 7,800,000,000
CEO	: Mr. Chanthone Sitthixay
Relationship	: Mr. Chanthone Sitthixay is major shareholders of PTL who holds 75% of this company's shares and Mrs. Savanhthong Phongsavanh holds 25% of this company's shares or paid up capital.

Well Tech Lao Co., Ltd.

Founded	: 16 th August 2013
Headquarter	: Sibounheung village, Chanthaboury District, Vientiane Capital City
Business type	: Commercial and Investment Advisor by using the modern technology
Paid up Registered Capital	: LAK 2,400,000,000
CEO	: Mrs. Manivone Sitthixay
Relationship	: Mrs. Manivone Sitthixay is a shareholder of who holds 50% of this company's shares and Mr. Viengkhone Sitthixay holds 50% of this company's shares or paid up capital. Both of them are brother and sister of Mr. Chanthone Sitthixay. - Mrs. Manivone Sitthixay is a shareholder of PTL of 0.057% and Mr. Viengkhone Sitthixay is a shareholder of PTL of 0.057%.

1.2 Use of Proceeds

The Company has increased the registered capital through the initial public offering (IPO) for 60,000,000 shares with par value at LAK 2,000 per share. Thus, the expected fund raising is not less than LAK 120 billion which the investment plan and uses of fund are as the table below:

Table 1.2.1: The uses of fund from IPO

Objective	Total Investment amount (LAK)	Proceed of fund from IPO (LAK)	Estimated period of investment
1.) Investment in increasing 20 gas stations over the country	LAK 68 billion	Not less than LAK 54 billion	End of 2014 or beginning of 2015
2.) Investment in the Company's working capital for importing petroleum	LAK 80 billion	Not less than LAK 42 billion	2015
3.) Investment in logistic system	LAK 40 billion	Not less than LAK 24 billion	2015
<u>Total</u>	<u>LAK 188 billion</u>	<u>Not less than LAK 120 billion</u>	

1.3 Risk Factors

Investing in the ordinary shares of the Company in this Offering entails risk. Prior to making any decision to invest, and with regard to the risk described below, investors should carefully review all of the information in this prospectus. The following sections describe a number of the possible risk that might affect the Company and the share value of the Company. Although the Company has tried to review all significant risk, there may be other risk which the Company is unaware and some risk that might be significant in the future which is currently understood to be not significant. Additional risk not presently known to the Company and other risk currently believed to be immaterial may also impair the Company's business operations, financial condition, results of operations and prospects, liquidity, source of funds and business opportunity. Thus, prior to making investment, investors should carefully review and thoroughly study and all risk factors that might affect to the Company that described below and elsewhere in this prospectus.

Moreover investors should study additional information regarding regulation, taxation, liquidity and transaction costs in investment in LSX.

1. Business Risk

1.1 Risk of fuel price fluctuation

As the fact that, previously the fuel's consumption demand has been increased continuously by general sectors and other production industries causing fuel is more salubrious and indispensable on living-in-the present that affects to the increase in petroleum's price in global market along with the economic mechanism. Accordingly, Lao PDR, as a importer of petroleum products, in sometime, had to import the expensive petroleum products to support the domestic consumption, which, Lao Petroleum and Gas Association (LPGA) has played the role for price determination for sale in Lao PDR which relied upon the price of oil market in Singapore. Due to necessary and non-substitutable products, thus, fuel price fluctuation would not affect to the quantity demand, however, it would do significantly affect to the revenue of the Company, consequently, this would impact to net profit of the Company. Accordingly, the fuel price fluctuation is the risk occurred from external factors which the fuel price in global market and retail price determined by LPGA, that are unavoidable risk to all business operators in this industry. Therefore, the competitiveness of each operator would be challenged and measured in term of performance, cost controlling, procuring management and forecasting ability over the fuel price in global market.

Accordingly, the Company was not neglected upon the risk of fuel price fluctuation, the Company has followed up the oil price research in Singapore market and developed IT system to monitor the quantity of petroleum products in depots, which the Company is able to access the quantity in all depots in order to assess and forecast the purchase order for matching with the world oil price situation in each period. Moreover, the Company keeps developing the logistic system in order to reach efficiency that would result in cost controlling in delivery process from refinery plants to the Company' depots and depots to customers. The logistic system development is the future investment plan of the Company and also stated in proceed of funds from IPO (details in Part 1.5 Future Plan). Consequently, this investment project is expected to

improve the efficiency in logistic system as well as the cost controlling which enables the Company to reduce the risk from fuel price fluctuation

1.2 Risk from competition in business

The competition in petroleum market in Lao PDR is intensive, due to there are 16 companies operated in this market to sell fuel through gas station ranging from small to large enterprise, privately owned company and state enterprise both from local and abroad (details in 1.4 Current Business). As the date of December 31, 2013, there are 1,076 gas stations across the nationwide, which the Company's gas stations was 105 or equivalent to 9.76% of total number of gas stations in nationwide. Due to many business operators, this results to the intensive competition among the business operators in many aspects especially the location for gas station in order to attract customers to use its own service. Consequently, risk was incurred from this intensive competition, if the Company could not keep up the trend and change in the industry or fail to expand the number of gas stations in the good location. Thus, this risk may arise to impact to the Company's performance in the future.

Accordingly, the Company keeps concern at this risk and catch up the trend and change in this industry, the Company complies to manage and minimize the risk by focusing the quality in products and services. Therefore, the Company launched the gas station model under the concept of "Life Station", which it was aimed to respond the urban life in order to catch up the city expansion and to be a center in each areas in order to provide the convenience to customers, they are Platinum Gas Station ("PTN") and Gold Gas Station ("GLD"). After 2 models launched, revenue from gas stations increased throughout the year 2011 – 2013 consisted of LAK 270,722 billion, LAK 357,406 million and LAK 464,853 million, or equivalent to 29.91%, 35.07% and 43.24% of total revenue, respectively, this resulted from the Company's strategy to tap up the change and trend of the industry to meet the demand of customers. Even, the Company's movement came into the right direction, the Company is not neglect upon this risk. Thus, the Company has the marketing department working to monitor and track out to respond the customer demand and communicate to customers via many social media channels such as Facebook which it enable the Company to communicate and interact directly to target customers upon the comments which it can guide the Company to adapt to meet customer demand. With this communication channel, the Company can manage the risk from business competition.

1.3 Risk from reliance on main supplier

The Company run business as importing and distributing fuels and petroleum products in Lao PDR, due to the fact that the Company does not have its own refinery plant, thus, fuel was supplied from the well-known and international standard operator, IRPC Public Company Limited ("IRPC"), located in Thailand, is the first petrochemical plant in South East Asia and has production capacity as No.3 of Thailand. In the year 2011 to 2013, the Company was supplied fuels and petroleum products from IRPC in total for 83.29 million liters, 110.92 million liters and 121.70 million liters or equivalent to 83.25%, 93.45% and 93.41% of total petroleum products purchased. Therefore, the Company involves the risk from reliance of one large supplier, if, in the future, any incidents arisen that causes to IRPC shall not be able to supply fuels and petroleum products to the Company or only able to proportionately supply which lower than the Company needs, resulting in the adverse effect to the Company's operation.

With the long business relationship between the Company and IRPC since the Company's incorporated for 6 years, the Company took into the contract to purchase fuels and

petroleum products from IRPC. In the purchasing process, IRPC proposes the product price lists to the Company on Monday of each week, which effective for 1 week, practically, the order shall be taken place on Monday, Wednesday and Friday of each week. Accordingly, the order plan was prepared to place for each week which it was developed from the evaluation of daily bulk stock report, the volume of fuels and petroleum products in every depot of the Company is checked at the end of each day and shall be reported to the Company in next morning. Accordingly, the Company is able to quantify the volume of inventory upon its depot in each location. Furthermore, the Company also surveys and checks the customer demand. Consequently, the Company is able to accurately estimate and develop the purchasing plan for matching with customer demand as well as identifying the transporting time from refinery plant, in Thailand, to each of the Company's depots for approximately 36 hours. Although, in the past, the Company has never met the problem in purchasing and transporting from IRPC, the Company has not neglected on the risk from reliance of one large supplier. Thus, the Company diversifies this risk by allocating purchasing order to other well-known fuel traders under the Section 7 of Fuel Trade Act B.E.2543 of the Kingdom of Thailand, such as Chevron (Thailand) Limited ("Chevron"), Esso (Thailand) Public Company Limited ("ESSO") and The Shell Company of Thailand Limited ("Shell") which their refinery plant located in closed area with IRPC, Chonburi and Rayong, Thailand, which the Company can estimate the transporting time in accordance with customer demand. Consequently, enhancing another 3 suppliers, major fuel traders in Thailand, can diversify the risk from reliance of one large supplier, IRPC, is not able to supply upon the demand of the Company.

1.4 Risk from transportation

The Company operates business as importing fuels and petroleum products from Thailand and distributing through gas stations and construction projects or other manufacturers. Fuels and petroleum products shall be transported from the refinery plants of Suppliers located among Chonburi and Rayong, Thailand, which the Company employs the oil transporter under the Section 12 of Fuel Trade Acts B.E.2543 of the Kingdom of Thailand, such S-One Logistics Co., Ltd. ("S1"), Sutee Tankers and Special Trucks Co., Ltd. ("SUTEE") and Watcharasup Petroleum Co., Ltd. ("WAT"). These 3 transporters are in the supplier list and pass the quality test of the Company as well as in the acceptance from suppliers. In this regard, the Company emphasizes transporting operator selection in order to the service quality oriented policy due to the fact that fuel is easy for fraud to imitating or adulterate causing to dilute the quality of fuel during the transporting process from refinery plant to the Company's depot which it normally takes time consuming for 12 hours. Beside the fraud, water might adulterate to fuel during transporting process if the transporting operators fail to carefully control the transporting process especially in the event of raining or not preserving the equipments in the functional conditions, thus, with the Company's quality oriented policy, the Company emphasizes to recruit the transporting operators to meet up standard in supplier list. However, the Company faced the quality problem of fuels and petroleum products that delivered to the Company's depot did not meet the standard, thus, the Company rejected to accept that fuel lots. In this occasion, the transporting operators take up on this responsibility over the quantity and quality of products during transporting process.

In accordance to protect and avoid this risk, the Company recruits the transporting operators only in the supplier list that passed the quality test in safety, quality of vehicles and equipment, comply together with the internal control procedure upon the transporting process

that the Company keeps evaluation on the procedure. Furthermore, for complying upon the quality oriented policy, the Company has the lab test in every depot, which the quality test is taken place in every batch at depot comparing with the quality at refinery plant based upon the American Petroleum Institute (“API”) in order to control and test the quality of fuels and petroleum products prior to deliver to customers. Beside the risk to control quality of fuels and petroleum products, in the transporting process may involves the risk of accidents which affect to the Company’s products. In this regard, the Company sets the selection criteria that every vehicles to provide service to the Company must have the insurance covering the loss or damage upon the products for carrying.

1.5 Risk of COCO’s contract renewal

The Company operates business as importing and distributing fuels and petroleum products through gas stations which consist of 2 kinds in term of ownership, namely, COCO (Company Owned Company Operated) and CODO (Company Owned Dealer Operated). The gas stations of the Company operating under the trademark of “PLUS”, there are 107 stations, which COCO for 8 stations and CODO for 99 stations or equivalent to 7.48% and 92.52% of total stations, respectively. The Revenue from gas stations during the year 2011 – 2013 is LAK 270,722 million, LAK 357,406 million and LAK 464,853 million, or equivalent to 29.91%, 35.07% and 43.24% of total revenue, respectively. Noticeably, the revenue from gas station grew in term of quantity and significance over the proportion of total revenue throughout 3 years, which it is the largest portion over the revenue structure of the Company. Apparently, in the past, the Company emphasized to expansion strategy by CODO as the flagship which leveraged the size and market share of the Company aggressively. CODO is the joint investment between the Company, investing in equipments, structure and decorations, and the landlord who owns the piece of land with the high potential to operate for gas station, consequently, 2 contracts in correspondent shall be taken place in accordingly, namely, joint-investment contract and dealer only exclusive for fuel and petroleum products of the Company. The risk may arise due to the fact that the proportion of CODO is 92.52% of total gas station of the Company which many joint-investment contracts will be expired to together and not able to renewal over the expiring contracts of joint-investment and dealer only exclusive for products of the Company, that may affect to the operation result of the Company.

However, the aforementioned risk has not yet impacted to the recent operation of the Company because the Company have made both joint investment and exclusive fuel purchasing contracts lengths for 20-year. In addition, The Company has the shortest term among the existing joint- investment contracts with dealers is 14 years, which seems to be long and the contracts can be automatically extended further for 10 years if there is no any written notice in advance for 1 month before expiration.

Table 1.3.1: The summary of expired contract of CODO station

Joint venture contract expiration year	Number of station
2028	1
2029	26
2030	25
2031	26
2032	13
2033	7
2034	1

The above table described the expired contract term of CODO station which shall be intensively expired between 2029 and 2032 which consisted of 26 stations in 2029, 25 stations in 2030, 26 stations in 2031 and 31 stations in 2032. However, the intensive expired term of CODO station would enhance the risk, the Company responds by the gas station expansion plan in next 5 years between 2014 and 2018 for 97 stations in both COCO and CODO. Consequently, the increase of gas station in future shall minimize the risk of intensively expired contract of CODO station and partially non-renewal contracts.

2 Financial Risk

2.1 Exchange Rate Risk

The Company has imported all fuel and products from Thailand Fuel Dealer, the Company will make settlement for fuel price in US Dollar and pay for shipping cost from refinery plant to the Company's depots in Thai Baht, which both are main currencies for settlement and operating transactions, however, the Company mainly operates business to earn revenue in Kip (LAK) currency and partially receives in US Dollar and Thai Baht from projects. Due to different currency between earning and settlement, this incurs exchange rate risk to the Company. In the present, referred to the announcement of Bank of Lao PDR No.619/BOL as of 14th August 2014 regarding Forward Contract, the hedging instruments were allowed commercial bank to provide forward contract service to customers, even though, practically, there is no any service offered by commercial banks. For other hedging instruments, option or swap, there are no any service providers to manage the exchange rate risk. Consequently, the Company would face this risk that may affect to the operating result of the Company.

Therefore, the Company has managed the exchange rate risk by financial department, which operated by experienced staff team, that has been responsible for monitoring the exchange rate since the Company incorporation. Financial department would monitor and expect the trend of exchange rate movement especially US Dollar through managing the timeline for settlement for petroleum products to suppliers and the expected earning in same currency with settlement, called "Natural Hedging". In case the period of exchange rate tends to high fluctuate, the Company shall forecast the free cash flow from operation to translate into the settlement currency for reserving to make settlement to suppliers. During the year 2011 – 2013, the Company earned the difference between gain (loss) of exchange rate were LAK (836.31) million, LAK 286.53 million and LAK 168.27 million, respectively. From the historical record,

the Company has proved successfully in exchange rate management, however, the Company is not neglected to keep development in order to deal with this risk. Hence, the Company shall use the hedging services, when they are commercially operated to reduce the exchange rate risk.

2.2 Risk from lending to related companies

There are many related companies due to the fact that major shareholders of the Company, Mr.Chanthone Siththixay and Mrs. Savanhthong Phongsavanh, run business together which some of them were separated from the department of the Company to establish as new companies for their own operation, management and business direction; such as Sitthi Logistics Lao Co., Ltd., Lao Daily Mart Import-Export Co., Ltd., Soudaphone Import-Export Service Co., Ltd. and Well Tech Lao Co., Ltd. Consequently, most of the related companies were newly established in 2013 and were low capacity to access the source of funds. Therefore, the Company, with the strong financial health and high capacity to access the source of funds, were responsible to sourcing loan to the newly established companies and other related companies such as Khouanchay Trading Import-Export Co., Ltd. and Black Canyon (Lao) Import-Export Co., Ltd., resulting that, as of 31th December 2013, the Company had the loan to related parties for LAK 21,172 million or equivalent to 3.69% of total assets. Beside the loan to related companies, the Company had the receivables from related parties, which most of them were the payment on behalf of related parties, Mr.Chanthone Siththixay, Chief Executive Officer of the Company and Sitthi Logistics Lao Co., Ltd., for LAK 42,470 million or equivalent to 7.40% of total assets. Consequently, total of loan to and receivable from related parties were LAK 42,470 million or equivalent to 7.40% of total assets. In case, these related companies' performances were in loss or any occurrence arisen that impact to these related companies capacity of debt repayment that would result to the Company's financial health for 7.40% of total assets as of 31th December 2013. Furthermore, the Company also owned the loan to director, Mr.Chanthone Siththixay, for LAK 36,473 million or equivalent to 6.36% of total assets as of 31th December 2013, which this transaction occurred, in the past, due to the fact that Mr.Chanthone borrowed from the Company to acquire lands as the operating assets of the Company. Thereafter, in the present, all piece of land that the Company operated, were transferred the ownership right to the Company since August 2014.

Even, the Company had the loan to related parties which were the related parties transaction that occurred before financial restructuring for preparation to list in Lao Securities Exchange (LSX), the Company entered into these transactions on the basis of keeping the Company's and shareholders' benefit which all transactions were backed by the lending agreement with interest rate between 10%-11% per annum, interest rate quoted upon the fair basis. Moreover, these companies have their separately own business policy and management structure altogether with hiring professional executives to enhance the efficiency to these companies. Therefore, the risk from lending to related companies would be minimized. After the commercially operating and having capacity to access the sources of funds, the repayment would be settled to the Company. Accordingly, with the historical records, these companies had delivered the interest payment and principles to the Company upon time, that was partially proved to the repayment capacity of these related companies. Apart of the minimizing risk, the financial support to these related companies, most of them were subsequent business of the Company or additional services business in gas station, would attract other service users to be customers that would be benefit to the Company in the future. After listing in LSX, these related transactions shall be reviewed and considered by Audit Committee based upon the necessity and protection of the Company and shareholders benefit. In addition, regarding the loan to director transaction, the Company is in risk of default, however, this risk would be low. This is because that Mr.Chanthone Siththixay is the Chief Executive Officer, major shareholder and main executives of the

Company which he has responsibility to protect and manage the Company's performance. Moreover, Mr.Chanthone is a well-known business man and owns many businesses which his wealth is sufficiently proved for the amount of loan. In the legal term, all lending transactions to Mr.Chanthone were backed with lending agreement which they are legally binding. In case of related transaction in the future, the Company shall comply with all related regulation based on the necessity and benefit protection for the Company and shareholders.

3. Management Risk

3.1 Risk from reliance on existing management

During 6 years of operation, the Company has been run by Mr.Chanthone Sithixay, Chief Executive Officer and major shareholder, who is enthusiasm, capable, knowledgeable and experienced in both management and operating process as well as the development of gas station and distribution channel, petroleum industry trend in Lao PDR. Besides, the executive also tracked out the growth trend resulting in the continuous growth of the Company, hence, this required the clear and correct direction and policy that were set only by executive.

Therefore, the Company started to apply the professional system through clearly delegating the responsibility and power to other executives and staff, altogether with complying the internal control, data collection system, and information sharing among related executives and staff. Moreover, the Company has invested to human capital development through training program in order to acknowledge to staff for understanding in their roles that would affect to reduce the reliance on existing management.

3.2 Risk from controlling interest by the existing major shareholders

After IPO, the Company's shareholders structure would be held by Mr. Chanthone's family for 73.789% of total registered capital. This major voting right belongs to Mr. Chanthone's family, major shareholders, can exercise their own power through the controlling voting right more than 50% in shareholder's meeting unless some agenda that AOA and law required in others. Thus, other shareholders may face the risk that unable to collect the votes to against the proposed agenda by the major shareholders.

4 Offering Risk

4.1 Liquidity risk from regulatory process of listing in the LSX

The Company intends to increase capital through IPO scheme and filling submission to listing in LSX as of 20th October 2014 which were prepared by APM(LAO) Securities Co., Ltd., a financial advisor, that reviewed the qualification of listed company and resulted in completed qualification to listing in LSX.

Accordingly, the Company still may face the uncertainty to obtain the approval from LSX in order to listing in LSX which may incur the liquidity risk of ordinary shares of the Company in secondary market to investors. In case the Company is unable to completely fulfill the required law and regulation especially the number of shareholders at least 100 shareholders and distribution more than 10% of total registered shares, consequently, the ordinary shares of the Company may not be obtained the approval to list in LSX.

1.4 Current Business

Petroleum Trading Lao Public Company (“Company” or “PTL”) is one of the leading importers of petroleum products in Lao PDR, which has been the second largest categorized by market shares in Lao PDR since 2011. The Company is a member of Lao Petroleum and Gas Association under the supervision of Lao National Chamber of Commerce and Industry (LNCCI), which the Company’s product consisted of 5 categories, namely, 1) Diesel oil 2) Benzene Regular 91 3) Benzene Super 95 4) Bunker oil and 5) Lubricant oil. The products were imported from refineries in Thailand which are oil traders under Section 7 of the Fuel Trade Act B.E. 2543. The Company has been importing the petroleum from well-known suppliers, such as, Chevron (Thailand) Limited (Chevron), ESSO (Thailand) Public Company Limited (ESSO), IRPC Public Company Limited (IRPC) and The Shell Company of Thailand Limited (Shell). The imported petroleum will be preserved in 5 fuel depots which located in major cities that closed to the border of Thailand. They can store oil up to 3,610,000 Liters. The Company sells the petroleum through their own retail gas stations under the brand “PLUS” which currently have 107 stations over the country (as of 30th September 2014). The stations were managed under 2 categories, which are Company Owned, Company Operated (COCO) there are 8 stations, and Company Owned, Dealer Operated (CODO), there are 99 stations. Moreover, the Company also sells the petroleum to projects, Industrial factory, and wholesaler (Jobber) in Lao PDR.

The Company manages the distribution of products through gas station under brand name “PLUS”, and the stations were managed under 2 categories:

1. Company Owned Company Operated: COCO. This category, the Company invests by itself, including land, building, fuel dispensers and other assets of the gas station, and the Company manages and controls the products and service solely. This kind of station is a sample model and it is focused on high quality service and reputation in order to build up brand awareness in the public. Mostly, COCO stations offer the universal services such as: convenience store, car care, ATM, fleet card (cash card). In the present, there are 8 stations of this category, which 3 COCO stations operated on the Company’s land, and for the rest, 5 stations, operated on rented land from non-related persons.
2. Company Owned Dealer Operated: CODO. This category is joint investment with landlord that located in the potential area for operating gas station, for another hand, the Company invests in all assets and equipment which is necessary for operating gas station. Therefore, in this term of investment, the Company required dealer to enter into 2 contracts consisted of joint venture contract and the Company’s solely fuel supply contract which both are consequential contract that have 20 years term. The content of Company’s solely fuel supply contract stipulated that the Company is the solely fuel supplier for the joint investment station. This kind of investment can eliminate the limitation on gas station expansion, consequently, the investment cost for land acquisition declines and the total investment also is also reduced dramatically. In the present, there are 99 stations of this category.

The Company distributes fuel and petroleum products through complex service station under trade mark “PLUS”. The station is emphasized on quality services, quality fuel, and providing fair price and full fuel quantity in order to facilitate the conveniences for consuming of Lao People throughout the country. This station is also fulfilling the daily life style of each part in the country. The Company has had policy to develop the gas station becoming city life center as meeting point, products and service providers for busy life of urbanites. In addition, the Company also concerns about the difficulties of people in remote area regarding the chance for accessing the quality fuel with fair price, therefore, the Company also expanded the gas station into remote area altogether with other services in order to meet the customer demand. The following are details of services:

- Convenience store operated under trademark “PLUS Daily Mart” that provides consumer products located in the gas station area that offers the customers as the relaxing place for shopping goods, foods and drinks. Apart from shopping, drivers and crews also enjoy PLUS Daily Mart as the rest area from distance travelling. The convenience store is managed by Lao Daily Mart Import-Export Co., Ltd.
- Fleet card is to offer the convenience to customers with the cash card service in order to facilitate the busy life with safety. Moreover, fleet card also offers the cost controlling solution regarding the fuel cost to business owners. Apart from benefit to users, the fleet card service also creates the brand loyalty to customers which it encouraged the card holders to consume the Company’s service again. Accordingly, there is no any cost burden arisen to card holders. Therefore, the Company is the first and only fleet card service provider in petroleum product distributors in Lao PDR, which it consisted of 3 types, namely, Save PLUS, Fleet PLUS and Easy PLUS. Thus, the fleet card service is managed by Well Tech Lao Co., Ltd.
- Car care service operated under the trademark “MOLY CARE”, which it is authorized from the master franchise in Thailand that offers the lubricant replacement and car cleansing services in order to respond the busy life of customers with the cleanliness. Thus, the car care service is managed by Soudaphone Import-Export and Service Co., Ltd.
- Financial service point or ATM of Phongsavanh Bank Ltd. is to offer the financial service for daily life which situated in the gas station area, which this service puzzles the gas station to be the city life center. This service is managed by Phongsavanh Bank Ltd.

Petroleum Trading Lao Public Company is well organized in management and continuously growth, resulting in, the 2nd largest of fuel distributors in term of market shares in Lao PDR since 2011 and maintaining the steady place until now, thanks to the experience and visionary leader of the Company’s executives. Accordingly, the Company offers the differentiated service to customers especially in brand image which emphasized in the modernity in order to draw up the customers’ attraction and service users. Thus, the Company’s differentiated services were reflected through 4 different gas station types, namely, PLUS Platinum Gas Station (PTN), PLUS Gold Gas Station (GLD), PLUS Standard Gas Station (STD) and PLUS Thongthin Phathana Gas Station (THN), the Company aimed to develop and expand the THN station to be PLUS Thongthin Phathana-Big station (THN-B). Besides that, within the gas station also offers the other services such as convenience store, coffee and restaurant, car care service, financial service point and others based upon the conditions of each station.

During 6 years, the Company operated and managed business in accordance with vision, mission with unanimous principle and ideology. These principles are applied to operate business under the one direction, not just only in the present, and in the future as well. The Company keeps business direction under the slogan and trademark “PLUS” that is certified and registered trademark by Prime Minister's Office in accordance with National Authority of Science and Technology Policy, Department of Intellectual Property Standardization and Metrology. Moreover, the logo of “PetroTrade” and color of logo are protected by Lao law and regulation.

1. Slogan: PLUS Energy for the Nation, Energy for the Development.



2. Trademark: “PLUS” is well recognized both in local and international. The trademark “PLUS” is a symbol that illustrates the modern, quality, good service and good reputation.

Color meaning: Blue and yellow colors are selected to use in the trademark in order to make it outstanding, attractive and notable.

3. Vision: To be a leading petroleum company in Lao PDR and connecting to ASEAN’s trading.

4. Mission: To build the fuel energy business by Lao private company is accepted and trusted by public altogether with the regional linkage in order to contribute and share benefits to all stakeholders and society under the principles are as following:

- **To build gas station throughout the country, either in the main road of major cities or small road of remote areas in order to respond to the increasing demands of Lao people. The Company will keep the honest to clients, and enhance the management system and employee capacity to be more professional in order to strengthen competitive capability, and applies modern technology to support the Company’s business.**

With these reasons, clients have awareness of the Company’s quality service and management, compliance with the Company’s policy stating that “To be modern, and provide the best for clients on Healthy, Safety and Environment”. The Company aim to be the leading company for fuel energy and petroleum products in the Lao PDR as well as in ASEAN. Due to qualified management system, the Company has received certificates indicating the Company’s achievement to meet management international standard from United Kingdom Accreditation Service (UKAS) on 3 different aspects: 1. ISO 9001: 2008 Quality Management System, 2. ISO 14001: 2004 Environmental Management, and 3.) OHSAS 18001: 2007 Occupational Health and Safety Management Systems

1.4.1 Products and Services

The fuel or oil is refined from crude oil. It is a heat energy that is easily evaporated. During refining process, suitable molecules are selected, and then combining with another chemical such as: Naphtha, Isomerate, Reformate and Additives: Methyl Tertiary Butyl Ether (MTBE), Ethanol etc. in order to produce suitable fuel for the engines such as Spark Ignition Internal Combustion Engine. The fuel evaporation and combustion need to be balanced in the cylinder so that the engine could work smoothly and continuously.

The Company’s products are fuel and petroleum products that are imported from the refineries in Thailand who are oil traders under Section 7 of the Fuel Trade Act B.E. 2543. The well-known suppliers in Thailand include Chevron Thailand Exploration and Production, Ltd. (Chevron), ESSO (Thailand) Public Company Limited (ESSO), IRPC Public Company Limited (IRPC) and The Shell Company of Thailand Limited (Shell). The Company distributes 5 main products such as: 1. Diesel, 2. Benzene Regular 91, 3. Benzene Super 95, 4. Bunker Oil, and 5. Lubricant (engine oil). The detail of each product is as follow;

1. Petroleum Products and other products

1. Diesel:



In general, Diesel is liquid fuel used in diesel engines. It is produced from fractional distillation of crude oil in the gasoline refineries. It is Distillate Fuel that is heated around 180-370 Celsius (°C).

- Diesel is suitable for high compression engines, composed of two types as follow:

Automotive Diesel Oil: this kind of diesel is used for cars, trucks, fisherman ships, passenger ships, tractors and vehicles with heavy engine that has rotation speed over 1000 rpm. This engine must use the fuel that has high octane and volatility; otherwise the engine could not run smoothly. As such, this fuel is called the High Speed Diesel Oil (HSD)

Industrial Diesel Oil: this kind of diesel is used for machines engines in factories, which have rotation speed about 500 to 1000 rpm. This engine does not need high octane and volatility. As such, this fuel is called “Low Speed Diesel Oil”.

Chemical Characteristics: the Self-Ignition Engine that consumes the diesel generates heat from the high air pressure in the cylinder without using spark plug.

2. Benzene Regular 91



The benzene regular 91 is produced from fractional distillation of crude oil. It is mixed with red octane 91 that consists of the benzene without lead element.

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The characteristic of this fuel is suitable for the engine that has power horse rate less than 8:1 such as small engines, motorbikes, small generators, grass cutter engines, small size pumps.

3. Benzene Super 95



The benzene super 95 is produced from fractional distillation of crude oil. It is mixed with orange octane 95 that consists of the benzene without lead element.

The characteristic of this fuel is suitable for the engine that has power horse rate higher than 8:1 such as general cars.

- Chemical Characteristics: the octane value illustrates the efficiency of Anti-knock Quality. In regular combustion process, when air and fuel element are heated by spark plug while the burning is continuing to burning basin, there is some proportion of fuel which is not burned out, causing self-ignition as it could not stand for the heat and high pressure. This spark can create high frequency and attract the spark from spark plug, causing a noise called Pinging sound.

4. Bunker Oil, HFO:



Bunker oil is a product from the lowest layer of crude distillation tower. It is called residual fuel or heavy fuel oil from refining that has high Distillate such as: kerosene. Due to its heaviness and glutinousness, it cannot be used with temperature from 37°C to 482°C as it has mixed the heat degree from 211°C - 371°C.

The characteristics of this fuel are suitable for 3 types of usages:

1. Steaming process

- It is used to generate huge steam that is called Co-generation. It has high temperature and pressure that which enable generation of electricity. Also, it is used in sugar factories as well as others.
 - It is used in small process steam, functioning to release the heat from production process in factory such as clothes laundry factory, dyeing factory and paper production.
2. This fuel is used for the heavy industry such as Firing of Open hearth, Rotary or Crucible Pot Furnaces, Hot Rolling Operation, Metal Forging, Metal Heat Treatment, firing ceramic, firing glass, firing cement and white cement stone.
3. The fuel is also used for heavy kerosene engine that has low speed rotation such as generators in factories or in heavy ships. The fuel that uses in the engine is 'Bunker Fuels'.

5. Sun's oil:

It is 100% Fully Synthetic engine oil that obtains international standard acceptance. The Company imports the oil from supplier in Thailand under trademark "SUN'S OIL" the oil is used for high quality kerosene engine. The engine using natural gas (NGV, LPG, and CNG) also can use this oil. The oil is produced from Polyalpha Olefin (PAO) and Ester with high technology. The oil standard is also accepted by ILSAC GF-5, GM Dexos 1, API SN and API SN Resource Conserving. The oil has high degree of viscosity, causing ability to stand high pressure, reducing engine depreciation, enhancing durability, economizing fuel consumption and saving maintenance cost. The packaging sizes of this oil are 1 liter, 5 liters, 18 liters, 200 liters and 6000 liters.



Most products are imported from refineries in neighboring countries such as: Chevron, ESSO and IRPC. The products are distributed through gas stations with unique design using orange color. Also, designs of each gas station are based on features of each location such as the size of land, nearby city area, proximity to main road or other related factors considered by the Company. Conclusively, the Company has the total number of gas station of 107 stations. The details of gas station are as follow;

Table 1.4.1: Summary of total number of gas stations

Type of gas stations	Amount	The rest of contract period	COCO	CODO
PTN: PLUS Platinum Gas Station	5	16 to 19 years	4	1
GLD: PLUS Gold Gas Station	7	15 to 17 years	2	5
STD: PLUS Standard Gas Station	38	14 to 18 years	2	36
THN: Thongthin Gas Station	57	15 to 20 years	0	57
Total	107		8	99

Note: At present, there are 8 gas stations in form of COCO: 3 gas stations on which Land, building, machines and equipment are entitled by the Company and 5 gas stations where the lands are rent from other parties.

Table 1.4.2: Summary of the number and types of gas stations in each province

Station location	PTN	GLD	STD	THN	Total
Vientiane Capital City	4	4	12	24	43
Bolikhamxay Province	0	0	4	7	11
Sayaboury province (Ngeun district)	0	0	3	6	9
Savannakhet Province	1	3	19	20	43
Total	5	7	38	57	107

2. The feature of gas stations

The Company classifies the features and types of gas station into 4 categories:

1. PLUS Platinum Gas Station: The standard size of land is 60x80 m² with 6 gas dispensers (two fuel dispensers have 6 fuel dispenser nozzles whereas other four fuel dispensers have 4 fuel dispenser nozzles), making total of 28 fuel dispenser nozzles. Also there are three underground gas tanks that can contain oil quantity as follow:

- A tank of benzene super contains 10,000 liters
- A tank of benzene regular contains 20,000 liters
- A tank of diesel contains 20,000 liters

In the present, there are 5 gas stations in form of COCO ices in Vientiane capital city and other provinces such as Salakham village, Done Koice Village, Savannakhet province and Km 7 station in Vientiane capital city where just grand opening has been held on August 2014.

Picture 1.4.1: PLUS Platinum gas station



PLUS Platinum gas station is a large station designed to be a center of one-stop service to customers. In a gas station, there are a convenient store and other services that fulfill the rush hour daily life style of city people. The convenient store is registered under trademark “PLUS Daily Mart” whereas other services include care service such as car wash, change engine oil etc. under trademark “MOLY CARE”, and restaurant and beverages, and ATM of Phongsavanh Bank, Fleet Card service and other services. In addition, the station is an appointment center of city people.

2. **PLUS Gold Gas Station:** The standard size of land is more than 50x60 m² with 4 gas dispensers (there are 2 or 4 fuel dispenser nozzles in dispensers), making total of 8 or 12 fuel dispenser nozzles, and there are five underground gas tanks that can contain oil quantity as follow;

- A tank of benzene super contains 10,000 liters
- A Tank of benzene regular contain 20,000 liters
- Two tanks of diesel contain 20,000 liters

PLUS Gold Gas Station provides services in the large city. Although there is smaller land size than PTN station, the station is still emphasized to fulfill the daily life style of city people. The feature of GLD station is designed to be modern and unique, enabling reduction of construction period but still concerning the safety. GLD also has convenient store under trademark “PLUS Daily Mart”, and other services include car care service such as car wash, change engine oil, under trademark “MOLY CARE”, restaurant and beverages, ATM of Phongsavanh Bank, fleet card services and other services. Currently, the Company has 7 gas stations in form of GLD.

Picture 1.4.2



3. **PLUS Standard Gas Station:** The standard size of land is more than 40x50 m² with 3 gas dispensers, 6 fuel dispenser nozzles, and there are four underground gas tanks that can contain oil quantity as follow:

- Tanks of benzene regular contain 15,000 liters
- Tanks of diesel contain 20,000 liters

PLUS Standard Gas Station is located next to main road where many vehicles get pass, and is also near down town. The STD is traditional station of the Company that provides only gas or fuel refill without a convenient store and other services. Most STD stations are managed in form of CODO. At first, when the STD was introduced, it was not widely known in Lao PDR; however, the Company still desired to keep run the stations under its own management. In the future, the Company will upgrade the form of the stations by induction of the convenient store and other services in the station. At this moment, the Company has added only car care service such as car wash and change engine oil service. Currently, the Company has 38 stations in form of STD.

Picture 1.4.3



4. **PLUS Thongthin Gas Station:** The standard size of land is more than 15x20 m² with 1 gas dispensers, 2 fuel dispenser nozzles, and there are two underground gas tanks that can contain oil quantity as follow:

- o Tanks of benzene regular contain 6,000 liters
- o Tanks of diesel contain 10,000 liters

THN station is a small station focusing on provision of quality fuel with fair price to people in the remote areas. The THN is designed to facilitate convenience of fuel usage for daily life of people in the remote areas. The THN station provides only gas or fuel refill service. This kind of station was introduced since the beginning until now. Most THN stations are managed in form of CODO by which the Company joins with local landlord in the remote areas. However, in the future, if there is development on some remote areas, the Company is ready to change the feature of the stations as appropriate. Currently, the Company has 57 stations in form of THN.

Picture 1.4.4



3. Additional business in gas station

- **PLUS Daily Mart:**

Picture 1.4.5



It is a service in the station managed by Daily Mart Import-Export Co., Ltd. It is to distribute basic consumption products such as food, beverages, books and other necessary daily life goods to clients visiting to refill the gas. The store opens from 6:00am - 9:00 pm. Currently, there are stores in 7 stations as follow:

Table 1.4.3: Locations and the number of PLUS Daily Marts

Branch	Details of Location (address)
Branch 1:	In the gas station PLUS 8, Done Koice Village, Sisattanak district, Vientiane Capital City
Branch 2:	In the gas station PLUS 9, Salakham Village, Hardsayphong district, Vientiane Capital City
Branch 3:	In the gas station PLUS 2, Nong-Heo Village, Hardsayphong district, Vientiane Capital City
Branch 4:	In the Anousay gas station, Houey Hong Village, Saythany district, Vientiane Capital City
Branch 5:	In the Km 7 gas station, Phakhao Village, Saythany district, Vientiane Capital City
Branch 6:	In the Pha-Deang gas station, Sensoum Village, Phonehong district, Vientiane province
Branch 7:	In the Phetmisay gas station, Sanamsay Village, Kaysone Phomvihane district, Savannakhet province

- **Moly Care:**

Picture 1.4.6



Moly Care provides car wash service on both interior and exterior cleansing by using the special washing solutions. In addition, it also provides car wax service by experienced oversea specialists. Moly Care is in form of Franchise business; thus, the quality service is controlled under the same standard. Currently, there are Moly Cares in 4 stations as follow:

Table 1.4.4: Locations and the number of Moly Cares

Branch	Details of Location (address)
Branch 1:	In the gas station PLUS 8, Done Koice Village, Sisattanak district, Vientiane Capital City
Branch 2:	In the gas station PLUS 2, Nong-Heo Village, Hardsayphong district, Vientiane Capital City, Nong-Heo Village, Hardsayphong district, Vientiane Capital City
Branch 3:	In the Phetmisay gas station, Sanamsay Village, Kaysone Phomvihane district, Savannakhet province
Branch 4:	In the Phonehounghalean gas station, Phonesavard Neua Village, Sikhottabong district, Vientiane Capital City

- **The bank unit service and ATM of Phongsavanh Bank:**

Picture 1.4.7



It is a unit service the Company selects to add in the gas station service as Automatic Telling Machine (ATM) deems necessary for clients who need to make financial transactions such as exchange of currencies, deposit or withdraw and other financial transaction services. The service is provided in only in some PLT and GLD stations. Currently, the service is provided in 4 stations as follow:

Table 1.4.5: Location and the number of ATM

Branch	Details of Location (address)
Branch 1:	In the gas station PLUS 8, Done Koice Village, Sisattanak district, Vientiane Capital City
Branch 2:	In the gas station PLUS 2, Nong-Heo Village, Hardsayphong district, Vientiane Capital City
Branch 3:	In the Pha-Deang gas station, Sensoum Village, Phonehong district, Vientiane Capital City (installing period)
Branch 4:	In the Km 7 gas station, Phakhao Village, Saythany district, Vientiane Capital City (installing period)

- **Fleet Card:**



There are three types of the fleet card: Save PLUS card, Fleet PLUS card and Easy PLUS card. Fleet PLUS is used for organization and companies, and there are both pre-paid and post-paid card. Save PLUS and Easy PLUS card are pre-paid card. In the future, the Company has intention to enable this card not only to pay for gas refill but also to pay for consumption goods sold in the convenience stores (would be used only with the Company's group), and the Save PLUS card would become post-paid. The Company now plans to

expand this service to all Platinum and Gold stations. At present, there are 13 stations allowing to use this card system, both in Vientiane Capital city and other provinces and. The details are as follow:

Table 1.4.6: Locations and the number of branch with Fleet Card service

Branch	Details of Location (address)
Branch 1:	In the gas station PLUS 8, Done Koice Village, Sisattanak district, Vientiane Capital City
Branch 2:	In the gas station PLUS 9, Salakham Village, Hardsayphong district, Vientiane Capital City
Branch 3:	In the gas station PLUS 2, Nong-Heo Village, Hardsayphong district, Vientiane Capital City
Branch 4:	In the Anousay gas station, Houey Hong Village, Saythany district, Vientiane Capital City
Branch 5:	In the Phonehoungchalean gas station, Phonesavard Neua Village, Sikhottabong district, Vientiane Capital City
Branch 6:	In the Khammisay gas station PLUS 7, Tanmisay Village, Saythany district, Vientiane Capital City
Branch 7:	In the Tiger gas station, Houey-Poun Village, Pakse district, Pakse province
Branch 8:	In the Phetmisay gas station, Sanamsay Village, Kaysone Phomvihane district, Savannakhet province
Branch 9:	In the Phonethan gas station PLUS 1, Phonethan Neua Village, Saysettha district, Vientiane Capital City
Branch 10:	In the Vongthong gas station PLUS 6 , Nongboathong Village, Sikhottabong district, Vientiane Capital City
Branch 11:	In the Km7 gas station, Phakhao Village, Saythany district, Vientiane Capital City
Branch 12:	In the Pha-Deang gas station, Sensoum Village, Phonehong district, Vientiane Capital City
Branch 13:	In the Sokhoungheung gas station, None-Seng-Chanh Village, Saythany district, Vientiane Capital City

4. Fuel Depots of Benzene and Diesel

At present, the Company has 5 fuel depots located in major cities that closed to suppliers' border. The chosen locations strategically support distribution of its fuel throughout the country, and reduce transportation cost as well. The 5 fuel depots are located in Vientiane Capital City Depot, Paksan Depot, Savannakhet Depot, Meung Ngeun and Pakse Depots as shown in the following picture:

Picture 1.4.9: Locations of fuel depots in 5 provinces



1.) Savannakhet Depot: the depot was established on 1st May, 2009 under the Company's entitlement. It is located at Nong-Kom Village, KaysonePhomvihane District, and Savannakhet province. There are 6,000 square meters, and this depot has 16 fuel tanks that can contain 800,000 liters. The fuel tanks are classified into three types:

- A tank of benzene super (ULG 95) contains 50,000 liters
- A tank of benzene regular (ULG 91) contains 50,000 liters, and now there are five tanks
- A tank of diesel contains 50,000 liters, and now there are ten tanks

2.) Vientiane Capital City Depot: the depot was established on 1st July, 2010 under the Company's entitlement. It is located at Nong-Heo Village, Hardsayphong district, Vientiane Capital City. There are 9,000 square meters, and this depot has 16 fuel tanks that can contain 1,120,000 liters. The fuel tanks are classified into three types:

- A tank of benzene super (ULG 95) contains 70,000 liters, and now there are two tanks
- A tank of benzene regular (ULG 91) contains 70,000 liters, and now there are four tanks
- A tank of diesel contains 70,000 liters, and now there are ten tanks

3.) Meun-Ngeun Depot, Xayaboury province: the depot was established on 7th December, 2010 under the Company's entitlement. It is located at Phear-Ngam Village, Meang-Ngeun district, Xayaboury province. There are 7,136 square meters; this depot has 18 fuel tanks that can contain 700,000 liters. The fuel tanks are classified into two types:

- A tank of benzene regular (ULG 91) contains 30,000 liters, and now there are two tanks
- A tank of diesel contains 30,000 liters, and now there are eight tanks; and a tank of diesel contains 50,000 liters, and now there are eight tanks.

4.) Paksan Depot: the depot was established on 1st April, 2011 through joint investment between the Company and the local landlord. It is located at Hang-Sing Village, Paksan district, Bolikhamxay province. There are 19,200 square meters; this depot has 12 fuel tanks that are able to contain 350,000 liters. The fuel tanks are classified into two types:

- A tank of benzene regular (ULG 91) contains 25,000 liters, and now there are two tanks
- A tank of diesel contains 25,000 liters, and now there are eight tanks, and a tank of diesel contains 50,000 liters, and now there are two tanks.

5.) **Pakse depot:** the depot was established on 25 August, 2014 under the Company's entitlement. It is located at None-Hine Village, Phone-Thong district, Champasak province. There are 16,568 square meters, and this depot has 8 fuel tanks that can contain 640,000 liters. The fuel tanks are classified into two types:

- o A tank of benzene regular (ULG 91) contains 80,000 liters, and now there are two tanks
- o A tank of diesel contains 80,000 liters, and now there are six tanks.

Table 1.4.7: Summary of Fuel depots

No	Detail	Unit	Depot Location					Total
			Vientiane Capital	Savannakhet	Paksan	Meung-Ngeun	Pakse	
1	Land area	Square meter	9,000	6,000	19,200	7,136	16,568	120,904
2	Containable	Liter	1,120,000	800,000	350,000	700,000	640,000	3,610,000
	- Benzene 95	Liter	140,000	50,000	-	-	-	190,000
	- Benzene 91	Liter	280,000	250,000	50,000	60,000	160,000	800,000
	- Diesel	Liter	700,000	500,000	300,000	640,000	480,000	2,620,000
3	Number of Tank	tank	16	16	12	18	8	70
	- Benzene 95	tank	2	1	-	-	-	3
	- Benzene 91	tank	4	5	2	2	2	15
	- Diesel	tank	10	10	10	16	6	52

1.4.2 Marketing and Competition Situation.

Marketing

1. Product

The Company is an importer and distributor of quality petroleum products in Lao PDR. The products distributed include Diesel, Benzene Regular and Benzene Super. The Company emphasizes on products' quality in order to become a quality fuel distributor for Lao people. Thus, the Company has had efficient purchasing process to select well-known suppliers with international awareness. In addition, the Company also has an efficient quality control mechanism. For instance, the Company always requests the suppliers for testing fuel quality at refinery before shipping. To maintain fuel quality, the Company has invested in Fuel Lap for testing fuel quality in each depot. Apart from that, the Company has the process for checking dirty in fuel before shipping to gas stations. These processes are conducted based on the Company's policies to provide good quality fuel to Lao people constantly, and to guarantee that the clients of gas station have received quality fuel with fair price.

2. Selling Price and Pricing Strategy

The Company does not have a policy to apply pricing strategy due to the Company's intention to maintain fuel quality for the users. Since the fuel distribution business in Lao PDR is mostly related to stability of the country, Lao government, Lao Petroleum and Gas Association under the supervision of Lao National Chamber of Commerce and Industry (LNCCI) in which the members are representative of fuel distributors, government sector and the Company are mutually responsible for defining price of oil selling at gas stations throughout the country. The defining price is based on market price mechanism and situation of oil industry oversea; therefore, the Company does not have any specific pricing strategy on selling price of oil.

3. Place

The Company emphasizes on delivery of the quality oil to the people in big cities, routes along the main roads or down town as well as small streets through gas stations of the Company around Lao PDR. The Company has four types of gas stations. The first two types are PLUS Platinum Gas Station and Gold station all of which are suitable for daily life style of city people. For PLUS Standard Gas Station, it is to provide services along roadside of city. Finally, PLUS Thongthin Phathana Gas Station is to support oil usage and fulfill the demand of people in the remote areas where large area of land is not required for establishment of a gas station. Moreover, all of Lao people in the remote area also can access to quality oil at fair price in every gas station. With the Company's policies and slogan stating that "PLUS Energy for the Nation Energy for the development", the establishment of gas stations in rural area can support the development of the remote areas to become business areas in the future.

4. Promotion

The Company applies public relation and advertisement via media in order to communicate and to create brand awareness among Lao people, reflecting perspective of the society to the Company. To promote trademark "PLUS" as the gas station service provider, the Company applies advertisement and public relation through media in both domestic and oversea. The media include Video Tape Recorder (VTR) advertising through TV and radio, and social media such as Facebook etc. With Social media, it is a way to make two-way communication between the Company and the clients. It is also a channel for the clients to express their view and give comments on products and service quality of the Company. Therefore, these comments are expected to promote improvement of the Company's service so that consumer's satisfaction can be maximized.

In addition, the Company focuses on good reputation to the society by continuously participating in charity activities such as scholarship provision, distribution of seasonal consumption goods and other valuable activities for underprivileged people in remote areas. These activities are performed under trademark "PLUS" in order to create brand awareness under this trademark.

Target Market Customers

The Company is a fuel distributor aiming to fulfill the need of oil in the Lao PDR since it is believed that fuel is the main factor to support economic growth efficiently.

The Company classifies customers into 4 groups as:

1. Customer of the gas station:

This group of customer is companies in private sector and household. The fuel is distributed through the Company's gas stations located around the country. There are 107 stations covering big city areas, crowded town, main roads, and even remote areas. This consumer group is considered as an important group since their sales proportion is around 43.24% of total sales of fuel in 2013. For this group of customer, the location, feature and convenient facilities in the gas station are the main factors to their visit; thus, the Company can attract the customers by development of gas station.

2. Concession and construction Projects:

This group of customers is mainly companies in private sector who obtained the concession mining project, and construction companies who are awarded construction projects. This customer group is mostly large-scaled companies that are

well-known domestically and internationally. Normally, projects this group of customers is assigned is large-scaled projects, so they need a lot of fuel. Repurchasing from this group of customers not only depends on the Company’s ability to supply fuel in different places within determined time period, but also the delivery of quality fuel with reasonable price. Also, a Company’s policy is to build close relationship with the loyalty customers who tend to make a regular purchase from the Company. In addition, the Company tries to attract more customers via high quality products and services. Currently, the sales for concession and construction Projects is equal to 28.57% of total sales. The fuel demand of this type of customers depends on periods of projects. Thus, the demand may be vulnerable due to the project’s dependence on the government and concession. The main customers in this group are such as Sinohydro, Obayashi Public Company Limited, Vientiane Capital City development Sihalath Natural Resource Co., Ltd and others.

Picture 1.4.10: Main Customer as Concession and Construction Projects



3. Industrial Customers:

Most customers, including Lao and foreign companies whose business operates in Lao PDR, use fuel for manufacturing procedure. An example of main customers in this group is Phu Bia Mining. The sale of fuel to this type of customer is normally equal to 13.89% of total sales. Moreover, the fuel demand of industrial customer is quite stable since the customers has regular production throughout the whole year.

Picture 1.4.11: Main Customer as Industrial



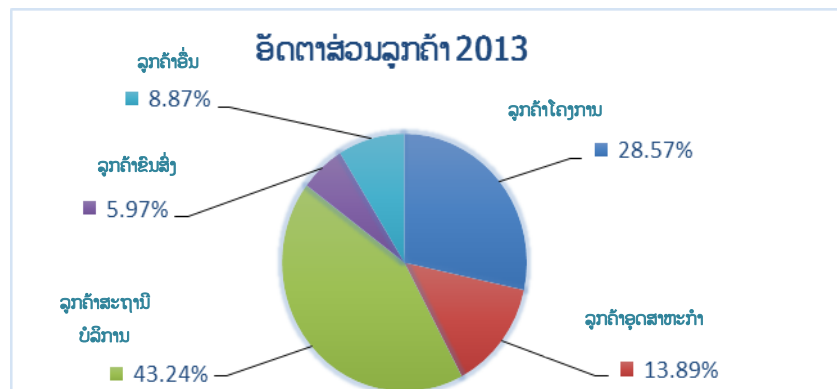
4. Transportation and other customers:

This customer is companies relating to transportation business as they have to use vehicles for transporting goods and/or passengers. The fuel usage of this customer depended on volume of transportation and economic growth. The demand is long term and may seasonally change. The sale of fuel to this type of customer is equal to 5.94% of total sales of the Company. In addition, other type of customer includes jobber who will buy fuel at wholesale price, and then distributing to small retail in any areas. The sale to this type of customer is equal to 8.87% of total sales of the Company. An example of main customers is Chitpasong Nyotniyom Transportation etc.

Picture 1.4.12: Main Customer as Transportation and other customers



Picture 1.4.13: Summary ratio of fuel distribution by customer type in 2013



Remark: the summary ratio of fuel distribution by customer type in 2013 is not included the discount for 0.54% of net total revenue

In the future, the Company has planned to expand the market through oversea markets in order to increase the customer base in bordering countries of Lao PDR such as: China, Cambodia and Myanmar.

1.4.3 Industry Overview

Fuel industry situation in Lao PDR

Lao PDR is a landlocked country, but the boarder is closed to 5 countries. Therefore, the Lao government has had policy to transform the landlocked to land linked in order to become the center of the linkage between countries. According to this policy, the government has set the budget immensely to improve the country's infrastructure such as: roads, public utility, and telecommunication in order to be ready for the AEC in late 2015.

The general economic situation since 2011 the GDP growth has decreased as shown in the table below. In 2011, 2012 and 2013, the GDP growth is equal to 8.04%, 7.93% and 7.95% respectively. Even though, the growth has decreased, but the growth rate of the past 3 years are higher than the Asian Development Bank (ADB) has projected that the GDP growth would be 7.9% as the following details:

Table 1.4.8: Summary of GDP growth in 2012 and 2013 of Lao PDR

Evaluation organization	2012	2013
1. Asian Development Bank	7.6	7.7
2. Economist Intelligence Unit	8.3	8.5
3. IMF's International Monetary Fund.	8.3	7.8
4. World Bank	8.0	7.7
Average (%)	8.10	7.9

Source: ADB's Asian Development Outlook, October 2013, EIU's Country Report, December 2013, UNCTAD, and World Bank's East Asia and Pacific Economic Update, October 2013

The general economy of Lao PDR has supported the growth in fuel industry which has high potential to grow due to the increasing in consumption from private sector, tourism, and infrastructure improvement, especially, the dam construction, the road construction, construction projects in special economic zone, and from natural mining. These factors are not only supported the growth of GDP to be not less than 7.9% but also continuously increase the fuel consumption. During 2015 to 2020, the consumption has been expected to increase to 39,000 liters per year, or average growth is 23% per year. The government's policy has helped increased the consumption rate and drive the economy to developed steadily in the long term.

In parallel with the industrial growth, the fuel distribution business has also growth in the same direction due to the fuel is the key factor to drive the economy and tend to grow constantly with the socio- economy development in 5 years or until 2020.

For these reasons, Lao PDR has high demand to use energy to drive the economy, especially, a lot of fuels are required to use in developing the infrastructure. In the past, a lot of fuel was imported to support economic development. The numbers were shown as followings: in 2011, 2012, and 2013, Lao PDR imported 738 million liters, 924 million liters, and 1,321 million liters, or equal to 8%, 25% and 42% respectively.

Table 1.4.9: Summary of fuel usage in Lao PDR

Fuel type	Year 2011	Year 2012	Year 2013
Benzene super	1,080,005	200,000	286,000
Benzene regular	165,417,444	249,303,808	356,504,445
Diesel	554,215,225	663,151,889	948,307,216
Jet Fuel	17,823,405	11,633,270	16,635,576
Total	738,536,079	924,288,967	1,321,733,237

Source: Statistic from Import-Export Department, No. 2237/MOIC.DTD, dated: 05/04/2013 Ministry of Industry and Commerce.

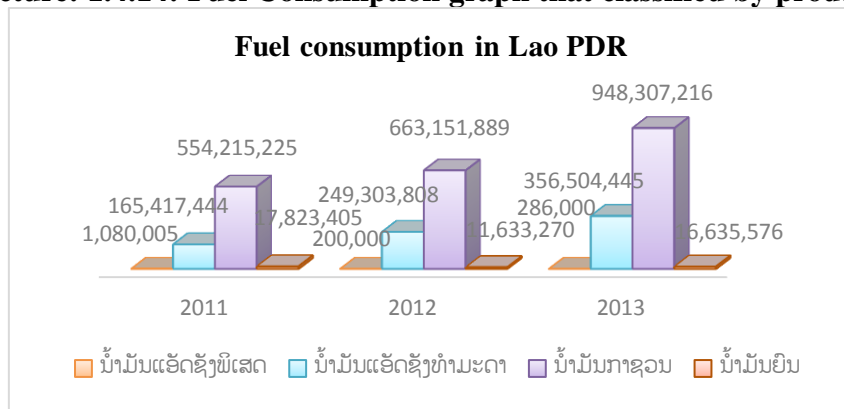
To support the stability in economic growth and fulfill the demand of energy, in2013, Lao's government had totally given 16 licenses for the Petroleum and Gas distributor companies in order to encourage the investors that interested in fuel importation and distribution business under laws and regulations of Lao PDR. The details are as follows:

Table 1.4.10: Type of fuel distributors in Lao PDR

No	Type of Company	Amount
1	Import and Gas distribution company	6
2	State Enterprise (100%)	3
3	Joint Venture Company	2
4	Foreign Company	3
5	Lao private company	2

According to the data of imported products in 2013, the proportions of each product are: Diesel 71%, Benzene Regular 24%, Kerosene 4%, Bulker oil 0.8%, Lubricant oil 0.1%, and Benzene Super 0.1%. There are 1,076 gas stations in Lao PDR, capacity 31,865 m³, average per capita 6,174 persons per station, vehicle: 136 units per station (car and truck are 38 units per station).

Picture: 1.4.14: Fuel Consumption graph that classified by products



Source: Statistic from Import-Export Department, No. 2237/MOIC.DTD, dated: 05/04/2013 Ministry of Industry and Commerce.

1.6.4 Trends and Key factors

The factors that supported the growth in total sales of fuel is domestic consumption which including household consumption (vehicle), construction, and production industries, and tend to grow increasingly according to the economic development such as: the launching of AEC, and the government policy on infrastructure in Lao PDR through 2020 in order to push Lao PDR into developing country.

Thus, the key factors that indicate the total sales of the Company are from Socio-Economic Development Plan of the government. The factors are:

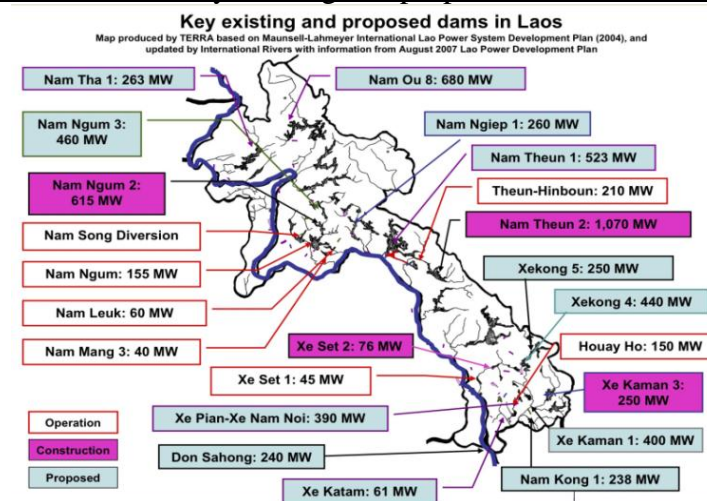
- The increasing in population and vehicles
- Special Economic Zone Development Plan 2020-2033, there are 9 projects that have been approved by government, 11,000 hectares, concession periods are 50 to 99 years

Picture 1.4.15: The approved Special Economic Zones



- Dams and power plant development plan 2013-2020 totally 30 projects, there are 4 projects in 2014, 11 projects in 2015, 5 projects in 2016, 5 projects in 2017, 1 project in 2018, 1 project in 2019, and 3 projects in 2020, which can produce the electricity for 29,597.3 Gwh with concession period of 50 to 99 years.

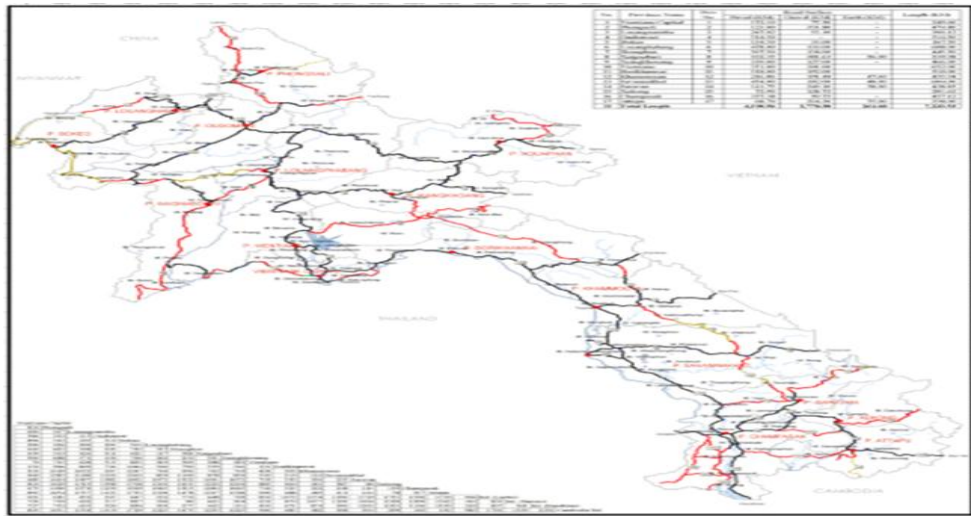
Picture 1.4.16: Key existing and proposed dams in Lao PDR



- Natural Mining Exploration Plan in 2013-2020, there are 50 projects, concession's land areas are 13,000 hectares, and concession periods are 20-50 years.

- Road improvement and Road construction plan in 2013-2020, there are at least 15 projects, total distance are approximately 3,494 Km., from north to south.

Picture 1.4.17: Upgrading road and road construction development



- High speed railway construction plan, from Laos-China border to Vientiane Capital City, the distance are approximately 421 Km. consist of 5 main stations which are: Borten station, Meaun-Xay station, Luangprabang station, Vangvieng station, and Vientiane Capital station, besides there are 21 substations.

These factors supported the growth in petroleum industry according to the government's Socio-economic development plan in 5 years from 2015 to 2020. During the improving period and developing period of the infrastructure in Lao PDR in order to be ready for AEC, these factors supported the progressively increasing in demand for fuel consumption in the future. As expected, the demand of fuel consumption will be approximately 3.920 million liters in 2020 as the table below:

Table: 1.4.11: Forecasted demand for fuel consumption during 2015 - 2020

Type of Fuel	2015	2016	2017	2018	2019	2020
Benzene Supper	368,368	427,307	512,768	630,705	744,232	848,424
Benzene Regular	459,177,726	532,646,162	639,175,394	786,185,735	927,699,167	1,057,577,051
Diesel	1,221,419,694	1,416,846,845	1,700,216,214	2,091,265,943	2,467,693,812	2,813,170,946
Jet oil	21,426,622	24,854,882	29,825,858	36,685,805	43,289,250	49,349,745
Total	1,702,392,409	1,974,775,195	2,369,730,234	2,914,768,188	3,439,426,461	3,920,946,166

1.6.5 Competition:

Currently, the petroleum business has changed according to the intense competition in the market with the purpose of accessing to target customers. Many companies implemented new strategies to attract their customers such as: special gifts, and services. These strategies were used to increase the number of customer and keep the market share.

Competitor Evaluation

The government has strongly supported the establishment of business, especially, the petroleum business thus, in 2013, there were 16 petroleum companies existed in Lao PDR. The companies can be classified into 3 groups by the quality of the products, the marketing strategy, services, variety of business, and the market share as follows;

Top 5 companies in term of the total sales of fuel

- ① Lao State Fuel Company
- ② Petroleum Trading Lao public Company
- ③ PTT (Lao) Co., Ltd.
- ④ PV Oil Lao co., Ltd.
- ⑤ Petrolimex (Lao) Co., Ltd.

Companies in the second best group from the top 5 which have 2 companies are:

- ① Lao Modern Petroleum Co., Ltd.
- ② Meuangluang Petroleum Co., Ltd.

Companies that have a middle level of total sales of fuel:

- ① Dalachaleum Oil Co., Ltd.
- ② Lo Petroleum Co., Ltd.
- ③ Asia Petroleum Co., Ltd.
- ④ Lanexang Petroleum Co., Ltd.
- ⑤ Imperial Petroleum Co., Ltd.
- ⑥ Bousavanh Energy Co., Ltd.
- ⑦ Phetsamay Petroleum Co., Ltd.
- ⑧ Vientiane Petroleum Co., Ltd.
- ⑨ Dafi Petroleum Co., Ltd.

Table 1.4.12: Market share of fuel distributor in Lao PDR

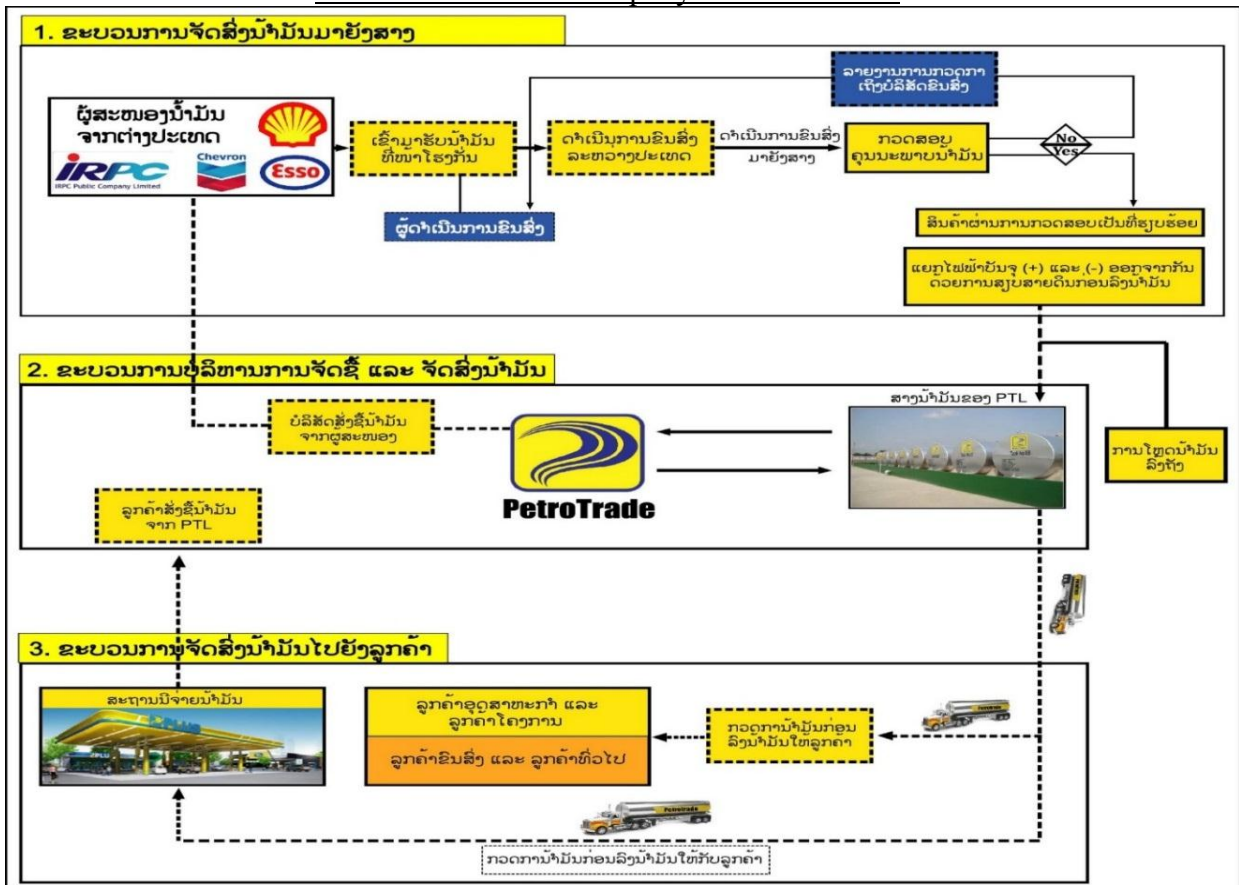
UNIT: LITRE		2008'S PERFORMANCE			2009'S PERFORMANCE			2010'S PERFORMANCE			2011'S PERFORMANCE			2012'S PERFORMANCE			2013'S PERFORMANCE		
NO.	COMPANY'S NAME	TOTAL SALES	% SHARE	RANK	TOTAL SALES	% SHARE	RANK	TOTAL SALES	% SHARE	RANK	TOTAL SALES	% SHARE	RANK	TOTAL SALES	% SHARE	RANK	TOTAL SALES	% SHARE	RANK
1	LSFC	180,000,000	34.1%	1	228,400,000	36.7%	1	243,401,000	31.5%	1	229,078,000	31.3%	1	244,818,000	30.6%	1	248,000,000	27.4%	1
2	PETROTRADE	3,100,000	0.6%	12	27,500,000	4.4%	7	58,000,000	7.5%	5	98,000,000	13.4%	2	118,000,000	14.7%	2	124,600,000	13.7%	2
3	PTTL	45,800,000	8.7%	3	36,480,000	5.9%	6	45,170,000	5.8%	6	95,200,000	13.0%	4	116,000,000	14.5%	3	111,090,000	12.3%	3
4	PV OIL	109,800,000	20.8%	2	86,840,000	14.0%	2	92,400,000	11.9%	3	97,000,000	13.3%	3	95,600,000	11.9%	4	97,000,000	10.7%	4
5	PETROLIMEX	45,000,000	8.5%	4	53,700,000	8.6%	4	38,000,000	4.9%	7	43,700,000	6.0%	6	54,600,000	6.8%	5	66,400,000	7.3%	5
6	ML	45,000,000	8.5%	4	51,300,000	8.2%	5	78,000,000	10.1%	4	53,000,000	7.3%	5	50,000,000	6.2%	6	38,000,000	4.2%	7
7	DALACHALERN	2,800,000	0.5%	13	3,000,000	0.5%	13	33,000,000	4.3%	8	17,000,000	2.3%	9	14,500,000	1.8%	10	65,000,000	7.2%	6
8	LAOMAI	1,300,000	0.2%	14	2,000,000	0.3%	14	2,400,000	0.3%	14	16,000,000	2.2%	10	33,700,000	4.2%	7	37,000,000	4.1%	8
9	LO PETROLEUM	0	0.0%	15	0	0.0%	15	0	0.0%	15	0	0.0%	15	6,500,000	0.8%	14	37,000,000	4.1%	8
10	LP	8,400,000	1.6%	10	12,000,000	1.9%	12	11,000,000	1.4%	13	12,000,000	1.6%	12	10,640,000	1.3%	13	21,200,000	2.3%	11
11	IP	42,500,000	8.0%	6	60,800,000	9.8%	3	102,600,000	13.3%	2	0	0.0%	15	0	0.0%	15	0	0.0%	16
12	VP	11,600,000	2.2%	8	18,100,000	2.9%	8	19,700,000	2.5%	10	12,400,000	1.7%	11	14,800,000	1.8%	9	5,700,000	0.6%	14
13	AP	4,300,000	0.8%	11	12,200,000	2.0%	11	21,500,000	2.8%	9	18,000,000	2.5%	8	14,000,000	1.7%	11	22,600,000	2.5%	10
14	PP OIL	11,000,000	2.1%	9	15,900,000	2.6%	9	14,600,000	1.9%	11	21,600,000	3.0%	7	15,000,000	1.9%	8	13,000,000	1.4%	13
15	BOUSAVANH	0	0.0%	15	0	0.0%	15	0	0.0%	15	10,100,000	1.4%	13	12,500,000	1.6%	12	18,000,000	2.0%	12
16	DAFI	18,000,000	3.4%	7	13,700,000	2.2%	10	14,100,000	1.8%	12	7,700,000	1.1%	14	0	0.0%	15	1,600,000	0.2%	15
TOTAL		528,600,000	100%		621,920,000	100%		773,871,000	100%		730,778,000	100%		800,658,000	100%		906,190,000	100%	

1.4.4 Products purchasing procedure and Services

Products purchase and services

The purchasing procedure is an important task due to the purchasing is reflecting the quality of products and services, image of the organization. Therefore, the Company has high standard of regulation and procedure of purchasing in order to assured that the purchased products have high quality as specified. The purchasing procedures contain of selecting and evaluating the suppliers, test the quality of the products in every step. The details of procedure are as follows:

Picture 1.4.18: The Company's business flow



❖ **Supplier:**

Supplier means the petroleum products' suppliers for the Company that located oversea (Thailand) which consisted of Chevron, ESSO, IRPC, Bangchak and Shell.

Every weekend, these suppliers will submit the price quotation to the Company in order to compare the prices between each supplier before placing a Purchasing Order (PO) to the suppliers. When the suppliers have received the PO they will reply the amount and other details, and also request the Company to settles an advance payment. After the confirmation of the payment was issued by the supplier, the Company shall be allowed to get the fuel from the refinery and also receive the certification of quality and other tax-related documents.

❖ **Fuel uploading in front of refinery**

After the transportation company received the notification or shipping order to get the oil from a refinery, the tank trucks would be deployed to get the fuel. Then, in each tank truck, the transporter would receive the certificate of fuel quality from refinery as evidence then, the transporter will transport the petroleum products to the Company' depots.

❖ **Transportation across the countries**

For the transportation from the refinery to the Company's depots, the Company has hired the transportation operators in the Company's vendor list which they operate under the Section 12 of the Fuel Trade Act B.E. 2543 of the Kingdom of Thailand which also passed the standard test of quality and environmental impact, and will be recorded in the Company's vendor list.

If the customer's project located close to the border or on the way that the tank trucks drive passed, the Company will transport directly to the project (Direct Drop).

The total time that used for shipping from refinery to the Company's depots is about 36 hours. During the shipping if there is an accident occurred or any damage happened to the fuel quality, all of the responsibility will be transferred to the transportation company solely. The responsibilities of products are transferred to the transportation company after the trucks left the refinery until they reached the destination safely.

❖ **Quality and quantity test of fuel products**

When the tank trucks reach the Company's depots, the quality test procedure will begin from parking the truck to stop every movement for 20 minutes to ensure that the fuel in the truck is stable, and then starting to measure the quantity following the safety guideline to prevent any sparkle and compare the fuel quantity in the truck with the document by using the measure tool which can measure from 3000 to 5000 liters per tank. Then, the quality test procedure will begin in the lab compared with the document from the refinery by testing the API value, the degree of combustion, and others in the details as follows:

Table 1.4.13: Standard value of API from refined of diesel

Diesel			
Properties	Test Method	Unit	Specification
Appearance	Visual		Clear
ASTMD Color	ASTMD 1500		20 Max
Color Visual	Visual		Light yellow
Distillation			
10% Recovered*	ASTMD 86	Degree C	Report
50% Recovered*	ASTMD 86	Degree C	Report
90% Recovered*	ASTMD 86	Degree C	370 Max
End Point	ASTMD 86	Degree C	
% Residue	ASTMD 86	% Volume	2.0 Max
Density @ 15 degree C	ASTMD 93	Degree C	52 Mm
API Gravity	ASTMD 4052	g/mL	Report
Pour Point	ASTMD 4052		Report
Could Point	ASTMD 976		17 Mm

Table 1.4.14: Conducting inspections of API for Regular 91

Benzene				
Properties	Test Method	Unit	Specification	
			ULG 91	ULG 95
Appearance	Visual		Bright & Clear	Bright & Clear
ASTMD Color	ASTMD 1500		0.5 - 1.5	0.5 - 1.5
Color visual	Visual		Light yellow	Light
Distillation				
10% Recovered*	ASTMD 86	Degree C	70 Max	70 Max
50% Recovered*	ASTMD 86	Degree C	70 - 110	70 - 110
90% Recovered*	ASTMD 86	Degree C	170 Max	170 Max
End Point	ASTMD 86	Degree C	200 Max	200 Max
% Residue	ASTMD 86	% Volume	2.0 Max	2.0 Max
Density @ 15 degree C	ASTMD 4052	g/mL	Report	Report
API Gravity	ASTMD 4052		Report	Report
Pour Point	ASTMD			
Could Point	ASTMD			

After that, the officer will collect a sample from each truck to compare with the certificate of quality from the refinery. If the result does not match the values stated in the certificate or the contaminant is found in the fuel and it is over the standard, the Company will report back to the refinery that the fuel has failed the quality test. But if the fuel passed the quality test, the truck will enter the process of transferring to the depot's tank.

Fuel transferring from truck to depot's tank: this procedure is a final process in the purchasing procedure. After the testing process, the electrode will be separated before the contaminant test according to the safety procedure of the flammable protection when the fuel is draining to the depot's tank which will take about 50-60 minutes per truck.

❖ **Fuel Depot Control Procedure**

The depot has role to receive and distribute fuel with reports every day (Daily Bulk Stock). The depot is opened at 8.00 am and Closed at 17:00 pm. After closing depot, the Company will measure the outstanding fuel quantity of each type and then reporting to the Company on next day in the morning at 8:30 am so that the management of the Company can use this information in decision making process. The detail and procedures of fuel depot control are as follow:

- **Fuel Disbursement:** The official at depot will disburse the fuel based on customer's receipt sent by headquarter (the Sale Division). When the fuel transportation trucks arrive, the depot will check the standard of trucks and drivers following evaluation standard of the Company's depot. After testing each truck, the fuel will be filled into the truck following order quality and quantity. After that the depot will issue the document to the driver to certify fuel quality and quantity before leaving depot. Finally, with this procedure, the risk and responsibility will be transferred to transporter.
- When the truck leaves the gate of depot, it means the all-risk will be transferred to transporter.
- Every day after 17:00 pm, the depot will summary outstanding balance (Daily Bulk Stock) then sending it to headquarter (the Sale Division)

❖ **Purchasing procedure and documentary (the Sale Division)**

Headquarter (Sale Division): the division has role to collect all documents and report the consolidated outstanding balance of fuel in every day and summarize outstanding Purchase Order (PO) from project customers and gas stations. Sale Division shall evaluate the fuel demand and fuel preserve in order to consider and define fuel purchase quantity and shipment date. In addition, sale division also observes the demand from fuel retailers by make a call directly to them. These customers do not exactly plan to buy fuel and their demand is not stable. Then summarize all fuel quantity on demand and add with the outstanding fuel in the depots. After that make purchase order appropriately that based on the total fuel quantity and contain capacity of tank in the depots or no less than Bulk Stock Limited or 50% of total fuel quantity in the depots in order to meet the real time order and the needs to use fuel suddenly. In addition, to assurance fuel has sufficient for using to drive economy of the country

When the sale division sums up the outstanding fuel that need to purchase then the division will compare fuel price of supplier such as: Chevron, IRPC, ESSO, Shell that their price quotations are sent every Monday morning and the price is valid in one week next the Company makes outstanding purchase order and contact to Fuel transportation company to receive the fuel and deliver to the Company's depots on the specified date and time.

❖ **Purchasing Procedure of Customer and Fuel Delivery**

The Company has 5 types of customers: Distribution Agents (gas stations), industrial customers, project customers, transportation customers and general customers. For some of them, similar purchase orders are applied whereas different manners may occur, depending on nature of the business of each type of customers as follows:

- **Distribution Agent (gas station):** This type of customers mostly makes a call directly to the Sale Division, and then recording the fuel purchasing order quantity. After that the customers will be requested to transfer money as payment of goods. Then, once the money transfer is successful, the Sale Division will issues invoice to depot in order to confirm fuel shipment to the customers. This procedure is expected to reduce time and cost of the customers.
- **Project, Industry, Transportation and general customer:** This type of customers mostly has exact purchasing order plan for each week so that if the project site is close to border, the Company will ask the international transportation to deliver the fuel to customer directly.

❖ **Fuel Deliver procedure to customer**

In delivery process of fuel to customers, the Company uses transportation service from Sitthi Logistic Lao Co., Ltd. (STL) which was formally formed as a unit of the Company but becoming the separated entity in 2013. Using of services from STL can assure transportation capacity and quality of drivers so that defraud can be avoided during the shipping time. The Company has also checked quality of transporters based on the safety rule such as checking the vehicle condition, qualification of the drivers, then reporting the result to STL to improve its service standard, quality and safety.

When the tank trucks are arrived the determined place, evaluation of fuel quantity and quality are needed. To compare fuel quality and quantity with the shipping documents, there are procedures as follow:

A truck will be parked in order to prepare for quality and quantity measurement following safety guideline. Then, to avoid fuel sparkling, electric poles are separated. Then the customer will check the fuel mixture, quality and quantity before draining fuel to customer's tank. These are procedures to deliver the fuel and services to the customers.

Effects on the Environment and Control

As the Company performs a trading business without its own manufacturing, there is no recycling system. However, the Company could not avoid environmental effect since the Company has a few depots to keep the fuel for distribution, but the Company has high safety standards to avoid damages. Examples of standard procedures of the Company are official issuance of environmental protection handbook for management and employees of the Company, regular checking and controlling of fuel transfer etc. These standards of the Company are expected to minimize environmental impacts to the society.

As a result of good management, the Company meets the standard of ISO 14001:2004, Environmental Management and OHSAS 18001: 2007 Occupational Health and Safety Management Systems.

1.5 Future Plan

The Company has future plan to improve the business to have a sustainable growth with the details as follow:

1. The investment in increasing number of company's gas stations.

The gas station is the company's main distribution channel that distributes the product directly to end users or consumers in Lao PDR. Therefore, the company has planned to increase the number of new gas station for 97 stations in the next 5 years in order to cover all area in Lao PDR. The new gas stations are classified the feature and type of gas station into 3 categories which are: Plus Platinum Gas Station (PTN) for 20 stations, Plus Gold Gas Station (GLD) for 20 stations and Plus Thongthin Gas Station (THN-B) for 57 stations. The investment in increasing the number of gas stations is a long-term investment which will take times around 5 years (2014 – 2018) in order to maintain the customer base in Lao PDR, supporting the expansion of urban area, to support the economic growth in Lao PDR, and also increasing the capabilities in competing with others in the ASEAN Economics Community (AEC) in the coming future.

Table 1.5.1: Numbers and proportion of new gas stations classified by categories

Expansion objective	2014 - 2018	Proportion of new gas stations (%)
Categories of gas station		
Plus Platinum Gas Station	20	20 %
Plus Gold Gas Station	20	20 %
Plus Thongthin Gas Station	57	60 %
Total	97	100 %

From the investment in increasing the number of gas stations, the company is able to both increasing the revenue and expanding the customer base in the future which can secure the Company's growth in long-term. And the money that the Company will get from issuing initial public offering (IPO), the Company plans to use it to invest in increasing number of gas station not less than 20 stations in 2015 in both COCO and CODO with the budget to be around LAK 68 billion which came from IPO around LAK 54 billion. The investment plan will start at the end of year 2014 or at the beginning of year 2015.

2. The investment in the Company's working capital for importing petroleum.

The Company plans to import the product from high potential resources in other countries that both has high quality and cheap. Therefore, the Company could import oil from Offshore Company which is an option in product procurement process. The importation from offshore company could decrease the cost per unit because the company has to import the product through a tanker or a huge vessel which requires the company to import the product at full capacity, so, it can create an economy of scale and bargaining power over suppliers which benefited the Company by procuring the product at cheaper cost. The importation process will be conducted under cost comparison policy in order to achieve the cheapest cost per unit. In order to support the project, the Company has rented a depot in Chachoengsao province, Thailand, which can store the oil up to 27 million liter from PC Siam Petroleum Company Limited. The length of the contract is 3 years with a 3 years renewable option. The Company expects the investment budget to be around LAK 80 billion which came from IPO around LAK 42 billion and it will start on 2015.

3. The investment in the logistic system.

The Company plans to invest in improving the logistic system in order to support the growth of the Company in increasing number of gas stations for 97 stations in the next 5 years (2014 – 2018). The Company needs an investment in improving the logistic system by increasing the number of tank trucks under the Company’s ownership to support the increasing in demand for oil consumption and the new gas stations in the future. And also increase the Company’s efficiency to immediately deliver the oil to consumers which can increase turnover rate and satisfied the consumers. Initially, the Company expects to invest in buying 25 more tank trucks. The details are as follow:

Table 1.5.2: Details of the investment in logistic system

Type	Price of each unit	amount (truck)	Total
1.) Tank Truck with a capacity of 40,000 Liter	LAK 1.86 billion	15	LAK 27 billion
2.) Tank Truck with a capacity of 25,000 Liter	LAK 1.30 billion	10	LAK 13 billion
Total Investment			LAK 40 billion

The Company expects the investment budget to be around LAK 40 billion which came from IPO around LAK 24 billion and it will starts on 2015.

The investment in both the Company’s working capital for importing petroleum and improving the logistic system will increase the company’s potential in the procurement process and decreasing the dependence on Thailand’s refinery company. The Company can also access to a cheaper cost of product and cost of transportation which are main cost of the business to compete with other competitors. The Company expected that the investments would increase net profit margin for 1.5% – 2%.

Summary of the project, future investment, and uses of fund from IPO in details as follow:

Table 1.5.3: Uses of proceeds from IPO

Objective	Total Investment amount (LAK)	Proceed of fund from IPO (LAK)	Estimated period of investment
1.) Investment in increasing 20 gas stations over the country	LAK 68 billion	Not less than LAK 54 billion	End of 2014 or beginning of 2015
2.) Investment in the Company’s working capital for importing petroleum	LAK 80 billion	Not less than LAK 42 billion	2015
3.) Investment in logistic system	LAK 40 billion	Not less than LAK 24 billion	2015
Total	LAK 188 billion	Not less than LAK 120 billion	

Long-term business plan

The Company has a long-term business plan to be part of the development and supplying petroleum for the company for both providing and reserving the sufficient amount of petroleum for Lao PDR. If there is any updated, the company will disclose the information further, which may cause the Company to use other financial instrument(s) in the future.

1.6 Assets Used in Business Operations

Petroleum Trading Lao Public Company has a lot of fixed assets which are divided into 4 categories: Buildings and structures, Machineries and equipment, Means of transportation, Office equipment. Details are provided as follows:

Table 1.6.1: Asset value as in the financial statement year 2013

Item	Ownership	Net book value
Fixed asset		
Buildings and structures	The Company	39,196,385,185
Machineries and equipment	The Company	22,128,692,370
Means of transportation	The Company	3,056,586,805
Office equipment	The Company	3,254,956,167
Intangible fixed asset		
Computer software	The Company	506,246,793
Total		68,142,867,320

Remark: The Company received land for the capital contribution and a purchasement of the land for the business's operation in 2014 which shall be recorded in the financial statement of the year 2014.

Table 1.6.2: Asset list of the land that belong to the Company

No.	Details and locations	Size (sq.m.)	Ownership
1.	13 th South Road, Km.23, Borlak Village, Saythany district, Vientaine Capital	308,204.00	The Company
2.	Kamphaengmueng Road, Phonthan Village, Saysettha district, Vientaine Capital	10,506.00	The Company
3.	13th South Road, Km.36, Borlak Village, Saythany district, Vientaine Capital	7,969.00	The Company
4.	Thadeua Road, Nongniew Village, Hadsayfong district, Vientaine Capital	7,804.00	The Company
5.	Kamphaengmueng Road, Donkoy Village, Sisettanak district, Vientaine Capital	4,792.00	The Company
6.	Thadeua Road, Nongheo Village, Hadsayfong district, Vientaine Capital	3,567.00	The Company
7.	Dongpalaep Road, Dongpalaep Village, Chanthabouly district, Vientaine Capital	2,154.00	The Company
8.	9th Road, Km.22+100, Nongkom Village, Kaisonphomvihan district, Savannakhet Province	11,134.00	The Company
9.	9th Road, Km.22+200, Nongkom Village, Kaisonphomvihan district, Savannakhet Province	6,109.00	The Company
10.	Sisavangvong Road, Sounantha Village, Kaisonphomvihan district, Savannakhet Province	1,277.00	The Company
11.	Kaisonphomvihan Road, Nonsavang Tai Village, Kaisonphomvihan district, Savannakhet Province	1,127.00	The Company
12.	Km.183+700, Piangam Village, Meuangngern district, Xayyabouly Province	10,675.00	The Company
13.	10th Road, Km.29+500, Nonhin Village, Phonthong district, Champasak Province	1,920.00	The Company

Remark: On 31st December 2013, all of the lands belonged to an individual, but they were transferred to the Company since in August 2014.

1.6.1 The Depots

As of 31st December 2013 the Company has total 4 depots with the details are as follows:

Table 1.6.3: The ownership of the depots as of 31st December 2013

Depot	Usage	Quantity (tank)	Capacity (litre)	Ownership
1. Vientiane depot	Gas storage	16	1,120,000	The Company has rights to use the land from the related party, constructions, tools and equipments.
2. Savannakhet depot	Gas storage	16	800,000	The Company has rights to use the land from the related party, constructions, tools and equipments.
3. Meuang Xiengngern depot	Gas storage	18	700,000	The Company has rights to use the land from the related party, constructions, tools and equipments.
4. Bolikhamxay depot	Gas storage	12	350,000	The Company rent the land from the landlord to build the fuel depot.
Total		62	2,970,000	

The Company has transferred the 3 land ownership to the Company and builds 1 more depot. Therefore, the Company currently has total 5 depots with the details are as follows:

Table 1.6.4: The ownership of the depots after the transferred transactions

Depot	Usage	Quantity (tank)	Capacity (litre)	Ownership
1. Vientiane depot*	Gas storage	16	1,120,000	The Company owns the land, constructions, tools and equipments
2. Savannakhet depot*	Gas storage	16	800,000	The Company owns the land, constructions, tools and equipments
3. Meuang Xiengngern depot*	Gas storage	18	700,000	The Company owns the land, constructions, tools and equipments
4. Bolikhamxay depot	Gas storage	12	350,000	The Company rent the land from the landlord to build the fuel depot.
5. Champasack depot*	Gas storage	8	640,000	The Company owns the land, constructions, tools and equipments
Total		70	3,610,000	

Remark: *The Company is currently the owner of the lands.

1.6.2 Gas stations.

The Company Owned Company Operated (“COCO”) is the model that the company invests in everything includes the land, the building, and the equipments. This model of investment is the Company has ownership on everything including the management will be under the Company’s operation. Currently, the total numbers of COCO gas station are 8 stations which including the 3 land that owns by the Company, the another 5 stations are the land that the Company has rent from the landlord.

In term of jointly invest or Company Owned Dealer Operated (“CODO”) is the model of gas stations that the Company owns the equipments and the building and the distributors own the land and they have to manage under the joint investment contracts between the company and landlord, in the contract, it is clearly state that the Company shall install the fuel tank, equipments, operational building including the managerial system, and the deal must purchase the petroleum exclusively from PTL for at least 20 years. Recently, there are 99 gas stations in the CODO model.

Petroleum Trading Lao Public Company as a fuel importer and distributor from other countries mostly from Thailand and Vietnam such as: Diesel, Benzene Regular 91, Benzene Super 95, and Lubricant oil by selling through retail gas stations, sell directly to the Projects, transportation industry and wholesaler (Jobber) since 2008 until present.

Table 1.6.5: The Number of gas stations

Type	Number of gas stations	Remaining period of contracts	COCO Model	CODO Model
PTN	5	16 - 19 year	4	1
GLD	7	15 - 17 year	2	5
STD	38	14 - 18 year	2	36
THN	57	15 - 20 year	0	57
Total	107		8	99

Remark: The Company is currently the owner of the lands Currently, the total numbers of COCO gas station are 8 stations which including the 3 land that owns by the Company, the another 5 stations are the land that the Company has rent from the landlord.

Table 1.6.6: The summarize of gas stations by geography

Location area	PTN	GLD	STD	THN	Total
Vientiane Cap	4	4	12	24	44
Bolikhamxay	0	0	4	7	11
Meuang-ngern	0	0	3	6	9
Savannakhet	1	3	19	20	43
Total	4	7	38	57	107

1.6.3 Significant contract relating to business operation

1. Important contracts on supplying petroleum.

The Company made the petroleum supplying contract with suppliers as follows:

- ❖ Contract on purchasing petroleum between the Company and Chevron (Thailand) Limited
- ❖ Contract on purchasing petroleum between the Company and ESSO (Thailand) Public Company Limited
- ❖ Contract on purchasing petroleum between the Company and IRPC Public Company Limited

2. Joint-investment contract.

The Company made the joint investment contract with the dealers in order to sell the petroleum through gas stations under the Company Owned Dealer Operated (“CODO”) model which the contracts have term of 20 years with renewable option. The condition is also included the fuel purchasement exclusively from PTL. The contracts are as follows:

- ❖ Joint-investment contract in form of PTN station.
- ❖ Joint-investment contract in form of GLD station.
- ❖ Joint-investment contract in form of STD station.
- ❖ Joint-investment contract in form of THN station.

3. Contract on exclusively purchasing petroleum with the Company

The Company has made the contracts with the dealers under the CODO model which makes the Company be an exclusive supplier for the petroleum product. The contacts are made together with the joint-investment contracts which the Company committed to supply the fuel to every gas stations, and it will benefited both the Company and the dealers in term of stability. The contracts are as follows:

- ❖ Contract on exclusively purchasing petroleum from PTL that made with the joint investment dealer in the model of PTN station.
- ❖ Contract on exclusively purchasing petroleum from PTL that made with the joint investment dealer in the model of GLD station.
- ❖ Contract on exclusively purchasing petroleum from PTL that made with the joint investment dealer in the model of STD station.
- ❖ Contract on exclusively purchasing petroleum from PTL that made with the joint investment dealer in the model of THN station.

1.7 Legal Disputes

❖ Legal, Decree, and Relevant Legislation to the Oil trading in the Lao PDR

Petroleum Trading Lao Public Company operates the business under the Business Enterprises Law and the Notification and Decision from Ministry of Industry and Commerce, and the details are as follows:

1. Notification of Protection of Fuel Oil Business No. 1331/MOIC dated 28th December 2005 which refer to the Decrees as follows:
 - According to the Decree No. 205/PM dated 11th October 2005 (the “Decree on Import or Export Protection”)
 - According to the Decree No. 206/PM dated 10th October 2001 (the “Decree on Goods Trading Business”)
 - According to the Decree No. 06/PM dated 24th January 2006 (the “Decree on Establishment and Activities of Ministry of Industry and Commerce”)
2. Decision on Management of Fuel Oil Import Business and Wholesale Services No. 1785/MOIC.DTD dated 7th September 2009 which refer to the Laws and Decrees as follows:
 - According to the Penal Law, revised edition No. 12/NA, dated 10th November 2005.
 - According to the Decree No. 205/PM dated 10th October 2005 (the “Decree on Import or Export Protection”)
 - According to the Decree No. 206/PM dated 10th October 2001 (the “Decree on Goods Trading Business”)
 - According to the Decree No. 207/PM dated 11th October 2001 (the “Decree on Price Control and Services Charges”)
 - According to the Decree No. 188/PM dated 17th August 2006 (the “Decree on Establishment and Activities of Ministry of Industry and Commerce”)
3. Decision on Management of Service Station in Lao PDR No. 1806/MOIC.DTD dated 8th September 2009 which refer to the Laws, Decrees and decisions as follows:
 - According to the Penal Law, revised edition No. 12/NA, dated 10th November 2005.
 - According to the Decree No. 206/PM dated 10th October 2001 (the “Decree on Goods Trading Business”)
 - According to the Decree No. 207/PM dated 11th October 2001 (the “Decree on Price Control and Services Charges”)
 - According to the Decree No. 188/PM dated 17th August 2006 (the “Decree on Establishment and Activities of Ministry of Industry and Commerce”)
 - According to the Decision of Ministry of Industry and Commerce No. 1785/MOIC.DTD dated 7th September 2009 (the “Decision on Management of Fuel Oil Import Business and Wholesale Services”)

❖ **Legal Disputes**

During the normal course of business operations, claims or disputes can arise, which may result in litigation or regulatory proceedings. Currently, the Company and the Company's directors, or shareholders are not involved in any litigation, arbitration, claims, tribunal or criminal proceedings or other disputes whether actual or prospective, and whether as claimant, defendant, third party or witness.

The Company has received a certify letters from the Vientiane Capital People's Court, confirming that there are no legal proceeding and cases against Petro Trading Lao Public Company at the Vientiane Capital People's Court as follow:

- The Certify letter from the Vientiane Capital People's Court No. 30/SPC.VTE dated 16th October 2014.

1.8 Capital Structure

The Company's paid up capital is LAK 350.00 billion, after the IPO, the Company's paid up capital shall be increased to LAK 470.00 billion which consists of 235,000,000 ordinary shares with par value at LAK 2,000 per share.

1.8.1 Shareholding Structure

Table 1.8.1: The shareholding structure before and after IPO.

Shareholders	Before IPO		After IPO	
	No. of shares	%	No. of shares	%
1. Mr. Chanthone's family	173,400,000	99.085%	173,400,000	73.789%
1.1 Mr.Chanthone Sittixay	129,250,000	73.857%	129,250,000	55.000%
1.2 Mrs. Savanhthong Phongsavanh.	43,750,000	25.000%	43,750,000	18.617%
1.3 Mrs. Veunvisa Anoulangsy	100,000	0.057%	100,000	0.043%
1.4 Mr. Viengkhone Sittixay	100,000	0.057%	100,000	0.043%
1.5 Mrs. Manivone Sittixay	100,000	0.057%	100,000	0.043%
1.6 Mrs. Savanhphone Phongsavanh	100,000	0.057%	100,000	0.043%
2. Other shareholders	1,600,000	0.915%	1,600,000	0.680%
2.1 Mrs. Chanthadom Meksavanh	800,000	0.457%	800,000	0.340%
2.2 Mr. Bounthan Chittavong	400,000	0.229%	400,000	0.170%
2.3 Mr. Takounsine Xaphakdy	400,000	0.229%	400,000	0.170%
3. Investors from IPO	-	-	60,000,000	25.531%
Total	175,000,000	100.000%	235,000,000	100.000%

As the date indicated in this prospectus, the nine existing shareholders has full controlling interest in the Company by holding 100% of the Company's total issued and outstanding of 175,000,000 shares

After IPO, the proportion of the shareholder of the Company shall be changed as follows:

- Mr. Chanthone's family: 73.789%
- Other shareholders: 0.680%
- Investors from IPO: 25.531%

1.8.2 Dividend Policy

The Company will pay the dividend to the shareholders not less than 50% of net profit after the deduction of necessary fee, legal reserve and other reserve (if any) in accordance with the law. In case of the Company has deficit in retain earning in prior ten years, the dividend will not be paid.

The Board of Directors' resolution for dividend payment approval and number of time that the Company will pay the dividend, must be approved by the shareholders' meeting of the Company and rely on the related regulations.

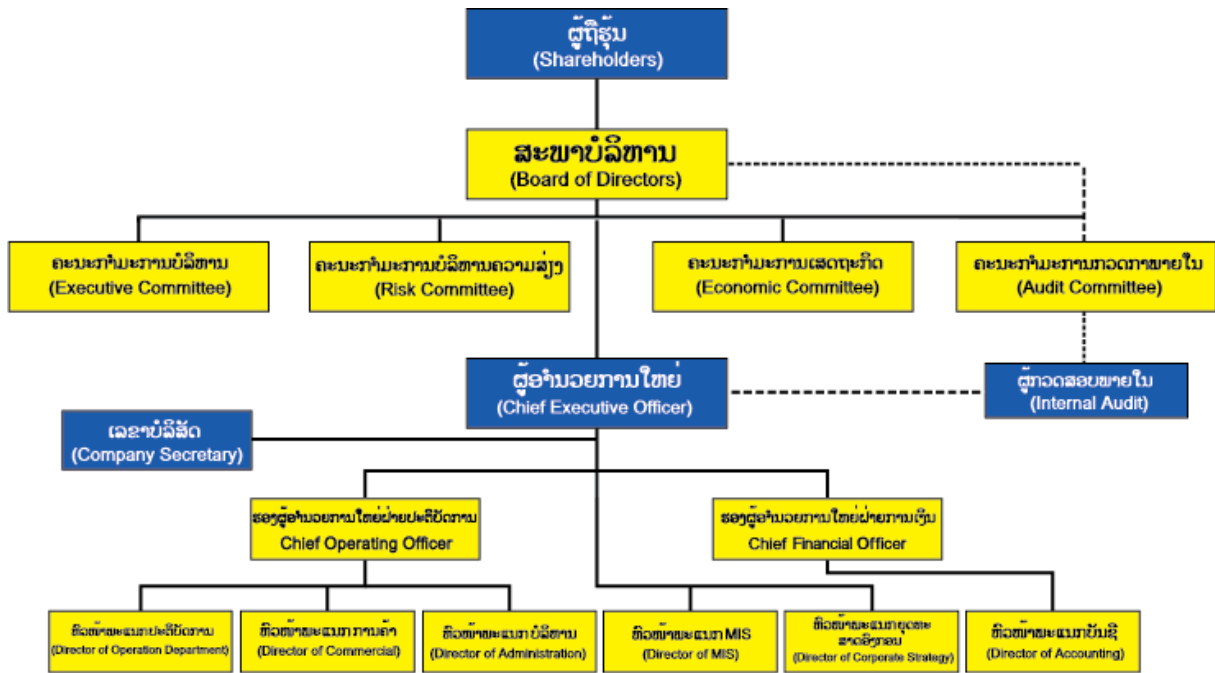
However the dividend policy of no less than 50% of net profit may be amended in accordance with the consideration and approval from the shareholder's meeting of the Company which will depends on the economic situation, cash flow, investment plan, conditions and other Company's obligation as well as the law and the capital adequacy in order to business expansion in the future.

The dividend of shall be paid in LAK (Kip) currency and will be subject to tax exemption according to the laws and regulations of Lao PDR.

1.9. Management and Corporate Governance

1.9.1 Organization chart of Petroleum Trading Lao Public Company as of October 2014

Picture 1.9.1: Organization Chart



1.9.2 Shareholder Meeting

a. Shareholders’ Meeting

Shareholders’ meeting of Petroleum Trading Lao Public Company will be organized as follows:

1. Annual General Meeting of Shareholders (AGM): shall be held at least once a year no later than June 30th of every year.
2. Extraordinary General Meeting of Shareholders (EGM): the meeting shall be held when any resolution needs to be approved before the next Annual General Meeting, or on the required scope of work, following to the Company’s regulation or related law.

b. Quorum of shareholder meeting

Quorum of shareholders’ meeting of Petroleum Trading Lao Public Company organizes as follows:

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

Noted: the invalid shares resulting from transfer’s activity will not be counted in the quorum even though the shareholders attended the meeting.

c. Voting rights

A shareholder is generally entitled to one vote per share. A resolution may be adopted at general shareholder meeting by simple majority vote. Thus the special resolutions shall be approved by a vote of at least two-third of shareholders or their proxies attend the meeting; and more than 80% of total shares contributed. The following matters relating to the Company require a special resolution of the shareholders:

- Voting on matters specified by the Enterprise Law
- Amending the Articles of Association (AOA) or Memorandum of Association (MOA).

- Increasing or reducing the capital of the company
- The merger or dissolution of the company
- The sale or transfer of all or substantial part of the company's business to another person.
- The purchase or acceptance of the business of other enterprise.

Pursuant to the Enterprise law, a shareholder may be restricted from voting on matter in which they are involved and through this involvement may receive a direct benefit or gain. The members present at the shareholders' meeting shall determine whether a shareholder falls within this scope.

1.9.3 Board of Director and Management teams

The organization of Petroleum Trading Lao Public Company has been adjusted according to the rapid growth of the business and in order to become public company. The Board of Directors of the Company consists of 9 directors, the Audit Committee consists 3 independent directors, the specific committee consist 3 person and Executive Director company consist 7 person.

Table 1.9.1: Name lists of Board of Directors and other committees

No.	Name list	Position
I.	Shareholders	
II.	Board of Directors	
1	Mr. Vang Rattavong	Chairman / Chairman of Audit Committee / Independent Director
2	Mrs. Savanhthong Phongsavanh	Vice Chairman
3	Mr. Chanthone Sitthixay	Vice Chairman / Chief Executive Officer
4	Mrs. Daly Pholsena	Director / Vice Chairman of Audit Committee / Independent Director
5	Mr. Noupnan Mahaphone	Director / Audit Committee / Independent Director
6	Mrs. Chanthadom Meksavanh	Director
7	Mr. Bounthanh Chittavong	Director
8	Mr. Phoxay Chanthavongsa	Director
9	Mr. Viengkhone Sitthixay	Director
III.	Audit Committee	
1	Mr. Vang Rattavong	Chairman of Audit Committee / Independent Director
2	Mrs. Daly Pholsena	Vice Chairman of Audit Committee / Independent Director
3	Mr. Noupnan Mahaphone	Audit Committee / Independent Director
IV.	Specific committee	
1	Mr. Bounthanh Chittavong	Chairman of Executive Committee
2	Mrs. Chanthadom Meksavanh	Chairman of Risk Management Committee
3	Mr. Chanthone Sitthixay	Chairman of Economy Committee
V.	Executive Director	
1	Mr. Chanthone Sitthixay	Chief Executive Officer / Acting Chief Operating Officer / Acting Director of Corporate Strategy / Acting Director of MIS
2	Mrs. Chanthadom Meksavanh	Acting Chief Financial Officer

No.	Name list	Position
3	Mr. Phoxay Chanthavongsa	Internal Auditor
4	Mr. Bounthanh Chittavong	Acting Director of Operation
5	Mr. Takounsine Xaphackdy	Director of Commercial
6	Mr. Bounyuen Duangson	Director of Administration
7	Mrs. Sengduean Kiosouvath	Director of Accounting

a. The authorized signatory on behalf of the Company

The authorized signatory, authorized directors, on behalf of the Company are Mr. Chanthone Sitthixay signing with Mrs. Savanhthong Phongsavanh along with the Company's Seal affixed.

1.9.4 The scope and responsibilities of the Board of the Directors and Executive director

1. Board of Directors

1.1 The member of BOD

The names of the Board of Directors as of October 2014 are as follows:

Table 1.9.2: Name list of Board of Directors

No.	Board of Directors	Position
1	Mr. Vang Rattanavong	Chairman / Independent Director
2	Mrs. Savanhthong Phongsavanh	Vice Chairman
3	Mr. Chanthone Sitthixay	Vice Chairman
4	Mrs. Daly Pholsena	Director / Independent Director
5	Mr. Noupnan Mahaphone	Director / Independent Director
6	Mrs. Chanthadom Meksavanh	Director
7	Mr. Bounthanh Chittavong	Director
8	Mr. Phoxay Chanthavongsa	Director
9	Mr. Viengkhone Sitthixay	Director

1.2 Rights and duties of BOD

- Coordinate and improve the function of the directors.
- Replace any vacant director position between two shareholders' meeting.
- Give direction of the Company's business management plan and propose to the shareholders' meeting for an approval.
- Acting the duties according to Articles of Association (AOA).
- Perform the duties with responsibility, integrity and compliance with company regulation under the resolution of the shareholders and the law.
- Appointing the Executive Committee by selecting from the managing team, and directors. Also specify the rights and duties of the Executive Committee.
- Appointing the Independent Directors and Audit Committee. The members shall be considered from quality and restrictions of independent director and audit committee laws and regulations, or the recommendations from the shareholders.
- Consider and appoint the CEO of the company who has authority to make an obligation or commitment to the company.
- Appoint a person to conduct business under the control of the CEO of the company or give a proxy to a person in order to act as a representative of the Company overtime and can be canceled at any time.

- Consider and approve the transferring, acquisition and disposal of the Company's assets except the item that must be approved by shareholders meeting according to the laws and regulations on securities.
- Consider and approve the transaction that is related to the Company's assets except the item that must be approved by shareholders meeting according to the laws and regulations on securities.
- Evaluate the performance and remuneration of the directors and management team. Encourage the management team to have an appropriate and effective risk management system.
- Monitor and encourage the mission, vision, and goals of the Company which considered from suitability and reality.

1.3 The term of BOD

The board of directors have been appointed and removed by the majority of the shareholders who attended the meeting. Each of director has 2 years term and be able to be re-appointed for another term as state in the company regulation or related law.

1.4 Remunerations of BOD

Each of the director receives a salary of LAK 12,000,000/month. And also receives a meeting allowance for each meeting as follows:

- Chairman LAK 1,500,000 /meeting/person
- Vice chairman LAK 1,000,000 /meeting/person
- Directors LAK 500,000 /meeting/person

2. Internal Audit Committee

2.1 The component of internal audit committee

The names of the Audit Committee as of October 2013 are as follows:

Table 1.9.3: Name list of Audit Committee

No.	Audit Committee	Position
1	Mr. Vang Rattanavong	Chairman of Audit Committee / Independent Director
2	Mrs. Daly Pholsena	Vice Chairman of Audit Committee / Independent Director
3	Mr. Nouphan Mahaphone	Audit Committee / Independent Director

2.2 The qualification of Audit Committee

- Qualified education equal bachelor or up in accounting, auditing, law, finance-banking or business administration or other business-related of the Company.
- Never been sentenced for a bankruptcy, and never been an executive in a corporate which was sentenced for a bankruptcy.
- Never been sentenced for a securities fraud, document forgery, embezzlement, corruption, bribery, or money's laundry.
- Holding share less than one percent of the total shares with voting right all of its subsidiaries.
- Never or used to be directors who involved in management, employees, paid consultants or who have controlling power over the Company, or the Company's subsidiaries, unless the person has left the Company more than 2 years before the submission for listing in Lao Securities Exchange, but the qualification will not including the case that an independent directors is a civil servant or consultant of the government which the government is a major shareholder or has controlling power over the Company.
- Not a person with a bloodline or registered by law as father, mother, spouse, sibling and child of the executive or major shareholder, person with controlling power or a person

that is going to be executive or having controlling power over the Company or its subsidiaries.

- Never have or had a business relations with the Companies, the subsidiaries, the 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. Including not being a shareholder or has controlling power over a company which operate the business that related to the Company (PTL), or its subsidiaries unless the person has ended the duty with the company more than 2 years before the submission for listing in Lao Securities Exchange.
- Not being or was a shareholder, or has controlling power over the external auditor's company that companies are hiring or are going to hire as a consulting auditor, unless the person has ended the duty with the company more than 2 years before the submission for listing in Lao Securities Exchange.
- Not being or was a professional legal advisor or financial advisor that has got paid more than LAK 500,000,000 from the Company and its subsidiaries or from a person who has controlling power over the company, unless the person has ended the duty with the company more than 2 years before the submission for listing in Lao Securities Exchange.
- Not being a director or an agent of the Company's directors, the shareholder or other shareholders who related to a major shareholder.
- Not doing the businesses that are similar to or competitive with the Company and its subsidiaries.
- Not having a difficulty which may obstructs in giving an independent opinion to the Company and its subsidiaries.
- Qualification of the audit committee may be assigned by the Company's Board of the Directors to conduct the business of the Company, the subsidiaries, a joint ventures, a major shareholder or a person who has controlling power by Collective Decision.

2.3 Rights and duties of Audit Committee

- Plan an auditing program in accordance with the rights and responsibilities that have been designated by the BOD which the program should cover all of the important transactions of the company and must be approved by the Board of the 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 that approved by shareholders' meeting or BOD and reported to the Board of the Directors regularly.
- Issue an annual report and submit for an approval from the Board of the Directors.
- Coordination with external auditor to perform the auditing.
- Evaluate the quality of audit firms, the independence and relationships with people.
- Use the rights and response to the assignment from the Board of the Directors.

2.4 The term of Audit Committee

The Audit Committee has been appointed and removed by the majority of the shareholders who attended the meeting. Each of director has 2 years term and be able to be re-appointed for another term as state in the company regulation or related law.

2.5 Remunerations of Audit Committee

Audit Committee receive no salary but receive meeting allowance for each meeting as:

- | | | | |
|-------------------------------|-----|-----------|-------------|
| - Chairman of Audit Committee | LAK | 1,500,000 | time/person |
| - Audit Committee | LAK | 1,000,000 | time/person |

3. Specific Committee

3.1 The component of specific committee

Board of Directors of the Company has appointed specific committees to charge each side consists of administration committee, risk management committee, economy committee. Committee which is responsible for specific actions to report to the BOD as October 2014 committee includes 3 specific as follow:

Table 1.9.4: Name list of Other Specific Committee

No.	Specific Committee	Position
1	Mr. Bounthan Chittavong	Chairman of Executive committee
2	Mrs. Chanthadom Meksavanh	Chairman of risk management committee
3	Mr. Chanthone Sitthixay	Chairman of economy committee

3.2 Rights and duties of specific committee

a. Rights and duties of Executive Committee

- Research, plan and improve the function of the company to present to the Board of the Directors meeting for consideration.
- Give the direction of the management plan and propose to the Board of the Directors meeting for considering the proposed to shareholder meeting.
- Conduct the Business activities report and the annual plan to present to the Board of the Directors for consideration of the shareholders meeting.
- Propose the appointment and removal of the Company's directors to the Board of the Directors for consideration.
- Operate day-to-day job according to the position and responsibility of each person which assigned by the Board of the Directors.
- Coordinate, support the information, and documents, including clarify the problems to the Audit Committee, External Auditors and the Board of the Directors.
- Report the Company's activities to the Board of the Directors, and the Audit Committee.
- Execute and responsible for the duties according to Articles of Association (AOA).

b. Rights and duties of Risk Management Committee

- Set policies and structures of risk management to propose to the executive committee which should according to the direction of risk management for both domestic and international market.
- Set strategic of risk management in order to assess, monitor and control each type of risks to be in controlled, by coordinate with other department.
- Assess and set the strategy to control the Company's risk as planned.
- Review and effectively improve the risk management policies in order to cope with the possible risks.
- Report the results to the risk management committee in order to quarterly present to the Board of the Directors.
- Conduct the risk management manual, identify each kind of risk, analyze and assess the possible risk, including the possibility and impact to the Company.
- Execute and responsible for the duties according to Articles of Association (AOA).
- The committee has 2 years term.

c. Rights and duties of Economic Committee

- Give a comment on Lao PDR's economy and/or other countries that relevant to the Company's business. Include giving advices and comments to the BOD's decision on the Company's business-related issue.

- Advices and comments on the economic situation about the investment and the BOD's decision on the investment both in Lao PDR and other countries. The scope will be about an appropriateness of the investment, the return and risks, including the factors that related to the economic conditions which may affect the value and return on investment that may disturb the Company's operation.
- Advices and comments on purchasing policy and the amount of the inventory complying with the economic situation, the price from the suppliers, and the world market. Subsequently, the Company can achieve maximum benefit, minimize the risk of purchasing and inventory policy. Because the petroleum is precisely sensitive to the world market's situation which may directly affect the Company's operation.
- Consider and improve the business plan of the company to comply with the economic situation and oil prices in both domestic and global markets.
- Consider and comments to the operating policy and/or the return and/or terms of payment, and the currency exchange in order to prevent the possible risk that may the Company's business, and also comments on the risk management policy including exchange rate risk, and manage to maximize the Company's benefit.
- The committee has 2 years term.

d. Rights and duties of Chief Executive Officer

- Specify the business strategy and present to the Board of the Directors.
- Performs according to the strategy and business plan that were approved by the Board of the Directors.
- Seeks the Company's business-related opportunity, including new business that will generate the revenue to the Company and present it to the Board of the Directors.
- Performs the assignment that were approved from the Board of the Directors
- Give orders, regulations, announcements, and information memorandum in order to maintain the operation according to the policies.
- Authorized to approve the loan or financing from financial institutions, including the payment and use of money to run the business and make an investment as approved authority.
- Coordinate the executives and employees to operate according to the given policy from the Executive Committee.
- Check and manage the employees' works perform consistently with the Company's policies and regulations including the corporate governance.
- Support and improve the employees' capability in order to increase the efficiency of the Company.
- Consider and review the Company's performance and propose the dividend payment to the Board of the Directors for an approval.

1.9.5 Remunerations of committee and manager

The good quality of employee is the important thing of Petroleum Trading Lao Public company. The company take into account all the time that all employees who work the company will have good living even their family in order to encourage employee to work hard and dedicated the capacity to the company.

1. The remuneration of BOD and Audit Committee

First extraordinary shareholder meeting in 2014 (before change to public compnay) On 09 October 2014 the company approved the compensation to the Board of Directors and the internal audit committee in following detail as:

- Allowance

Table 1.9.5: Remuneration of BOD and Audit Committee

Position	LAK/time/person
Chairman	1,500,000
Vice Chairman	1,000,000
Executive Director	500,000
Chairman of Internal audit committee	1,500,000
Internal audit committee	1,000,000

- Bonus
-None-

2. Executive compensation

Executives will receive compensation includes salary and bonus accordance welfare and company regulation and related requirement law.

1.9.6 Personnel of company

a. Personnel

On 30th June 2014 the company had a total 123 employee as:

Table 1.9.6: Number of Employee as of 30th June 2014

Year	Male	Female	Total
2011	62	33	95
2012	79	41	120
2013	76	43	119
30 June 2014	75	48	123

b. Disputes with employees

Since establishing the company in 2008 up to now the company is never any dispute on labor and never protests or court order to stop doing business in any manner.

c. Policy in personnel development

The Company policies on developing human resources is developing continuously by emphasis to enhance their knowledge and develop the skills by providing training within the company and various in line with the best practices under the care and guidance from the supervisors of each department. Moreover the company encourages staff to develop and upgrade the skills in order to be developed company. The company for creating good atmosphere to staff by considering improving the welfare in appropriate way to make sure the staff growth along with the company and to enhance their knowledge and skills to compete with other countries when Lao PDR joining the Economic Asian (Asian Economic Community: AEC) in 2015.

1.10 Internal Control

Petroleum Trading Lao Public Company has its own internal audit department which responsible for estimating the works performance of every department, in order to keep the performance consists with the goals. The internal audit system is conducted by using Key Performance Indicator (KPI) in order to indicate the capacity of work of every department whether it is capable to accomplish the goals or not. The Performance Management Plan (PMP) was implemented to indicate the personal ability of the employees which will be conducted every month, and the conclusion will be reported both quarterly and yearly to evaluate the managerial efficiency of the company.

Recently, the Company has received certificates of the international standard from United Kingdom Accreditation Service (UKAS) in 3 different aspects which are

- 1.) ISO 9001: 2008 Quality Management System
- 2.) ISO 14001: 2004 Environmental Management
- 3.) OHSAS 18001: 2007 Occupational Health and Safety Management Systems.

In conclusion, the Company has internal control system, corporate governance, Quality, Environment, Occupational, Health and Safety Manual including risk management. Therefore, the Company has certified the international standard from the UKAS which will annually inspects the Company at the end of August to September.

The Company is not only audited by its own internal auditor but has been audited by outsourced internal auditor or PWC (Lao) as an internal control system consultant since 2014 and will present the opinion report to the Audit Committee about the efficiency and sufficiency of the internal control system periodically.

**11. Related Party Transactions**

The Company has related party transactions with connected person(s) who probably have conflict of interests, those related party transactions are disclosed in the notes to the financial statement audited by the Company's external auditor. In addition, internal auditing committee has gave the opinion on the transactions that they are normal business practice of the company, reasonable, and comparable market price and condition. And also guaranteed that the transactions has no conflict of interest between related parties. Detail of related party transactions is in the appendix of financial report in the notes to the financial statements No. 28, pages 29, 30, and 31.

Table 1.11.1 Summarize of Related Party Transactions

Connected persons or Related parties	Relationship	Related party transaction (Have=√, Don't have=X)
		Year 2013 (as of 31 th Dec 2013)
1. Khouanchay Import - Export Co.,Ltd. Business: Wholesales no specific products CEO: Mr. Chanthone Sitthixay	<ul style="list-style-type: none"> - Mr. Chanthone Sitthixay is a CEO/ has authorized to sign/ and be a shareholder of Khouanchay Import - Export Co.,Ltd., holding 75 % of paid up capital. - Mrs. Savanthong Phongsavanh is shareholder of Khouanchay Import - Export Co.,Ltd., holding 25 % of paid up capital. - Mr. Chanthone Sitthixay, CEO / Vice Chairman / authorized to sign and major shareholder of Petroleum Trading Lao Public Company 55% of paid up capital (after the IPO) - Mrs. Savanthong Phongsavanh is Vice Chairman / authorized to sign and major shareholder of Petroleum Trading Lao Public Company 18.617% of paid up capital (after the IPO) 	√
2. Mr. Chanthone Sitthixay	<ul style="list-style-type: none"> - Mr. Chanthone Sitthixay is a CEO / Vice Chairman / has authorized to sign and major shareholder of Petroleum Trading Lao Public Company 55% of paid up capital (after the IPO) 	√
3. Phonthan PLUS Gas Station PLUS 1	<ul style="list-style-type: none"> - Mr. Chanthone Sitthixay is the owner of Phonthan PLUS Gas Station PLUS 1 which is a joint venture investment between Mr. Chanthone Sitthixay and Petroleum Trading Lao Public Company, in order to build the ideal gas station for the company with the Petrol purchase and decoration contract. The gas station was managed by unrelated persons hired by Mr. Chanthone Sitthixay. 	√



Connected persons or Related parties	Relationship	Related party transaction (Have= √, Don't have=X)
		Year 2013 (as of 31 th Dec 2013)
<p>4. Sitthi Logistic Lao Co., Ltd. Business: local and international transportation service CEO: Mr. Chanthone Sitthixay</p>	<ul style="list-style-type: none"> - Mr. Chanthone Sitthixay is a CEO/ has authorized to sign/ and be a shareholder of Sitthi Logistic Lao Co., Ltd., holding 75 % of paid up capital. - Mrs. Savanthong Phongsavanh is a shareholder of Sitthi Logistic Lao Co., Ltd., holding 25 % of paid up capital. - Mr. Chanthone Sitthixay, CEO / Vice Chairman / authorized to sign and major shareholder of Petroleum Trading Lao Public Company 55% of paid up capital (after the IPO) - Mrs. Savanthong Phongsavanh is Vice Chairman / authorized to sign and major shareholder of Petroleum Trading Lao Public Company 18.617% of paid up capital (after the IPO) 	√
<p>5. Sitthi Inter Trading Import - Export Co., Ltd. Business: Importing: Consumer products, Food, Cosmetic, Supplementary drinks, Construction materials, Appliances, Industrial and Agricultural materials Exporting: Agricultural products, Industrial products, and Handicrafted products CEO: Mrs. Savanthong Phongsavanh</p>	<ul style="list-style-type: none"> - Mrs. Savanthong Phongsavanh, CEO, has authorized to sign and be a shareholder of Sitthi Inter Trading Import - Export Co., Ltd., holding 50 % of paid up capital. - Mr. Viengkhone Sitthixay is a shareholder of Sitthi Inter Trading Import - Export Co., Ltd., holding 50 % of paid up capital who is Mr. Chanthone Sitthixay's brother. - Mrs. Savanthong Phongsavanh is Vice Chairman /has authorized to sign and be a shareholder of Petroleum Trading Lao Public Company 18.617% of paid up capital (after the IPO) - Mr. Viengkhone Sitthixay is a member of Board of Directors / and a shareholder of Petroleum Trading Lao Public Company 0.043% of paid up capital (after the IPO) 	√
<p>6. Black Canyon (Lao) Import-Export Co.,Ltd Business:Food, beverage,tobacco and import coffee with "Black Canyon" trademark CEO: Ms. Manivone Sitthixay</p>	<ul style="list-style-type: none"> - Ms. Manivone Sitthixay is a CEO, has authorized to sign and be a shareholder of Black Canyon (Lao) Import-Export Co.,Ltd holding 50% of paid up capital who is Mr. Chanthone Sitthixay's sister. - Mr. Chanthone Sitthixay is a shareholder of Black Canyon (Lao) Import-Export Co.,Ltd holding 50% of paid up capital - Mr. Chanthone Sitthixay, CEO / Vice Chairman / authorized to sign and major shareholder of Petroleum Trading Lao Public Company 55% of paid up capital (after the IPO) - Ms. Manivone Sitthixay is a member of Board of Directors / and a shareholder of Petroleum Trading Lao Public Company 0.043% of paid up capital (after the IPO) 	√



Connected persons or Related parties	Relationship	Related party transaction (Have=√, Don't have=X)
		Year 2013 (as of 31 th Dec 2013)
<p>7. Lao Daily Mart Import-Export Co., Ltd. Business: Import consumptions products for distribution in the form of franchise with “PLUS Daily Mart” trademark CEO: Mr. Chanthone Sitthixay</p>	<ul style="list-style-type: none"> - Mr. Chanthone Sitthixay is a CEO/ has authorized to sign/ and be a shareholder of Lao Daily Mart Import-Export Co., Ltd., holding 75 % of paid up capital. - Mrs. Savanthon Phongsavanh is a shareholder of Lao Daily Mart Import-Export Co., Ltd. holding 25% of paid up capital. - Mr. Chanthone Sitthixay, CEO / Vice Chairman / authorized to sign and major shareholder of Petroleum Trading Lao Public Company 55% of paid up capital (after the IPO) - Mrs. Savanthon Phongsavanh is Vice Chairman / authorized to sign and major shareholder of Petroleum Trading Lao Public Company 18.617% of paid up capital (after the IPO) 	√
<p>8. Soudaphone Import-Export and Service Co.,Ltd. Business:Car maintenance & Repair, Vehicle decoration and changing tires with “MOLY CARE” franchise CEO: Mr. Chanthone Sitthixay</p>	<ul style="list-style-type: none"> - Mr. Chanthone Sitthixay is a CEO/ has authorized to sign/ and be a shareholder of Soudaphone Import-Export and Service Co.,Ltd. holding 75% of paid up capital. - Mrs. Savanthon Phongsavanh is a shareholder of Soudaphone Import-Export and Service Co.,Ltd. holding 25% of paid up capital. - Mr. Chanthone Sitthixay, CEO / Vice Chairman / authorized to sign and major shareholder of Petroleum Trading Lao Public Company 55% of paid up capital (after the IPO) - Mrs. Savanthon Phongsavanh is Vice Chairman / authorized to sign and major shareholder of Petroleum Trading Lao Public Company 18.617% of paid up capital (after the IPO) 	√
<p>9. Well Tech Lao Co.,Ltd. Business: Commercial and Investment Advisor by using the morden technology CEO: Ms. Manivone Sitthixay</p>	<ul style="list-style-type: none"> - Ms. Manivone Sitthixay is a CEO, has authorized to sign and be a shareholder of Well Tech Lao Co.,Ltd., holding 50% of paid up capital who is Mr. Chanthone Sitthixay’s sister. - Mr. Viengkhone Sitthixay is a shareholder of Well Tech Lao Co.,Ltd., holding 50 % of paid up capital who is Mr. Chanthone Sitthixay’s brother. - Ms. Manivone Sitthixay is a member of Board of Directors / and a shareholder of Petroleum Trading Lao Public Company 0.043% of paid up capital (after the IPO) - Mr. Viengkhone Sitthixay is a member of Board of Directors / and a shareholder of Petroleum Trading Lao Public Company 0.043% of paid up capital (after the IPO) 	√
<p>10. Sumson PLUS Gas Station PLUS 2</p>	<ul style="list-style-type: none"> - Mr. Chanthone Sitthixay is the owner of Sumson PLUS Gas Station PLUS 2 which is a joint venture investment between Mr. Chanthone Sitthixay and Petroleum Trading Lao Public Company, in order to build the ideal gas station for the company with the Petrol purchase and decoration contract. The gas station was managed by unrelated persons hired by Mr. Chanthone Sitthixay. 	√

2. Opinion of Audit Committee

According to the Audit Committee's resolution number 1/2014 on 16th October 2014, the committee aware of the importance in auditing related party transactions and abides the regulations that the transactions must be under regulated as follows:

1. The transaction is necessary and beneficial to the Company, and both minority and majority shareholders equally.
2. The transaction must be under business normal practice which the price and condition should be comparable with the market.
3. The transaction must be must be approved according to the company's regulations and/or by the authorized person.

The transaction between the Company and related party will be done under the normal practice basis which the price and condition will be comparable with the market, and also the interest rate shall refer to the average rate of major commercial banks in Lao PDR.

3. Approval Process of Related Party Transactions

The Company aware the importance of the transparency of the transaction and the benefit of the Company. Hence, it is very important to protect the conflict of interest from related party base on the approval process of the related party transactions.

- Basis of the necessity of the transaction must be beneficial to the Company, ethical and under the regulations and laws.
- Basis of the fair price which considering the appropriate price and condition that it is a normal practice in the market which is comparable. However, the opinion should be given before asking for an approval from the board of directors and/or shareholder (by case).
- In case of the auditing committee has limited skill or knowledge on considering the transaction, the Company shall seek an opinion from the independent appraiser or from the external auditor of the Company on the transaction as a third party's opinion for the board of directors and/or audit committee and/or shareholders (by case). The related parties who probably have a conflict of interest shall not have voting right to approve the transactions.

4. Policy for Future Related Party Transactions

Once the Company is listed on the LSX, the Company's Board of Directors shall conduct the business to operated in accordance with securities law, notice of securities commission and LSX's notice and regulations including the disclosure of the information of the acquisition and disposal of assets together with the accounting standard determined by accounting professional council.

Therefore, if there is any related party transaction to the connected person, the Company shall arrange for the audit committee to give the opinion on the necessity and the appropriateness of the transaction that the price and condition should be under a normal practice in the market which is comparable.

As a result, the policy for future related party transactions are as follows:

1. The transaction should be conducted under the Arm's length basis which means the products and services should be favorable to the related party as similar as to non-related party. The related party transactions are as follows:

- a. The transportation services provided by Sitthi Logistic Lao Co., Ltd to transports the fuel from the fuel depots to retail gas stations.
- b. The purchasement of fuel by Sitthi Logistic Lao Co., Ltd.
- c. The fleet card system payment from the COCO gas station to Well Tech Lao Co.,Ltd.
- d. The products purchasement from Khouanchay Import - Export Co.,Ltd.
- e. The products purchasement from Sitthi Inter Trading Import - Export Co., Ltd.

The above transactions were conducted under normal practice and Arm's length basis and the future transactions will also be conducted under the same basis and standard.

2. There will be no payment on others' behalf once the company is listed on the LSX.
3. There will be no loan or lend from/to related party once the company is listed on the LSX. However, the transactions that occurred before the Company is listed in LSX, the Company or related party will be proceed under the agreed obligation.
4. The rental transaction that occurred after the company is listed on the LSX will be appraised by professional third party everytime that the contract will be renewed.

1.12 Financial and Operating Results

1.12.1 Financial Statement

Summary of Audited Financial Report

Audited Financial Report

: The Financial Statement as at the end of 2011, 2012, 2013

Ernst & Young Lao Limited Company is the external auditor which is approved by Lao Securities Committee Office. In accordance with accounting policies on General Auditing from the auditing, the auditor gives the Qualified opinion as the condition below:

We were unable to perform observation of the Company's physical count of the inventories as at 31st December 2012, 31st December 2011, and 31st December 2010 since we were not appointed as auditors of the Company at those dates. Based on documentation, we were unable to obtain sufficient appropriate audit evidence to verify the Company's inventory balance at 31st December 2012, 31st December 2011, and determine whether any adjustments to the financial statement for the year ended 31st December 2013, 31st December 2012, and 31st December 2011 were necessary.

The Company was unable to resolve the difference between account book and confirmation replies of certain other receivable from related parties as at 31st December 2013 and 31st December 2012. Based on documentation, we were unable to obtain sufficient appropriate evidence to verify these receivable balances as at 31st December 2013 and 31st December 2012 and determine whether any adjustment to the financial statement for the years ended 31st December 2013 and 31st December 2012 were necessary.

We were unable to obtain sufficient information to verify the interest income from the Company's loans to its related parties which amount to LAK 533,878,096, LAK 969,825,109 and LAK 969,825,109 in 2011, 2012 and 2013 respectively since there is no proper accounting records to support the calculation and recording of those interest incomes. Consequently, we were unable to determine whether any adjustments to the financial statement for the years ended 31st December 2013, 31st December 2012 and 31st December 2011 were necessary.

We were unable to obtain sufficient supporting documents to verify the corporate income tax ("CIT") payable balance amounting to LAK 2,600,910,526 at December 31, 2010 since there is no proper accounting records for this balance. Furthermore, during the three years from 2011 to 2013, the Company has declared corporate income tax ("CIT") with the local tax authorities based on the deemed tax method, i.e. based on fuel sales volume and deemed standard profit tax rate per liter of fuel sold, which is not consistent with the method regulated by the prevailing CIT regulations. However, since the CIT returns filed by the Company in three years have been inspected by the local tax authorities, we are unable to determine whether the method adopted by the Company would be challenged by the tax authorities, and whether any adjustments to the CIT amount for the three years and CIT payables at the reporting dates were necessary.

The Company does not maintain sufficient accounting records to support the value added tax ("VAT") payable balance at 31st December 2010 amounting to LAK 1,217,950,447 and to resolve the differences between the statutory VAT declarations and the accounting books for the years ended 31st December

External Auditor and External Auditor Opinion

2013, 31st December 2012, and 31st December 2011. In addition the Company reversed part of the VAT payable balance to finance income during the year ended 31st December 2012 and 31st December 2013 with the amount of LAK 5,769,691,523 and 8,287,846,766, respectively even though there is no obtain sufficient appropriate audit evidence to verify the VAT payable balance at 31st December 2013, 31st December 2012, and 31st December 2011 and determine whether any adjustment to the financial statement for the years then ended were necessary.

Qualified Opinion

In our opinion, except for the possible effects of the matters described in the basic for Qualified Opinion paragraph, the financial statement of the Company for the year ended 31st December 2013, 31st December 2012, and 31st December 2011 are prepared in all material respect, in accordance with the accounting policies as describe in Noted 3 to the Financial Statement.

1. Summary timetable for financial Statement and Operation
Table 1.12.1: Balance Sheet of Petroleum Trading Lao Public Company

Financial Statement	31 Dec 2011		31 Dec 2012		31 Dec 2013	
	(LAK: million)	%	(LAK: million)	%	(LAK: million)	%
Current asset						
Cash and Bank Deposit	4,537	2.24	8,316	2.96	9,424	1.68
Trade receivables	47,164	23.25	72,424	25.78	88,466	15.75
Advance to suppliers	8,792	4.34	10,781	3.84	526	0.09
Other receivables	28,248	13.93	19,113	6.80	286,202	50.96
Inventories	8,571	4.23	7,587	2.70	12,291	2.19
Other current asset	<u>20,555</u>	<u>10.14</u>	<u>22,241</u>	<u>7.92</u>	<u>2,943</u>	<u>0.52</u>
Total current asset	117,867	58.12	140,463	50.01	399,852	71.20
Non-Current asset						
Tangible fixed asset	55,539	27.38	69,007	24.57	67,637	12.04
Intangible fixed asset	623	0.31	588	0.21	506	0.09
Finance lease asset	11,110	5.48	21,686	7.72	18,276	3.25
Investment properties	484	0.24	434	0.15	408	0.07
Construction in progress	3,552	1.75	2,639	0.94	17,248	3.07
Long-term investment	8,449	4.17	19,391	6.90	21,173	3.77
Other long-term investment	<u>5,190</u>	<u>2.56</u>	<u>26,675</u>	<u>9.50</u>	<u>36,474</u>	<u>6.49</u>
Total Non-Current asset	84,946	41.88	140,420	49.99	161,721	28.80
Total asset	202,814	100	280,883	100	561,573	100
Liabilities and equity						
Current liabilities						
Short term loan and borrowing	70,642	34.83	134,271	47.80	158,199	28.17
Trade payables	4,954	2.44	14,562	5.18	17,576	3.13
Advance from customer	620	0.31	696	0.25	547	0.10
Tax payables	19,697	9.71	15,040	5.35	7,331	1.31
Accruals	300	0.15	28	0.01	18	0.00
Others payables	<u>4,232</u>	<u>2.09</u>	<u>4,563</u>	<u>1.62</u>	<u>1,098</u>	<u>0.20</u>
Total current liabilities	100,447	49.53	169,162	60.23	184,769	32.90
Non-current liabilities						
Long-term loans	<u>5,159</u>	<u>2.54</u>	<u>9,606</u>	<u>3.42</u>	<u>7,671</u>	<u>1.37</u>
Total non-current liabilities	5,159	2.54	9,606	3.42	7,671	1.37
Total liabilities	105,605	52.07	178,768	63.65	192,440	34.27
Owners' equity						
Registered charter capital	75,600	37.28	75,600	26.92	350,000	62.32
Undistributed earnings	<u>21,608</u>	<u>10.65</u>	<u>26,514</u>	<u>9.44</u>	<u>19,133</u>	<u>3.41</u>
Total owners' equity	97,208	47.93	102,114	36.35	369,133	65.73
Total liabilities and equity	202,814	100	280,883	100	561,573	100

Table 1.12.2: Income statement of Petroleum Trading Lao Public Company

Income statement	Ended 2011		Ended 2012		Ended 2013	
	(LAK: million)	%	(LAK: million)	%	(LAK: million)	%
Revenue	905,080	100	1,019,012	100	1,075,040	100
Cost of sales	(843,103)	93.15	(948,046)	93.04	(1,003,917)	93.38
Gross profit	<u>61,977</u>	<u>6.85</u>	<u>70,966</u>	<u>6.96</u>	<u>71,123</u>	<u>6.62</u>
Net other income	0	0.00	56	0.01	667	0.06
Administrative expense	(16,719)	1.85	(23,995)	2.35	(31,021)	2.89
Selling expense	(14,679)	1.62	(14,676)	1.44	(16,329)	1.52
Total operating expense	<u>(31,398)</u>	<u>3.47</u>	<u>(38,615)</u>	<u>3.79</u>	<u>(46,683)</u>	<u>4.34</u>
Operating profit	<u>30,579</u>	<u>3.38</u>	<u>32,351</u>	<u>3.17</u>	<u>24,441</u>	<u>2.27</u>
Interest income	2,042	0.23	9,212	0.90	18,599	1.73
Interest expenses	(8,016)	0.89	(12,281)	1.21	(20,772)	1.93
Profit before income tax	<u>24,606</u>	<u>2.72</u>	<u>29,281</u>	<u>2.87</u>	<u>22,268</u>	<u>2.07</u>
Income tax	(2,997)	0.33	(2,767)	0.27	(3,135)	0.29
Net profit	<u>21,608</u>	<u>2.39</u>	<u>26,514</u>	<u>2.60</u>	<u>19,133</u>	<u>1.78</u>

Table 1.12.3: Cash flow of Petroleum Trading Lao Public Company

Cash flow	Ended 2011	Ended 2012	Ended 2013
	(LAK: million)	(LAK: million)	(LAK: million)
Operating net cash flow	(7,775)	819	9,284
Investment net cash flow	(33,670)	(65,117)	(30,168)
Financing net cash flow	<u>42,699</u>	<u>68,076</u>	<u>21,992</u>
Net increase/(decrease) in cash	<u>1,255</u>	<u>3,778</u>	<u>1,108</u>
Cash at the beginning of the year	<u>3,283</u>	<u>4,537</u>	<u>8,316</u>
Cash at the end of the year	<u>4,537</u>	<u>8,316</u>	<u>9,424</u>

Table 1.12.4: Important financial ratio

Financial Ratio		Audited		
		2011	2012	2013
Liquidity ratio				
Current ratio	time	1.17	0.83	2.16
Quick ratio	time	0.51	0.48	0.53
Cash Flow ratio	time	(0.08)	0.01	0.05
Account receivable turnover	time	18.47*	16.31	12.71
Collection Period	day	19.50	22.07	28.32
Inventory Turnover	time	98.36*	117.34	101.01
Inventory Conversion Period	day	3.66	3.07	3.56
Account Payable Turnover	time	170.17*	97.15	62.47
Average Payment Period	day	2.12	3.71	5.76
Cash Cycle	day	21.04	21.43	26.12
Profitability ratio				
Gross Profit Margin	%	6.85	6.96	6.62
Operating Profit Margin	%	3.38	3.17	2.27
Other Profit Margin	%	(0.06)	0.00	0.00
Cash to Profit Ratio	%	(25.42)	2.53	37.99
Net Profit Margin	%	2.39	2.60	1.77
Return On Equity	%	22.23*	26.60	8.12
Efficiency ratio				
Return On Asset	%	10.65*	10.96	4.54
Return On Fixed Asset	%	33.14*	32.14	22.27
Total Asset Turnover	time	4.46*	4.21	2.56
Financial policy ratio				
Total Debt to Assets Ratio	time	1.09	1.75	0.52
Interest Coverage Ratio	time	0.26	1.51	1.74
Debt Service Coverage Ratio (cash basis)	time	(0.02)	0.00	0.01
Dividend Payout Ratio	%	0.00	0.00	0.00

Remarks: The list with asterisk mark * were calculated by not using average due to not available information in 2010, thus they were calculated from financial information only in 2011.

1.12.2 The explanation of financial analysis and operation

1 Operating result

Overview of previous operation

Petroleum Trading Lao Public Company) which will be called “Company” or “PTL” is top operating importer and distributor petroleum in Lao PDR which has been the second best in the market considered from the market share and revenue since 2011. Moreover, the Company is a member of Lao Petroleum and Gas Association. The Company has 5 kinds of product which are 1.) Diesel oil 2.) Benzene Regular 91 3.) Benzene Super 95 4.) Bunker oil and 5.) Lubricant oil. The products were imported from refineries in Thailand. The Company has been importing the petroleum from well-known and acceptable in quality from the international suppliers, such as, Chevron (Thailand) Limited (Chevron), ESSO (Thailand) Public Company Limited (ESSO), IRPC Public Company Limited (IRPC) and The Shell Company of Thailand Limited (Shell). The imported petroleum will be preserved in 5 fuel depots which located in major cities that closed to the border of Thailand. They can store oil up to 3,610,000 Liter. The Company sells the petroleum through their own retail gas stations under the brand “PLUS” which currently have 107 stations over the country. The stations were managed under 2 categories, which are Company Owned, Company Operated (COCO) for 8 stations, and Company Owned, Dealer Operated (CODO) for 99 stations. Moreover, the Company also sells the petroleum directly to project client, Industrial factory, and wholesaler (Jobber) in Lao PDR.

When consider to the previous operation we can see that, the Company has revenue from sales the product and service has been increased continuously was equal to LAK 905,080 million in 2011, increased to LAK 1,019,011 million in 2012 and increased to LAK 1,075,040 million in year 2013. From 2011 to 2012, the revenue was grew up 12.59%, and then grew up 5.50% in 2013 compared with the revenue from the previous year. The main revenue of the Company was the sales from fuel and petroleum products, which the Company invested throughout those years in order to top up the growth of petroleum industry both in wholesale and retail. During those years, the Company kept focus to invest for gas stations in CODO and logistics system which were the key factors to drive the Company’s business both in wholesale and retail to grow continuously. At the same time, cost of sales and expenses were also keep growing corresponding with the business expansion such as interest payment, selling and administrative expenses, rental expenses, depreciation and amortization, utility expenses, and maintenance cost which increased as the assets increased. This resulted in total cost and expenses in the year 2011-2013 equal to LAK 31,398 million, LAK 38,615 million and LAK 46,682 million, respectively, thus, the expenses portion was grew from 3.47% in the year 2011, to be 3.79% in 2012 and 4.34% in 2013, which corresponding the same direction with the growth of revenue.

Net profit of the Company was equal to LAK 21,608 million in the year 2011, then increased to LAK 26,514 million in 2012 which growth up to 22.70% compare with year 2011. In 2012 the Company has increasing revenue from selling equal to LAK 113,932 million or equal to 12.59% from the previous year and the Company was able to manage the cost margin efficiently at 93% of total revenue. In 2013 the net profit was LAK 19,133 million which decreased 27.84% compared with the previous year, due to the increasing of selling and administrative expenses by 22.44% of the total revenue compared with the previous year. Therefore, the net profit for the year 2013 had declined significantly, even though the interest and tax were decreased.

1.12.3 The analysis the operating result

1 Revenue

➤ The revenue from selling product

Since to 2011 to 2013 the revenue from selling petroleum of the Company increase continuously equal to LAK 902,462 million in 2011, LAK 1,019,012 million in 2012 which increased 12.59% compared with the same time from the previous year and increase to LAK 1,075,040 million in 2013 which increased 5.50% compared with the previous year. The key factors that make the revenue increased continuously were the increasing of selling the petroleum that the main business of the Company. The revenue from selling and service and categories into 2 types as follow:

1. The revenue break down from the product

The Company had the main revenue from distribute 5 kinds of product which are 1. Diesel oil 2. Benzene Regular 91 3. Benzene Super 95 4. Bunker oil and 5. Lubricant oil. Which Company distributed by Trading

Table 1.12.5: Table of the revenue breakdown by each product

Details	Year 2011		Year 2012		Year 2013	
	Value (million LAK)	%	Value (million LAK)	%	Value (million LAK)	%
1. the revenue from selling petroleum	902,462	99.71	1,022,507	100.34	1,080,802	100.54
Revenue from selling diesel	716,446	79.16	856,412	84.04	856,004	79.63
Revenue from selling benzene regular	184,669	20.40	164,023	16.10	221,343	20.59
Revenue from selling benzene super	0	0	0	0	1,139	0.10
Revenue from selling bunker oil	0	0	0	0	389	0.04
Revenue from selling lubricant oil	1,346	0.15	2,072	0.20	1,927	0.18
2. Revenue from other product	2,618	0.29				
Total revenue from selling and service	905,080	100	1,022,507	100.34	1,080,802	100.54
Discount	0	0	3,495	0.34	5,762	0.54
Total revenue	905,080	100	1,019,012	100	1,075,040	100

The Company had the revenue from all kind of petroleum in year 2011, 2012, 2013 equal to LAK 902,462 million, LAK 1,022,507 million, and LAK 1,080,802 million respectively. As the information above we can see that revenue from total selling petroleum was increased from the reason as follow:

➤ Revenue from selling diesel

The Company had highest revenue from selling diesel if compared with other products in year 2011 the Company has revenue from selling diesel equal to LAK 716,446 million or 79.16% of the total revenue. In 2012 equal to LAK 856,412 million or 84.04% of the total revenue and in year 2013 equal to LAK 856,004 million or 79.63% of the total revenue.

From the timetable of the revenue break down from product above we can see that the revenue from selling diesel had rapidly increased in 2012 equal to LAK 856,412 million which increased 19.54% from 2011 which equals to LAK 716,446 million. The main reason of increasing the amount of diesel in significant because of the Company increased the distributed

diesel to the projects such as: iron mining project, construction of hydro power dam project. In addition the price of diesel has increased from last year. In 2013, even the amount of diesel increased from 2012 but the revenue decreased to LAK 856,004 million due to the oil price in the world market decreased consequently, the price of diesel in domestic also decreased.

➤ Revenue from selling benzene regular

The revenue from benzene regular 91 in 2011-2013 equal to LAK 184,669 million or 20.40% of the total revenue, LAK 164,023 million or 16.10% the total revenue and LAK 221,343 million or 20.59% the total revenue, respectively.

In 2012 the revenue from selling benzene regular was LAK 164,023 million which decreased from 2011 for 11.18% the main reason is the amount of benzene regular distribution decreased, even the regular benzene price is slightly increased. In year 2013 the Company has the revenue from selling benzene regular increased 34.95% from 2012 equal to LAK 221,343 million. The main reason was from a significantly increased in supplying to the project such as Iron mining Project, the construction of hydro power dam project, in the meantime the price of regular benzene was slightly decreased from last year.

➤ Revenue from selling benzene super

In 2011-2012 the Company has no revenue from selling super benzene because the Company started to import benzene super in year 2013, thus in 2013 the value of selling benzene super was LAK 1,139 or equivalent to 0.10% of the total revenue from selling petroleum. Seeing the business opportunity that the number of customer who using a super car which needed high octane had increased, therefore in 2013, the Company started to distribute benzene super which selling in the station in the main city.

➤ Revenue from selling bunker oil

In 2011-2012 the Company had no revenue from selling bunker oil because the Company started to import bunker oil in 2013. Thus in 2013 the value of selling bunker oil was LAK 389 million or 0.04% of the total revenue from selling petroleum. Due to the business opportunity and the need from clients of the product, therefore the Company put the bunker oil in the product line and started to sell it in Lao PDR in 2013. The Company has no policy to stock the bunker oil in the inventory. The Company just imports the bunker oil to sell according to the order from the consumers.

➤ Revenue from selling lubricant oil

In 2011-2013 the Company had revenue from selling lubricant oil of LAK 1,346 million, LAK 2,072 million, and LAK 1,927 million, respectively or 0.15%, 0.20% and 0.18% of the total revenue respectively. The decreased in sale of lubricant oil in 2013 was due to the economic slowdown affecting to the decreased in volume of lubricant oil sale.

2. The revenue break down for each type of clients

The revenue from selling petroleum in 2011 was LAK 902,462 million, and in 2012 increased to LAK 1,022,507 million and in 2013 increased to LAK 1,080,802 million. In 100% of total revenue from selling petroleum which divided into 5 categories by type of customer as follows:

Table 1.12.6: Table of revenue breakdown classified by customers

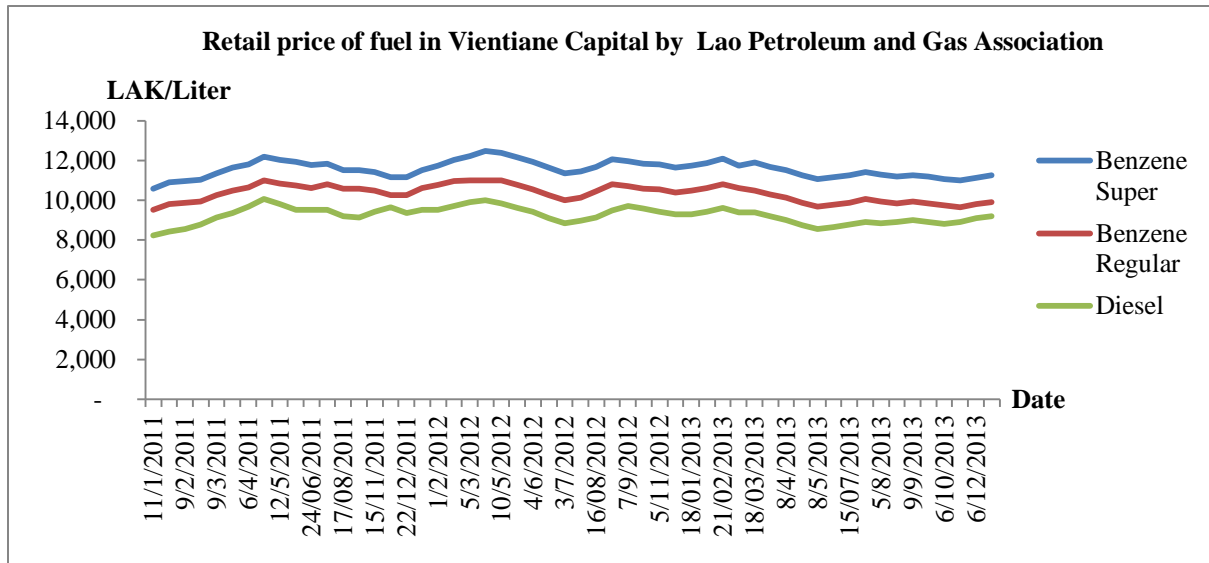
Details	Year 2011		Year 2012		Year 2013	
	Value (million LAK)	(%)	Value (million LAK)	(%)	Value (million LAK)	(%)
1. Revenue from selling petroleum	902,462	99.71	1,022,507	100.34	1,080,802	100.54
Revenue from selling to the projects	150,376	16.61	270,804	26.58	307,134	28.57
Revenue from selling to industries	161,023	17.79	213,950	21.00	149,292	13.89
Revenue from selling to gas station	270,722	29.91	357,406	35.07	464,853	43.24
- Revenue from PTN gas station	-	-	-	-	24,053	2.24
- Revenue from GLD gas station	688	0.08	31,411	3.08	70,946	6.60
- Revenue from STD gas station	163,751	18.09	195,970	19.23	227,817	21.19
- Revenue from THN gas station	106,283	11.74	130,025	12.76	142,037	13.21
Revenue from selling to transport service	47,573	5.26	58,664	5.76	64,174	5.97
Revenue from selling to other clients	272,768	30.14	121,682	11.94	95,350	8.87
2. Revenue from distribute other products	2,618	0.29	-	-	-	-
Total revenue from selling and service	905,080	100	1,022,507	100.34	1,080,802	100.54
Discount	-	-	(3,495)	(0.34)	5,762	(0.54)
Total revenue	905,080	100	1,019,012	100	1,075,040	100

❖ **The revenue from fuel sales from the gas station**

During 2011-2013, the Company had main revenue from fuel sales from gas stations, in 2011 the Company had sales from gas stations of LAK 270,722 million or equal to 29.91% of the total revenue, while in 2012 the Company had sales from gas stations of LAK 357,406 million or equal to 35.07% of the total revenue, and in 2013 the Company had sales from gas stations of LAK 464,853 million or equal to 43.24% of the total revenue which composes of all categories of customers in all gas station.

Between 2011-2013 the Company's revenue from selling petroleum through gas station was increasing continuously, in 2012 the Company had sales from gas stations of LAK 357,406 million which increased LAK 86,684 million or 32.02% from the previous year, while 2013 the revenue increased to LAK 464,853 million or 30.06% from the previous year. The main reason of the increasing in revenue from gas station was because the Company has continuously increased the number of gas stations that Company owned dealer operate (CODO). Gas station increased 23 stations, 26 stations and 7 stations respectively.

Picture 1.12.1 Fuel price in Vientiane Capital



In addition the price factor affected the increasing and decreasing in volume of selling petroleum through gas station thus the revenue from selling petroleum through gas station was increasing continuously, support by the amount of petroleum that distribute in 2011, 2012 and 2013 whereas the price of each kind of petroleum at gas station is fluctuated according to the cost of product or uncontrollable factor such as; the petroleum price controlled by government and the increasing or decreasing of tax and duty.

❖ **Revenue from fuel sales to project’s owner**

In 2011-2013 the Company had revenue from fuel sales to projects of LAK 150,376 million accounted to 16.61% of the total revenue in 2011, then LAK 270,804 million accounted to 26.58% of the total revenue in 2012 and increased to LAK 307,134 account to 28.57% of the total revenue in 2013. Most of the products that the Company has sold to projects are Diesel and Benzene.

In 2012, the Company had revenue from fuel sales to projects of LAK 270,804 million, increased LAK 120,428 million or 80.08% of sale from previous year while 2013 the Company had revenue from fuel sales to projects of LAK 307,134 million, increased LAK 36,330 million or 13.42% of sale from previous year.

The main factors that make the increasing of distributed to the project is increasing of clients project along with the big project that was approved by the government, the main clients are the construction group, hydro power dam. The increasing of distributed to the main project as follow:

- 1.) The concession to build special zone project over the country
- 2.) Hydro power dam and
- 3.) Concession and mining Project
- 4.) The development of infrastructure project such as: road improvement, bridge from north to south and the rapid train.

❖ **Revenue from fuel sales to industrial sector**

Besides the revenue from fuel sales to projects, c Company also have some revenue from fuel sales to industrial sector. Company had revenue from fuel distribution from industrial sector of LAK 161,023 million or 17.79% of total revenue from fuel distribution in 2011, then Company had revenue from fuel distribution from industrial sector of LAK 213,950 million or 21.00% of total revenue from fuel distribution in 2012, and in 2013, the Company had revenue from fuel distribution from industrial sector of LAK 149,292 million or 13.89% of the total revenue. Most of the products that the Company has sold to the industrial sector are Diesel and Benzene.

In 2012, Company had revenue from fuel distribution into industrial sector of LAK 161,023 million, it increased LAK 52,927 million or 32.87% from the previous year. The main factor makes revenue raising from year 2011 was the expansion in logistic and mining industry. In 2013, the Company had revenue from industrial sector of LAK 149,292 million, it decreased LAK 64,659 million or 30.22% from the previous year, due to Company focused on expanding gas stations than distributed to industrial sector, and it resulted to declining in revenue from industrial sector.

❖ **Revenue from other clients**

The Company has revenue from other clients by fuel sales from minority retailer which they sold the fuel to rural area such as: The small construction project, the small fuel station. In 2011, 2012 and 2013, the Company had revenue from other clients of LAK 272,768 million, LAK 121,682 million, and LAK 95,350 million or equal to 30.14%, 11.94% and 8.87% from the total revenue respectively.

The Company had revenue from other clients of LAK 121,682 million in 2012 or decreased 55.39% from the previous year. In 2013, the revenue from other clients was LAK 95,350 million or decreased from the previous year for 21.64%. The main reason was the Company focused on fuel sales from the gas stations causing the revenue from other clients had decreased dramatically from 2011 to 2013.

3. Other revenue

The Company may has other revenue once a year such as: in 2011, the Company did not has other revenue, however in 2012 and 2013, the Company had other revenue from selling fixed asset of LAK 152.68 million and LAK 5,166 million respectively.

4. Finance income

The Company has income from financing that divided in many types such as interest from loan, discount from supplier, gain from foreign currency exchange, and value added tax figure adjustment. The Company had income from financing in 2011, 2012, and 2013 equal to LAK 2,042 million, LAK 9,211 million and LAK 18.599 million respectively. The Company's income from financing increased during 2011 - 2013 due to the Company had increased long-term lending continuously.

5. Cost of sales and Gross profit

Cost of sales consist of: cost of fuel, transportation cost, and customs duty (tax of importation), it could be divided into 2 categories as follow:

- 1). Cost of fuel sold: diesel, gasoline 91 and gasoline 95
- 2). Cost of lubricant sold

The cost of sales of the Company was quite stable during 2011 to 2013 which mean the Company can manage the cost efficiently, and the Company was able to maintain the level of gross profit margin during the past 3 years. In 2011, 2012 and 2013 the Company had total cost of sales equal to LAK 843,103 million or 93.15% of total revenue, LAK 948,046 million or 93.04% of total revenue, and LAK 1,003,917 million or 93.38% of total revenue respectively.

5.1 Cost of fuel sales

The cost of sales mainly consisted of cost of fuel sold such as: cost of buying fuel from Thai supplier companies such as: IRPC, ESSO, CHEVRON, and SHELL. The Company had cost of fuel sales from 2011 to 2013 equal to LAK 841,893 million, LAK 946,153 million, and LAK 1,002,294 million respectively, or equal to 93.16%, 92.72% and 92.90% from total sales of fuel respectively.

5.2 Cost of lubricant sales

The cost of lubricant sold of the Company were LAK 1,210 million in 2011, LAK 1,892 million in 2012 and LAK 1,623 million in 2013 or equal to 89.87% of revenue from lubricant sales, 91.32% of total revenue from lubricant sales and 84.24% of total revenue from lubricant sales respectively.

The information above shows that the Company has higher cost of fuel sales than cost of lubricant sales especially in 2013 which the Company had higher cost of fuel sales than cost of lubricant sales for 8.66%. Therefore, the proportion of fuel sales were much higher than the proportion of lubricant sales, it resulted in decreasing in gross profit margin.

6 Cost of operating

The cost of operating of the Company consists of selling expenses and administrative expenses, the main cost of operating were: salary, cost of leasing, depreciation and amortization, utility cost, and maintenance cost.

In 2011 to 2013 the cost of operating had tend to be increasing continuously, cost of operating was LAK 31,398 million or 3.47% from total revenue in 2011, LAK 38,670 million or 3.79% from total revenue in 2012 which was increased 23.16% from cost of operating in the previous year, and LAK 49,349 million or 4.40% from total revenue in 2013 which was increased 22.44% from cost of operating of the previous year.

The information shows that the cost of operating had increase rapidly in 2013 due to the Company had increase the cost of operation to support the growth of the Company, for example, administration cost, salary, marketing cost, safety cost, and software.

7 Finance expenses

The Company has cost of financing from interest payment for both short-term and long-term loan, and losses from currency exchange rate which Company had cost equal to LAK 8,016 million or 0.89% of total revenue in 2011, LAK 12,281 million or 1.21% of total revenue in 2012, and in 2013 the Company had finance expenses of LAK 20,772 million or 1.93% of total revenue.

the information above shows that Company had increase cost of financing continuously during 2011-2013 since the Company has increase short-term loan due to working capital needed in the trading business.

8 Net profit and Net profit ratio

In 2011, the Company had net profit LAK 21,608 million or 2.39% from total revenue, the net profit increased to LAK 26,514 million or 2.60% in 2012 as the sales increased, when compared with 2011, the net profit had increased LAK 4,906 million or 22.70%. Moreover, income from interest increased LAK 2,041.94 million in 2011 and LAK 9,211.46 million in 2012, so it affected the increasing in net profit ratio.

In 2013, the Company had net profit LAK 19,133 million or 1.78% of total income from fuel distribution, the main reason that the net profit decreased LAK 7,981 million, or 27.84% was the Company had higher cost of sale and the operating expense increased. In that year, the Company expanded their business, so it came with the expenditure as follow: managerial cost, interest payment, salary, marketing cost, safety cost, software, and etc.

1.12.4 Financial position of Company

1. Assets

At the end of 31st December of 2011-2013 the Company has total asset of LAK 202,814 million, LAK 280,883 million and LAK 561,573 million respectively, the main items that affected the increasing in total asset are as follow:

1.1 Cash and bank deposit

At the end of 31st December 2011, the Company had cash and bank deposit of LAK 4,537 million or 2.24% of total asset. At the end of 31st December 2012, the cash and bank deposit increased LAK 3,778 million from the previous year to LAK 8,316 million or 2.96% of total asset. At the end of 31st December 2013, the Company had cash and bank deposit of LAK 9,424 million or 1.68% of total asset, the main reason of the increasing was the operating profit of Company had increased.

1.2 Trade receivables and other receivables

At the end of 31st December 2011, the Company had net trade receivable LAK 47,164 million. At the end of 31st December 2012, the Company had net trade receivable LAK 72,424 million and at the end of 31st December 2013, the Company had net trade receivable LAK 88,466 million. The trade receivable has increased continuously during the past 3 years because the revenue was growing every year.

The Company had other receivables at the end of 31st December 2011, 2012, and 2013 equal to LAK 28,248 million, LAK 19,113 million and LAK 286,202 million respectively. In 2013, the Company's other receivable increased LAK 267,089 million due to the increasing in registered capital to LAK 350,000 million according to Board of management's resolution on 26th December 2011, 24th December 2012, and 23rd December 2013 respectively. As the Company did not get paid the amount of LAK 251,779 million from shareholders, so it was recorded to be other receivable. However, the Company had already received full amount of the money in September 2014, hence, the paid-up capital of the Company was LAK 350,000 million.

Table 1.12.7: Table of trade receivables and NPL

Trade receivables	31 st Dec 2011 (million LAK)	%	31 st Dec 2012 (million LAK)	%	31 st Dec 2013 (million LAK)	%
Trade receivable from joint business	1,591	3.25	2,445	3.22	2,954	3.17
Trade receivables	47,422	96.75	73,466	96.78	90,278	96.83
Trade receivables before NPL	49,013	100	75,912	100	93,232	100
NPL	1,849	3.92	3,487	4.82	4,766	5.39
Total trade receivables	47,164	100	72,424	100	88,466	100

1.3 Advance for Suppliers

At the end of 31st December 2011, 2012, and 2013, the Company has paid in advance to suppliers of LAK 8,792 million, LAK 10,781 million, and LAK 526 million respectively.

1.4 Inventories

At the end of 31st December 2011, 2012, and 2013, the Company had inventories of LAK 8,571 million, LAK 7,587 million, and LAK 12,291 million, or 4.23%, 2.70%, and 2.19% of total assets in each year respectively. The main inventories are fuel and oil which were stocked in the inventories in order to support the business of the Company.

1.5 Other current assets

At the end of 31st December 2011, 2012, and 2013, the Company had other current assets of LAK 20,555 million, LAK 22,241 million and LAK 2,943 million respectively or equal to 10.14%, 7.92%, and 0.52% of total assets respectively. The other current assets mainly consist of advance payable to employee for provincial activities, borrowings inventory for client and other advance payment.

At the end of 31st December 2013, the other current assets of the Company decreased LAK 19,298 million, because of the committing of Diesel purchasing contract with Vientiane Development Company of amount 30,000,000 liters. The Vientiane Development Company was allowed by Ministry of Industry and Commerce for importing fuel. Therefore, in 2011 and 2012 Company has provided diesel to Vientiane Development Company with amount 2,498,000 liters that value LAK 19,036 million, nevertheless, that time the Vientiane Development Company did not have permission yet, consequently, the Company has agreed on fuel borrowing and in 2013 Vientiane Development Company repaid back that amount which made the other current assets of the Company has decreased dramatically.

1.6 Non-Current Assets

At the end of 31st December 2011, 2012, and 2013 Company had non-current assets LAK 55,539 million, LAK 69,007 million, and LAK 67,637 million, or equal to 27.38%, 24.57%, 12.04% of the total assets respectively.

At the end of 31st December 2012, the non-current assets increased LAK 13,468 million from 2011 to LAK 69,007 million because the Company transferred asset under-construction at that time which was completely constructed during the year such as: Building and construction that make non-current assets increased from previous year rapidly. Moreover at 31st December 2013, the non-current assets of the Company were slightly decreased because of the write off of the depreciation during the year, even though there was an increasing in some items.

Table 1.12.8: Current assets in 2011, 2012 and 2013

List of assets	31 st December 2011 million kip	31 st December 2012 million kip	31 st December 2013 million kip
Building and construction	30,820	38,372	39,196
Machine and equipment	17,952	21,397	22,129
Vehicles	5,083	6,254	3,057
stationary	1,684	2,985	3,255
Total	55,539	69,007	67,637

1.7 Intangible assets

At the end of 31st December 2011, 2012 and 2013, the Company has net intangible assets of LAK 622 million, LAK 588 million and LAK 506 million or 0.31%, 0.20% and 0.09% of total assets respectively. The list of intangible assets consists of licenses of Computer Software as follow:

Table 1.12.9: Intangible assets in 2011, 2012 and 2013

list of assets	31 st December 2011 million kip	31 st December 2012 million kip	31 st December 2013 million kip
Computer software	623	588	506
Total	623	588	506

1.8 Finance lease assets

At the end of 31st December 2011, 2012 and 2013 Company had leasing assets in the amount of LAK 11,110 million, LAK 21,686 million and LAK 18,276 million or equal to 5.48%, 7.72%, and 3.25% of total asset respectively. At 31st December 2013 the Company had leasing contracts of 12 Isuzu trucks and 15 Daewoo trucks with BCEL leasing Company under the leasing term of 36 months and 60 months and at the end of the contract, the Company has priority option to buy those trucks.

1.09 Long-term Investment

At the end of 31st December 2011, 2012 and 2013, the Company has long-term investment in the amount of LAK 8,449 million, LAK 19,391 million, and LAK 21,173 million or equal to 4.17%, 6.90% and 3.77% of total assets respectively. At the end of 31st December 2013, the Company lent a long-term loan to Khoanchay Trading Import-Export Company Limited of LAK 12,121 million, Black Canyon Lao Import-Export Company Limited of LAK 1,513 million, Sudaphone Trading Import-Export and Service Company Limited of LAK 966 million, and Lao Daily Mart Import-Export Company Limited of LAK 6,572 million. These lending were non-collateral loan with an average 10% - 11% of interest rate per year.

1.10 Other long-term receivable

At the end of 31st December 2011, 2012 and 2013, the Company had other long-term receivable in the amount of LAK 5,190 million, LAK 26,675 million and LAK 36,474 million or equal to 2.56%, 9.50% and 6.49% of total assets respectively. Other long-term receivable was a non-collateral loan to Mr. Chanthone Siththixay, a member of Board of directors with no interest and repayment upon call up.

2 Liabilities

At the end of 31st December 2011, 2012, and 2013, the Company had total liabilities of LAK 105,605 million, LAK 178,768 million and LAK 192,440 million respectively. The items that affected the changing in total liabilities are as follow:

2.1 Short-term loans and borrowings

The Company had short-term borrowing as the biggest proportion of the total liabilities. At the end of 31st December 2011, 2012, and 2013, the Company had short-term borrowing from local bank of LAK 70,642 million, LAK 134,271 million and LAK 158,199 million or 34.83%, 47.80% and 28.17% of total liabilities respectively which were used as working capital of the Company, interest rates were at 8%-10% per year.

2.2 Trade payables

The Company had trade payables in 2011, 2012 and 2013 in the amount of LAK 4,954 million, LAK 14,562 million and LAK 17,576 million respectively. The trade payables were growing according to the growth of the revenue.

2.3 Tax payables

The tax payables contain of corporate income tax payables as a main item, Value Added Tax (VAT), and customs duty (tax of importation). At the end of 31st December 2011, 2012, and 2013, the Company had tax payables in the amount of LAK 19,697 million, LAK 15,040 million and, LAK 7,331 million respectively.

2.4 Long-term loans

The Company has long-term loans from leasing contracts regarding to clause 1.8 above and long-term loans from financial institutions (ANZ Bank (Lao) Limited), at the end of 31st December 2011, 2012, and 2013, the Company has long-term loans in the amount of LAK 5,159 million, LAK 9,606 million, LAK 671 million or equal to 2.54%, 3.42% and 1.37% of total liabilities and equity respectively.

3 Shareholders' equity

In 2011, 2012, and 2013, the Shareholder's equity were LAK 97,208 million, LAK 102,114 million and LAK 369,133 million or equal to 47.93%, 36.35%, and 65.73% of total liabilities and equity respectively. At the end of 31st December 2011, the Company had registered capital of LAK 75,600 million with paid up capital of LAK 50,098 million which were converted from unappropriate retain earning of LAK 13,317 million to paid up capital of shareholder's equity regarding to the Board of Directors' resolutions on 25th December 2011 affected retain earnings to be LAK 21,608 million at the end of the year.

Then, at the end of 2012, the Company had registered capital of LAK 75,600 million with paid up capital of LAK 71,707 million which were converted from unappropriate retain earning of LAK 21,608 million to paid up capital of shareholder's equity regarding to Board of Directors' resolution on 24th December 2012 affected retain earnings to be LAK 26,514 million at the end of the year.

Finally, on 31st December 2013, the Company increased their registered capital from LAK 75,600 million to LAK 350,000 million with paid up capital of LAK 98,221 million which were converted from unappropriate retain earning of LAK 26,514 million to paid up capital of shareholder's equity regarding to Board of Directors' resolution on 23rd December 2012 affected

retain earnings to be LAK 19,133 million at the end of the year. At that moment, the Company still had an un-contributed charter capital in the amount of LAK 251,788 million. However, the Company had already collected the full amount of subscription receivable in September 2014 which affected the Company's paid-up capital increased to LAK 350,000 million.

1.12.5 The Company's liquidity analysis

The Company has current ratio in 2011, 2012 and 2013 equal to 1.17 times, 0.83 times and 2.16 times because of the increasing in registered capital from LAK 75,600 million to LAK 350,000 million which the Company has recorded as subscription receivable of LAK 251,778 million. However, the quick ratio of Company still has been in constant level of during past 3 years or in between 0.48 to 0.53 times which resulted in having risk of debt repayment by quick assets, but the Company has a strong relationship to the source of fund by having short-term credit from financial institution, consequently, the Company can manage the liquidity effectively.

The Company had cash flow from operating in 2011, 2012 and 2013 equal to LAK -7,775 million, LAK 819 million and LAK 9,284 million respectively. In 2011, the Company has negative cash flow from operation due to the significantly increased in trade receivables and other receivables. However, the cash flow from operating in 2012 recovered to a positive amount of LAK 818 million because the profit from operating has increased. In 2013, however, the operating profit has decreased, but the cash flow of operation has increased to LAK 9,284 million due to the rapidly increases in other receivables.

In 2011, 2012 and 2013, the Company had cash flow from investment of LAK -33,670 million, LAK -65,117 million and LAK -30,168 million respectively because the Company has made a lot of investment especially in 2012. In 2013, the Company received cash from selling fixed assets, thus, the cash flow from investment in 2013 was increased from the cash flow from investment in 2012.

In 2011, 2012, and 2013, the Company had cash flow from financing in the amount of LAK 42,699 million, LAK 68,078 million and LAK 21,992 million respectively, which came from mainly changing of funding in each year occur from short-term borrowing during the year.

The Company has debt collection periods between 19-28 days. On the other hand, the average payment periods are between 2-6 days. The inventory conversion periods are 3-4 days, that would effected the Cash Cycle of the Company are between 21-27 days, it shows that the Company need sources of short-term fund which the Company has a strong relationship with financial institution and large amount of short-term credit available in order to support the Company's working capital and the business.

Chapter 2 Information relating to the offer

2.1 Description of shares

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.

2.1.1 General

The Company was converted from a private company (company limited) to a public company with limited liability under the laws of Lao PDR. On the Conversion Date, the nine existing shareholders owned 100% of registered shares of the Company.

Thereafter, the Company resolved in its Share

On 09 October 2014, the resolution of the Extraordinary General Meeting of shareholder of the Company No.1/2014 agreed to increase the Company's registered capital by LAK 120 billion from its previous registered capital of LAK 350.00 billion to LAK 470.00 billion of registered capital and divided the shares into 235,000,000 (two hundred and thirty five million) shares with the par value of LAK 2,000 (two thousand) per share.

For the issuance of the Company shares for Initial Public Offering (IPO), the Company shall issue 60,000,000 (sixty million) shares or 25.531 % of total paid up capital after the IPO.

In principle, the Company is administrated by the Company's regulation and some from enterprise law.

- **Capital.**

The Company's capital stipulated in this prospectus is LAK 350.00 billion consisting of 175,000,000 (one hundred and seventy five million) shares, with LAK 2,000 par value per share. The total shares was entirely paid.

After the IPO, the financial advisor and Underwriter shall propose to list all shares of the Company on LSX. The Company wishes that the proposal will be approved for the implementation, and the qualification of the Company will be in line with LSX's regulations.

- **The limitations of foreign shareholders.**

According to the regulation on securities transaction of foreign investors management in the Lao securities exchange, No. 012/LSCO, dated 19 May 2011, the number of shares hold by foreign investors are limited, so they are able to receive share ratio as defined in the decision of LSCO in Article 8 as following:

- Regulation of relating sectors;
- Resolution of the Company's meeting;
- The decision of LSCO as below:
 - o Foreign investors are able to purchase the shares no greater than 10% of total outstanding shares of a listed company.
 - o Each individual foreign investor able to purchase the shares no greater than 1 % of total outstanding shares of a listed company.

Since Petroleum Trading Lao Public Company had the resolution from the Extraordinary General Meeting of shareholder of the Company No.1/2014 to agree not to limit the shareholding ratio of foreign investors, so the foreign investors are able to hold the shares of the Company

with the highest ratio at 100% of total registered capital. Consequently, it is followed and consistent with the regulation on Securities transaction of foreign investors management in the Lao securities exchange, No. 012/LSC, dated 19 May 2011, Article 8.

- **Dividend.**

The Company's dividend policy is to pay not less than 50% of annual net profit after all related legal reserves are met, according to the Company regulation and laws; however, no dividend is paid if the Company continue to have negative net profit from prior years.

The distribution of the dividend must be approved by the Company's shareholder's meeting; and dividends are distributed equally on a pro rata basis. Also, the distribution of the dividend must conform to all related regulations.

The dividend payment of no less than 50% of annual net profit is subject to consideration of the Company's shareholder's meeting. The consideration to pay such dividend depends on economic situation, the Company's cash flow, investment plans, obligations under contracts in which the Company are legally involved, and the Company's capital to support business expansion plans.

Dividend payment is paid in LAK (Kip). Income tax is not charged to The Company's shareholders for the dividend received.

- **Shareholder's meeting.**

According to the Company's regulation, the Board of Director of the Company shall call on the annual general meeting of the shareholders of the Company at least once a year within June. The board of director of the Company probably call on the extraordinary general meeting of shareholders when it deems necessary to request for the resolution of the shareholder's meeting on the agenda stipulated in the Company's regulation or related laws. In case the extraordinary general meeting of shareholders is called on by the number of shareholders or core directors (refers to the enterprise law) or court order, the board of directors shall call on the extraordinary shareholder's meeting within 30 days from the date received the notifications.

A notice of a shareholder's 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, according to the related laws.

The quorum for a shareholder's meeting of the Company shall be at least two persons with the number of share being more than half of total paid shares.

- **Voting right.**

In general, a shareholder is generally entitled to one vote per share. A resolution may be adopted at a general meeting by a simple majority vote. However, special resolutions shall be passed by a vote of at least two-thirds of the shareholders or their proxies attending the meeting, representing at least 80 percent of the total paid shares. The below issues are in relation to the Company requiring the particular resolution of the shareholders.

- Voting on matters specified by the Enterprise Law;
- Amending regulation or the establishment agreement of the Company ;
- Increasing or reducing of the Company's capital;
- Merger or dissolution of the Company;
- Sale or transfer of all or a substantial part of the business of the Company to another person; and

- Purchase or acceptance of a transfer of another business enterprise.

Pursuant to the Enterprise Law, shareholder(s) may be restricted from voting on a matter in which they are involved and through this involvement may receive a direct benefit or gain. The members present at a Shareholders' Meeting shall determine whether a shareholder falls within this scope.

- **Pre-emptive Right on shares offering and additional shares issuance.**

Chapter 1 of the resolution of NASC provides an exemption for all companies listed on the LSX from their legal obligations under the Enterprise Law relating to the pre-emptive rights of the shareholders when selling additional shares of a company.

Pursuant to the Enterprise Law, the Company is required to call for a Shareholders' Meeting seeking approval for any increase of the Company's registered capital. 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.

- **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.

- **Shareholder register book.**

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

2.2 Share Transfer Restriction.

Upon the certain period, nine 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 law on enterprise. As the nine shareholders are promoters of the Company as defined in the Enterprise Law, they must jointly hold shares representing at least 10 percent of the registered capital of the Company for a two-year time period. In addition, if the Company is listed on LSX, according to listing regulation of LSX, No. 24/LSX, dated 07 January 2011, the largest shareholders and related parties shall be restricted to transfer all his shares within 6 months from the listing date.

2.3 Determination of share price.

The determination of the offering price this time is based on "Price to Earning per share" (P/E Ratio). Based on this method, the offering price is equal to LAK 4,000 per share, calculated by multiplying annual predicted earnings per share generating from the Company's core business in 2015 of LAK 432 per share (fully diluted EPS) with P/E of 9.62 which is mutually determined by the Company, the Financial Advisor and the Underwriters.

The above-mentioned P/E ratio is adjusted by industry-average P/E ratio of 19.38 times which is calculated by averaging P/E ratio of companies in AEC counties, whose business are in

line with the business of the Company. Based on the industry-average P/E of 19.38, the share price is equal to LAK 8,372 per share, greater than the above offering price by 52%.

2.4 Distribution, Subscription and Allocation of IPO

The Shares are being distributed and offered in a public offering by the Underwriter through the Selling Agent to investors inside and outside Lao PDR in reliance on applicable laws in the countries in which such offers are made.

- **The distribution of IPO**

- The distribution of 60,000,000 shares of this IPO shall distribute to both public investors in Lao PDR and foreign investors as follow
 - Distribution to investors in Lao PDR at the amount of 30,000,000 shares
 - Distribution to foreign investors at the amount of 30,000,000 shares
- This IPO issuance has no any particular policy in term of number of share and price for the employees of the Company.
- The distribution of all IPO shares had already been registered with LSCO.

- **IPO.**

The IPO distribution to investors in Lao PDR and foreign investors shall be distributed by an Underwriter and through Selling Agent in reliance on applicable laws in the countries in which such offers are made.

- **Information of an Underwriter and Selling Agents.**

- 1.) Underwriter.

Lanexang Securities Public Company
5th floor, LSX building
Address: Kamphaeng Meuang Rd, Phonethan Neua Village.
Saysettha district, Vientiane Cap.
Tel: +856 21 265 461-4
Fax: +856 21 265 465-6

- 2.) Selling Agents

- Within Vientiane Capital, 3 Selling Agents are:
 1. Lanexang Securities Public Company
5th floor, LSX building
Address: Kamphaeng Meuang Rd, Phonthan Neua Village.
Saysettha district, Vientiane Cap.
Tel: +856 21 265 461-4
Fax: +856 21 265 465-6
 2. Lao Development Bank, Head Office
Address: Sihome village, Chantabury district, Vientiane capital
Tel: +856 21 213 300
Fax: +856 21 241 275
 3. Lao Development Bank, Nakhonneluang Branch
Address: Mixay village, Chantabury district, Vientiane capital
Tel: +856 21 213 400

Fax: +856 21 213 404

- Outside Vientiane Capital, 17 Selling Agents are:
 1. Lao Development Bank, Luangprabang Branch
Address: Visoun village, Laungprabang district, Laungprabang province
Tel: +856 71 212 411
Fax: +856 71 212 185
 2. Lao Development Bank, Xayyabury Branch
Address: Simeaug village, Xayyaboury province
Tel: +856 74 211 153
Fax: +856 74 211 365
 3. Lao Development Bank, Oudomxay Branch
Address: Poukiew village, Xay district, Oudonxay province
Tel: +856 81 312 059
Fax: +856 81 312 222
 4. Lao Development Bank, Luangnamtha Branch
Address: Phonxay village, Laungnumtha province
Tel: +856 86 211 398
Fax: +856 86 312 073
 5. Lao Development Bank, Huaphane Branch
Address: Konekeo village, Houayxai district, Bokeo province
Tel: +856 84 211 492
Fax: +856 84 211 024
 6. Lao Development Bank, Phongsaly Branch
Address: Phongsary province
Tel: +856 88 210 076
Fax: +856 88 210 015
 7. Lao Development Bank, Samneua Branch
Address: Punxay village, Samneua district, Huapun province
Tel: +856 64 312 464
Fax: +856 64 312 824
 8. Lao Development Bank, Xiengkhuang Branch
Address: Phonsavang vilage, Paek district, Xiengkhuang province
Tel: +856 61 213 278
Fax: +856 61 213 301
 9. Lao Development Bank, Khammouane Branch
Address: Phonsaman village, Thakreak district, Khammoun province
Tel: +856 51 212 253
Fax: +856 51 212 073
 10. Lao Development Bank, Paksan Branch
Address: Phoxay village, Paksun district, Bolikhamxay province
Tel: +856 54 212 025
Fax: +856 54 212 823
 11. Lao Development Bank, Phonhong Branch
Address: Phonsi village, Phonhong district, Vientiane province
Tel: +856 23 211 018
Fax: +856 23 212 070
 12. Lao Development Bank, Savannakhet Branch

Address: Soununtha village, Kaisonpomvihan district, Savannakhet province

Tel: +856 41 212 226

Fax: +856 41 212 856

13. Lao Development Bank, Pakse Branch

Address: Thalaung village, Pakse district, Champasak province

Tel: +856 31 212 168

Fax: +856 31 213 327

14. Lao Development Bank, Saravane Branch

Address: Nakokpo village, Salavan district, Salavan province

Tel: +856 34 211 388

Fax: +856 34 211 301

15. Lao Development Bank, Sekong Branch

Address: Watlaung village, ramame district, Sekong province

Tel: +856 38 211 075

Fax: +856 38 211 022

16. Lao Development Bank, Attapeu Branch

Address: Watlaung village, Samakexay district, Attapeu province

Tel: +856 36 211 185

Fax: +856 36 211 857

17. Lao Development Bank, Lak Sao Branch

Address: Laksao village, khamkirth district, Bolikhamxay province

Tel: +856 54 341 513

Fax: +856 54 700 405

However, the Underwriter may consider a change or increase in the number of Selling Agents according to the conditions and appropriateness.

- **The condition of underwriting.**

The Company has appointed the Underwriter to procure the subscription of and payment for the total 60,000,000 shares, with a par value of LAK 2,000 per share, on the firm underwriting basis, subject to the terms and conditions of the Underwriting Agreement.

- **Estimated expenses in relation to the offer.**

The Company shall pay the brokerage fees to the Underwriter, the Selling Agents shall receive partial commission for taking underwriting from the Underwriter, the total expenses in relation to the offer excluding underwriting charge shall be paid mostly by the Company and it is approximately expected to be LAK 8.40 billion.

- **Procedures for obtaining Prospectus and Subscription Form**

The Prospectus and the share subscription form will be made available for investors at LXS's office on 5th floor, LSX building, Kamphaeng Meuang Rd, Saysettha district, Phonethan Neua Village, Vientiane Capital, Lao PDR as well as at each branch of Selling Agent during 8:30 am to 3:30 pm, on 1 December 2014, 3 December 2014 and 4 December 2014 herein after is called 'Subscription Period'.

2.4.2 Subscription method.

A subscriber can obtain the subscription form at the Underwriter and Selling Agents, within the Offering Period specified in this section. The subscriber must clearly fill out the subscription form and cause 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 the Combined Offer, 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 or Selling Agent (as the case may be) together with the full payment of the subscription price to the Underwriter or Selling Agent. 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 can receive such amounts within the last day of subscription.

A subscriber shall bring (1) Subscription form and (2) Document of Identification and (3) Documents certifying money transfer 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 LSX at 5th floor, LSX building, Kamphaeng Meuang Rd, Saysettha district, Phonethan Neua Village, Vientiane Capital, Lao PDR or Selling Agent within due date 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 number of allocated shares, procedure and settlement period.

Settlement and Custody of Money Subscription.

Each subscriber must make a subscription payment in full to the Underwriter or the Selling Agents, by submitting the payment to the subscriber's securities account opened with LXS. Consequently, the Underwriter or the Selling Agent will debit subscription payment from subscriber's securities account. Subscribers can make a subscription payment at Lao Development Bank, head office or any branches and service units.

The subscriber is responsible for bank charges or expenses relating to the conversion of foreign currency by paying these separately from the subscription payment and shall send evidence of the transfer to the Underwriter or Selling Agent on confirmation of the subscription. The subscriber who has made a subscription payment is not allowed to cancel the subscription and request a refund of the subscription payment.

- **Oversubscription.**

In the event that the aggregate number of the Shares for which valid subscription is received by the Underwriter and Selling Agent exceeds the number of the Shares that the Company has agreed to issue, the Underwriter and the Company shall have discretion to allocate the Shares to any or all of the investors in accordance with related laws and regulations.

- **Refund for unallocated shares.**

The Underwriter and Selling Agent shall notify the result of the allotment of the Shares to subscribers who do not receive the allotment of the Shares in whole or in part. The Underwriter or Selling Agent (as the case may be) shall send a refund of subscription payment to the subscribers who do not receive the full allotment of the Shares for which they subscribed by means of wire transfer or issuance of crossed cheques to the subscribers within 2 (two) business days from the end of the allocation period. Such refund shall be made proportionately to the subscription price of un-allotted Shares. The refund of the un-allotted Shares shall be without any interest or compensation for damages provided the payment is made in accordance with the procedures herein, failing which the Underwriter and Selling Agent shall be liable to pay the relevant subscribers default interest at the rate of 3.00 (three) percent per annum of the unreturned subscription money until that amount is fully paid.

2.4.3 Shares allocation.

The share allocation shall be carried out after the subscription period which expects to be done no longer than 7 official days.

The allotment of the Shares will be made in the best interests of the Company. 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 which will smooth all of the process and made the best interests of the Company.

2.5 Delivery of Share.

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

2.6 Distribution Plan and Use of Proceeds

The Underwriter has entered into an Underwriting Agreement pursuant to which the Company has agreed to issue and the Underwriter has agreed to procure subscribers for the subscription and purchase of 60,000,000 shares with its par value of 2,000 Kip per share under the condition of underwriting contract prescribed that the Underwriter shall take underwriting all issue shares in consistent with the contract.

The Selling Agent has entered into an agreement with the Underwriter pursuant to which the Selling Agent will place the Shares with general investors inside Lao PDR and the Underwriter will place the Shares with foreign investors (investors living outside the Lao PDR) in reliance on applicable laws in the countries in which such offers are made, which will not be subject to any filing requirement.

The Underwriter and the Selling Agent plan to place approximately 60,000,000 shares to public investors in Lao PDR and foreign investors as follow:

- Distribution to investors in Lao PDR at the amount of 30,000,000 shares
- Distribution to foreign investors at the amount of 30,000,000 shares

The Underwriter is to market the Shares under LSX, subject to approval of legal matters by its counsel, including the validity of the Shares, and other conditions contained in the Underwriting Agreement, such as the receipt by the Underwriter of officer's certificates. The Underwriter reserves the right to withdraw, cancel or modify its offer of the Shares and to reject orders in whole or in part to the extent permissible under the securities laws of the Lao PDR.

The Company has agreed to fully indemnify the Underwriter against certain liabilities, including liabilities under the Lao laws and any other Lao securities laws, and to contribute to payments which the Underwriter may be required to make in respect of those liabilities.

- **Over-allotment option**

There will be no over-allotment option in the Offer.

- **Shares shall not be registered in other countries but Lao PDR.**

The Offer will be in compliance with the applicable rules and regulations of the LSCO, and the Lao Prospectus was prepared specifically for the Initial Public Offering of the Shares in the Lao PDR. Accordingly, the Shares will not be registered under the securities laws in any jurisdiction other than the Lao PDR. There is no any presentation both in Lao and English version indicating the distribution of the shares in foreign countries.

- **IPO in Lao PDR.**

This Offer is the initial public offering of the Company's Shares and if the LSX approves the initial listing application of the Company, the Company's Shares will be listed on the LSX. The LSX is a secondary market which was established in October 2010. The Company expects that the Company shares shall be listed on LSX and shall begin trading on or around 9th December 2014.

2.7 Objective of using fund.

The net proceed of not less than LAK 120 billion received from IPO distribution shall be used for the purposes aforementioned in the topic of using registered capital (Section 1.5-3)

Part 3

Certification of the Accuracy

3.1 Certification of the Company accuracy.

As the Board of Director, already checked the information in the prospectus made by Lao language with caution, certify that the information is accurate and completed.

As an evidence of all documents shall be an identical and certified by me. I hereby authorized Mr. Chanthone Siththixay to countersign on every page of the documents regardless of the document will be considered an uncertified document if without the countersign of Mr. Chanthone Siththixay.

Board of Directors

Name	Position	signature
1. Mr. Vang Rattavong	Chairman/ Chairman of Audit Committee/ Independent Director	<u>(Mr. Vang Rattavong)</u>
2. Mrs. Savanhthong Phongsavanh	Vice Chairman	(Mrs. Savanhthong Phongsavanh)
3. Mr. Chanthone Siththixay	Vice Chairman /CEO	<u>(Mr. Chanthone Siththixay)</u>
4. Mrs. Chanthadom Meksavanh	Director	(Mrs. Chanthadom Meksavanh)
5. Mrs. Daly Pholsena	Director / Vice Chairman of Audit Committee / Independent Director	<u>(Mrs. Daly Pholsena)</u>
6. Mr. Bounthan Chittavong	Director	(Mrs. Savanhthong Phongsavanh)
7. Mr. Phoxay Chanthavongsa	Director	<u>(Mr. Bounthan Chittavong)</u>
8. Mr. Nouphan Mahaphone	Director / Audit Committee / Independent Director	<u>(Mr. Nouphan Mahaphone)</u>
9. Mr. Viengkhone Siththixay	Director	<u>(Mr. Viengkhone Siththixay)</u>
		(Company Seal)



Accountancy

Name	Position	Signature
1. Mrs. Sengdeuan Kiewsovav	Accounting Director	<u>(Mrs. Sengdeuan Kiewsovav)</u>

Authorized person

Name	Position	Signature
1. Mr. Chanthone Sitthixay	Vice Chairman/CEO	<u>(Mr. Chanthone Sitthixay)</u>

3.2 Certification of Financial Advisor

This prospectus is a part of IPO listing application documents of Petroleum Trading Lao Public Company made by between the Company and APM(LAO) Securities Co., Ltd. under the financial advisory contract for going to public (IPO).

I hereby certify that the analysis, value estimation and words definition in this prospectus is proper and completed base on the information provided by Petroleum Trading Lao Public Company.

APM Lao Securities Company

Name	Position	Signature
Mr. Somphob Sakpunpanom	CEO	(<u>Mr. Somphob Sakpunpanom</u>) (Company Seal)

Attachment I
Information of Board of Directors, and executives

The Information of the Board of Directors and Executives

Name - Surname / Positions	Age	Highest Education	Shares Owned (Percent)	Relationship with Shareholders	Work Experiences in Past 5 Years		
					Periods	Current Position Organization / Company	Business Type
1. Mr. Chanthone Sithixay ➤ Chief Executive Officer ➤ Vice Chairman ➤ Chairman of Economy Committee ➤ Acting Chief Operating Officer ➤ Acting Director of MIS ➤ Acting Director of Corporate Strategy	37	Bachelor of Economics , Faculty of Economics and Business Administration, National University of Laos	73.857%	Husband of Mrs. Savanhthong Phongsavanh	2008-Present 2008-Present 2010-Present 2010-Present 2012-Present	- Chief Executive Officer of Petroleum Trading Lao Public - Chief Executive Officer of Khouanchay Trading Import-Export Co., Ltd. - Chief Executive Officer of Sithi Logistics Lao Co., Ltd - Chief Executive Officer of Well Tech Lao Co., Ltd - Chief Executive Officer of Lao Daily Mart Co., Ltd.	- Importing and distributing petroleum products through gas stations and projects in Lao PDR - Wholesales no specific products - Local and international transportation service - Commercial and investment advisor by using the modern technology - Importing goods consumption, franchise business and distributing goods under trademark “PLUS Daily Mart”
2. Mrs. Savanhthong Phongsavanh ➤ Vice Chairman	34	Bachelor of Economics , Faculty of Economics and Business Admin., National University of Laos	25.000 %	Wife of Mr. Chanthone Sithixay	2001- 2008 2001- 2007	- Finance Director of Khouanchay Trading Import-Export Co.,Ltd - Finance Director of Phongsavanh Saw Mill	- Wholesales no specific products - Lumber export
3. Mr. Vang Rattanavong ➤ Chairman ➤ Independent Director ➤ Chairman of Audit Committee	65	Master of Arts, Science Politic, University of Quebec, Montreal, Canada	none	none	Present 2003-2011 2002-2003	- Retired from civil service - Vice President of Tourism Organization of Lao PDR - Director General of Europe-America, Ministry of Foreign Affairs	- Retired from civil service - Civil Service - Civil Service
4. Mr. Noupnan Mahaphone ➤ Director ➤ Independent Director ➤ Audit Committee	64	Master Degree of Law, Soviet Union (Current: Ukraine)	none	none	Present 2012-2014	- Retired from civil service and legal consultant, Ministry of Natural Resource and Environment - Ministry of Natural Resource and	- Civil Service - Civil Service

						Environment	
5. Mrs. Daly Pholsena ➤ Director ➤ Independent Director ➤ Audit Committee	55	Master of Public Administration, Faculty of Political Science and Public Administration, Chiangmai University	none	none	2012-Present 2010-2012 2007-2010	- Chairman of Board of Directors of Phongsavanh Bank - Assistant Governor, Bank of the Lao PDR - Director General of Monetary Policy Department, Bank of the Lao PDR	- Financial Institution - Civil Service - Civil Service
6. Mr. Bounthanh Chittavong ➤ Director ➤ Chairman of Executive Committee ➤ Acting Director of Operation	55	Master of Science, Aconomee & Trading, Soviet Union	0.229%	none	2008-Present	- Acting Operating Director, Petroleum Trading Lao Public Company	- Importing and distributing petroleum products through gas stations and projects in Lao PDR
7. Mrs. Chanthadom Meksavanh ➤ Director ➤ Acting Chief Financial Officer ➤ Chairman of Risk Management Committee	49	Bachelor of Economics, Faculty of Economics and Business Administration, National University of Laos	0.457%	none	2008-Present	- Acting Chief Financial Officer of Petroleum Trading Lao Public	- Importing and distributing petroleum products through gas stations and projects in Lao PDR
8. Mrs. Sengduean Kiosouvath ➤ Director of Accounting	46	Technician course in Business Administration Accounting, Pakpasak Technical School	none	none	2010-Present	- Director of Accounting, Petroleum Trading Lao Public	- Importing and distributing petroleum products through gas stations and projects in Lao PDR
9. Mr. Bounyuen Duangsone ➤ Director of Administration	45	Law and Political Sciences Faculty, Lao PDR	none	none	2010-Present	- Director of Administration, Petroleum Trading Lao Public	- Importing and distributing petroleum products through gas stations and projects in Lao PDR
10. Mr. Phoxay Chanthavongsa ➤ Director ➤ Internal Auditor	44	Master of Business Administration, Majoring in Accounting, National University of Laos	none	none	2012-Present 2007-2012	- Director of Accounting and Finance, Khouanchay Trading Import-Export Co., Ltd. - Deputy Manager of Accounting team, Ministry of Finance	- Wholesales no specific products - Civil Service
11. Mr. Takounsine Xaphackdy ➤ Director of Commercial	35	Master Degree, Majoring in Business Administration,	0.229%	none	2008-Present	- Director of Commercial, Petroleum Trading Lao Public Company	- Importing and distributing petroleum products through gas

		Rattana University					stations and projects in Lao PDR
12. Mr. Viengkhone Sitthixay ➤ Director	31	Bachelor of Economics , Faculty of Economics and Business Administration, National University of Laos	0.057%	Brother of Mr. Chanthone Sitthixay	2013-Present 2011-2012 2009-2011	- Deputy to Chief Executive Officer of Sitthi Logistics Lao Co., Ltd - Assistant Manager of Branch Department, Petroleum Trading Lao Public Company - Depot Supervisor, Petroleum Trading Lao Public Company	- Local and international transportation service - Importing and distributing petroleum products through gas stations and projects in Lao PDR - Importing and distributing petroleum products through gas stations and projects in Lao PDR

Attachment II
Financial Statement

Petroleum Trading Lao Company Limited

Financial statements

For the years ended 31 December 2013, 31 December 2012 and 31 December 2011

Petroleum Trading Lao Company Limited

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Petroleum Trading Lao Company Limited

GENERAL INFORMATION

THE COMPANY

Petroleum Trading Lao Company Limited ("the Company") is a limited liability company incorporated in Lao PDR in accordance with the Enterprise Registration No. 0458 issued by the Investment Supervision Department of the Ministry of Planning and Investment on 3 October 2008 and the subsequent amendments, with the latest is the Registration No. 0547 dated 02 October 2013.

The Company's head office is located at Phonethanh Neua Village, T4 Road, Saysettha District, Vientiane Capital, Lao PDR.

The Company also has 5 depot branches which are located in Vientiane Capital, Bolikhamxay Province, Savanakheth Province, Sayyabouly Province, Lao PDR.

The principal activities of the Company are trading and distribution of petrol and lubricant to Lao domestic market.

BOARD OF DIRECTORS AND MANAGEMENT

Members of the Board of Directors and the Management of the Company during the years and at the date of this report are represented by Mr Chanthone Siththixay, Chairman and Chief Executive Officer.

AUDITORS

The auditor of the Company is Ernst & Young Lao Limited.

Petroleum Trading Company Limited

REPORT OF MANAGEMENT

The management of Petroleum Trading Lao Company Limited ("the Company") presents its report and the Company's financial statements for the years ended 31 December 2013, 31 December 2012 and 31 December 2011.

STATEMENT OF THE MANAGEMENT' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

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

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

The Company's management has confirmed that the Company has complied with the above requirements in preparing the accompanying financial statements.

APPROVAL OF THE FINANCIAL STATEMENTS

We hereby approve the accompanying financial statements for the years ended 31 December 2013, 31 December 2012 and 31 December 2011, which are prepared in accordance with the accounting policies as described in Note 3 to the financial statements.

On behalf of the Company's management:



Chanthone Sittixay
Chief Executive Officer

Vientiane Capital, Lao PDR

5 November 2014

Reference: 61101883/16860753

INDEPENDENT AUDITORS' REPORT

To: **The Board of Directors of Petroleum Trading Lao Company Limited**

We have audited the accompanying financial statements of Petroleum Trading Lao Company Limited ("the Company") as set out on pages 6 to 32, which comprise the balance sheets as at 31 December 2013, 31 December 2012 and 31 December 2011, the income statements, the statements of changes in equity and the statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory notes ("the financial statements"). The financial statements have been prepared by the management of the Company in accordance with the accounting policies as described in Note 3 to the financial statements.

Management's Responsibility

Management is responsible for the preparation of these financial statements in accordance with the accounting policies as described in Note 3 to the financial statements and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

We were unable to perform observation of the Company's physical count of inventories as at 31 December 2012, 31 December 2011 and 31 December 2010 since we were not appointed as auditors of the Company at those dates. Based on the available documentation, we were unable to obtain sufficient appropriate audit evidence to verify the Company's inventory balances at 31 December 2012 and 31 December 2011 and determine whether any adjustments to the financial statements for the years ended 31 December 2013, 31 December 2012 and 31 December 2011 were necessary.



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working world

The Company was unable to resolve the differences between accounting book and confirmation replies of certain other receivables from related parties as at 31 December 2013 and 31 December 2012. Based on the available documentation, we were unable to obtain sufficient appropriate audit evidence to verify these receivable balances as at 31 December 2013 and 31 December 2012 and determine whether any adjustments to the financial statements for the years ended 31 December 2013 and 31 December 2012 were necessary.

We were unable to obtain sufficient information to verify the interest income from the Company's loans to its related parties which was reported at LAK 533,878,096, LAK 969,825,109 and LAK 3,879,421,748 in 2011, 2012 and 2013, respectively since there is no proper accounting records to support the calculation and recording of those interest income. Consequently, we are unable to determine whether any adjustments to the financial statements for the years ended 31 December 2013, 31 December 2012 and 31 December 2011 were necessary.

We were unable to obtain sufficient supporting documents to verify the corporate income tax ("CIT") payable balance which was reported at LAK 2,600,910,526 at 31 December 2010 since there is no proper accounting record for this balance. Furthermore, as disclosed in Note 3 and Note 27, during the three years from 2011 to 2013, the Company has declared CIT with the local tax authorities based on the deemed tax method, and these CIT returns have been inspected by the local tax authorities. However, this CIT determination method is not consistent with the method regulated under the prevailing CIT regulations, and therefore, might be subject to challenge by another tax authority. Consequently, we are unable to determine whether any adjustments to the CIT expenses as reported in the income statements for the three years ended 31 December 2013, 31 December 2012, and 31 December 2011, and the resulting CIT payable balances at the reporting dates, were necessary.

The Company does not maintain sufficient accounting records to support the value added tax ("VAT") payable balance at 31 December 2010 which was reported at LAK 1,217,950,447, and to provide explanation for the differences between the statutory VAT declarations and the accounting books for the years ended 31 December 2013, 31 December 2012 and 31 December 2011. In addition, the Company reversed a portion of the VAT payable balance to finance income during the years ended 31 December 2012 and 31 December 2013 with the amount of LAK 5,769,691,523 and LAK 8,287,846,766, respectively even though there is no proper basis to support such reversal. Owing to the nature of the Company's accounting records, we were unable to obtain sufficient appropriate audit evidence to verify the VAT payable balance as at 31 December 2013, 31 December 2012 and 31 December 2011 and determine whether any adjustments to the financial statements for the years then ended were necessary.

Qualified opinion

In our opinion, except for the possible effects of the matters described in the "Basis for Qualified Opinion" paragraphs, the financial statements of the Company for the years ended 31 December 2013, 31 December 2012 and 31 December 2011 are prepared, in all material respects, in accordance with the accounting policies as described in Note 3 to the financial statements.

Basis of accounting

Without further modifying our opinion, we draw attention to Note 3 to the financial statements which describes the basis of accounting adopted by the Company. These accounting policies are not intended to present the financial position, the results of operations and the cash flows of the Company in accordance with international generally accepted accounting principles.

Other matter

The financial statements of the Company for the year ended 31 December 2010 are not audited.

Ernst & Young Lao Ltd

Vientiane, Lao PDR

5 November 2014




Petroleum Trading Lao Company Limited

BALANCE SHEETS

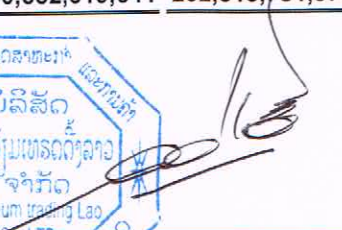
as at 31 December 2013, 31 December 2012 and 31 December 2011

Currency: LAK

	Notes	31 December 2013	31 December 2012	31 December 2011
Assets				
Current assets				
Cash	4	9,423,698,736	8,315,530,225	4,537,217,133
Trade receivables	5	88,465,856,385	72,424,360,749	47,163,982,519
Advance to suppliers		526,103,322	10,781,456,959	8,792,056,773
Other receivables	6	286,202,201,379	19,113,228,703	28,247,565,463
Inventories	7	12,291,357,719	7,587,076,984	8,571,197,223
Other current assets	8	2,942,786,830	22,241,092,922	20,555,387,831
		399,852,004,371	140,462,746,542	117,867,406,942
Non-current assets				
Tangible fixed assets	9	67,636,620,527	69,007,361,153	55,539,410,561
Intangible fixed assets	10	506,246,793	587,831,251	622,920,561
Finance lease assets	11	18,275,810,858	21,686,070,088	11,109,709,919
Investment properties	12	407,517,451	433,953,378	483,866,063
Construction in progress	13	17,248,474,305	2,639,121,640	3,552,090,464
Long-term investments	14	21,172,519,791	19,390,912,098	8,448,600,000
Other long-term receivables	15	36,473,767,507	26,674,623,491	5,189,777,465
		161,720,957,232	140,419,873,099	84,946,375,033
Total assets		561,572,961,603	280,882,619,641	202,813,781,975
Liabilities and equity				
Current liabilities				
Short term loans and borrowings	16	158,198,955,588	134,271,253,242	70,642,303,835
Trade payables	17	17,575,864,971	14,562,432,525	4,954,469,658
Advance from customers		547,036,227	696,362,326	620,406,420
Tax payables	18	7,331,032,058	15,040,377,179	19,696,979,822
Accruals		17,761,267	28,317,716	300,054,319
Other payables	19	1,098,281,035	4,563,073,803	4,232,376,460
		184,768,931,146	169,161,816,791	100,446,590,514
Non-current liabilities				
Long-term loans	20	7,670,775,389	9,606,356,114	5,158,819,827
		7,670,775,389	9,606,356,114	5,158,819,827
Owners' equity				
Registered charter capital	21	350,000,000,000	75,600,000,000	75,600,000,000
Undistributed earnings		19,133,255,068	26,514,446,736	21,608,371,634
		369,133,255,068	102,114,446,736	97,208,371,634
Total liabilities and equity		561,572,961,603	280,882,619,641	202,813,781,975


Chanthadom Meksavanh
Finance Director




Chanthone Sittixay
ສະໜັບສະໜູນ
Chief Executive Officer

5 November 2014


Petroleum Trading Lao Company Limited

INCOME STATEMENTS

for the years ended 31 December 2013, 31 December 2012 and 31 December 2011

Currency: LAK

	Notes	2013	2012	2011
Revenue	22	1,075,040,438,467	1,019,011,794,111	905,079,990,439
Cost of sales	23	(1,003,917,386,276)	(948,045,757,278)	(843,103,217,709)
Gross profit		71,123,052,191	70,966,036,833	61,976,772,730
Other income	24	5,166,527,720	152,675,967	-
Administrative expenses		(31,020,789,043)	(23,994,973,535)	(16,718,580,767)
Selling expenses		(16,328,650,581)	(14,675,625,575)	(14,678,984,055)
Other expenses	24	(4,499,612,632)	(97,042,066)	-
Operating profit		24,440,527,655	32,351,071,624	30,579,207,908
Finance income	25	18,599,136,056	9,211,763,771	2,041,943,368
Finance expenses	26	(20,771,671,707)	(12,281,436,359)	(8,015,515,008)
Profit before income tax		22,267,992,004	29,281,399,036	24,605,636,268
Corporate income tax expenses	27	(3,134,736,936)	(2,766,952,300)	(2,997,264,634)
Profit after tax		19,133,255,068	26,514,446,736	21,608,371,634


 Chanthadom Meksavanh
 Finance Director

5 November 2014



 Chanthone Siththixay
 Chief Executive Officer

Petroleum Trading Lao Company Limited

STATEMENTS OF CHANGES IN EQUITY

as at 31 December 2013, 31 December 2012 and 31 December 2011

Currency: LAK

	Registered, contributed charter capital	Registered, un- contributed charter capital	Undistributed earnings	Total
For the year ended 31 December 2013				
Beginning balance	71,706,584,642	3,893,415,358	26,514,446,736	102,114,446,736
Increase in registered charter capital	-	274,400,000,000	-	274,400,000,000
Appropriation to charter capital contribution	26,514,446,736	(26,514,446,736)	(26,514,446,736)	(26,514,446,736)
Profit for the year	-	-	19,133,255,068	19,133,255,068
Ending balance	<u>98,221,031,378</u>	<u>251,778,968,622</u>	<u>19,133,255,068</u>	<u>369,133,255,068</u>
For the year ended 31 December 2012				
Beginning balance	50,098,213,008	25,501,786,992	21,608,371,634	97,208,371,634
Appropriation to charter capital contribution	21,608,371,634	(21,608,371,634)	(21,608,371,634)	(21,608,371,634)
Profit for the year	-	-	26,514,446,736	26,514,446,736
Ending balance	<u>71,706,584,642</u>	<u>3,893,415,358</u>	<u>26,514,446,736</u>	<u>102,114,446,736</u>
For the year ended 31 December 2011				
Beginning balance	36,781,229,711	38,818,770,289	13,316,983,297	88,916,983,297
Appropriation to charter capital contribution	13,316,983,297	(13,316,983,297)	(13,316,983,297)	(13,316,983,297)
Profit for the year	-	-	21,608,371,634	21,608,371,634
Ending balance	<u>50,098,213,008</u>	<u>25,501,786,992</u>	<u>21,608,371,634</u>	<u>97,208,371,634</u>


Chanthadom Meksavanh
Finance Director



Chanthone Sitthixay
Chief Executive Officer

5 November 2014

Petroleum Trading Lao Company Limited

STATEMENTS OF CASH FLOWS

for the years ended 31 December 2013, 31 December 2012 and 31 December 2011

Currency: LAK

	Notes	2013	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		22,267,992,004	29,281,399,036	24,605,636,268
<i>Adjustments for:</i>				
Depreciation of fixed assets	9,10,11,12	14,516,649,158	9,699,060,116	6,546,114,471
Provision		(1,279,149,932)	(1,638,071,641)	(312,881,350)
Profits from investing activities		(4,546,336,836)	(1,025,459,010)	(533,878,095)
Interest expenses	26	15,508,786,854	10,789,879,383	6,078,977,256
Operating profit before changes in working capital		46,467,941,248	47,106,807,884	36,383,968,550
Increase in trade and other receivables		(5,704,335,592)	(39,120,676,004)	(51,760,549,023)
(Increase)/decrease in inventories		(4,704,280,735)	984,120,239	2,441,605,000
Interest received		189,028,869	319,063,374	324,652,925
Interest paid		(15,499,398,633)	(10,425,375,344)	(5,706,996,534)
Corporate income tax paid	27	(2,228,903,640)	(4,541,296,118)	(3,530,320,669)
(Decrease)/increase in trade and other payables		(9,235,809,508)	6,496,116,649	14,073,188,219
Net cash flows from/(used in) operating activities		9,284,242,009	818,760,680	(7,774,451,532)
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisitions of fixed assets and other long-term assets		(23,753,971,130)	(32,842,451,124)	(25,221,479,368)
Proceeds from disposal of fixed assets	24	5,166,527,720	152,675,967	-
Loans to other entities		(50,010,548,294)	(48,738,183,035)	(26,836,366,044)
Collection of loans to other entities		38,429,796,585	16,311,024,911	18,387,766,044
Net cash flows used in investing activities		(30,168,195,119)	(65,116,933,281)	(33,670,079,368)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from borrowings		772,041,030,621	791,708,572,827	467,376,480,060
Payment of finance lease liabilities		(6,077,229,314)	(4,682,128,425)	(1,497,387,125)
Repayment of borrowings		(743,971,679,686)	(718,949,958,709)	(423,179,876,272)
Net cash flows from financing activities		21,992,121,621	68,076,485,693	42,699,216,663
Net increase in cash		1,108,168,511	3,778,313,092	1,254,685,763
Cash at the beginning of the year		8,315,530,225	4,537,217,133	3,282,531,370
Cash at the end of the year	4	9,423,698,736	8,315,530,225	4,537,217,133

Chanthadom Meksavanh
Finance Director



Chanthone Sitthixay
Chief Executive Officer

5 November 2014

Petroleum Trading Lao Company Limited

NOTES TO THE FINANCIAL STATEMENTS

as at and for the years ended 31 December 2013, 31 December 2012 and 31 December 2011

1. CORPORATE INFORMATION

Petroleum Trading Lao Company Limited ("the Company") is a limited liability company incorporated in Lao PDR in accordance with the Enterprise Registration No. 0458 issued by the Investment Supervision Department of the Ministry of Planning and Investment on 3 October 2008 and the subsequent amendments, with the latest is the Registration No. 0529 dated 20 September 2013.

The Company's head office is located at Phonethanh Neua Village, T4 Road, Saysettha District, Vientiane Capital, Lao PDR.

The Company also has 5 depot branches which are located in Vientiane, Bolikhamxay Province, Savanakhet Province and Sayyabouly Province, Lao PDR.

The principal activities of the Company are trading and distribution of petrol and lubricant to Lao domestic market.

2. BASIS OF PREPARATION

The financial statements of the Company have been prepared using the historical cost convention. These financial statements are expressed in Lao Kip ("LAK").

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

The accompanying financial statements, including their utilisation, are not designed for those who are not informed about the Company's accounting policies as described in Note 3.

Fiscal year

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

Petroleum Trading Lao Company Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at and for the years ended 31 December 2013, 31 December 2012 and 31 December 2011

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash

Cash and cash equivalents comprise cash on hand and cash at banks.

Receivables

Receivables are presented in the financial statements at the carrying amounts due from customers and other debtors, after provision for doubtful debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified. Amounts for doubtful of collection and bad debts are included in the operating expense account in the income statement.

The following policy on the provision rates is applied in creating provision for doubtful debts:

<i>Age of receivables</i>	<i>Rate of provision (%)</i>
From 6 months to 1 year	30
From 1 to 2 years	50
Above 2 years	100

Prepaid expenses

Prepaid expenses are recognized when paid. Prepayments are amortized over the period for which the amounts are paid or the period in which economic benefits is generated in relation to these expenses.

Inventories

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

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

The perpetual method is used to record inventory which are valued based on cost of purchase on first-in, first-out basis.

Provision for decline in value of inventories

An inventory provision is created for the estimated loss arising due to the impairment of value (through diminution, damage, obsolescence, etc.) of inventories owned by the Company, based on appropriate evidence of impairment available at the reporting date.

Increases and decreases to the provision balance are recorded into the cost of goods sold account in the income statement.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation.

The cost of a tangible fixed asset consists of purchase price and any directly attributable costs of bringing the asset to working condition for its intended use. Expenditures for additions, improvements and renewals are capitalized while expenditures for maintenance and repairs are charged to the income statement. When an item of tangible fixed asset is sold or retired, their cost and accumulated depreciation are removed from the balance sheet and any gain or loss resulting from their disposal is included in the income statement.

Petroleum Trading Lao Company Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the years ended 31 December 2013, 31 December 2012 and 31 December 2011

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible fixed assets

Intangible fixed assets are stated at cost less accumulated amortisation.

The cost of an intangible fixed asset comprises of its purchase price and any directly attributable costs of preparing the intangible fixed asset for its intended use. Expenditures for additions, improvements are added to the carrying amount of the assets and other expenditures are charged to the income statement as incurred. When intangible fixed assets are sold or retired, their costs and accumulated amortisation are removed from the balance sheet and any gain or loss resulting from their disposal is included in the income statement.

Land use rights

Land use rights are recorded as intangible assets at acquisition cost and upon the transfer of legal title on land use rights certificate. Land use rights with indefinite term are not amortised.

Leased assets

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

A lease is classified as a finance lease whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the asset to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are capitalised in the reporting dates at the inception of the lease at the fair value of the leased assets or, if lower, at the net present value of the minimum lease payments. The principal amount included in future lease payments under finance leases are recorded as a liability. The interest amounts included in lease payments are charged to the income statement over the lease term to achieve a constant rate on interest on the remaining balance of the finance lease liability.

Capitalised financial leased assets are depreciated using straight-line basis over the shorter of the estimated useful lives of the asset and the lease term, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term.

Depreciation

Depreciation of tangible fixed assets and intangible assets (except for land use rights with indefinite term) are calculated on a straight-line basis over their estimated useful life of each asset as follows:

Building and renovation	10 - 20 years
Plant and machinery	5 years
Motor vehicles	5 - 10 years
Furniture, fittings and office equipment	5 years

No depreciation is recorded for assets under construction until the construction and installation is completed at which time the related costs are transferred to fixed assets.

Petroleum Trading Lao Company Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the years ended 31 December 2013, 31 December 2012 and 31 December 2011

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties

Investment properties are stated at cost including transaction costs less accumulated depreciation and/or amortisation.

Subsequent expenditure relating to an investment property that has already been recognized is added to the net book value of the investment property when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing investment property, will flow to the Company.

Depreciation and amortisation of investment properties are calculated on a straight-line basis over the estimated useful life of each asset as follows:

Buildings	10 years
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Investment properties are derecognised when either they have been disposed of or when the investment properties are permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the assets is recognised in the income statement in the year of retirement or disposal.

Transfers are made to investment properties when, and only when, there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment properties when, and only when, there is change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale. The transfer from investment property to owner-occupied property or inventories does not change the cost or the carrying value of the property for subsequent accounting at the date of change in use.

Payables and accruals

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

Taxation

Value added tax

Value added tax is the tax liability determined on revenue for the year computed using the applicable tax rate for the year after netting deductible value added tax input.

Corporate income tax

Corporate income tax is the expected tax payable which are computed using the deemed tax method, i.e. based on volume of fuel sold, multiplied with the deemed profit tax amount per liter of fuel sold, and any adjustment to tax payable in respect of previous years.

Personal income tax

Personal income tax is the tax payable on salaries paid to employees for the period determined using applicable tax rate for the period.

Charter capital

Charter capital is recognized at the registered amount in the Company's Business License. Charter capital includes contributed and the un-contributed capital, which is also recognized as other receivables from owners at the reporting date.

Petroleum Trading Lao Company Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at and for the years ended 31 December 2013, 31 December 2012 and 31 December 2011

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency transaction

The financial statements are presented in LAK. Transactions in currencies other than LAK are initially recorded at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the exchange rate ruling at the balance sheet date. All differences are taken to income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of transactions.

Revenue recognition

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

Revenue from sale of fuel and lubricant

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

Interest

Revenue is recognised on an accrual basis using the effective interest method, unless collectability is in doubt.

4. CASH

Currency: LAK

	31 December 2013	31 December 2012	31 December 2011
Cash on hand	35,182,500	36,057,000	31,367,000
Cash at bank	9,388,516,236	8,279,473,225	4,017,721,133
Outstanding cheque	-	-	488,129,000
	<u>9,423,698,736</u>	<u>8,315,530,225</u>	<u>4,537,217,133</u>

5. TRADE RECEIVABLES

Currency: LAK

	31 December 2013	31 December 2012	31 December 2011
Trade receivables from related parties (Note 28)	2,953,922,875	2,445,474,500	1,591,312,000
Trade receivables	90,278,406,783	73,466,209,591	47,421,922,220
Provision for doubtful debt	(4,766,473,273)	(3,487,323,342)	(1,849,251,701)
	<u>88,465,856,385</u>	<u>72,424,360,749</u>	<u>47,163,982,519</u>

Petroleum Trading Lao Company Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at and for the years ended 31 December 2013, 31 December 2012 and 31 December 2011

6. OTHER RECEIVABLES

	<i>Currency: LAK</i>		
	<i>31 December 2013</i>	<i>31 December 2012</i>	<i>31 December 2011</i>
Registered, un-contributed charter capital (*)	251,778,968,622	3,893,415,358	25,501,786,992
Other receivables from related parties (Note 28)	21,298,557,746	9,257,218,942	-
Other receivables	13,124,675,011	5,962,594,403	2,745,778,471
	<u>286,202,201,379</u>	<u>19,113,228,703</u>	<u>28,247,565,463</u>

(*) These represent the balance of the registered capital which has not been contributed by the owners as at the reporting date (see also Note 21).

7. INVENTORIES

	<i>Currency: LAK</i>		
	<i>31 December 2013</i>	<i>31 December 2012</i>	<i>31 December 2011</i>
Fuels	11,368,199,510	6,895,636,940	7,627,030,688
Lubricant	923,158,209	691,440,044	944,166,535
	<u>12,291,357,719</u>	<u>7,587,076,984</u>	<u>8,571,197,223</u>

8. OTHER CURRENT ASSETS

	<i>Currency: LAK</i>		
	<i>31 December 2013</i>	<i>31 December 2012</i>	<i>31 December 2011</i>
Advance to employees (*)	1,086,761,765	1,894,817,103	406,723,114
Inventory lent to customer (**)	-	19,036,449,040	19,036,449,040
Prepaid expenses	1,856,025,065	1,309,826,779	1,112,215,677
	<u>2,942,786,830</u>	<u>22,241,092,922</u>	<u>20,555,387,831</u>

(*) Advance to employees for daily operations of the Company.

(**) In accordance with the Sales contract No. 288 dated 10 October 2010 between the Company and Vientiane Development Company, the Company committed to supply 30,000,000 liters of diesel to Vientiane Development Company at incentive prices given that Vientiane Development Company could obtain fuel import quota certification from the Department of Import and Export of the Ministry of Industry and Commerce of Lao PDR. In 2010 and 2011, the Company already supplied 2,498,000 liters of diesel (at the cost of LAK 19,036,449,040) to Vientiane Development Company but the quota certification was still unavailable at that time. Accordingly, the Company and Vientiane Development Company agreed to account for such diesel as a loan of inventories, with no interest, at 31 December 2011 and 31 December 2012. Subsequently, the Company obtained the quota certification on 6 November 2013 and reached an agreement with Vientiane Development Company to issue invoice and recognize the sales in 2013.

Petroleum Trading Lao Company Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the years ended 31 December 2013, 31 December 2012 and 31 December 2011

9. TANGIBLE FIXED ASSETS

For the year ended 31 December 2011	<i>Buildings and structures</i>	<i>Machineries and equipment</i>	<i>Means of transportation</i>	<i>Office equipment</i>	<i>Currency: LAK</i>
Cost					<i>Total</i>
Beginning balance	31,441,511,296	16,549,690,144	4,742,692,711	1,898,898,153	54,632,792,304
- Newly purchased	79,825,548	1,426,852,111	2,081,824,452	385,476,391	3,973,978,502
- Transferred from construction in progress	2,718,572,233	3,024,310,224	188,560,430	349,288,940	6,280,731,827
- Sold, disposed	-	-	(410,517,353)	(9,799,000)	(420,316,353)
Ending balance	<u>34,239,909,077</u>	<u>21,000,852,479</u>	<u>6,602,560,240</u>	<u>2,623,864,484</u>	<u>64,467,186,280</u>
Accumulated depreciation					
Beginning balance	1,012,486,885	1,176,749,701	642,123,070	445,296,081	3,276,655,737
- Depreciation for the year	2,407,009,208	1,872,047,882	1,067,352,496	496,967,031	5,843,376,617
- Sold, disposed	-	-	(189,707,265)	(2,549,370)	(192,256,635)
Ending balance	<u>3,419,496,093</u>	<u>3,048,797,583</u>	<u>1,519,768,301</u>	<u>939,713,742</u>	<u>8,927,775,719</u>
Net book value					
Beginning balance	30,429,024,411	15,372,940,443	4,100,569,641	1,453,602,072	51,356,136,567
Ending balance	<u>30,820,412,984</u>	<u>17,952,054,896</u>	<u>5,082,791,939</u>	<u>1,684,150,742</u>	<u>55,539,410,561</u>

Certain tangible fixed assets are pledged as collaterals for the Company's borrowings. See Note 16 and Note 20 for details.

Petroleum Trading Lao Company Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the years ended 31 December 2013, 31 December 2012 and 31 December 2011

9. TANGIBLE FIXED ASSETS (continued)

For the year ended 31 December 2012	<i>Buildings and structures</i>	<i>Machineries and equipment</i>	<i>Means of transportation</i>	<i>Office equipment</i>	<i>Currency: LAK</i> Total
Cost:					
Beginning balance	34,239,909,077	21,000,852,479	6,602,560,240	2,623,864,484	64,467,186,280
- Newly purchased	649,296,585	1,045,605,617	790,689,979	547,044,117	3,032,636,298
- Transferred from construction in progress	10,065,490,836	5,316,455,053	1,520,909,704	1,456,514,344	18,359,369,937
- Sold, disposed	-	(109,927,958)	-	(1,337,950)	(111,265,908)
Ending balance	44,954,696,498	27,252,985,191	8,914,159,923	4,626,084,995	85,747,926,607
Accumulated depreciation:					
Beginning balance	3,419,496,093	3,048,797,583	1,519,768,301	939,713,742	8,927,775,719
- Depreciation for the year	3,163,447,147	2,821,270,054	1,140,879,232	701,408,144	7,827,004,577
- Sold, disposed	-	(13,904,364)	-	(310,478)	(14,214,842)
Ending balance	6,582,943,240	5,856,163,273	2,660,647,533	1,640,811,408	16,740,565,454
Net book value:					
Beginning balance	30,820,412,984	17,952,054,896	5,082,791,939	1,684,150,742	55,539,410,561
Ending balance	38,371,753,258	21,396,821,918	6,253,512,390	2,985,273,587	69,007,361,153

Certain tangible fixed assets are pledged as collaterals for the Company's borrowings. See Note 16 and Note 20 for details.

Petroleum Trading Lao Company Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the years ended 31 December 2013, 31 December 2012 and 31 December 2011

9. TANGIBLE FIXED ASSETS (continued)

For the year ended 31 December 2013	<i>Buildings and structures</i>	<i>Machineries and equipment</i>	<i>Means of transportation</i>	<i>Office equipment</i>	<i>Currency: LAK</i> <i>Total</i>
Cost:					
Beginning balance	44,954,696,498	27,252,985,191	8,914,159,923	4,626,084,995	85,747,926,607
- Newly purchased	170,134,503	1,866,552,629	181,177,500	606,490,594	2,824,355,226
- Transferred from construction in progress	5,831,647,514	2,934,017,102	49,821,246	741,382,251	9,556,868,113
- Sold, disposed	(578,083,000)	(371,298,120)	(3,381,596,772)	-	(4,330,977,892)
Ending balance	<u>50,378,395,515</u>	<u>31,682,256,802</u>	<u>5,763,561,897</u>	<u>5,973,957,840</u>	<u>93,798,172,054</u>
Accumulated depreciation:					
Beginning balance	6,582,943,240	5,856,163,273	2,660,647,533	1,640,811,408	16,740,565,454
- Depreciation for the year	4,632,326,660	3,710,660,077	1,432,200,641	1,078,190,265	10,853,377,643
- Sold, disposed	(33,259,570)	(13,258,918)	(1,385,873,082)	-	(1,432,391,570)
Ending balance	<u>11,182,010,330</u>	<u>9,553,564,432</u>	<u>2,706,975,092</u>	<u>2,719,001,673</u>	<u>26,161,551,527</u>
Net book value:					
Beginning balance	<u>38,371,753,258</u>	<u>21,396,821,918</u>	<u>6,253,512,390</u>	<u>2,985,273,587</u>	<u>69,007,361,153</u>
Ending balance	<u>39,196,385,185</u>	<u>22,128,692,370</u>	<u>3,056,586,805</u>	<u>3,254,956,167</u>	<u>67,636,620,527</u>

Certain tangible fixed assets are pledged as collaterals for the Company's borrowings. See Note 16 and Note 20 for details.

Petroleum Trading Lao Company Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at and for the years ended 31 December 2013, 31 December 2012 and 31 December 2011

10. INTANGIBLE FIXED ASSETS

	<i>Computer software</i>		
	2013	2012	2011
<i>Currency: LAK</i>			
Cost:			
Beginning balance	951,415,466	820,351,766	713,353,014
Additions	121,084,200	131,063,700	106,998,752
Ending balance	<u>1,072,499,666</u>	<u>951,415,466</u>	<u>820,351,766</u>
Accumulated amortisation:			
Beginning balance	363,584,215	197,431,205	36,819,990
Amortisation for the year	202,668,658	166,153,010	160,611,215
Ending balance	<u>566,252,873</u>	<u>363,584,215</u>	<u>197,431,205</u>
Net carrying amount:			
Beginning balance	<u>587,831,251</u>	<u>622,920,561</u>	<u>676,533,024</u>
Ending balance	<u>506,246,793</u>	<u>587,831,251</u>	<u>622,920,561</u>

11. FINANCE LEASE ASSETS

	<i>Means of transportation</i>		
	2013	2012	2011
<i>Currency: LAK</i>			
Cost:			
Beginning balance	23,871,814,608	11,639,464,595	-
Additions	-	12,232,350,013	11,639,464,595
Ending balance	<u>23,871,814,608</u>	<u>23,871,814,608</u>	<u>11,639,464,595</u>
Accumulated depreciation:			
Beginning balance	2,185,744,520	529,754,676	-
Depreciation for the year	3,410,259,230	1,655,989,844	529,754,676
Ending balance	<u>5,596,003,750</u>	<u>2,185,744,520</u>	<u>529,754,676</u>
Net carrying amount:			
Beginning balance	<u>21,686,070,088</u>	<u>11,109,709,919</u>	<u>-</u>
Ending balance	<u>18,275,810,858</u>	<u>21,686,070,088</u>	<u>11,109,709,919</u>

The Company leases 12 Isuzu trucks and 15 Daewoo trucks under two finance lease agreements with BCEL Leasing Company Limited. The lease terms are from 36 months to 60 months, bearing interest rate of 12% p.a. In accordance with the finance lease agreements, the Company has the option to purchase the trucks at the expiry of the lease contracts (see also Note 20).

Petroleum Trading Lao Company Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at and for the years ended 31 December 2013, 31 December 2012 and 31 December 2011

12. INVESTMENT PROPERTIES

	<i>Buildings</i>			<i>Currency: LAK</i>
	<i>2013</i>	<i>2012</i>	<i>2011</i>	
Cost:				
Beginning balance	496,238,026	496,238,026	-	
Additions	23,907,700	-	496,238,026	
Ending balance	<u>520,145,726</u>	<u>496,238,026</u>	<u>496,238,026</u>	
Accumulated depreciation:				
Beginning balance	62,284,648	12,371,963	-	
Depreciation for the year	50,343,627	49,912,685	12,371,963	
Ending balance	<u>112,628,275</u>	<u>62,284,648</u>	<u>12,371,963</u>	
Net carrying amount:				
Beginning balance	433,953,378	483,866,063	-	
Ending balance	<u>407,517,451</u>	<u>433,953,378</u>	<u>483,866,063</u>	

The Company has not determined the fair value of investment properties at 31 December 2013, 31 December 2012 and 31 December 2011 since there is no available market for these investment properties.

13. CONSTRUCTION IN PROGRESS

	<i>Currency: LAK</i>		
	<i>31 December 2013</i>	<i>31 December 2012</i>	<i>31 December 2011</i>
Construction of office building	9,538,775,867	-	-
Construction of gas stations	7,709,698,438	2,639,121,640	3,552,090,464
	<u>17,248,474,305</u>	<u>2,639,121,640</u>	<u>3,552,090,464</u>

14. LONG-TERM INVESTMENTS

	<i>Currency: LAK</i>		
	<i>31 December 2013</i>	<i>31 December 2012</i>	<i>31 December 2011</i>
Unsecured loan receivables from related parties (Note 28) (*)	21,172,519,791	19,390,912,098	8,448,600,000
	<u>21,172,519,791</u>	<u>19,390,912,098</u>	<u>8,448,600,000</u>

Petroleum Trading Lao Company Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at and for the years ended 31 December 2013, 31 December 2012 and 31 December 2011

14. LONG-TERM INVESTMENTS (continued)

(*) Details of unsecured loan receivables from related parties are as below:

<i>Borrower</i>	<i>Contract date</i>	<i>Balance (LAK)</i>	<i>Term/Maturity date</i>	<i>Interest rate (% p.a.)</i>
31 December 2011				
Khouanchay Trading Import – Export Ltd.	1 January 2011	8,448,600,000	48 months, due on 1 January 2015	10%-11%
		<u>8,448,600,000</u>		
31 December 2012				
Khouanchay Trading Import – Export Ltd.	1 January 2011	16,418,707,439	48 months, due on 1 January 2015	10%-11%
Sithi Intertrading Import – Export Ltd.	9 January 2011	40,865,601	36 months, due on 1 September 2014	10%-11%
Back Canyon Coffee Moly Care by Sudaphone Import- Export and Service Co.,Ltd	1 May 2011	1,513,744,763	48 months, due on 1 May 2015	10%-11%
Lao Daily Mart Import – Export Co., Ltd.	1 January 2012	965,688,789	36 months, due on 1 January 2015	10%-11%
	1 June 2012	451,905,506	60 months, due on 1 June 2014	10%-11%
		<u>19,390,912,098</u>		
31 December 2013				
Khouanchay Trading Import – Export Ltd	1 January 2011	12,120,843,354	48 months, due on 1 January 2015	10%-11%
Back Canyon Coffee Moly Care by Sudaphone Import- Export and Service Co.,Ltd	1 May 2011	1,513,744,763	48 months, due on 1 May 2015	10%-11%
Lao Daily Mart Import – Export Co., Ltd.	1 January 2012	965,688,789	36 months, due on 1 January 2015	10%-11%
	1 February 2012	6,572,242,885	60 months, due on 1 February 2017	10%-11%
		<u>21,172,519,791</u>		

Petroleum Trading Lao Company Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at and for the years ended 31 December 2013, 31 December 2012 and 31 December 2011

15. OTHER LONG-TERM RECEIVABLES

Currency: LAK

	31 December 2013	31 December 2012	31 December 2011
Unsecured interest free loans to owner (Note 28)	36,473,767,507	26,674,623,491	5,189,777,465
	<u>36,473,767,507</u>	<u>26,674,623,491</u>	<u>5,189,777,465</u>

Details of unsecured interest free loans to owner are as below:

Borrower/loan contract	Balance (LAK)	Term/Maturity date
Loans to Mr Chanthone Sitthixay, Owner		
31 December 2011		
- Contract date 1 January 2010 (credit limit of LAK 3,000,000,000)		
- Contract date 1 December 2010 (credit limit of LAK 1,000,000,000)		Upon demand and negotiation between the Company and Mr Chanthone Sitthixay
- Contract date 1 January 2011 (credit limit of LAK 2,000,000,000)	5,189,777,465	
31 December 2012		
- Contract date 1 January 2010 (credit limit of LAK 3,000,000,000)		
- Contract date 1 December 2010 (credit limit of LAK 1,000,000,000)		
- Contract date 1 January 2011 (credit limit of LAK 2,000,000,000)		Upon demand and negotiation between the Company and Mr Chanthone Sitthixay
- Contract date 1 August 2012 (credit limit of LAK 20,000,000,000)	26,674,623,491	
31 December 2013		
- Contract date 1 January 2010 (credit limit of LAK 3,000,000,000)		
- Contract date 1 December 2010 (credit limit of LAK 1,000,000,000)		
- Contract date 1 January 2011 (credit limit of LAK 2,000,000,000)		
- Contract date 1 August 2012 (credit limit of LAK 20,000,000,000)		
- Contract date 1 January 2013 (credit limit of LAK 15,000,000,000)		Upon demand and negotiation between the Company and Mr Chanthone Sitthixay
- Contract date 1 January 2013 (credit limit of LAK 20,000,000,000)	36,473,767,507	

16. SHORT-TERM LOANS AND BORROWINGS

Currency: LAK

	31 December 2013	31 December 2012	31 December 2011
Short-term bank loans	154,318,584,147	129,544,117,355	67,852,291,371
Current portion of finance lease liabilities (Note 20)	3,880,371,441	4,727,135,887	2,790,012,464
	<u>158,198,955,588</u>	<u>134,271,253,242</u>	<u>70,642,303,835</u>

Petroleum Trading Lao Company Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the years ended 31 December 2013, 31 December 2012 and 31 December 2011

16. SHORT-TERM LOAN AND BORROWING (continued)

Details of short-term bank loans are as follows:

Lender	Contract	Ending balance		Maturity date	Interest rate (% p.a.)	Collateral
		LAK equivalent	Original currency			
31 December 2013						
Banque Pour Le Commerce Exterieur Lao Limited	No. LN-010-051/2012/BCEL dated 9 April 2012	99,336,286,438	LAK 99,336,286,438	45 days, last due on 7 February 2014	10%	17 land lots and equipment of depot at Kaison District, Savanakheth Province, Lao PDR.
ANZ Bank Lao Limited	No. 054/2012 dated 21 January 2013	39,910,137,851	US\$ 4,985,651	60 days, last due on 25 February 2014	8%	All tangible and intangible assets of the Company according to Commercial Enterprise Security Agreement dated 26 September 2012, personal guarantee by the Company's owners, land title deed No. 101 dated 25 October 2012, land area at Phonthan village, Saysettha, Vientiane Capital.
Public Bank, Savanakheth branch	No. 054/2012 dated 21 January 2013	9,929,032,316	LAK 9,929,032,316	60 days, last due on 25 February 2014	8%	Two pieces of land with double storey house and single storey house and two vacant pieces of land in Phongsavanh village, Kaisonphomvihanh District, Savanakheth Province, Lao PDR
	No.SVN/000141/10 dated 31 January 2011	5,143,127,542	US\$ 647,118	24 January 2014	9%	
		154,318,584,147				
31 December 2012						
Banque Pour Le Commerce Exterieur Lao	No. LN-010-051/2012/BCEL dated 9 April 2012	99,885,394,850	LAK 99,885,394,850	45 days, last due on 11 February 2013	10%	17 land lots and equipment of depot at Kaison District, Savanakheth Province, Lao PDR.
ANZ Bank Lao Limited	No. 054/2012 dated 19 December 2012	29,658,722,505	US\$ 3,723,631	60 days, last due on 25 February 2013	8%	All tangible and intangible asset of the Company as stated in Commercial Enterprise Security Agreement with the Company dated 26 September 2012, personal guarantee by the Company's owners,land title deed No.101 dated 25 October 2012, land area at Phonthan village, Saysettha, Vientiane Capital.
		129,544,117,355				
31 December 2011						
Public Bank, Savanakheth Branch	No. SVN/000141/10 dated 31 January 2011	6,340,097,734	US\$ 793,691	13 March 2012	9%	Two pieces of land with double storey house and single storey house and two vacant pieces of land in Phongsavanh village, Kaisonphomvihanh District, Savanakheth Province, Lao PDR
Banque Pour Le Commerce Exterieur Lao	No.LS/010_009/11/BL C dated 4 July 2011	61,512,193,637	LAK 61,512,193,637	45 days, last due on 11 February 2012	10%	17 land lots and equipment of depot at Kaison District, Savanakheth Province, Lao PDR.
		67,852,291,371				

Petroleum Trading Lao Company Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at and for the years ended 31 December 2013, 31 December 2012 and 31 December 2011

17. TRADE PAYABLES

Currency: LAK

	31 December 2013	31 December 2012	31 December 2011
Trade payables from third parties	17,575,864,971	14,562,432,525	4,954,469,658
	<u>17,575,864,971</u>	<u>14,562,432,525</u>	<u>4,954,469,658</u>

18. TAX PAYABLES

Currency: LAK

	31 December 2013	31 December 2012	31 December 2011
Personal income tax	5,836,002	2,791,172	6,257,802
Value added tax	3,907,514,387	9,542,244,912	9,002,981,429
Corporate income tax (Note 27)	1,199,343,969	293,510,673	2,067,854,491
Other taxes (*)	2,218,337,700	5,201,830,422	8,619,886,100
	<u>7,331,032,058</u>	<u>15,040,377,179</u>	<u>19,696,979,822</u>

(*) Other taxes represent payable balances of road tax, excise tax and import tax at the reporting dates.

19. OTHER PAYABLES

Currency: LAK

	31 December 2013	31 December 2012	31 December 2011
Interest payable	986,872,982	977,484,761	612,980,722
Interest-free loans from related parties (Note 28)	-	-	3,555,396,249
Sale allowances payables	-	3,483,215,572	-
Other payables	111,408,053	102,373,470	63,999,489
	<u>1,098,281,035</u>	<u>4,563,073,803</u>	<u>4,232,376,460</u>

20. LONG-TERM LOAN AND BORROWINGS

Currency: LAK

	31 December 2013	31 December 2012	31 December 2011
Financial lease liabilities	9,721,146,830	14,333,492,001	7,948,832,291
Loans from bank	1,830,000,000	-	-
	<u>11,551,146,830</u>	<u>14,333,492,001</u>	<u>7,948,832,291</u>

In which:

Current portion of financial lease liabilities (Note 16)	3,880,371,441	4,727,135,887	2,790,012,464
Non-current portion	7,670,775,389	9,606,356,114	5,158,819,827

Petroleum Trading Lao Company Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for the years ended 31 December 2013, 31 December 2012 and 31 December 2011

20. LONG-TERM LOAN AND BORROWING (continued)

Details of the long-term loans from bank are as follows:

<i>Lender</i>	<i>Contract</i>	<i>Ending balance LAK</i>	<i>Term/maturity date</i>	<i>Interest rate % p.a.</i>	<i>Collaterals</i>
31 December 2013					
ANZ Bank (Lao) Limited	No. 054/2012 dated 21 January 2013	1,830,000,000	3 years, last instalment is due on 21 January 2016	8%	All tangible and intangible asset of the Company as stated in Commercial Enterprise Security Agreement with the Company dated 26 September 2012, personal guarantee by the Company's owners, land title deed No.101 dated 25 October 2012, land area at Phonthan village, Saysettha, Vientiane Capital.
		1,830,000,000			

Details of the finance lease liabilities are as follows:

<i>Lender</i>	<i>Contract</i>	<i>Ending balance</i>		<i>Term/maturity date</i>	<i>Interest rate</i>	<i>Collaterals</i>
		<i>In LAK</i>	<i>In original currency (US\$)</i>			
31 December 2013						
BCEL Leasing Company Limited	No. 010-11-00-00-21214301 dated 8 April 2011	2,087,418,810	252,344	3 years, from 4 July 2011 to 4 July 2014	12%	12 Isuzu trucks financed by the leased contract
BCEL Leasing Company Limited	No. LS_010_018/12/BLC dated 13 July 2012	7,633,728,020	947,783	5 years, last instalment is due on 13 July 2017	12%	15 Daewoo trucks financed by the contract
		9,721,146,830				
31 December 2012						
BCEL Leasing Company Limited	No. 010-11-00-00-21214301 dated 8 April 2011	5,159,602,621	646,064	3 years, last instalment is due on 4 July 2014	12%	12 Isuzu trucks financed by the leased contract
BCEL Leasing Company Limited	No. 010_018/12/BLC dated 13 July 2012	9,173,889,380	1,147,551	5 years, last instalment is due on 13 July 2017	12%	15 Daewoo trucks financed by the contract
		14,333,492,001				
31 December 2011						
BCEL Leasing Company Limited	No. 010-11-00-00-21214301 dated 8 April 2011	7,948,832,291	995,471	3 years, last instalment is due on 4 July 2014	12%	12 Isuzu trucks financed by the leased contract
		7,948,832,291				

Petroleum Trading Lao Company Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at and for the years ended 31 December 2013, 31 December 2012 and 31 December 2011

21. CHARTER CAPITAL

Investor	Registered charter capital		Contributed charter capital (*)	Un-contributed charter capital
	as per Investment Certificate	%		
<i>Currency: LAK</i>				
31 December 2011				
Mrs Savanhthong Phongsavanh	18,900,000,000	25%	5,464,191,702	13,435,808,298
Mr Chanthone Sithixay	56,700,000,000	75%	44,634,021,306	12,065,978,694
	75,600,000,000	100%	50,098,213,008	25,501,786,992
31 December 2012				
Mrs Savanhthong Phongsavanh	18,900,000,000	25%	10,866,284,611	8,033,715,389
Mr Chanthone Sithixay	56,700,000,000	75%	60,840,300,031	(4,140,300,031)
	75,600,000,000	100%	71,706,584,642	3,893,415,358
31 December 2013				
Mrs Savanhthong Phongsavanh	87,500,000,000	25%	17,494,896,294	70,005,103,706
Mr Chanthone Sithixay	262,500,000,000	75%	80,726,135,084	181,773,864,916
	350,000,000,000	100%	98,221,031,378	251,778,968,622

(*) In accordance with Boards of Directors' Resolution dated 26 December 2011, 24 December 2012 and 23 December 2013, the Company appropriated its entire undistributed earnings at beginning of each reporting year into contributed charter capital of the years ended 31 December 2013, 31 December 2012 and 31 December 2011.

22. REVENUE

	<i>Currency: LAK</i>		
	2013	2012	2011
Sales of fuel	1,078,875,079,350	1,020,435,096,322	903,753,280,832
Sales of lubricant	1,926,919,526	2,071,692,322	1,346,466,652
Deduction (*)	(5,761,560,409)	(3,494,994,533)	(19,757,045)
	1,075,040,438,467	1,019,011,794,111	905,079,990,439

(*) Deduction represents sale allowances (i.e. price reduction) to customers.

23. COST OF SALES

	<i>Currency: LAK</i>		
	2013	2012	2011
Cost of fuel sold	1,002,294,171,609	946,153,789,174	841,893,102,490
Cost of lubricant sold	1,623,214,667	1,891,968,104	1,210,115,219
	1,003,917,386,276	948,045,757,278	843,103,217,709

Petroleum Trading Lao Company Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at and for the years ended 31 December 2013, 31 December 2012 and 31 December 2011

24. OTHER INCOME AND OTHER EXPENSES

	<i>Currency: LAK</i>		
	2013	2012	2011
Other income	5,166,527,720	152,675,967	-
Proceeds from disposal of fixed assets	5,166,527,720	152,675,967	-
Other expenses	4,499,612,632	97,042,066	-
Cost of disposed assets	4,499,612,632	97,042,066	-
NET	<u>666,915,088</u>	<u>55,633,901</u>	<u>-</u>

25. FINANCE INCOME

	<i>Currency: LAK</i>		
	2013	2012	2011
Loan interest income	3,879,421,748	969,825,109	533,878,096
Early payment discount from suppliers	931,984,530	698,962,027	431,316,208
Realized foreign exchange gain	5,413,816,052	1,771,366,517	1,076,749,064
Value added tax adjustments	8,287,846,766	5,769,691,523	-
Others	86,066,960	1,918,595	-
	<u>18,599,136,056</u>	<u>9,211,763,771</u>	<u>2,041,943,368</u>

26. FINANCE EXPENSES

	<i>Currency: LAK</i>		
	2013	2012	2011
Interest expenses	15,508,786,854	10,789,879,383	6,078,977,256
Realized foreign exchange losses	5,245,053,172	1,484,839,725	1,913,671,752
Others	17,831,681	6,717,251	22,866,000
	<u>20,771,671,707</u>	<u>12,281,436,359</u>	<u>8,015,515,008</u>

Petroleum Trading Lao Company Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at and for the years ended 31 December 2013, 31 December 2012 and 31 December 2011

27. CORPORATE INCOME TAX

Statutory corporate income tax ("CIT") rates applicable to the Company

In accordance with the Revised Tax Law dated 20 May 2005 issued by the President of the National Assembly, income tax is payable at the higher of the minimum tax of 1% of total income or at 35% of the estimated taxable profit of the Company recorded under the Lao Accounting System.

However, based on the President's Decree No. 001/PS dated 1 March 2011, which is effective on or after 1 January 2012, income tax is payable at the higher of the minimum tax of 1% of total income or at 28% of the estimated taxable profit of the Company recorded under the Lao Accounting System.

Further to the Revised Tax Law No. 05/NA dated 20 December 2011, which is effective on or after 1 January 2013, income tax is payable at 24% of the estimated taxable profit of the Company recorded under the Lao Accounting System. This Revised Tax Law also removed the requirement to pay minimum tax at 1% of total income.

CIT determination method applied by the Company

During the three years ended 31 December 2013, 31 December 2012, and 31 December 2011, the Company has determined the CIT obligations using the deemed tax method, i.e. based on volume of fuel sold, multiplied with the deemed profit tax amount per liter of fuel sold. The Company's CIT returns, as prepared under the deemed tax method, have also been inspected by the local tax authorities.

The CIT expenses as determined using the deemed tax method are as follows:

	2013	2012	2011
Estimated CIT expenses using the deemed tax method (*)	3,134,736,936	2,766,952,300	2,997,264,634
CIT payable at beginning of the year	293,510,673	2,067,854,491	2,600,910,526
CIT paid during the year	(2,228,903,640)	(4,541,296,118)	(3,530,320,669)
CIT payables at ending of the year (Note 18)	1,199,343,969	293,510,673	2,067,854,491

(*) These are the amount as per the tax assessment of the local tax authorities.

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

Petroleum Trading Lao Company Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at and for the years ended 31 December 2013, 31 December 2012 and 31 December 2011

28. TRANSACTION WITH RELATED PARTIES

Significant transactions with the related parties during the years were as follows:

Related parties	Relationship	Transactions	Currency: LAK
			Amount
For the year ended 31 December 2011			
Khouanchay Trading Import – Export Ltd.	Common owner	Loan interest income	334,687,278
		Provision of interest-bearing loan	10,387,840,528
Mr Chanthone Sithixay	Owner	Collection of amount paid on behalf	1,530,323,100
		Payment on behalf of Mr Chanthone Sithixay	3,570,558,034
		Interest-free lending to Mr Chanthone Sithixay	1,541,970,000
		Borrowing from Mr Chanthone Sithixay	12,662,140,000
		Loan repayment	9,106,743,751
		Interest-free lending to Mr Chanthone Sithixay	1,945,678,500
Phonthan Plus Gas Station (Plus 1)	Common owner	Rental fee	167,293,065
		Collection of loan receivables	3,215,496,895
		Provision of interest-bearing loan	3,087,397,830
		Purchase of petrol	1,591,312,000
For the year ended 31 December 2012			
Khouanchay Trading Import – Export Ltd.	Common owner	Loan interest income	1,357,134,798
		Provision of interest-bearing loan	10,584,909,745
		Collection of loan receivables	3,415,128,527
Mr Chanthone Sithixay	Owner	Collection of amount paid on behalf of Mr Chanthone Sithixay	2,979,211,236
		Payment on behalf of Mr Chanthone Sithixay	9,698,522,252
		Loan repayment	3,555,396,249
		Interest-free lending to Mr Chanthone Sithixay	21,484,846,026
Phonthan Plus Gas Station (Plus 1)	Common owner	Purchase of petrol	27,701,885,909
Back Canyon Coffee	Common owner	Loan interest income	130,355,905
		Provision of interest-bearing loan	1,137,089,441
Lao Daily Mart Import – Export Co., Ltd.	Common owner	Provision of interest-bearing loan	495,313,043
Well Tech Lao Co., Ltd.	Common owner	Provision of interest-bearing loan	2,382,794,378
Sumson Plus 2 gas Station	Common owner	Purchase of petrol	4,453,188,182

Petroleum Trading Lao Company Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at and for the years ended 31 December 2013, 31 December 2012 and 31 December 2011

28. TRANSACTION WITH RELATED PARTIES (continued)

			Currency: LAK
<i>Related parties</i>	<i>Relationship</i>	<i>Transactions</i>	<i>Amount</i>
For the year ended 31 December 2013			
Khouanchay Trading Import – Export Ltd.	Common owner	Collection of loan receivables	4,247,309,000
		Disposal of fixed assets	4,790,221,440
		Loan interest income	1,980,660,032
Mr Chanthone Sithixay	Owner	Collection of money paid on behalf of Mr Chanthone Sithixay	814,249,562
		Payment on behalf of Mr Chanthone Sithixay	8,935,260,974
		Interest-free lending to Mr Chanthone Sithixay	19,747,494,016
		Interest-free lending to Mr Chanthone Sithixay	16,150,744,016
		Collection of loan from Mr Chanthone Sithixay	3,596,750,000
Phonthan Plus Gas Station (Plus 1)	Common owner	Loan interest income	269,213,920
		Provision of interest-bearing loan	2,649,748,442
		Purchase of fixed assets	1,683,560,000
		Purchase of petrol	28,763,273,335
Sithi Logistics Lao Co., Ltd.	Common owner	Provision of interest-bearing loan	10,514,568,597
		Loan interest income	1,454,537,356
		Collection of loan receivables	10,610,917,480
Back Canyon Coffee	Common owner	Loan interest income	169,406,485
Lao Daily Mart Import – Export Co. Ltd.	Common owner	Provision of interest-bearing loan	6,147,475,616
		Loan interest income	265,766,526
		Pay on behalf of Lao Daily Mart Import – Export Co. Ltd.	156,861,391
Sudaphone Import-Export and Service Co., Ltd. (Moly Care)	Common owner	Provision of interest-bearing loan	599,174,936
		Loan interest income	158,991,148
		Pay on behalf of Sudaphone Import-Export and Service Co., Ltd.	202,785,683
Well Tech Lao Co. Ltd.	Common owner	Loan interest income	239,621,347
		Provision of interest-bearing loan	4,293,703,835
Sumson Plus 2 Gas Station	Common owner	Purchase of petrol	11,651,745,455

Terms and conditions

Transactions with related parties are made on the basis of contract negotiations. Except for interest-bearing loan receivables, other outstanding balances at the year-end are unsecured, interest free and will be settled in cash.

Payments of operating expenses on behalf of the Company are interest free, reimbursed at actual cost incurred.

Petroleum Trading Lao Company Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at and for the years ended 31 December 2013, 31 December 2012 and 31 December 2011

28. TRANSACTION WITH RELATED PARTIES (continued)

Amounts due to and due from related companies at the reporting dates were as follows:

			Currency: LAK		
Related company	Relationship	Transactions	31 December 2013	31 December 2012	31 December 2011
Trade receivables (Note 5)					
Sumson Plus 2 Gas Station	Common owner	Purchase of petrol	1,004,284,220	1,062,913,000	-
Phonthan Plus Gas Station (Plus 1)	Common owner	Purchase of petrol	1,949,638,655	1,382,561,500	1,591,312,000
			2,953,922,875	2,445,474,500	1,591,312,000
Other receivables (Note 6)					
Mr Chanthone Sithixay	Owner	Payment on behalf	10,853,412,335	8,389,935,942	-
Sithi Logistics Lao Co., Ltd.	Common owner	Payment on behalf	9,577,862,411	-	-
Donekoy Plus Gas Station	Common owner	Payment on behalf	867,283,000	867,283,000	-
			21,298,557,746	9,257,218,942	-
Long-term investments (Note 14)					
Khouanchay Trading Import – Export Ltd.	Common owner	Loan receivable	12,120,843,354	16,418,707,439	8,448,600,000
Sithi Intertrading Import – Export Ltd.	Common owner	Loan receivable	-	40,865,601	-
Back Canyon Coffee	Common owner	Loan receivable	1,513,744,763	1,513,744,763	-
Moly Care by Sudaphone Import-Export and Service Co., Ltd	Common owner	Loan receivable	965,688,789	965,688,789	-
Lao Daily Mart Import – Export Co., Ltd.	Common owner	Loan receivable	6,572,242,885	451,905,506	-
			21,172,519,791	19,390,912,098	8,448,600,000
Other long-term receivables (Note 15)					
Mr Chanthone Sithixay	Owner	Interest-free loan receivables	36,473,767,507	26,674,623,491	5,189,777,465
			36,473,767,507	26,674,623,491	5,189,777,465
Other payables (Note 19)					
Mr Chanthone Sithixay	Owner	Interest-free borrowing	-	-	3,555,396,249
			-	-	3,555,396,249

Other transactions with related parties

Remuneration to management during the years is as below:

	31 December 2013	31 December 2012	Currency: LAK 31 December 2011
Salaries and bonus	916,275,000	587,457,200	440,032,200
	916,275,000	587,457,200	440,032,200

Petroleum Trading Lao Company Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

as at and for the years ended 31 December 2013, 31 December 2012 and 31 December 2011

29. COMMITMENTS

Operating lease commitment

The Company leases offices under operating lease arrangements. The minimum lease commitment as at 31 December 2013 under the operating lease agreements is as follows:

	31 December 2013	31 December 2012	Currency: LAK 31 December 2011
Less than 1 year	470,670,700	470,670,700	415,759,118
From 1 - 5 years	298,091,443	862,896,283	1,239,432,843
	<u>768,762,143</u>	<u>1,333,566,983</u>	<u>1,655,191,961</u>

Capital commitments

At 31 December 2013, the Company has contractual commitment on construction of gas station and office building amounting to LAK 250,076,200,000.

Regulated selling price

The selling price of the petrol was determined by the management of the Company but not higher than the ceiling price regulated and announced by the Ministry of Finance of Lao PDR.

Other commitment

As at 31 December 2013, the Company has contractual commitment to pay LAK 6,572,242,885 on behalf of Mr. Chanthone Sitthixay, Chief Executive Officer, for his purchase of land from Standard Plus 1 Gas Station, an affiliate of the Company.

30. EVENTS AFTER THE BALANCE SHEET DATE



On 14 October 2014, the Ministry of Industry and Commerce, Lao PDR issued Business License No. 418 approving the change in the Company's name from Petroleum Trading Lao Company Limited to Petroleum Trading Lao Public Company.

There has not been other matter or circumstance that has arisen since the balance date that has affected or may significantly affect the operations of the Company, the results of those operations or the financial position of the Company.

31. APPROVAL FOR ISSUE

The financial statements as at and for the years ended 31 December 2013, 31 December 2012, and 31 December 2011 were authorised for issue by the Company's management on 5 November 2014.


 Chanthadom Meksavanh
 Finance Director



 Chanthone Sitthixay
 Chief Executive Officer

5 November 2014

Petroleum Trading Lao Public Company
[formerly known as Petroleum Trading Lao
Company Limited]

Interim financial statements

for the six-month period ended 30 June 2014



Building a better
working world

Petroleum Trading Lao Public Company
[formerly known as Petroleum Trading Lao
Company Limited]

Interim financial statements

for the six-month period ended 30 June 2014

Petroleum Trading Lao Public Company
[formerly known as Petroleum Trading Lao Company Limited]

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Petroleum Trading Lao Public Company
[formerly known as Petroleum Trading Lao Company Limited]

GENERAL INFORMATION

THE COMPANY

Petroleum Trading Lao Public Company [formerly known as Petroleum Trading Lao Company Limited] ("the Company") is a company incorporated in Lao PDR in accordance with the Enterprise Registration No. 0458 issued by the Investment Supervision Department of the Ministry of Planning and Investment on 3 October 2008 and the subsequent amendments, with the latest is the Registration No. 0382 dated 23 September 2014.

On 14 October 2014, the Ministry of Industry and Commerce, Lao PDR issued Business License No. 418 approving the change in the Company's name from Petroleum Trading Lao Company Limited to Petroleum Trading Lao Public Company.

The Company's head office is located at Kamphaeng Mueang Street, Phonthan Village, Xaysettha District, Vientiane Capital, Lao PDR.

The Company also has 5 depot branches which are located in Vientiane Capital, Bolikhamxay Province, Savanakheth Province, Sayabouly Province and Champasack Province, Lao PDR.

The principal activities of the Company are trading and distribution of petrol and lubricant to Lao domestic market.

BOARD OF DIRECTORS AND MANAGEMENT

Board of Directors and Management of the Company during the period and at the date of this report are represented by Mr Chanthone Sittixay, Chairman and Chief Executive Officer.

AUDITORS

The auditor of the Company is Ernst & Young Lao Limited.

Petroleum Trading Lao Public Company
[formerly known as Petroleum Trading Lao Company Limited]

REPORT OF MANAGEMENT

The management of Petroleum Trading Lao Public Company [formerly known as Petroleum Trading Lao Company Limited] ("the Company") presents its report and the Company's interim financial statements for the six-month period ended 30 June 2014.

STATEMENT OF THE MANAGEMENT' RESPONSIBILITY IN RESPECT OF THE INTERIM FINANCIAL STATEMENTS

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

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

The Company's management has confirmed that the Company has complied with the above requirements in preparing the accompanying interim financial statements.

APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

We hereby approve the accompanying interim financial statements for six-month period ended 30 June 2014, which are prepared in accordance with the accounting policies as described in Note 3 to the interim financial statements.

On behalf of the Company's management:




Petroleum Trading Lao
Public Company Limited

Chanthone Sithixay
Chief Executive Officer

Vientiane Capital, Lao PDR

5 November 2014



Ernst & Young Lao Limited
6th Floor, Capital Tower
23 Singha Road, Nongbone Village
Saysettha District, Vientiane Capital, Lao PDR

Tel : + 856 21 455 077
Fax: + 856 21 455 078
ey.com

Reference: 61101883/17389413

REPORT ON REVIEW OF INTERIM FINANCIAL STATEMENTS

To: The Board of Directors of Petroleum Trading Lao Public Company

Introduction

We have reviewed the accompanying interim balance sheet of Petroleum Trading Lao Public Company [formerly known as Petroleum Trading Lao Company Limited] ("the Company") as of 30 June 2014 and the related interim income statement, interim statement of changes in equity and interim statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes ("the interim financial statements"). Management is responsible for the preparation of these interim financial statements in accordance with the accounting policies as described in Note 3 to the interim financial statements. Our responsibility is to express a conclusion on these interim financial statements based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

The Company was unable to resolve the differences between accounting book and confirmation replies of certain other receivables from related parties as at 31 December 2013. Furthermore, we were also unable to verify the interest receivables on loans to related parties, which are reported in account Other receivable from related parties as at 31 December 2013, since there is no proper accounting records to support the calculation of such interest income. In addition, as disclosed in Note 5, Note 15 and Note 25, the Company has converted certain receivables from related parties to interest-bearing loans to these parties during the six-month period ended 30 June 2014 despite there was no agreement made between the Company and these related parties at the reporting date. Consequently, we are unable to verify the balances of the short-term loan receivables and long-term loan receivables from related parties as at 30 June 2014, and the balances of other receivable from related parties as at 30 June 2014 and 31 December 2013, and determine whether any adjustments to the interim financial statements for the six-month period ended 30 June 2014 were necessary.

In previous years, the Company declared corporate income tax ("CIT") with the local tax authorities based on the deemed tax method and these CIT returns have been inspected by the local tax authorities. However, this CIT determination method is not consistent with the method regulated under the prevailing CIT regulations. Consequently, we are unable to determine whether the method adopted by the Company would be challenged by another tax authority, and whether any adjustments to the CIT expenses as reported in the income statements of previous years, and the resulting CIT payable balances at 30 June 2014 and 31 December 2013, were necessary.

The Company is unable to resolve the differences between the statutory value added tax ("VAT") declarations and the accounting books for the previous years. Owing to the nature of the Company's accounting records, we were unable to obtain sufficient appropriate audit evidence to verify the VAT payable balance as at 30 June 2014 and 31 December 2013 and determine whether any adjustments to the interim financial statements for the six-month period ended 30 June 2014 were necessary.

We are not engaged to perform the review of the Company's interim financial statements for the six months ended 30 June 2013. And also owing to the effect of the matters discussed in the preceding paragraphs, we are unable to determine whether any adjustments to the corresponding figures for the six months ended 30 June 2013 as presented in the interim income statement, interim statement of changes in equity and cash flows and in other explanatory notes were necessary.

Qualified Conclusion

Except for the adjustments to the interim financial statements that we might have become aware of had it not been for the situations described above, based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements are not prepared, in all material respects, in accordance with the accounting policies as described in Note 3 to the interim financial statements.

Basis of accounting

Without further modifying our conclusion, we draw attention to Note 3 to the interim financial statements, which describes the accounting policies adopted by the Company. These accounting policies are not intended to present the interim financial position, the interim results of operations and the interim cash flows of the Company in accordance with international generally accepted accounting principles.

Ernst & Young Lao Co., Ltd.

Vientiane Capital, Lao PDR

5 November 2014



Petroleum Trading Lao Public Company
[formerly known as Petroleum Trading Lao Company Limited]

INTERIM INCOME STATEMENT
for the six-month period ended 30 June 2014

Currency: LAK

	Notes	For the six-month period ended 30 June 2014	For the six-month period ended 30 June 2013
Revenue	23	559,295,774,587	558,763,318,967
Cost of sales	24	(519,452,533,735)	(515,953,282,236)
Gross profit		39,843,240,852	42,810,036,731
Other income		246,104,244	27,034,280
Administrative expenses		(15,447,822,405)	(14,691,046,316)
Selling expenses		(10,590,241,685)	(11,427,007,476)
Other expenses		-	(12,792,045)
Operating profit		14,051,281,006	16,706,225,174
Finance income	25	3,973,845,505	5,145,493,487
Finance expenses	26	(8,397,338,023)	(9,124,511,886)
Profit before income tax		9,627,788,488	12,727,206,775
Corporate income tax expenses	27	(2,617,474,571)	(1,622,973,648)
Profit after tax		7,010,313,917	11,104,233,127


Chanthadom Meksavanh
Finance Director


Chanthone Sittixay
Chief Executive Officer


5 November 2014

Petroleum Trading Lao Public Company
[formerly known as Petroleum Trading Lao Company Limited]

INTERIM STATEMENT OF CASH FLOWS
for the six-month period ended 30 June 2014

Currency: LAK

	Notes	For the six-month period ended 30 June 2014	For the six-month period ended 30 June 2013
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		9,627,788,488	12,727,206,775
<i>Adjustments for:</i>			
Depreciation of fixed assets	10,11, 12,13	7,579,263,018	7,644,056,245
Provision for doubtful debts		1,278,355,557	-
Profits from investing activities		(2,563,244,148)	(2,113,616,368)
Interest expenses	26	6,862,832,106	6,604,493,612
Operating profit before changes in working capital		22,784,995,021	24,862,140,264
Decrease/(increase) in trade receivables and other receivables		22,471,895,526	(5,301,157,573)
Decrease/(increase) in inventories		1,625,218,685	(5,265,150,998)
Interest paid		(6,695,796,198)	(7,581,978,373)
Corporate income tax paid	27	(1,650,423,696)	(809,143,464)
(Increase)/decrease in trade payables and other payables		(3,019,426,907)	404,364,418
Net cash flows from operating activities		35,516,462,431	6,309,074,274
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of fixed assets and other long-term assets		(31,010,781,243)	(17,378,914,949)
Loans to other entities		(18,264,204,942)	(712,081,620)
Collection of loans from other entities		6,007,560,086	712,081,620
Net cash flows used in investing activities		(43,267,426,099)	(17,378,914,949)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		11,238,484,703	52,220,226,306
Payment of finance lease liabilities		(2,887,963,278)	-
Repayment of borrowings		-	(40,996,136,603)
Net cash flows from financing activities		8,350,521,425	11,224,089,703
Net increase in cash		599,557,757	154,249,028
Cash at the beginning of the period		9,423,698,736	8,315,530,225
Cash at the end of the period	4	10,023,256,493	8,469,779,253


Chanthadom Meksavanh
Finance Director



5 November 2014

Petroleum Trading Lao Public Company
[formerly known as Petroleum Trading Lao Company Limited]

NOTES TO THE INTERIM FINANCIAL STATEMENTS
as at and for six-month period ended 30 June 2014

1. CORPORATE INFORMATION

Petroleum Trading Lao Public Company [formerly known as Petroleum Trading Lao Company Limited] ("the Company") is a company incorporated in Lao PDR in accordance with the Enterprise Registration No. 0458 issued by the Investment Supervision Department of the Ministry of Planning and Investment on 3 October 2008 and the subsequent amendments, with the latest is the Registration No. 0382 dated 23 September 2014.

On 14 October 2014, the Ministry of Industry and Commerce, Lao PDR issued Business License No. 418 approving the change in the Company's name from Petroleum Trading Lao Company Limited to Petroleum Trading Lao Public Company.

The Company's head office is located at at Kamphaeng Mueang Street, Phonthan Village, Xaysettha District, Vientiane Capital, Lao PDR.

The Company also has 5 depot branches which are located in Vientiane Capital, Bolikhamxay Province, Savanakheth Province, Sayyabouly Province and Champasack Province, Lao PDR.

The principal activities of the Company are trading and distribution of petrol and lubricant to Lao domestic market.

2. BASIS OF PREPARATION

The interim financial statements of the Company have been prepared using the historical cost convention. These interim financial statements are expressed in Lao Kip ("LAK").

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

The accompanying interim financial statements, including their utilisation, are not designed for those who are not informed about the Company's accounting policies as described in Note 3.

Fiscal year

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

Petroleum Trading Lao Public Company
[formerly known as Petroleum Trading Lao Company Limited]

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)
as at and for six-month period ended 30 June 2014

3. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Cash

Cash comprises cash on hand and cash at banks.

Receivables

Receivables are presented in the interim financial statements at the carrying amounts due from customers and other debtors, after provision for doubtful debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified. Amounts for doubtful of collection and bad debts are included in the operating expense account in the interim income statement.

The following policy on the provision rates is applied in creating provision for doubtful debts:

<i>Age of receivables</i>	<i>Rate of provision (%)</i>
From 6 months to 1 year	30
From 1 to 2 years	50
Above 2 years	100

Prepaid expenses

Prepaid expenses are recognized when paid. Prepayments are amortized over the period for which the amounts are paid or the period in which economic benefits is generated in relation to these expenses.

Inventories

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

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

The perpetual method is used to record inventory which are valued based on cost of purchase on first-in, first-out basis.

Provision for decline in value of inventories

An inventory provision is created for the estimated loss arising due to the impairment of value (through diminution, damage, obsolescence, etc.) of inventories owned by the Company, based on appropriate evidence of impairment available at the reporting date.

Increases and decreases to the provision balance are recorded into the cost of goods sold account in the interim income statement.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation.

The cost of a tangible fixed asset consists of purchase price and any directly attributable costs of bringing the asset to working condition for its intended use. Expenditures for additions, improvements and renewals are capitalized while expenditures for maintenance and repairs are charged to the interim income statement. When an item of tangible fixed asset is sold or retired, their cost and accumulated depreciation are removed from the interim balance sheet and any gain or loss resulting from their disposal is included in the interim income statement.

Petroleum Trading Lao Public Company
[formerly known as Petroleum Trading Lao Company Limited]

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)
as at and for six-month period ended 30 June 2014

3. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

Intangible fixed assets

Intangible fixed assets are stated at cost less accumulated amortisation.

The cost of an intangible fixed asset comprises of its purchase price and any directly attributable costs of preparing the intangible fixed asset for its intended use. Expenditures for additions, improvements are added to the carrying amount of the assets and other expenditures are charged to the income statement as incurred. When intangible fixed assets are sold or retired, their costs and accumulated amortisation are removed from the balance sheet and any gain or loss resulting from their disposal is included in the interim income statement.

Land use rights

Land use rights are recorded as intangible assets at acquisition cost and upon the transfer of legal title on land use rights certificate. Land use rights with indefinite term are not amortised.

Leased assets

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

A lease is classified as a finance lease whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the asset to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are capitalised in the reporting date at the inception of the lease at the fair value of the leased assets or, if lower, at the net present value of the minimum lease payments. The principal amount included in future lease payments under finance leases are recorded as a liability. The interest amounts included in lease payments are charged to the interim income statement over the lease term to achieve a constant rate on interest on the remaining balance of the finance lease liability.

Capitalised financial leased assets are depreciated using straight-line basis over the shorter of the estimated useful lives of the asset and the lease term, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term.

Depreciation

Depreciation of tangible fixed assets and intangible assets (except for land use rights with indefinite term) are calculated on a straight-line basis over their estimated useful life of each asset as follows:

Building and renovation	10 - 20 years
Plant and machinery	5 years
Motor vehicles	5 - 10 years
Furniture, fittings and office equipment	5 years

No depreciation is recorded for assets under construction until the construction and installation is completed at which time the related costs are transferred to fixed assets.

Petroleum Trading Lao Public Company
[formerly known as Petroleum Trading Lao Company Limited]

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)
as at and for six-month period ended 30 June 2014

3. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

Charter capital

Charter capital is recognized at the registered amount in the Company's Business License. Charter capital includes contributed and the un-contributed capital which is also recognized as other receivables from owners at the reporting date.

Foreign currency transaction

The interim financial statements are presented in Lao kip ("LAK"). Transactions in currencies other than LAK are initially recorded at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the exchange rate ruling at the interim balance sheet date. All differences are taken to interim income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of transactions.

Revenue recognition

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

Revenue from sale of fuel and lubricant

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

Interest

Revenue is recognised on an accrual basis using the effective interest method, unless collectability is in doubt.

Rental income

Rental income arising from operating leases is accounted for on a straight line basis over the terms of the lease.

4. **CASH**

Currency: LAK

30 June 2014 31 December 2013

Cash on hand	59,338,500	35,182,500
Cash at banks	9,251,917,993	9,388,516,236
Cash in transit	712,000,000	-
	<u>10,023,256,493</u>	<u>9,423,698,736</u>

Petroleum Trading Lao Public Company
[formerly known as Petroleum Trading Lao Company Limited]

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)
as at and for six-month period ended 30 June 2014

5. SHORT-TERM INVESTMENTS

	<i>Currency: LAK</i>	
	<i>30 June 2014</i>	<i>31 December 2013</i>
Unsecured loan receivables from the related parties (Note 28)	19,687,879,951	-
	<u>19,687,879,951</u>	<u>-</u>

Details of unsecured loan receivables from the related parties are as below:

<i>Borrower</i>	<i>Contract date</i>	<i>Ending balance (LAK)</i>	<i>Term/Maturity date</i>	<i>Interest rate (% p.a.)</i>
Khouanchay Trading Import – Export Ltd.	1 January 2011	14,945,464,411	48 months, due on 1 January 2015	10%-11%
Sudaphone Import- Export and Service Co., Ltd. (Moly Care)	1 January 2012	2,334,448,033	36 months, due on 1 January 2015	10%-11%
Back Canyon Coffee	1 May 2011	1,898,747,881	48 months, due on 1 May 2015	10%-11%
Phonthan Plus Gas Station (Plus 1)	1 January 2011	509,219,626	48 months, due on 1 January 2015	10%-11%
		<u>19,687,879,951</u>		

These are balances converted from other receivables from the related parties during the six-month period ended 30 June 2014. As at the reporting date, the Company is still in the process of finalizing the loan agreements with these related parties.

6. TRADE RECEIVABLES

	<i>Currency: LAK</i>	
	<i>30 June 2014</i>	<i>31 December 2013</i>
Trade receivables	59,287,026,674	90,278,406,783
Trade receivables from the related parties (Note 28)	2,570,031,500	2,953,922,875
Provision for doubtful debts	<u>(6,044,828,830)</u>	<u>(4,766,473,273)</u>
	<u>55,812,229,344</u>	<u>88,465,856,385</u>

Petroleum Trading Lao Public Company
[formerly known as Petroleum Trading Lao Company Limited]

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)
as at and for six-month period ended 30 June 2014

7. OTHER RECEIVABLES

	<i>Currency: LAK</i>	
	<i>30 June 2014</i>	<i>31 December 2013</i>
Registered, un-contributed charter capital (*)	251,778,968,622	251,778,968,622
Other receivables from the related parties (Note 28)	18,399,170,358	32,379,201,182
Other receivables	845,683,593	2,044,031,575
	<u>271,023,822,573</u>	<u>286,202,201,379</u>

(*) These represent the balance of the registered capital which has not been contributed by the owners as at the reporting date (see Note 22).

8. INVENTORIES

	<i>Currency: LAK</i>	
	<i>30 June 2014</i>	<i>31 December 2013</i>
Fuels	9,771,376,317	11,368,199,510
Lubricant	894,762,717	923,158,209
	<u>10,666,139,034</u>	<u>12,291,357,719</u>

9. OTHER CURRENT ASSETS

	<i>Currency: LAK</i>	
	<i>30 June 2014</i>	<i>31 December 2013</i>
Advance to employees	1,313,405,757	524,745,765
Prepaid expenses	5,370,033,625	1,856,025,065
Others	640,749,800	562,016,000
	<u>7,324,189,182</u>	<u>2,942,786,830</u>

Petroleum Trading Lao Public Company
[formerly known as Petroleum Trading Lao Company Limited]

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at and for six-month period ended 30 June 2014

10. TANGIBLE FIXED ASSETS

	Currency: LAK				
	<i>Buildings and structures</i>	<i>Machineries and equipment</i>	<i>Means of transportation</i>	<i>Office equipment</i>	<i>Total</i>
Cost:					
Balance as at 1 January 2014	50,378,395,515	31,682,256,802	5,763,561,897	5,973,957,840	93,798,172,054
- Newly purchased	20,622,722	95,675,537	4,479,460,480	107,320,564	4,703,079,303
- Transferred from construction in progress	-	2,797,549,920	-	256,336,000	3,053,885,920
- Transferred from finance lease assets (Note 12) (*)	-	-	11,639,464,592	-	11,639,464,592
- Reclassified to investment properties	(3,529,266,593)	-	-	-	(3,529,266,593)
- Reclassified from intangible fixed assets (Note 11)	-	-	-	724,163,366	724,163,366
Balance as at 30 June 2014	<u>46,869,751,644</u>	<u>34,575,482,259</u>	<u>21,882,486,969</u>	<u>7,061,777,770</u>	<u>110,389,498,642</u>
Accumulated depreciation:					
Balance as at 1 January 2014	11,182,010,330	9,553,564,432	2,706,975,092	2,719,001,673	26,161,551,527
- Depreciation for the period	2,097,957,842	2,054,837,155	1,697,271,953	616,957,148	6,467,024,100
- Transferred from finance lease assets (Note 12) (*)	-	-	3,702,901,962	-	3,702,901,962
- Reclassified to investment properties	(570,003,948)	-	-	-	(570,003,948)
- Reclassified from intangible fixed assets (Note 11)	-	-	-	467,807,158	467,807,158
Balance as at 30 June 2014	<u>12,709,964,224</u>	<u>11,608,401,587</u>	<u>8,107,149,007</u>	<u>3,803,765,979</u>	<u>36,229,280,799</u>
Net book value:					
Balance as at 1 January 2014	<u>39,196,385,185</u>	<u>22,128,692,370</u>	<u>3,056,586,805</u>	<u>3,254,956,167</u>	<u>67,636,620,527</u>
Balance as at 30 June 2014	<u>34,159,787,420</u>	<u>22,967,080,672</u>	<u>13,775,337,962</u>	<u>3,258,011,791</u>	<u>74,160,217,843</u>

Certain tangible fixed assets are pledged as collaterals for the Company's borrowings. See Note 17 and Note 21 for details.

(*) In accordance with the contract No. 001/RENT.ST/2013 dated 2 January 2014 between the Company and Sithi Logistics Lao Co., Ltd. – a company under common control, the Company has leased certain vehicles to this related party under operating lease agreement.

Petroleum Trading Lao Public Company
[formerly known as Petroleum Trading Lao Company Limited]

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)
as at and for the six-month period ended 30 June 2014

11. INTANGIBLE FIXED ASSETS

	<i>Currency: LAK</i>
	<i>Computer software</i>
Cost:	
Balance as at 1 January 2014	1,072,499,666
Reclassified to tangible fixed assets (Note 10)	<u>(724,163,366)</u>
Balance as at 30 June 2014	<u>348,336,300</u>
Balance as at 1 January 2014	566,252,873
Reclassified to tangible fixed assets (Note 10)	<u>(467,807,158)</u>
Amortisation for the period	<u>34,833,630</u>
Balance as at 30 June 2014	<u>133,279,345</u>
Net carrying amount:	
Balance as at 1 January 2014	<u>506,246,793</u>
Balance as at 30 June 2014	<u>215,056,955</u>

12. FINANCE LEASED ASSETS

	<i>Currency: LAK</i>
	<i>Means of transportations</i>
Cost:	
Balance as at 1 January 2014	23,871,814,608
Transferred to tangible fixed assets (Note 10) (*)	<u>(11,639,464,592)</u>
Balance as at 30 June 2014	<u>12,232,350,016</u>
Accumulated depreciation:	
Balance as at 1 January 2014	5,596,003,750
Depreciation for the period	873,739,287
Transferred to tangible fixed assets (Note 10) (*)	<u>(3,702,901,962)</u>
Balance as at 30 June 2014	<u>2,766,841,075</u>
Net carrying amount:	
Balance as at 1 January 2014	<u>18,275,810,858</u>
Balance as at 30 June 2014	<u>9,465,508,941</u>

The Company leases 15 Daewoo trucks under the finance lease agreements with BCEL Leasing Company Limited. The lease term is 60 months, bearing interest rate of 12% p.a. In accordance with the finance lease agreements, the Company has the option to purchase the trucks at the expiry of the lease contracts (see Note 21).

(*) During the six-month period ended 30 June 2014, the Company has fully settled the finance lease obligation of the contract No. 010-11-00-00-21214301 dated 8 April 2011 with BCEL Leasing Company Limited and transferred these finance leased assets to tangible fixed assets accordingly.

In accordance with the contract No. 001/RENT.ST/2014 dated 2 January 2014 between the Company and Sithi Logistics Lao Co., Ltd. – a company under common control, certain vehicles under the finance lease contract with BCEL Leasing Company Limited are sub-leased to this affiliate under an operating lease agreement. As at the reporting date, the Company is still in the process to obtain approval from BCEL Leasing Company Limited for the sub-leasing transactions.

Petroleum Trading Lao Public Company
[formerly known as Petroleum Trading Lao Company Limited]

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)
as at and for the six-month period ended 30 June 2014

13. INVESTMENT PROPERTIES

Currency: LAK

Buildings

Cost:

Balance as at 1 January 2014	520,145,726
Reclassified from tangible fixed assets	3,529,266,593
Balance as at 30 June 2014	<u>4,049,412,319</u>

Accumulated depreciation:

Balance as at 1 January 2014	112,628,275
Depreciation for the period	203,666,001
Reclassified from tangible fixed assets	570,003,948
Balance as at 30 June 2014	<u>886,298,224</u>

Net carrying amount:

Balance as at 1 January 2014	<u>407,517,451</u>
Balance as at 30 June 2014	<u>3,163,114,095</u>

These investment properties represent the buildings and gas stations at Phothan District, Vientiane Capital which the Company leases to Phonthan Plus Gas Station (Plus 1) and Nongheo Plus Gas Station (Plus 2), affiliate companies.

The Company has not determined the fair value of investment properties at 30 June 2014 since there is no available market for these investment properties.

14. CONSTRUCTION IN PROGRESS

Currency: LAK

	30 June 2014	31 December 2013
Office building project	27,016,241,757	9,538,775,867
Plus 3 gas station project	7,013,195,590	4,247,752,385
Plus 4 gas station project	6,953,566,722	3,133,681,869
Others	1,596,259,692	328,264,184
	<u>42,579,263,761</u>	<u>17,248,474,305</u>

15. LONG-TERM INVESTMENTS

Currency: LAK

	30 June 2014	31 December 2013
Unsecured loan receivables from the related parties (Note 28)	31,344,330,637	21,172,519,791
	<u>31,344,330,637</u>	<u>21,172,519,791</u>

Petroleum Trading Lao Public Company
[formerly known as Petroleum Trading Lao Company Limited]

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)
as at and for the six-month period ended 30 June 2014

15. LONG-TERM INVESTMENTS (continued)

Details of unsecured loan receivables from the related parties are as below:

<i>Borrower</i>	<i>Contract date</i>	<i>Ending balance (LAK)</i>	<i>Term/Maturity date</i>	<i>Interest rate (% p.a.)</i>
Lao Daily Mart Import – Export Co., Ltd.	1 February 2012	10,781,142,428	60 months, last due on 1 February 2017	10%-11%
Well Tech Lao Co., Ltd.	1 June 2013	9,255,482,270	60 months, last due on 1 June 2018	10%-11%
Sithi Logistics Lao Co., Ltd.	(*)	10,440,422,939	(*)	(*)
Donekoy Plus Gas Station	(*)	867,283,000	(*)	(*)
		31,344,330,637		

(*) These are balances converted from other receivables from the related parties during the six-month period ended 30 June 2014. As at the reporting date, the Company is still in the process of finalizing the loan agreements with these related parties.

16. OTHER LONG-TERM RECEIVABLES

Currency: LAK

30 June 2014 31 December 2013

Unsecured, interest-free loans to the owner (Note 28)	36,473,767,507	36,473,767,507
	36,473,767,507	36,473,767,507

Details of the unsecured, interest-free loans to Mr. Chanthone Siththixay, the Company's owner, are as below:

<i>Loan contract</i>	<i>Ending balance (LAK)</i>	<i>Term/Maturity date</i>
- Contract date 1 January 2010 (credit limit of LAK 3,000,000,000)		
- Contract date 1 December 2010 (credit limit of LAK 1,000,000,000)		
- Contract date 1 January 2011 (credit limit of LAK 2,000,000,000)		
- Contract date 1 August 2012 (credit limit of LAK 20,000,000,000)		
- Contract date 1 January 2013 (credit limit of LAK 15,000,000,000)		
- Contract date 1 January 2013 (credit limit of LAK 20,000,000,000)	36,473,767,507	Upon demand and negotiation between the Company and Mr Chanthone Siththixay

Petroleum Trading Lao Public Company
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NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)
as at and for six-month period ended 30 June 2014

17. SHORT-TERM LOANS AND BORROWINGS

	<i>Currency: LAK</i>	
	<i>30 June 2014</i>	<i>31 December 2013</i>
Short-term loans	157,561,732,249	154,318,584,147
Current portion of finance lease liabilities (Note 21)	1,947,084,487	3,880,371,441
	<u>159,508,816,736</u>	<u>158,198,955,588</u>

Details of short-term loans are as follows:

<i>Lender</i>	<i>Contract</i>	<i>Ending balance</i>		<i>Maturity date</i>	<i>Interest rate (% p.a.)</i>	<i>Collateral</i>
		<i>LAK equivalent</i>	<i>Original currency (US\$)</i>			
Banque Pour Le Commerce Exterieur Lao Limited	No. LN-010-051/2012/BCEL dated 9 April 2012	98,863,533,171		45 days, last due on 9 August 2014	10%	17 land lots and equipment of depot at Kaison District, Savanakheth Province, Lao PDR – owned by the Mr. Chanthone Sitthixay.
ANZ Bank Lao Limited	No. 054/2012 dated 21 January 2013	37,424,969,804	4,682,300	60 days, last due on 26 August 2014	8%	(1) Tangible and intangible assets of the Company according to Commercial Enterprise Security Agreement dated 26 September 2012;
	No. 054/2012 dated 21 January 2013	<u>21,273,229,274</u>		60 days, last due on 27 July 2014	8%	(2) Personal guarantee by the Company's owners; and (3) Land title deed No.101 dated 25 October 2012, land area at Phonthan village, Saysettha, Vientiane Capital.
		<u>157,561,732,249</u>				

Petroleum Trading Lao Public Company
[formerly known as Petroleum Trading Lao Company Limited]

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)
as at and for six-month period ended 30 June 2014

18. TRADE PAYABLES

	<i>Currency: LAK</i>	
	<i>30 June 2014</i>	<i>31 December 2013</i>
Trade payables	16,183,309,418	17,575,864,971
Trade payable to the related parties (Note 28)	<u>1,265,164,810</u>	<u>-</u>
	<u>17,448,474,228</u>	<u>17,575,864,971</u>

19. TAX PAYABLES

	<i>Currency: LAK</i>	
	<i>30 June 2014</i>	<i>31 December 2013</i>
Value added tax	3,055,967,006	3,907,514,387
Corporate income tax (Note 26)	2,166,394,844	1,199,343,969
Personal income tax	28,132,239	5,836,002
Other taxes (*)	<u>1,910,041,817</u>	<u>2,218,337,700</u>
	<u>7,160,535,906</u>	<u>7,331,032,058</u>

(*) Other taxes represent payable balances of road tax, excise tax and import tax at the reporting date.

20. OTHER PAYABLES

	<i>Currency: LAK</i>	
	<i>30 June 2014</i>	<i>31 December 2013</i>
Interest payable	998,638,814	986,872,982
Other payables	<u>507,952,014</u>	<u>111,408,053</u>
	<u>1,506,590,828</u>	<u>1,098,281,035</u>

21. LONG-TERM LOANS AND BORROWINGS

	<i>Currency: LAK</i>	
	<i>30 June 2014</i>	<i>31 December 2013</i>
Finance lease liabilities	6,833,183,552	9,721,146,830
Loans from banks	<u>9,825,336,601</u>	<u>1,830,000,000</u>
	<u>16,658,520,153</u>	<u>11,551,146,830</u>
<i>In which:</i>		
<i>Current portion of finance lease liabilities</i> <i>(Note 17)</i>	1,947,084,487	3,880,371,441
<i>Non-current portion</i>	14,711,435,666	7,670,775,389

Petroleum Trading Lao Public Company [formerly known as Petroleum Trading Lao Company Limited]

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)
as at and for six-month period ended 30 June 2014

21. LONG-TERM LOAN AND BORROWING (continued)

Details of the long-term loans as at 30 June 2014 are as follows:

<i>Lender</i>	<i>Contract</i>	<i>Ending balance LAK</i>	<i>Term/maturity date</i>	<i>Interest rate % p.a.</i>	<i>Collaterals</i>
ANZ Bank (Lao) Limited	No. 054/2012 dated 21 January 2013	9,825,336,601	3 years, the last instalment is due on 21 January 2016.	8%	(1) Tangible and intangible assets of the Company as stated in Commercial Enterprise Security Agreement with the Company dated 26 September 2012; (2) Personal guarantee by the Company's owners; and (3) Land title deed No.101 dated 25 October 2012, land area at Phonthan village, Saysettha, Vientiane Capital.
		<u>9,825,336,601</u>			

Details of the financial lease liabilities at 30 June 2014 are as follows:

<i>Lender</i>	<i>Contract</i>	<i>Ending balance</i>		<i>Term/maturity date</i>	<i>Interest rate (% p.a.)</i>	<i>Collaterals</i>
		<i>In LAK</i>	<i>In original currency (US\$)</i>			
BCEL Leasing Company Limited	No. LS_010_018/12/BL C dated 13 July 2012	6,833,183,552	786,495	5 years, the last instalment is due on 13 July 2017.	12%	15 Deawoo trucks financed by the contract.
		<u>6,833,183,552</u>				

Petroleum Trading Lao Public Company
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NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)
as at and for six-month period ended 30 June 2014

22. CHARTER CAPITAL

Investor	Registered charter capital as per Investment Certificate		Contributed charter capital	Un-contributed charter capital
		%		
<i>Currency: LAK</i>				
31 December 2013				
Mrs. Savanhthong Phongsavanh	87,500,000,000	25%	17,494,896,294	70,005,103,706
Mr. Chanthone Sithixay	262,500,000,000	75%	80,726,135,084	181,773,864,916
	350,000,000,000	100%	98,221,031,378	251,778,968,622
30 June 2014				
Mrs. Savanhthong Phongsavanh	87,500,000,000	25%	17,494,896,294	70,005,103,706
Mr. Chanthone Sithixay	262,500,000,000	75%	80,726,135,084	181,773,864,916
	350,000,000,000	100%	98,221,031,378	251,778,968,622

23. REVENUE

	<i>Currency: LAK</i>	
	<i>For the six-month period ended 30 June 2014</i>	<i>For the six-month period ended 30 June 2013</i>
Sales of fuel	553,335,293,975	557,338,723,538
Revenue from rental services	5,703,100,000	-
Sales of lubricant	270,497,274	1,424,595,429
Less: Sales deduction	(13,116,662)	-
	559,295,774,587	558,763,318,967

24. COST OF SALES

	<i>Currency: LAK</i>	
	<i>For the six-month period ended 30 June 2014</i>	<i>For the six-month period ended 30 June 2013</i>
Cost of fuel sold	516,782,036,089	514,701,365,410
Cost of rental services	2,423,747,704	-
Cost of lubricant sold	246,749,942	1,251,916,826
	519,452,533,735	515,953,282,236

Petroleum Trading Lao Public Company
[formerly known as Petroleum Trading Lao Company Limited]

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)
as at and for six-month period ended 30 June 2014

25. FINANCE INCOME

	<i>For the six-month period ended 30 June 2014</i>	<i>For the six-month period ended 30 June 2013</i>
		<i>Currency: LAK</i>
Interest income on loan receivables for which loan agreements have been signed	1,634,067,536	2,113,616,368
Interest income on long term investment to related parties (Note 15)	929,176,612	-
Early payment discount from suppliers	598,433,835	471,541,130
Realized foreign exchange gain	462,167,522	2,539,525,827
Value added tax adjustments	350,000,000	-
Others	-	20,810,162
	<u>3,973,845,505</u>	<u>5,145,493,487</u>

26. FINANCE EXPENSES

	<i>For the six-month period ended 30 June 2014</i>	<i>For the six-month period ended 30 June 2013</i>
		<i>Currency: LAK</i>
Interest expenses	6,862,832,106	6,604,493,612
Realized foreign exchange losses	1,534,505,917	2,517,140,473
Others	-	2,877,801
	<u>8,397,338,023</u>	<u>9,124,511,886</u>

Petroleum Trading Lao Public Company
[formerly known as Petroleum Trading Lao Company Limited]

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)
as at and for six-month period ended 30 June 2014

27. CORPORATE INCOME TAX

Statutory corporate income tax ("CIT") rates applicable to the Company

Under the Revised Tax Law No. 05/NA dated 20 December 2011, which is effective on or after 1 January 2013, the Company is subject to corporate income tax ("CIT") at the rate of 24% of its estimated taxable profit recorded under the Lao Accounting System.

CIT determination method applied by the Company before 2014

In previous years, the Company determined the CIT obligations using the deemed tax method, i.e. based on volume of fuel sold, multiplied with the deemed profit tax amount per litre of fuel sold. The Company's CIT returns, as prepared under the deemed tax method, have also been inspected and accepted by the local tax authorities up to the year ended 31 December 2013.

CIT determination method applied by the Company during the six months ended 30 June 2014

During 2014, the current tax payable is based on taxable profit for the period. The taxable profit of the Company for the period differs from the profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted by the reporting date.

The reconciliation between the profit before tax and taxable profit is presented below:

	<i>Currency: LAK</i>
	<i>For the six-month period ended 30 June 2014</i>
Profit before tax	9,627,788,488
Adjustment to increase accounting profit	
Provision for doubtful debts	1,278,355,557
Taxable profit	10,906,144,045
Estimated current CIT expenses	2,617,474,571
CIT payable at beginning of the period	1,199,343,969
CIT paid during the period	(1,650,423,696)
CIT payables at the end of the period (Note 19)	2,166,394,844

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

Petroleum Trading Lao Public Company
[formerly known as Petroleum Trading Lao Company Limited]

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)
as at and for six-month period ended 30 June 2014

28. TRANSACTION WITH RELATED PARTIES

Significant transactions with the related parties during the period were as follows:

Related parties	Relationship	Transactions	Currency: LAK	
				Amount
Khouanchay Trading Import – Export Ltd.	Common owner	Collection of loan receivables		3,600,000,000
		Provision of interest-bearing loans		3,664,962,000
		Conversion of other receivables into interest-bearing loan (*)		2,094,859,719
		Loan interest income		652,799,335
Phonethan Plus Gas Station (Plus 1)	Common owner	Sales of fuel		15,257,671,816
		Conversion of other receivables into interest-bearing loan (*)		527,981,721
		Rental income		162,000,000
Back Canyon Coffee	Common owner	Conversion of other receivables into interest-bearing loan (*)		300,996,068
Sithi Logistics Lao Co., Ltd.	Common owner	Provision of interest-bearing loans		10,998,792,942
		Transportation fee		9,411,588,751
		Income from leasing of vehicles		4,518,000,000
		Collection of loan receivables		2,188,633,086
		Loan interest income		929,176,612
Sudaphone Import-Export and Service Co., Ltd. (Moly Care)	Common owner	Conversion of other receivables into interest-bearing loan (*)		1,083,329,428
		Loan interest income		118,123,406
Well Tech Lao Co., Ltd.	Common owner	Conversion of other receivables into interest-bearing loan (*)		6,579,509,520
		Provision of interest-bearing loans		3,600,450,000
		Loan interest income		412,367,149
Nongheo Plus Gas Station (Plus 2)	Common owner	Purchase of petrol		6,074,860,000
		Rental income		120,000,000
Nongbua Thong Plus Gas Station (Plus 6)	Common owner	Rental income		295,500,000
Nongphaya Plus Gas Station (Plus 7)	Common owner	Rental income		431,600,000
Salakham Plus Gas Station (Plus 9)	Common owner	Rental income		176,000,000

(*) See Note 5 and Note 15 for more details.

Petroleum Trading Lao Public Company
[formerly known as Petroleum Trading Lao Company Limited]

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)
as at and for six-month period ended 30 June 2014

28. TRANSACTION WITH RELATED PARTIES (continued)

Terms and conditions

Transactions with related parties are made on the basis of contract negotiations. Except for interest-bearing loan receivables, other outstanding balances at the reporting date are unsecured, interest-free and will be settled in cash.

Payments of operating expenses on behalf of the Company are interest-free, reimbursed at actual cost incurred.

Amounts due to and due from related companies at the reporting date were as follows:

<i>Related parties</i>	<i>Relationship</i>	<i>Transaction</i>	<i>Currency: LAK</i> <i>Ending balance</i>
Short-term investments (Note 5)			
Khouanchay Trading Import – Export Ltd.	Common owner	Loan receivable	14,945,464,411
Sudaphone Import-Export and Service Co., Ltd. (Moly Care)	Common owner	Loan receivable	2,334,448,033
Back Canyon Coffee	Common owner	Loan receivable	1,898,747,881
Phonthan Plus Gas Station (Plus 1)	Common owner	Loan receivable	509,219,626
			19,687,879,951
Trade receivables (Note 6)			
Nongheo Plus Gas Station (Plus 2)	Common owner	Purchase of petrol	1,053,378,500
Standard Plus 1 Gas Station	Common owner	Purchase of petrol	1,516,653,000
			2,570,031,500
Other receivables (Note 7)			
Mr Chanthone Sitthixay	Owner	Payment on behalf	14,490,212,167
Sithi Logistics Lao Co., Ltd.	Common owner	Payment on behalf	3,908,958,191
			18,399,170,358
Long-term investments (Note 15)			
Sithi Logistics Lao Co., Ltd.	Common owner	Loan receivable	10,440,422,939
Lao Daily Mart Import – Export Co. Ltd	Common owner	Loan receivable	10,781,142,428
Well Tech Lao Co. Ltd.	Common owner	Loan receivable	9,255,482,270
Donekoy Plus Gas station	Common owner	Loan receivable	867,283,000
			31,344,330,637
Other long-term receivables (Note 16)			
Mr Chanthone Sitthixay	Owner	Interest-free loans	36,473,767,507
			36,473,767,507
Trade payables (Note 18)			
Sithi Logistics Lao Co., Ltd.	Common owner	Transportation fees	1,265,164,810
			1,265,164,810

Petroleum Trading Lao Public Company
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NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)
as at and for six-month period ended 30 June 2014

28. TRANSACTION WITH RELATED PARTIES (continued)

Other transactions with related parties

Remuneration to management during the period is as below:

	<i>Currency: LAK</i>	
	<i>30 June 2014</i>	<i>30 June 2013</i>
Salaries and bonus	<u>601,552,445</u>	<u>458,137,500</u>
	<u>601,552,445</u>	<u>458,137,500</u>

29. COMMITMENTS

Operating lease commitment where the Company is the lessee

The Company leases offices and gas stations under operating lease arrangements. The minimum lease commitment as at 30 June 2014 under the operating lease agreements is as follows:

	<i>Currency: LAK</i>	
	<i>30 June 2014</i>	<i>31 December 2013</i>
Less than 1 year	247,610,000	941,163,987
From 1-5 years	1,767,260,000	3,507,595,000
More than 5 years	<u>1,911,854,000</u>	<u>2,233,174,000</u>
	<u>3,926,724,000</u>	<u>6,681,932,987</u>

Operating lease commitment where the Company is the lessor

The Company lets out gas stations and trucks under operating lease arrangements. The minimum future rental receivables as at 30 June 2014 under the operating lease agreements is LAK 14,337,200,000.

Capital commitments

As at 30 June 2014, the Company has contractual commitment on construction of gas stations and office building amounting to LAK 3,283,758,243.

Purchase commitments

As at 30 June 2014, the Company has commitment to purchase fuel of LAK 8,490,880,000.

Petroleum Trading Lao Public Company
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NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)
as at and for six-month period ended 30 June 2014

29. **COMMITMENTS** (continued)

Regulated selling price

The selling price of the petrol was determined by the Company's management but not higher than the ceiling price regulated and announced by the Ministry of Finance of Lao PDR.

Other commitment

As at 30 June 2014, the Company has contractual commitment to pay LAK 6,572,242,885 on behalf of Mr. Chanthone Sithixay, Chief Executive Office, for his purchase of land from Standard Plus 1 Gas Station, a company under common control.

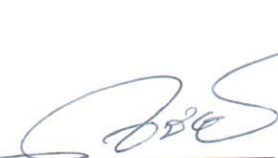
30. **EVENTS AFTER THE INTERIM BALANCE SHEET DATE**

On 14 October 2014, the Ministry of Industry and Commerce, Lao PDR issued Business License No. 418 approving the change in the Company's name from Petroleum Trading Lao Company Limited to Petroleum Trading Lao Public Company.

There has not been other matter or other circumstance that has arisen since the interim balance date that has affected or may significantly affect the operations of the Company, the results of those operations or the financial position of the Company.

31. **APPROVAL FOR ISSUE**

The interim financial statements as at 30 June 2014 and for the six-month period then ended were authorised for issue by the Company's management on 5 November 2014.


Chanthadom Meksavanh
Finance Director



Chanthone Sithixay
Chief Executive Officer

5 November 2014

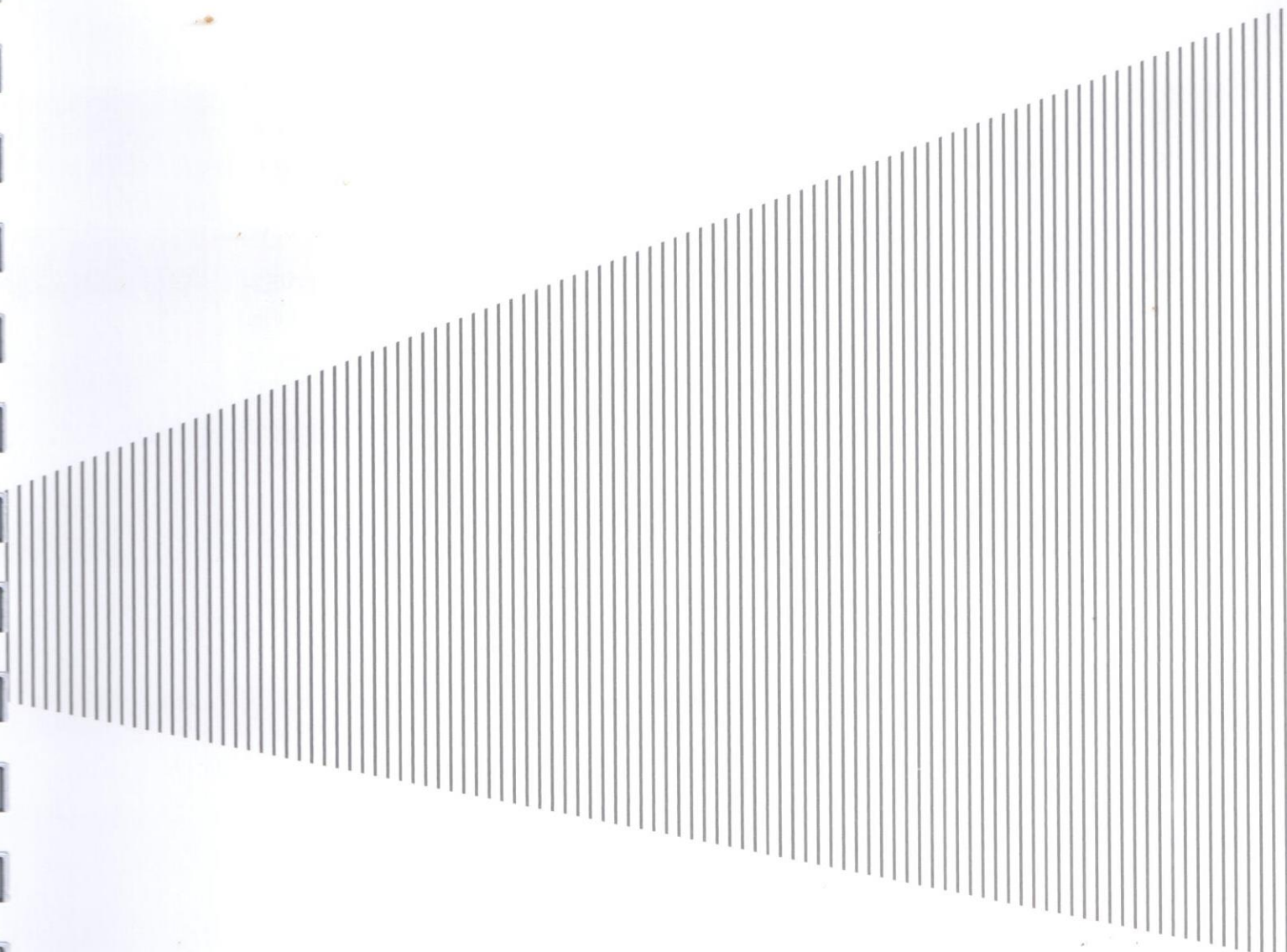
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Attachment III
Subscription Form



SUBSCRIPTION FORM FOR IPO OF PETROLEUM TRADING LAO PUBLIC COMPANY

SUBSCRIPTION NO: PETROLEUM TRADING LAO PUBLIC COMPANY

- o The total number of equity securities for IPO are: 60,000,000 shares with par value: 2,000 Kip/share and the offering price: 4,000 Kip/share. The number minimum of equity securities to be subscribed is 100 (one hundred), and if more, the subscription shall be multiplied by the minimum.
- o Subscription date: 1,3,4 December, 2014, Time 08:30 – 15:30
- o **Issuer:** Petroleum Trading Lao Public Company
- o **Underwriter:** Lanexang Securities Public Company

❖ INFORMATION RELATED TO INVESTOR (INDIVIDUAL AND INSTITUTION)

(Lao Citizen) (Non-Lao Citizen)

Name and Family name (Individual Institution).....ID card Passport Business license :Date of issue:..... Issued by:..... Expired date:.....

Current address:.....District.....Province.....Telephone:.....

Mobile:.....E-mail:.....Investor code:

LDB bank account):Securities account:

❖ REQUEST FOR SUBSCRIPTION IPO OF PETROLEUM TRADING LAO PUBLIC COMPANY

No. of share subscribed	Offering price per share (LAK)	Total Amount of Deposit (LAK)	Total Amount in Word
	4,000		

Having been thoroughly studied on share selling regulation and documents of Petroleum Trading Lao Public Company, I participate of my own accord in buying shares and commit strictly carry out the share selling regulation.

- Documents for subscription
1. A copy of ID, Passport, Business License 2. A power of attorney for subscribing shares

Signature and seal

Subscriber	Receiver	Brokerage manager

FOR COMPLETE INFORMATION ON THE COMMON STOCK, SEE THE PROSPECTUS

❖ Receipt

SUBSCRIPTION DATE):/...../2014 SUBSCRIPTION NO:

I/We received money from: Mr/Ms/Mrs:..... for subscription IPO of Petroleum Trading Lao Public Company) Quantityshares, with offering price: 4,000 Kip (Kip), settlement by Cash

Transfer fund From the bank:.....Account no:

Receiver