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PEAK WEALTH BANK
典豐銀行

ANNUAL REPORT 2023

CONTENT	Page
Vision, Mission & Values	1
Corporate Profile	2
Organization Chart	5
Chairperson's Message	6
Corporate Governance	7
Independent Audited Report	10

VISION, MISSION, AND CORE VALUES

VISION

Strive to develop into a high-tech and smart commercial bank.

MISSION

- Bring existing traditional businesses combined with differentiated services through internet technology.
- Seek more development with innovative business, and provide convenient and personal financial services for customers.

CORE VALUES

Safety, Stability, and Sustainable Development.



Corporate Profile

Overview

Bank full name : PEAK WEALTH BANK PLC.

Bank abbreviation : PWB

HQ Address : #635&637, Preah Monivong Blvd, Sangkat Boeng Keng Kang III, Khan Boeng Keng Kang, Phnom Penh.

Official Website : <http://www.peakwealthbank.com.kh>

Email : info@peakwealthbank.com

Telephone : 023 929 888

PEAK WEALTH BANK PLC. is a commercial bank invested and established by **Peak Wealth Investment Co., Ltd.**, with a registered capital of USD 75 million. The Bank's business scope includes receiving public deposits, credit service, foreign currency exchange, domestic foreign & currency payments and transactions, and other services.

Since the bank's opening & operation, and transformed to current name, The Bank has established a strict internal control and supervision system in compliance with Cambodian laws and regulations, and the regulatory requirements of the National Bank of Cambodia, to ensure that all business operations of the Bank are compliant, risk-controllable, and stable. Upon completion of acquiring of Rui li Bank, **Peak Wealth Investment Co., Ltd** and **Mr. WON CHWINKYANE SAINAW** are looking to expand the bank network within the country includes strengthening its existing branch as well as improving the online banking service envisioned for better customer accessibility and expediency. Simultaneously, The Bank has been actively adapting to the trend of the market's interest rate; accelerating product and service innovation; improving financial services; and promoting the steady growth of the deposit and loan business. Due to year 2023 is the stage for processing changes on internal structure, shareholders & executives' identities, along with policies, rules and regulation, and accounts clearing, we have been proactively paying attentions to make amendments for those to ensure to be applicable with laws and conditions set by regulators and authorities.

The future business development plan of PEAK WEALTH BANK would adopt a refined development strategy based on the actual situation of the local market in Cambodia and combined with the bank's own structure, positioning to establish a high-quality product system while seizing high-quality customers and forming a high-quality scale-oriented work. The Bank will further focus on establishing 2-3 uniquely beneficial and high-quality products and makes characteristic service refined and detailed to achieve differentiated competition.



PEAK WEALTH BANK's core information system, operation system, human resources, and other aspects can fully guarantee the establishment and smooth operation of each branch. Furthermore, through advanced VTM, smart IPAD, and other mobile counter equipment, The Bank can effectively reduce costs as well as improve efficiency and expand revenue channels.

PEAK WEALTH BANK will adhere to the core business code of "**high quality, technology, and flexibility**", and with the goal of "**Stable operation, standard management, and scientific development**", The Bank shall adopt advanced management models in Chinese as well as the foreign banking industry, and integrating to the Cambodian market. Furthermore, the Bank would be based on local business by providing traditional services with differentiated services of internet technology; developing with innovative services as well as providing customers with diversified, convenient, and personal banking services to strive to develop into a high-tech smart commercial bank and become one of top ten local banks in Cambodia within 5 years.

Organization, Management, and Ownership

About

PEAK WEALTH BANK is established by two major shareholders, with registered capital of 75,000,000 USD (**Seventy-five million US Dollars**). Under the regulatory requirements of the National Bank of Cambodia and its Management needs, the Bank hereby establishes a Board of Shareholders, Board of Directors, Audit Committee, Risk & Compliance Committee, Credit Risk Committee (CRC), Operational Risk Management Committee (ORMC), Assets and Liabilities Committee (ALCO), Technology Risk Management Committee (TRMC), Performance Management Committee (PMC), and Remuneration Committee. CEO's Office, Board's Office, Administration Department, Human Resources Department, Operation Department, Marketing Development Department, Finance & Treasury Department, Digital Banking Department, IT Department, Risk Management Department, Compliance Department, and Audit Department

1. Board of Shareholders and share proportion

- (i) **Peak Wealth Investment Co., Ltd**, represented by **Mr. WON CHWINKYANE SAINAW**, holds 90% of all shares.
- (ii) **Mr. WON CHWINKYANE SAINAW**, holds 10% of all shares.

- **Basic information of bank's majority shares- Peak Wealth Investment Co., Ltd**

Peak Wealth Investment Co., Ltd or "**Peak Wealth Investment**" is a limited company incorporated and registered in Kingdom of Cambodia. The company is invested and established by 100% by resident individuals under the laws of Kingdom of Cambodia with a registered share capital of KHR270,000,000,000 and lead by **Mr. WON CHWINKYANE SAINAW**. Peak Wealth Investment aims to be an investment company that diversified our investment into profitable businesses such as real estate development and rental, hotel services and financial and insurance services. Peak Wealth Investment is committed to putting all clients at the heart of our business developing and maintaining long-standing relationships based on trust and excellent service.



Peak Wealth Investment respects diversity and value differences of opinion.

Company Number :1000196524

Company Name: Peak Wealth Investment Co., Ltd

Company Abbreviation: PWIC

Company Type: Limited Company

Company Sub Type: Private Limited Liability Company

Incorporation Date :20 September 2022

Tax Identification Number (TIN): L001-902204440

Business Activities

681 Real estate activities with own or leased property Main Business Activities:

68102 Development of building projects for own operation, i.e. for renting of space in these buildings

Business Organization Plan

In Dec 2023, the Bank obtained approval letter for 100% Share Transfer issued by the National Bank of Cambodia with adequate and strong capital and professional management and staffs. Furthermore, the Bank plans to set up more branches in Phnom Penh and Bavet within three years to provide more convenience and access to the bank's clients. As a result, bank staff is expected to reach one hundred.

Committees

The Bank has formed various committees to do proper management and risk control for each task performed within the bank. These committees include Shareholders, Board of Directors, Audit Committee, Risk & Compliance Committee, Credit Risk Committee (CRC), Operational Risk Management Committee (ORMC), Assets and Liabilities Committee (ALCO), Technology Risk Management Committee (TRMC), Performance Management Committee (PMC), and Remuneration Committee.

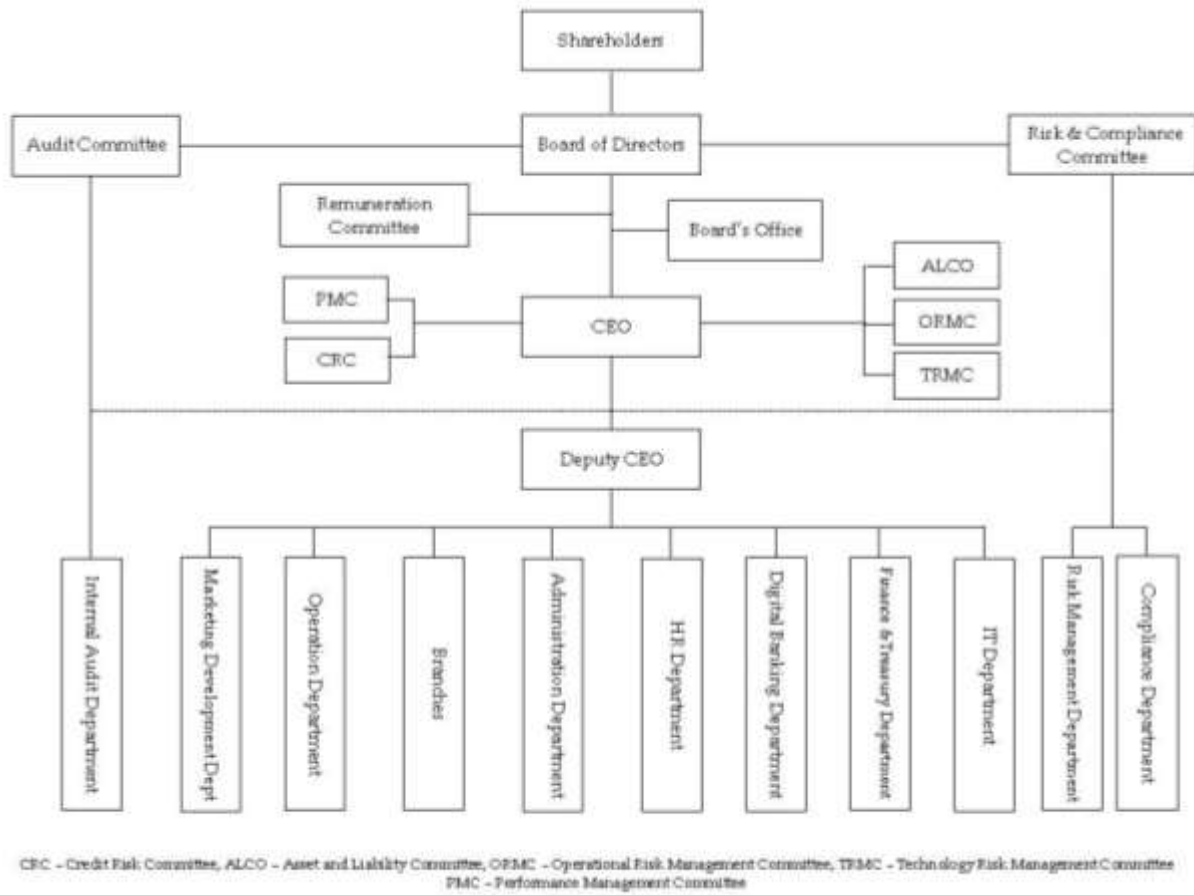
Executives

This includes the CEO's Office, Board's Office, Administration Department, Human Resources Department, Operation Department, Marketing Development Department, Finance & Treasury Department, Digital Banking Department, IT Department, Risk Management Department, Compliance Department, and Audit Department. The executive level will play the main role to ensure the smooth performance of task flow and good management and risk control as guided by the board of directors. Furthermore, focusing on the bank's target and goal are primary tasks that executives should do. For middle to lower-level staffing, required to strictly follow the bank's guidelines and internal policy to reach the bank's target and mission.

External Services

- **External auditors**
To ensure efficiency and transparency of work performance, The Bank has compromised and concluded to hire external auditors. According to the plan, external auditors will provide audit services two times per year.

Organizational Chart



Chairperson's Message

In the mid of 2022, **Peak Wealth Investment Co., Ltd** and **MR. WON CHWINKYANE SAINAW** had started the investment on acquiring a bank namely Rui Li (Cambodia) Bank PLC, currently is changed to "**PEAK WEALTH BANK PLC.**"). Investing in banking sector is one of the businesses that Peak Wealth Investment Co., Ltd.'s Board of Directors and the shareholders had shown interest on.

After conducting the due diligence on Rui Li Bank, both shareholders noted that Rui Li Bank is operating with competitive products and services, good reputation and well-trained employees which has potential to growth.

Upon completion of acquiring, **Peak Wealth Investment Co., Ltd** and **Mr. WON CHWINKYANE SAINAW** are looking to expand the bank network within the country includes strengthening its existing branch as well as improving the online banking service envisioned for better customer accessibility and expediency.

Prospecting the future, the Bank plans to serve customers with more quality and comprehensive services, meanwhile, share such potential for development with customers. At the same time, we will establish more secure, efficient, and convenient digital banking products to promote the development of Cambodia's financial market, provide more customers with financial service support, and help Cambodia's economy to recover and develop.

Even though 2023, the years full of pressure and challenges, hope and opportunities still coexist, we indeed believe that under the guidance and support of the Cambodian government and the National Bank of Cambodia, we will have a better environment for development. We will also adhere to the core business philosophy of "**high quality, technology, and flexibility**", adhere to the principle of "**Customer First, Control Risks**", take innovative business as the development direction, and provide customers with diversified, convenient, and personalized financial services. We aim to eventually build **PEAK WEALTH BANK PLC.** a sustainable technology bank with high-quality services and leading products.

Faithfully,



Mrs. WON CHWINLINLEILEIWIN

Corporate Governance

The board of directors and executive management has been formed to ensure smoothness, integrity, efficiency, and sustainability of the Bank's operation. Each unit has shown commitment to fulfilling its targets and accomplishing its goals.

Board of Directors

The board of directors is the bank's decision-making body and is responsible for a board meeting of shareholders. There are 1 chairperson and 6 members of the board.

1.	Mrs. WON CHWINLINLEILEIWIN	Chairperson
2.	Mr. WON CHWINKYANE SAINAW	Director
3.	Mr. WON CHWINKYEMAUNGSAIKYAW	Director
4.	Mr. LI YUANXIONG	Director
5.	Mrs. NAN AYE NUN	Director
6.	Mr. NGOV THEANGVENG	Independent Director
7.	Mrs. WANG XINYI	Independent Director

2. Committee

2.1. Committee Name: Audit Committee

A committee that is set up to assist Board of Directors and Internal Audit Department in overseeing the integrity of the Bank's financial reporting, maintaining effectiveness and efficiency of internal control system at all level of organization to comply with laws, regulations, and codes of conduct to promote the Bank's corporate governance.

1.	Mrs. WANG XINYI	Chair
2.	Mrs. WON CHWINLINLEILEIWIN	Member
3.	Mr. WON CHWINKYANE SAINAW	Member
4.	Mr. WON CHWINKYEMAUNGSAIKYAW	Member
5.	Mr. LI YUANXIONG	Member
6.	Mrs. NAN AYE NUN	Member
7.	Mr. NGOV THEANGVENG	Member

2.2. Committee Name: Risk & Compliance Committee

A specialized committee that is set up by the decision-making body to perform duties related to risk management, compliance management, and case prevention and control management.

1.	Mr. NGOV THEANGVENG	Chair
2.	Mrs. WON CHWINLINLEILEIWIN	Member
3.	Mr. WON CHWINKYANE SAINAW	Member
4.	Mr. WON CHWINKYEMAUNGSAIKYAW	Member
5.	Mr. LI YUANXIONG	Member
6.	Mrs. NAN AYE NUN	Member



7. Mrs. WANG XINYI Member

2.3. Committee Name: Credit Risk Committee (CRC)

A committee that set out main Rule and Function (including role and responsibility) power or authority, the protocols, the composition of the members, etc. for a smoothly implementation of the bank Loan approval procedures, prevention of credit risk with operationalize effectiveness.

- | | |
|---------------------|--------|
| 1. Mr. SEN SOPHEA | Chair |
| 2. Mr. YANG JIE | Member |
| 3. Mr. XIAO YU | Member |
| 4. Mr. ZHAO QIMING | Member |
| 5. Mr. AO LINGPAN | Member |
| 6. Mrs. LY PHEASY | Member |
| 7. Mr. DITH VANNARO | Member |

2.4. Committee Name: Performance Management Committee (PMC)

A committee that is an important part of the corporate governance structure, and mainly responsible for formulating, reviewing and supervising the Bank's performance management system and assessment indicators. These Measures aim to clarify the responsibilities, work procedures and operating specifications of the Performance Management Committee to improve organizational Efficiency and effectiveness of performance management.

- | | |
|-------------------------------|--------|
| 1. Mrs. WON CHWINLINLEILEIWIN | Chair |
| 2. Mr. YANG JIE | Member |
| 3. Mr. SEN SOPHEA | Member |
| 4. Mr. XIAO YU | Member |
| 5. Mr. ZHAO QIMING | Member |
| 6. Mr. AO LINGPAN | Member |
| 7. Mrs. LY PHEASY | Member |
| 8. Mr. DITH VANNARO | Member |
| 9. Mr. HUANG ZIKUI | Member |

2.5. Committee Name: Asset & Liability Management Committee (ALCO)

A committee is responsible for overseeing the management of a company or bank's assets and liabilities. Asset & Liability Management Committee at the board or management level provides important management information systems and oversight for effectively evaluating on- and off-balance-sheet risk for an institution.

- | | |
|-------------------------------|--------|
| 1. Mrs. WON CHWINLINLEILEIWIN | Chair |
| 2. Mr. YANG JIE | Member |
| 3. Mr. SEN SOPHEA | Member |

2.6. Committee Name: Remuneration Committee

A committee that is a specialized working body established by the Board of Directors in accordance with the Bank's Articles of Association. It is mainly responsible for reviewing the



Bank's remuneration management systems and policies, along with formulating remuneration plans for directors and senior management members, making recommendations on remuneration plans to the Board of Directors, and supervising the implementation of the plans.

- | | |
|----------------------------------|--------|
| 1. Mrs. WANG XINYI | Chair |
| 2. Mrs. WON CHWINLINLEILEIWIN | Member |
| 3. Mr. WON CHWINKYANE SAINAW | Member |
| 4. Mr. WON CHWINKYEMAUNGSIAIKYAW | Member |
| 5. Mr. LIYUANXIONG | Member |
| 6. Mrs. NAN AYE NUN | Member |
| 7. Mr. NGOV THEANGVENG | Member |

2.7. Committee Name: Operational Risk Management Committee (ORMC)

A specialized committee that is set up to determine the risk losses caused by imperfect or problematic internal procedures, employees, information technology systems, and external events, but does not include strategic risk and reputational risk.

- | | |
|-------------------------------|--------|
| 1. Mrs. WON CHWINLINLEILEIWIN | Chair |
| 2. Mr. YANG JIE | Member |
| 3. Mr. SEN SOPHEA | Member |
| 4. Mr. XIAO YU | Member |
| 5. Mr. ZHAO QIMING | Member |
| 6. Mr. AO LINGPAN | Member |
| 7. Mrs. LY PHEASY | Member |
| 8. Mr. DITH VANNARO | Member |
| 9. Mr. HUANG ZIKUI | Member |

2.8. Committee Name: Technology Risk Management Committee (TRMC)

A specialized committee that is to oversee and manage the bank's IT risks, ensuring the security, integrity, and availability of the bank's IT systems and data, thereby supporting the continuous operation of the bank's business.

- | | |
|---------------------|--------|
| 1. Mr. YANG JIE | Chair |
| 2. Mr. SEN SOPHEA | Member |
| 3. Mr. XIAO YU | Member |
| 4. Mr. ZHAO QIMING | Member |
| 5. Mrs. LY PHEASY | Member |
| 6. Mr. DITH VANNARO | Member |
| 7. Mr. HUANG ZIKUI | Member |



PEAK WEALTH BANK PLC.
(Previously as Rui Li (Cambodia) Bank PLC.)

Audited Financial Statements

And

Report of the independent auditors

As at 31st Dec 2023 and for the year then ended

RUI LI (CAMBODIA) BANK PLC.

(Incorporated in Cambodia)

Registration No: 00039263

TABLE OF CONTENTS

	Page
Directors' Report	1
Independent Auditors' Report	3
Statement of Financial Position	6
Statement of Profit or Loss and Other Comprehensive Income	7
Statement of Changes in Equity	8
Statement of Cash Flows.....	10
Notes to the Financial Statements.....	12

RUI LI (CAMBODIA) BANK PLC.

(Incorporated in Cambodia)

Registration No: 00039263

DIRECTORS' REPORT

The directors hereby submit the report and the audited financial statements of the Rui Li (Cambodia) Bank PLC. ("the Bank") for the financial year ended 31 December 2023.

DIRECTORS

The names of directors of the Bank who served during the financial year and up to the date of this report are as follows: -

Mr. Dong Shijie	Chairman	(resigned on 29 September 2023)
Ms. Dong Shijia	Director	(resigned on 29 September 2023)
Mr. Yang Jie	Director	(resigned on 29 September 2023)
Mr. Pan Ruisheng	Director	(resigned on 29 September 2023)
Mr. Zhao Wei	Director	(resigned on 29 September 2023)
Mrs. Won Chwinlinleileiwin	Chairman	(appointed on 29 September 2023)
Mr. Won Chwinkyane Sainaw	Director	(appointed on 29 September 2023)
Mr. Won Chwinky Maungsaikyaw	Director	(appointed on 29 September 2023)
Mr. Li Yuanxiong	Director	(appointed on 29 September 2023)
Mrs. Nan Aye Nun	Director	(appointed on 29 September 2023)
Mr. Ngov Theangveng	Independent director	(appointed on 29 September 2023)
Mrs. Wang Xinyi	Independent director	(appointed on 29 September 2023)

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The directors are responsible for the financial statements of the Bank to be properly drawn up so as to give a true and fair view of the financial position of the Bank as at 31 December 2023 and of its financial performance and cash flows for the financial year then ended. In the preparation of these financial statements, the directors are required to:

- (i) adopt appropriate accounting policies in compliance with Cambodian International Financial Reporting Standards ("CIFRSs") which are supported by reasonable and appropriate judgments and estimates and then apply them consistently;
- (ii) comply with the disclosure requirements CIFRSs, if there have been any departures in the interest of true and fair presentation, ensure that these have been appropriately disclosed, explained and quantified in the financial statements;
- (iii) maintain adequate accounting records and an effective system of internal controls;
- (iv) prepare the financial statements on a going concern basis unless it is inappropriate to assume that the Bank will continue its operations in the foreseeable future; and
- (v) control and direct effectively the Bank in all material decisions affecting its operations and performance and ascertain that such decisions and/or instructions have been properly reflected in the financial statements.

The directors confirm that the Bank has complied with the above requirements in preparing the financial statements of the Bank.

RUI LI (CAMBODIA) BANK PLC.

(Incorporated in Cambodia)
Registration No: 00039263

DIRECTORS' REPORT

STATEMENT BY DIRECTORS

In the opinion of the directors, the accompanying financial statements of the Bank are drawn up in accordance with CIFRSs so as to give a true and fair view of the financial position of the Bank as at 31 December 2023 and of the results of its operations and its cash flows for the year then ended.

PREPARATION OF THE FINANCIAL STATEMENTS

In the preparation of the financial statements, the directors have taken account of the following matters:-

- (i) all material transfers to or from reserves or provisions during the financial year are disclosed in the financial statements;
- (ii) adequate allowance for impairment losses on receivables and other current and non-current assets, if required, has been made;
- (iii) known bad debts had been written off, if any;
- (iv) existing methods of valuation of assets or liabilities is not misleading or inappropriate;
- (v) there are no known circumstances that would render any amount stated in the financial statements to be misleading;
- (vi) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect substantially the results of the operations of the Bank for the financial year in which this report is made;
- (vii) the results of the operations of the Bank during the financial year were not, in the opinion of the directors, substantially affected by any item, transaction or event of a material and unusual nature;
- (viii) no contingent or other liability of the Bank has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the Bank to meet its obligations when they fall due.

APPROVAL OF THE FINANCIAL STATEMENTS

The directors hereby approve the accompanying financial statements which give a true and fair view of the financial position of the Bank as at 31 December 2023, its financial performance and cash flows for the financial year then ended in accordance with CIFRSs.

On behalf of the board of directors




Deputy Chief Executive Officer

Date: 26 Mar 2024



**INDEPENDENT AUDITORS' REPORT TO THE DIRECTORS OF
RUI LI (CAMBODIA) BANK PLC.**

(Incorporated in Cambodia)
Registration No: 00039263

Crowe (KH) CO., LTD.
Chartered Accountants
Member Crowe International

Unit 4B, K1 Building (#148), Mao
Tse Tung Blvd, Sangkat Toul
Tumpung II, Khan Chamkar
Morn, Phnom Penh
Kingdom of Cambodia
Main +855 23 216 717
www.crowe.com.kh
info@crowe.com.kh

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Rui Li (Cambodia) Bank PLC., (“the Bank”) which comprise the statement of financial position of the Bank as at 31 December 2023, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the financial year then ended, and notes to the financial statements, including material accounting policy information, as set out on pages 6 to 50.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Bank as at 31 December 2023, and of its financial performance and its cash flows for the financial year then ended in accordance with Cambodian International Financial Reporting Standards (“CIFRSs”).

Basis of Opinion

We conducted our audit in accordance with Cambodian International Standards on Auditing (“CISA”). Our responsibilities under those standards are further described in *the Auditors’ Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Bank in accordance with the *International Ethics Standards Board for Accountants’ International Code of Ethics for Professional Accountants (including International Independence Standards)* “IESBA Code” together with ethical requirements that are relevant to our audit of the financial statements in the Kingdom of Cambodia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and IESBA Code.

Information Other than the Financial Statements and Auditors’ Report Thereon

The directors of the Bank are responsible for the other information. The other information comprises the Directors’ Report, but does not include the financial statements of the Bank and our auditors’ report thereon.

Our opinion on the financial statements of the Bank does not cover the Directors’ Report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Bank, our responsibility is to read the Directors’ Report and, in doing so, consider whether the Directors’ Report is materially inconsistent with the financial statements of the Bank or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of the Directors’ Report, we are required to report that fact. We have nothing to report in this regard.



INDEPENDENT AUDITORS' REPORT TO THE DIRECTORS OF RUI LI (CAMBODIA) BANK PLC. (CONT'D)

(Incorporated in Cambodia)
Registration No: 00039263

Responsibilities of Directors for the Financial Statements

The directors of the Bank are responsible for the preparation of financial statements that give a true and fair view in accordance with CIFRSs. The directors are also responsible for such internal controls as the directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

As a part of an audit in accordance with CISA, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:-

- identify and assess the risks of material misstatement of the financial statements of the Bank, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.



**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS
OF RUI LI (CAMBODIA) BANK PLC. (CONT'D)**
(Incorporated in Cambodia)
Registration No: 00039263

Auditors' Responsibilities for the Audit of the Financial Statements (Cont'd)

- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Bank or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements of the Bank, including the disclosures, and whether the financial statements of the Bank represent the underlying transactions and events in a manner that achieves fair presentation.

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

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements denominated in the functional currency of United States Dollar ("USD"). The translation of the financial statements from USD into Khmer Riel ("KHR") using the closing and average rates as at 31 December 2023 and for the year then ended, respectively, is presented for the purpose of additional analysis and it does not form an integral part of the audited financial statements. The translation has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express any opinion on it.

Crowe (KH) Co., Ltd



Onn Kien Hoe

Director
26 MAR 2024

RUI LI (CAMBODIA) BANK PLC.

(Incorporated in Cambodia)

Registration No: 00039263

STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2023

	Note	2023 USD	2022 USD Restated	2023 KHR'000	2022 KHR'000 Restated
ASSETS					
Cash on hand	5	4,155,672	91,951	16,975,920	378,562
Deposits and placements with other banks	6	50,485	138,299	206,231	569,377
Loans and advances	7	-	124,377,484	-	512,062,102
Amount owing by related party	8	60,000,000	75,770,000	245,100,000	311,945,090
Other assets	9	89,189	144,811	364,337	596,187
Statutory deposits with National Bank of Cambodia	10	13,500,250	13,540,745	55,148,521	55,747,247
Right-of-use assets	11	2,398,454	3,343,315	9,797,685	13,764,428
Equipment	12	784,170	1,172,493	3,203,334	4,827,154
Intangible assets	13	382,496	1,653,520	1,562,496	6,807,542
Deferred tax assets	24a	634,388	634,388	2,591,475	2,611,775
TOTAL ASSETS		81,995,104	220,867,006	334,949,999	909,309,464
LIABILITIES					
Deposits from customers	14	105	71,795,074	429	295,580,320
Other payables	15	723,378	1,671,562	2,954,999	6,881,821
Lease liabilities	25b	2,647,897	3,591,109	10,816,659	14,784,596
Amount owing to shareholder	26b	551,156	63,309	2,251,472	260,643
Deposit from banks	16	-	66,537,456	-	273,934,706
Current Income tax liability		1,890,446	1,116,569	7,722,472	4,596,915
TOTAL LIABILITIES		5,812,982	144,775,079	23,746,031	596,039,001
EQUITY					
Share capital	17	75,000,000	75,000,000	300,000,000	300,000,000
Retained earnings		1,182,122	1,091,927	4,883,006	4,512,305
Translation difference		-	-	6,320,962	8,758,158
TOTAL EQUITY		76,182,122	76,091,927	311,203,968	313,270,463
TOTAL LIABILITIES AND EQUITY		81,995,104	220,867,006	334,949,999	909,309,464

RUI LI (CAMBODIA) BANK PLC.

(Incorporated in Cambodia)

Registration No: 00039263

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023**

	Note	2023 USD	2022 USD Restated	2023 KHR'000	2022 KHR'000 Restated
INTEREST INCOME	18	6,171,283	13,210,465	25,363,973	53,991,170
INTEREST EXPENSES	19	(2,572,951)	(4,671,346)	(10,574,829)	(19,091,791)
NET INTEREST INCOME		3,598,332	8,539,119	14,789,144	34,899,379
NON-INTEREST INCOME		770,156	690,725	3,165,341	2,822,993
NET INCOME		4,368,488	9,229,844	17,954,485	37,722,372
PERSONNEL COSTS	20	(1,113,717)	(1,271,371)	(4,577,377)	(5,196,093)
DEPRECIATION AND AMORTISATION	21	(1,080,308)	(1,517,241)	(4,440,066)	(6,200,964)
ADMINISTRATION AND GENERAL EXPENSES	22	(2,297,128)	(816,631)	(9,441,196)	(3,337,571)
OPERATING (LOSS)/ PROFIT BEFORE IMPAIRMENT LOSSES		(122,665)	5,624,601	(504,154)	22,987,744
IMPAIRMENT LOSSES ON FINANCIAL INSTRUMENT	23	1,822,582	88,341	7,490,812	361,050
PROFIT BEFORE TAX		1,699,917	5,712,942	6,986,658	23,348,794
INCOME TAX EXPENSE	24(b)	(1,609,722)	(1,250,171)	(6,615,957)	(5,109,449)
PROFIT AFTER TAX		90,195	4,462,771	370,701	18,239,345
OTHER COMPREHENSIVE (EXPENSE)/INCOME		-	-	(2,437,196)	3,213,936
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		90,195	4,462,771	(2,066,495)	21,453,281

RUI LI (CAMBODIA) BANK PLC.

(Incorporated in Cambodia)

Registration No: 00039263

**STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023 (CONT'D)**

	Note	Share Capital USD	Regulatory Reserve USD	(Accumulated Losses)/Retai- ned Earnings USD	Total USD
At 1.1.2022		75,000,000	-	(3,370,844)	71,629,156
Total comprehensive income for the financial year		-	-	4,462,771	4,462,771
At 31.12.2022/1.1.2023		75,000,000	-	1,091,927	76,091,927
Total comprehensive income for the financial year		-	-	90,195	90,195
At 31.12.2023		75,000,000	-	1,182,122	76,182,122

	Note	Share Capital KHR'000	Regulatory Reserve KHR'000	(Accumulated Losses)/Retai- ned Earnings KHR'000	Translation Difference KHR'000	Total KHR'000
At 1.1.2022		300,000,000	-	(13,727,040)	5,544,222	291,817,182
Total comprehensive income for the financial year		-	-	18,239,345	-	18,239,345
Translation differences		-	-	-	3,213,936	3,213,936
At 31.12.2022/1.1.2023		300,000,000	-	4,512,305	8,758,158	313,270,463
Total comprehensive income for the financial year		-	-	370,701	-	370,701
Translation differences		-	-	-	(2,437,196)	(2,437,196)
At 31.12.2023		300,000,000	-	4,883,006	6,320,962	311,203,968

RUI LI (CAMBODIA) BANK PLC.

(Incorporated in Cambodia)

Registration No: 00039263

**STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023**

	Note	2023 USD	2022 USD	2023 KHR'000	2022 KHR'000
CASH FLOWS FOR OPERATING ACTIVITIES					
Profit before tax		1,699,917	5,712,942	6,986,658	23,348,794
Adjustments for:-					
Depreciation and amortisation	21	1,080,308	1,517,241	4,440,066	6,200,964
Loss allowance for ECL	7	(1,822,582)	(88,341)	(7,490,812)	(361,050)
Equipment written off	12	110,222	-	453,012	-
Interest expense on lease liabilities		89,716	168,122	368,733	687,115
Reversal on provision for seniority indemnity		-	(33,589)	-	(137,278)
Operating profit before working capital changes		1,157,581	7,276,375	4,757,657	29,738,545
Working capital changes :-					
- loans and advances		126,200,066	2,223,150	515,527,270	9,086,014
- other assets		55,622	(15,701,395)	227,216	(64,171,601)
- statutory deposits with National Bank of Cambodia		40,495	509,500	165,422	2,082,327
- amount owing by related party		15,770,000	-	64,420,450	-
- deposits from customers		(71,794,969)	(33,475,713)	(293,282,448)	(136,815,239)
- other payables		25,463	1,286,998	104,016	5,259,961
-deposits from banks		(66,537,456)	35,714,202	(271,805,508)	145,963,944
CASH FLOWS FROM/(FOR) OPERATION		4,916,802	(2,166,883)	20,114,075	(8,856,049)
Income tax paid		(835,845)	(187,757)	(3,435,323)	(767,363)
NET CASH FROM/(FOR) OPERATING ACTIVITIES		4,080,957	(2,354,640)	16,678,752	(9,623,412)

RUI LI (CAMBODIA) BANK PLC.

(Incorporated in Cambodia)

Registration No: 00039263

**STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023 (CONT'D)**

	Note	2023 USD	2022 USD Restated	2023 KHR'000	2022 KHR'000 Restated
CASH FLOWS FOR INVESTING ACTIVITIES					
Purchase of equipment	12	(149,486)	(6,745)	(610,650)	(27,567)
Purchase of intangible assets	13	-	(1,036,956)		(4,238,039)
NET CASH FOR INVESTING ACTIVITIES		(149,486)	(1,043,701)	(610,650)	(4,265,606)
CASH FLOWS FROM/(FOR) FINANCING ACTIVITIES					
Repayment of lease liabilities	25(b)	(375,161)	(498,598)	(1,532,532)	(687,115)
Repayment of lease interest	25(b)	(131,559)	(168,122)	(537,419)	(2,037,770)
Amount due to shareholder		551,156	-	2,251,472	-
NET CASH FROM/(FOR) FINANCING ACTIVITIES		44,436	(666,720)	181,521	(2,724,885)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		3,975,907	(4,065,061)	16,249,623	(16,613,903)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		230,250	4,295,311	938,039	17,499,097
EFFECT OF CURRENCY TRANSLATION		-	-	(5,511)	62,745
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	25(c)	4,206,157	230,250	17,182,151	947,939

RUI LI (CAMBODIA) BANK PLC.

(Incorporated in Cambodia)

Registration No: 00039263

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

1. GENERAL INFORMATION

Rui Li (Cambodia) Bank PLC. (“the Bank”) was incorporated in Cambodia on 09 January 2019 under Registration No. 00039263. On 20 October 2020, the National Bank of Cambodia (“NBC”) issued a license to conduct commercial banking business for an indefinite period.

Registered office : Building No 635 & 637, Monivong Blvd, Sangkat Boeung Keng Kang III, Khan Chamkarmon, Phnom Penh, Kingdom of Cambodia.

Principle place of business: Building No 635 & 637, Monivong Blvd, Sangkat Boeung Keng Kang III, Khan Chamkarmon, Phnom Penh, Kingdom of Cambodia.

The financial statements were authorised for issue by the director on 26 March 2024.

2. PRINCIPAL ACTIVITIES

The Bank is principally engaged in general banking business and the provision of related financial services.

There have been no significant changes in the nature of these activities during the financial year.

3. BASIS OF PREPARATION

The financial statements of the Bank are prepared under the historical cost convention and modified to include other bases of valuation as disclosed in other sections under material accounting policy information, and in compliance with Cambodian International Financial Reporting Standards (“CIFRSs”).

RUI LI (CAMBODIA) BANK PLC.

(Incorporated in Cambodia)

Registration No: 00039263

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

3. BASIS OF PREPARATION (CONT'D)

(a) **Standards and interpretations that are effective for the current financial year**

During the current financial year, the Bank has adopted the following new accounting standards and interpretations:-

CIFRSs and/or IC Interpretations (Including The Consequential Amendments)

Amendments to CIFRS 16: Property, Plant and Equipment – Proceeds before Intended Use

Amendments to CIAS 37: Onerous Contracts – Cost of Fulfilling a Contract

Amendments to CIFRS 3: Reference to the Conceptual Framework

Annual Improvements to CIFRS Standards 2018 – 2020

The adoption of the above accounting standards and/or interpretations (including the consequential amendments, if any) did not have any material impact on the Bank's financial statements.

(b) **New Accounting Standards for Application in Future Periods**

The Bank has not applied in advance the following accounting standards and/or interpretation(s) (including the consequential amendments, if any) that have been issued by the National Accounting Council ("NAC") but are not yet effective for the current financial year:-

CIFRSs and/or IC Interpretations (Including The Consequential Amendments)

	Effective Date
Amendments to CIFRS 10 and CIAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred
Amendments to CIFRS 16: Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to CIAS 1: Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to CIAS 1: Non-current Liabilities with Covenants	1 January 2024
Amendments to CIAS 7 and CIFRS 7: Supplier Finance Arrangements	1 January 2024
Amendments to CIAS 21: Lack of Exchangeability	1 January 2025

The adoption of the above accounting standards and/or interpretations (including the consequential amendments, if any) is expected to have no material impact on the financial statements of the Bank upon their initial application.

RUI LI (CAMBODIA) BANK PLC.

(Incorporated in Cambodia)

Registration No: 00039263

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

4. MATERIAL ACCOUNTING POLICY INFORMATION

4.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Key Sources of Estimation Uncertainty

Management believes that there are no key assumptions made concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year other than as disclosed below:-

(a) Impairment of Loans and Advances

The loss allowances for loan to customer are based on assumptions about risk of default and expected loss rates. The Bank uses judgement in making these assumptions and selecting appropriate inputs to the impairment calculation, based on the past payment trends, existing market conditions as well as forward-looking estimates at the end of each reporting period.

(b) Income Tax

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Bank recognises tax liabilities based on its understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax expense and deferred tax balances in the period in which such determination is made.

The principal accounting policies adopted in the preparation of the financial statements are set out below. These accounting policies have been consistently applied by the Bank during the year.

Critical Judgements Made in Applying Accounting Policies

Management believes that there are no instances of application of critical judgement in applying the Bank's accounting policies which will have a significant effect on the amounts recognised in the financial statements.

RUI LI (CAMBODIA) BANK PLC.

(Incorporated in Cambodia)

Registration No: 00039263

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D)

4.2 FINANCIAL INSTRUMENTS

(a) Financial assets

Financial Assets Through Profit or Loss

The financial assets are initially measured at fair value. Subsequent to the initial recognition, the financial assets are remeasured to their fair values at the reporting date with fair value changes recognised in profit or loss. The fair value changes do not include interest and dividend income.

Financial Assets at Amortised Cost

The financial assets are initially measured at fair value plus transaction costs except for trade receivables without significant financing component which are measured at transaction price only. Subsequent to the initial recognition, all financial assets are measured at amortised cost less any impairment losses.

Financial Assets Through Other Comprehensive Income

The Bank has elected to designate equity instruments as financial assets through other comprehensive income at initial recognition.

The financial assets are initially measured at fair value plus transaction costs. Subsequent to the initial recognition, the financial assets are remeasured to their fair values at the reporting date with fair value changes taken up in other comprehensive income and accumulated in the fair value reserve, except for the recognition of impairment, interest income and foreign exchange difference of a debt instrument which are recognised directly in profit or loss. The fair value changes do not include interest and dividend income.

(b) Financial Liabilities

Financial Liabilities Through Profit or Loss

The financial liabilities are initially measured at fair value. Subsequent to the initial recognition, the financial liabilities are remeasured to their fair values at the reporting date with fair value changes recognised in profit or loss. The fair value changes do not include interest interest.

Financial Liabilities at Amortised Cost

The financial liabilities are initially measured at fair value less transaction costs. Subsequent to the initial recognition, the financial liabilities are measured at amortised cost.

(c) Equity

Ordinary shares are recorded on initial recognition at the proceeds received less directly attributable transaction costs incurred. The ordinary shares are not remeasured subsequently.

RUI LI (CAMBODIA) BANK PLC.

(Incorporated in Cambodia)

Registration No: 00039263

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D)

4.3 EQUIPMENT

All items of equipment are initially measured at cost. Cost includes expenditures that are directly attributable to the acquisition of the asset and other cost directly attributable to bringing the asset to working condition for its intended use.

Subsequent to initial recognition, equipment is stated at cost less accumulated depreciation and any impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of day-to-day servicing of equipment are recognised in profit or loss as incurred.

Depreciation is charged to profit or loss and is calculated under the Straight-line method to write off the depreciable amount of the assets over their estimated useful lives. Depreciation of an asset does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated. The principal annual rates used for this purpose are:-

Leasehold improvement	60 months
Furniture and fixtures	60 months
Equipment	36 to 60 months
Computer and peripherals	36 to 60 months
Motor vehicles	48 months
Other fixed assets	60 months

Construction work-in-progress represents assets under construction, and which are not ready for commercial use at the end of the reporting period. Construction work-in-progress is stated at cost, and is transferred to the relevant category of long-term assets and depreciated accordingly when the assets are completed and ready for commercial use.

Cost of construction work-in-progress includes direct cost, related expenditure and interest cost on borrowings taken to finance the construction or acquisition of the assets till the date that the assets are completed and put into use, net of interest income on the temporary investment of those borrowings.

The residual values, useful lives and depreciation method are reviewed at the end of each reporting period to ensure that the amounts, method and periods of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the terms of equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the asset will flow to the Bank and the cost of the asset can be measured reliably. The carrying amount of parts that are replaced is derecognised.

RUI LI (CAMBODIA) BANK PLC.

(Incorporated in Cambodia)

Registration No: 00039263

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D)

4.3 EQUIPMENT (CONT'D)

The costs of the day-to-day servicing of equipment are recognised in profit or loss as incurred. Cost also comprises the initial estimate of dismantling and removing the asset and restoring the site on which it is located for which the Bank is obligated to incur when the asset is acquired, if applicable.

An item of equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in profit or loss.

4.4 INTANGIBLE ASSETS

Intangible assets represent the initial costs incurred in obtaining software.

Following initial recognition, intangible assets are stated at cost less accumulated amortisation and any accumulated impairment losses.

Intangible assets are assessed to have finite useful lives and are amortised over the license period using Straight-line method. The intangible assets are also assessed for impairment whenever there is an indication that they may be impaired. The amortisation period and method are reviewed at least at the end of each reporting period.

Intangible assets are amortised as below:

Software	60 months
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4.5 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

(a) Short-term Leases and Leases of Low-value Assets

The Bank apply the “short-term lease” and “lease of low-value assets” recognition exemption. For these leases, the Company recognise the lease payments as an operating expense on a straight-line method over the term of the lease unless another systematic basis is more appropriate.

(b) Right-of-use Assets

Right-of-use assets are initially measured at cost. Subsequent to the initial recognition, the right-of-use assets are stated at cost less accumulated depreciation and any accumulated impairment losses, and adjusted for any remeasurement of lease liabilities.

The right-of-use assets are depreciated using the straight-line method from the commencement date to the earlier of the end of the estimated useful lives of the right-of-use assets or the end of the lease term.

(c) Lease Liabilities

Lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the entities' incremental borrowing rate. Subsequent to the initial recognition, the lease liabilities are measured at amortised cost and adjusted for any lease reassessment or modifications.

RUI LI (CAMBODIA) BANK PLC.

(Incorporated in Cambodia)

Registration No: 00039263

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D)

4.6 FUNCTIONAL AND PRESENTATION CURRENCY

The financial statements of the Bank are presented in the currency of the primary economic environment in which the Bank operates, which is the functional currency.

The translation of the USD amounts into Khmer Riel (“KHR”) is presented in the financial statements to comply with the Law on Accounting and Auditing dated 11 April 2016 using the closing and average rates for the year then ended, as announced by the Accounting and Auditing Regulator (ACAR).

The financial statements are presented in KHR based on the following applicable exchange rates per USD1:

	2023	2022
Closing rate	4,085	4,117
Average rate for the year	4,110	4,087

Amounts in the financial statements have been rounded off to the nearest dollar and nearest thousand for USD and KHR amounts, respectively.

4.7 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits, and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value with original maturity periods of three months or less.

4.8 STATUTORY DEPOSITS WITH NATIONAL BANK OF CAMBODIA

Statutory deposits represent mandatory reserve deposits and cash maintained with the National Bank of Cambodia in compliance with the Law on Banking and Financial Institutions (“LBFI”) and are not available to finance the Bank’s day to day operations and hence are not considered as part of cash and cash equivalents for the purpose of cash flow statement.

RUI LI (CAMBODIA) BANK PLC.

(Incorporated in Cambodia)

Registration No: 00039263

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023****5. CASH ON HAND**

	2023 USD	2022 USD	2023 KHR'000	2022 KHR'000
Head office	4,155,672	17,166	16,975,920	70,672
Branches	-	74,785	-	307,890
	<u>4,155,672</u>	<u>91,951</u>	<u>16,975,920</u>	<u>378,562</u>

6. DEPOSITS AND PLACEMENTS WITH OTHER BANKS

	2023 USD	2022 USD	2023 KHR'000	2022 KHR'000
National Bank of Cambodia	50,287	130,915	205,422	538,977
Other banks	198	7,384	809	30,400
	<u>50,485</u>	<u>138,299</u>	<u>206,231</u>	<u>569,377</u>

7. LOANS AND ADVANCES

	2023 USD	2022 USD	2023 KHR'000	2022 KHR'000
Long-term loans	-	87,500,000	-	360,237,500
Consumer loans	-	38,008,253	-	156,479,978
	<u>-</u>	<u>125,508,253</u>	<u>-</u>	<u>516,717,478</u>
Gross loans and advances at amortised cost	-	125,508,253	-	516,717,478
Interest receivable	-	691,813	-	2,848,194
Less: Loss allowance for ECL	-	(1,822,582)	-	(7,503,570)
	<u>-</u>	<u>(1,822,582)</u>	<u>-</u>	<u>(7,503,570)</u>
Net loans and advances at amortised cost	-	124,377,484	-	512,062,102

Regulatory Provision for Loans and Advances

On 1 December 2017, the National Bank of Cambodia (“NBC”) issued Prakas No. B7-017-344 on Credit Risk Grading and Impairment Provisioning which effectively repealed Prakas No. B7-09-074 on Asset Classification and Provisioning effective from the date of its issue. The Prakas requires banks and financial institutions to classify their loan portfolio into five classes. The NBC subsequently issued Circular No. B7-018-001 dated 16 February 2018 to clarify the mandatory level of general and specific allowance to be provided based on the loans and advances classification as follows:-

RUI LI (CAMBODIA) BANK PLC.

(Incorporated in Cambodia)

Registration No: 00039263

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

7. LOANS AND ADVANCES (CONT'D)

Classification	Number of days past due	Regulatory Provision
Short term loans (less than or equal one year):-		
Normal/Standard	0 to 14 days	1%
Special mention	15 days to 30 days	3%
Substandard	31 days to 60 days	20%
Doubtful	61 days to 90 days	50%
Loss	From 91 days	100%
Long term loans (more than one year):-		
Normal/Standard	0 to 29 days	1%
Special mention	30 days to 89 days	3%
Substandard	90 days to 179 days	20%
Doubtful	180 days to 359 days	50%
Loss	From 360 days	100%

The regulatory provision applies to all on and off-balance sheet facilities of banks and financial institutions. Loans and advances classified as substandard, doubtful or loss are considered as non-performing loans.

The Prakas also requires the comparison of the regulatory provision with the impairment provision determined based on CIFRS. In case the regulatory provision calculated in accordance with Prakas is lower than expected credit loss determined based on CIFRS, the Bank shall recognise the expected credit loss calculated in accordance with CIFRS. In the case the regulatory provision is higher than expected credit loss, the Bank shall recognise the expected credit loss in accordance with CIFRS and transfer the difference from retained earnings into regulatory reserve. The Bank has presented the regulatory reserve in the statement of changes in equity.

An uncollectible loan or portion of a loan classified as bad is written off after taking into consideration the realizable value of the collateral, if any when in the judgment of the management, there is no prospect of recovery. Recoveries on loans previously written off are disclosed as other income in the statement of profit or loss.

OTHER CREDIT RELATED COMMITMENTS

In the normal course of business, the Bank enters into other credit related commitments including loan commitments, letters of credit and guarantees. The accounting policy and regulatory provision followed the National Bank of Cambodia's Prakas No. B7-017-344 and Circular No. B7-018-001 Sor Ror Chor Nor in Note above.

8. AMOUNT OWING BY RELATED PARTY

	2023 USD	2022 USD Restated	2023 KHR'000	2022 KHR'000 Restated
Amount owing by related party	60,000,000	75,770,000	245,100,000	311,945,090

The amount owing by related party is non-trade in nature and represent unsecured payments made on behalf. The amounts owing are repayable on demand and are to be settled in cash.

RUI LI (CAMBODIA) BANK PLC.

(Incorporated in Cambodia)

Registration No: 00039263

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023****9. OTHER ASSETS**

	2023 USD	2022 USD Restated	2023 KHR'000	2022 KHR'000 Restated
Deposit	78,809	-	321,907	-
Others	-	8	-	33
Total financial assets	78,809	8	321,907	33
Prepayments	10,380	144,803	42,430	596,154
	89,189	144,811	364,337	596,187

10. STATUTORY DEPOSITS WITH NATIONAL BANK OF CAMBODIA

	2023 USD	2022 USD	2023 KHR'000	2022 KHR'000
Capital guarantee deposit	7,500,000	7,500,000	30,637,500	30,877,500
Reserve deposits	6,000,250	6,040,745	24,511,021	24,869,747
	13,500,250	13,540,745	55,148,521	55,747,247

Capital guarantee deposit

Under NBC Prakas No. B7-01-136 dated 15 October 2001, banks are required to maintain a capital guarantee of 10.0% of registered capital with the NBC. This deposit is not available for use in the Bank's day-to-day operations but is refundable when the Bank voluntarily ceases to operate the business in Cambodia.

Reserve deposits

Under Prakas No. B7.023.005.P.K dated 9 January 2023, Bank shall maintain reserve requirement against deposits and borrowings at a daily average balance at the rate of 7% for local currency and 9% for foreign currencies with the National Bank of Cambodia. Subsequently, on 23 November 2023 NBC issued a notification letter No T7.023.2621 C.T addressed to the Association of Bank in Cambodia and Cambodia Microfinance Association to continue implementing the reserve requirement at a rate of 7% for foreign currencies until 31 December 2024.

Previously, under Prakas No. B7-020-230 dated 18 March 2020, Bank shall maintain reserve requirement against deposits and borrowings at a daily average balance equal to 7% for both local and foreign currencies with the National Bank of Cambodia. This prakas is new regulation and measure of the NBC which allow banks and other financial institutions to have stronger liquidity and to reduce impacts from the COVID19 to the banking and finance sector and the economy as whole.

RUI LI (CAMBODIA) BANK PLC.

(Incorporated in Cambodia)

Registration No: 00039263

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023****11. RIGHT-OF-USE ASSETS**

	2023 Office USD	2022 Office USD	2023 Office KHR'000	2022 Office KHR'000
2023				
<i>Cost</i>				
At 1.1.2023	4,540,615	4,540,615	18,693,712	18,498,466
Write off	(1,051,713)	-	(4,296,248)	-
Translation difference	-	-	(145,299)	195,246
At 31.12.2023	<u>3,488,902</u>	<u>4,540,615</u>	<u>14,252,165</u>	<u>18,693,712</u>
<i>Accumulated depreciation</i>				
At 1.1.2023	(1,197,300)	(638,067)	(4,929,284)	(2,599,485)
Depreciation charge	(418,653)	(559,233)	(1,720,664)	(2,285,585)
Write off	525,505	-	2,159,826	-
Translation difference	-	-	35,642	(44,214)
At 31.12.2023	<u>(1,090,448)</u>	<u>(1,197,300)</u>	<u>(4,454,480)</u>	<u>(4,929,284)</u>
<i>Net carrying amount</i>				
At 31.12.2023	<u>2,398,454</u>	<u>3,343,315</u>	<u>9,797,685</u>	<u>13,764,428</u>

RUI LI (CAMBODIA) BANK PLC.

(Incorporated in Cambodia)

Registration No: 00039263

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023****12. EQUIPMENT**

	As at 1.1.2023 USD	Addition USD	Written Off USD	Depreciation Charge USD	As at 31.12.2023 USD	
<i>Carrying Amount</i>						
Leasehold improvement	414,059	-	(110,222)	(92,908)	210,929	
Furniture and fixtures	72,855	-	-	(28,419)	44,436	
Equipment	676,280	792	-	(293,890)	383,182	
Computer and peripherals	9,041	1,694	-	(3,519)	7,216	
Motor vehicles	-	147,000	-	(8,728)	138,272	
Other fixed assets	258	-	-	(123)	135	
	1,172,493	149,486	(110,222)	(427,587)	784,170	
	As at 1.1.2022 USD	Addition USD	Written Off USD	Depreciation Charge USD	As at 31.12.2022 USD	
<i>Carrying Amount</i>						
Leasehold improvement	525,776	-	-	(111,717)	414,059	
Furniture and fixtures	101,274	-	-	(28,419)	72,855	
Equipment	991,465	4,400	-	(319,585)	676,280	
Computer and peripherals	17,167	2,345	-	(10,471)	9,041	
Other fixed assets	382	-	-	(124)	258	
	1,636,064	6,745	-	(470,316)	1,172,493	
	As at 01.01.2023 KHR'000	Addition KHR'000	Written Off KHR'000	Depreciation Charge KHR'000	Translation Difference KHR'000	As at 31.12.2023 KHR'000
<i>Carrying Amount</i>						
Leasehold improvement	1,704,680	-	(450,257)	(381,852)	(10,926)	861,645
Furniture and fixtures	299,945	-	-	(116,802)	(1,622)	181,521
Equipment	2,784,245	3,235	-	(1,207,888)	(14,294)	1,565,298
Computer and peripherals	37,222	6,920	-	(14,463)	(202)	29,477
Motor vehicles	-	600,495	-	(35,872)	218	564,841
Other fixed assets	1,062	-	-	(506)	(4)	552
	4,827,154	610,650	(450,257)	(1,757,383)	(26,830)	3,203,334

RUI LI (CAMBODIA) BANK PLC.

(Incorporated in Cambodia)

Registration No: 00039263

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023****12. EQUIPMENT (CONT'D)**

	As at 1.1.2022	Addition	Written Off	Depreciation Charge	Translation Difference	As at 31.12.2022
	KHR'000	KHR'000	KHR'000	KHR'000	KHR'000	KHR'000
<i>Carrying Amount</i>						
Leasehold improvement	2,164,620	-	-	(456,587)	(3,353)	1,704,680
Furniture and fixtures	416,945	-	-	(116,148)	(852)	299,945
Equipment	4,081,861	18,115	-	(1,306,144)	(9,587)	2,784,245
Computer and peripherals	70,677	9,452	-	(42,795)	(112)	37,222
Other fixed assets	1,573	-	-	(507)	(4)	1,062
	6,735,676	27,567	-	(1,922,181)	(13,908)	4,827,154

	At cost	Accumulated Depreciation	Net Book Value
	USD	USD	USD
As at 31 December 2023			
Leasehold improvement	390,000	(179,071)	210,929
Furniture and fixtures	149,577	(105,141)	44,436
Equipment	1,627,237	(1,244,055)	383,182
Computer and peripherals	46,720	(39,504)	7,216
Motor vehicles	147,000	(8,728)	138,272
Other fixed assets	650	(515)	135
	2,361,184	(1,577,014)	784,170

	At cost	Accumulated Depreciation	Net Book Value
	USD	USD	USD
As at 31 December 2022			
Leasehold improvement	588,000	(173,941)	414,059
Furniture and fixtures	149,577	(76,722)	72,855
Equipment	1,626,445	(950,165)	676,280
Computer and peripherals	45,026	(35,985)	9,041
Other fixed assets	650	(392)	258
	2,409,698	(1,237,205)	1,172,493

RUI LI (CAMBODIA) BANK PLC.

(Incorporated in Cambodia)

Registration No: 00039263

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023****12. EQUIPMENT (CONT'D)**

	At cost KHR'000	Accumulated Depreciation KHR'000	Net Book Value KHR'000
As at 31 December 2023			
Leasehold improvement	1,593,150	(731,505)	861,645
Furniture and fixtures	611,022	(429,501)	181,521
Equipment	6,647,263	(5,081,965)	1,565,298
Computer and peripherals	190,851	(161,374)	29,477
Motor vehicles	600,495	(35,654)	564,841
Other fixed assets	2,655	(2,104)	552
	<u>9,645,436</u>	<u>(6,442,103)</u>	<u>3,203,334</u>
	At cost KHR'000	Accumulated Depreciation KHR'000	Net Book Value KHR'000
As at 31 December 2022			
Leasehold improvement	2,420,796	(716,116)	1,704,680
Furniture and fixtures	615,809	(315,864)	299,945
Equipment	6,696,074	(3,911,829)	2,784,245
Computer and peripherals	185,372	(148,150)	37,222
Other fixed assets	2,676	(1,614)	1,062
	<u>9,920,727</u>	<u>(5,093,573)</u>	<u>4,827,154</u>

RUI LI (CAMBODIA) BANK PLC.

(Incorporated in Cambodia)

Registration No: 00039263

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023****13. INTANGIBLE ASSETS**

	2023 USD	2022 USD	2023 KHR'000	2022 KHR'000
Software				
Cost:-				
At 1 January	2,235,243	239,132	9,202,495	974,224
Additions during the financial year	-	1,036,956	-	4,238,039
Termination of intangible assets	(1,036,956)	-	(4,235,965)	-
Transfers	-	959,155	-	3,920,066
Translation difference	-	-	(71,527)	70,166
	<u>1,198,287</u>	<u>2,235,243</u>	<u>4,895,003</u>	<u>9,202,495</u>
Accumulated amortisation:-				
At 1 January	(581,723)	(94,031)	(2,394,955)	(383,083)
Amortisation during the financial year	(234,068)	(487,692)	(962,019)	(1,993,198)
Translation difference	-	-	24,467	(18,672)
	<u>(815,791)</u>	<u>(581,723)</u>	<u>(3,332,507)</u>	<u>(2,394,953)</u>
Carrying amount, at 31 December	<u>382,496</u>	<u>1,653,520</u>	<u>1,562,496</u>	<u>6,807,542</u>

14. DEPOSIT FROM CUSTOMERS

	2023 USD	2022 USD	2023 KHR'000	2022 KHR'000
Current accounts	105	12,585,127	429	51,812,968
Saving accounts	-	41,024,050	-	168,896,014
Fixed deposits	-	14,821,700	-	61,020,939
Corporate margin deposits	-	2,600,000	-	10,704,200
	<u>105</u>	<u>71,030,877</u>	<u>429</u>	<u>292,434,121</u>
Interest payables	-	764,197	-	3,146,199
	<u>105</u>	<u>71,795,074</u>	<u>429</u>	<u>295,580,320</u>

15. OTHER PAYABLES

	2023 USD	2022 USD	2023 KHR'000	2022 KHR'000
Trade payables	-	Restated 1,107,010	-	Restated 4,557,560
Accrued expenses	30,891	500,942	126,190	2,062,378
	<u>30,891</u>	<u>1,607,952</u>	<u>126,190</u>	<u>6,619,938</u>
Total financial liabilities	30,891	1,607,952	126,190	6,619,938
Other tax payable	692,487	28,878	2,828,809	118,891
Provision for seniority payment	-	34,732	-	142,992
	<u>723,378</u>	<u>1,671,562</u>	<u>2,954,999</u>	<u>6,881,821</u>

RUI LI (CAMBODIA) BANK PLC.

(Incorporated in Cambodia)

Registration No: 00039263

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023****16. DEPOSIT FROM BANKS**

	2023 USD	2022 USD	2023 KHR'000	2022 KHR'000
Current accounts	-	1,000	-	4,117
Saving accounts	-	24,709,447	-	101,728,793
Fixed deposits	-	40,000,000	-	164,680,000
	-	64,710,447	-	266,412,910
Interest payables	-	1,827,009	-	7,521,796
	-	66,537,456	-	273,934,706

17. SHARE CAPITAL

	2023 USD	2022 USD	2023 KHR'000	2022 KHR'000
Issued and Fully Paid Up				
At 1 January	75,000,000	75,000,000	300,000,000	300,000,000
Issuance of share	-	-	-	-
31 December	75,000,000	75,000,000	300,000,000	300,000,000

There is no additional share issued during the year. The Bank's registered and paid-up capital is USD75,000,000 (2022: USD75,000,000) by issuance 80,000 shares of USD937.50 each (2022: 80,000 share of USD937.50 each).

18. INTEREST INCOME

Interest income was made from the following sources:

	2023 USD	2022 USD	2023 KHR'000	2022 KHR'000
Loans and advances	6,076,756	13,183,672	24,975,467	53,881,667
Deposits and placements with banks and other financial institutions	94,527	26,793	388,506	109,503
	6,171,283	13,210,465	25,363,973	53,991,170

19. INTEREST EXPENSES

	2023 USD	2022 USD	2023 KHR'000	2022 KHR'000
Deposits from customers	574,144	4,638,207	2,359,732	18,956,352
Deposits from banks	1,998,807	33,139	8,215,097	135,439
	2,572,951	4,671,346	10,574,829	19,091,791

RUI LI (CAMBODIA) BANK PLC.

(Incorporated in Cambodia)

Registration No: 00039263

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023****20. PERSONNEL COSTS**

	2023 USD	2022 USD	2023 KHR'000	2022 KHR'000
Salaries, allowances and bonus	1,026,014	1,167,233	4,216,918	4,770,481
Employee life and health insurance	24,336	13,738	100,021	56,147
Seniority expense	52,768	71,919	216,876	293,933
Others	10,599	18,481	43,562	75,532
	<u>1,113,717</u>	<u>1,271,371</u>	<u>4,577,377</u>	<u>5,196,093</u>

At the end of the financial year, the total number of employees of the Bank is 31 (2022 : 37).

21. DEPRECIATION AND AMORTISATION

	2023 USD	2022 USD	2023 KHR'000	2022 KHR'000
Depreciation of right-of-use assets	418,653	559,233	1,720,664	2,285,585
Depreciation of equipment	427,587	470,316	1,757,383	1,922,181
Amortisation of intangible assets	234,068	487,692	962,019	1,993,198
	<u>1,080,308</u>	<u>1,517,241</u>	<u>4,440,066</u>	<u>6,200,964</u>

22. ADMINISTRATION AND GENERAL EXPENSES

	2023 USD	2022 USD	2023 KHR'000	2022 KHR'000
Legal and professional fees	38,832	132,898	159,600	543,154
Other tax expense	958,570	201,478	3,939,723	823,441
License and membership	77,450	-	318,320	-
Utilities	71,953	115,490	295,727	472,008
Others	1,150,323	366,765	4,727,826	1,498,968
	<u>2,297,128</u>	<u>816,631</u>	<u>9,441,196</u>	<u>3,337,571</u>

RUI LI (CAMBODIA) BANK PLC.

(Incorporated in Cambodia)

Registration No: 00039263

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023****23. IMPAIRMENT LOSSES ON FINANCIAL INSTRUMENT**

	2023 USD	2022 USD	2023 KHR'000	2022 KHR'000
(Reversal of)/Allowance for ECL:-				
- Loans and advances	(1,822,582)	(88,341)	(7,490,812)	(361,050)

24. INCOME TAX

(a) Deferred tax assets/(liabilities)

Deferred tax assets, net is attributable from:-

	At 1.1.2023 USD	Recognised in Profit or Loss USD	At 31.12.2023 USD
2023			
Right-of-use assets	(668,663)	188,972	(479,691)
Lease liability	718,222	(188,642)	529,580
Allowance for ECL	364,516	(364,516)	-
Other	220,313	364,186	584,499
	634,388	-	634,388
	At 1.1.2022 USD	Recognised in Profit or Loss USD	At 31.12.2022 USD
2022			
Right-of-use assets	(780,508)	111,845	(668,663)
Lease liability	817,941	(99,719)	718,222
Allowance for ECL	382,185	(17,669)	364,516
Other	192,301	28,012	220,313
	611,919	22,469	634,388
	At 1.1.2023 KHR'000	Recognised in Profit or Loss KHR'000	At 31.12.2023 KHR'000
2023			
Right-of-use assets	(2,752,886)	776,675	(1,959,538)
Lease liability	2,956,920	(775,319)	2,163,330
Allowance for ECL	1,500,712	(1,498,161)	-
Other	907,029	1,496,805	2,387,683
	2,611,775	-	2,591,475

RUI LI (CAMBODIA) BANK PLC.

(Incorporated in Cambodia)

Registration No: 00039263

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023****24. INCOME TAX (CONT'D)**

(a) Deferred tax assets/(liabilities) (Cont'd)

Deferred tax assets, net is attributable from (Cont'd):-

	At 1.1.2022 KHR'000	Recognised in Profit or Loss KHR'000	Translation difference KHR'000	At 31.12.2022 KHR'000
2022				
Right-of-use assets	(3,179,790)	457,111	(30,207)	(2,752,886)
Lease liability	3,332,292	(407,552)	32,180	2,956,920
Allowance for ECL	1,557,022	(72,213)	15,903	1,500,712
Other	783,434	114,485	9,110	907,029
	<u>2,492,958</u>	<u>91,831</u>	<u>26,986</u>	<u>2,611,775</u>

(b) Income tax expense

	2023 USD	2022 USD	2023 KHR'000	2022 KHR'000
Current tax:				
- for the financial year	61,602	1,272,640	253,184	5,201,280
- under provision in the previous financial years	1,548,120	-	6,362,773	-
	<u>1,609,722</u>	<u>1,272,640</u>	<u>6,615,957</u>	<u>5,201,280</u>
Deferred tax asset (Note 24(a)):				
- for the current financial year	-	(22,469)	-	(91,831)
- under provision in the previous financial years	-	-	-	-
	<u>-</u>	<u>(22,469)</u>	<u>-</u>	<u>(91,831)</u>
	<u>1,609,722</u>	<u>1,250,171</u>	<u>6,615,957</u>	<u>5,109,449</u>

RUI LI (CAMBODIA) BANK PLC.

(Incorporated in Cambodia)

Registration No: 00039263

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023****24. INCOME TAX (CONT'D)**

(b) Income tax expense (Cont'd)

In accordance with Cambodian Law on Taxation, the Bank has an obligation to pay corporate income tax of either the profit tax at the rate of 20% of taxable profits or at the minimum tax at 1% of gross revenue, whichever is higher.

A reconciliation of income tax expense applicable to the Loss before tax at the corporate tax rate to income tax expense at the effective tax of the Bank is as follows:-

	2023 USD	2022 USD	2023 KHR'000	2022 KHR'000
Profit before tax	1,699,917	5,712,942	6,986,658	23,348,794
Tax at the corporate tax rate of 20%	339,983	1,142,588	1,397,330	4,669,757
Non-deductible expenses	55,753	53,341	229,145	218,005
Non-taxable items	135,961	-	558,800	-
Under provision in respect of prior years income tax	1,548,120	-	6,362,773	-
Others	(470,095)	54,242	(1,932,091)	221,687
	<u>1,609,722</u>	<u>1,250,171</u>	<u>6,615,957</u>	<u>5,109,449</u>

(c) Tax Contingencies

The taxation system in Cambodia is relatively new and is characterised by numerous taxes and frequently changing legislation, which is often unclear and subject to interpretation. Often different interpretation exists among numerous taxation authorities and jurisdictions. Taxes are subject to review and investigation by a number of authorities who are enabled by law to impose severe fines, penalties and interest charges.

These facts may create tax risks in Cambodia, substantially more compared to other countries. Management believes that tax liabilities have been adequately provided based on its interpretation of tax legislations. However, the relevant authorities may have differing interpretations and effects could be significant since the interpretation of the Bank.

RUI LI (CAMBODIA) BANK PLC.

(Incorporated in Cambodia)

Registration No: 00039263

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023****25. CASH FLOW INFORMATION**

(a) The cash disbursed for the purchase of equipment is as follows:-

	2023 USD	2022 USD	2023 KHR'000	2022 KHR'000
Cash disbursed for purchase of equipment	<u>(149,486)</u>	<u>(6,745)</u>	<u>(610,650)</u>	<u>(27,769)</u>

(b) The reconciliation of liabilities arising from financing activities is as follows:-

	2023 USD	2022 USD	2023 KHR'000	2022 KHR'000
At 1 January	3,591,109	4,089,707	14,784,596	16,661,466
<u>Changes in Financing Cash Flows</u>				
Repayment of principal	(375,161)	(498,598)	(1,532,532)	(2,037,770)
Repayment of interests	<u>(131,559)</u>	<u>(168,122)</u>	<u>(537,419)</u>	<u>(687,115)</u>
	<u>(506,720)</u>	<u>(666,720)</u>	<u>(2,069,951)</u>	<u>(2,724,885)</u>
<u>Non-cash Changes</u>				
Interest expense recognised in profit or loss	131,559	168,122	537,419	687,115
Derecognised	<u>(568,051)</u>	-	<u>(2,320,488)</u>	-
	<u>(436,492)</u>	168,122	<u>(1,783,069)</u>	687,115
Translation difference	-	-	<u>(114,917)</u>	160,900
At 31 December	<u>2,647,897</u>	<u>3,591,109</u>	<u>10,816,659</u>	<u>14,784,596</u>

RUI LI (CAMBODIA) BANK PLC.

(Incorporated in Cambodia)

Registration No: 00039263

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023****25. CASH FLOW INFORMATION (CONT'D)**

(c) The cash and cash equivalents comprise the following:-

	2023 USD	2022 USD	2023 KHR'000	2022 KHR'000
Cash on hand	4,155,672	91,951	16,975,920	378,562
Deposit and placements with other banks	50,485	138,299	206,231	569,377
	<u>4,206,157</u>	<u>230,250</u>	<u>17,182,151</u>	<u>947,939</u>

26. RELATED PARTY DISCLOSURES**a) Significant Related Party Transactions**

Other than those disclosed elsewhere in the financial statements, the Bank carried out the following significant transactions with the related parties during the financial year:-

	2023 USD	2022 USD	2023 KHR'000	2022 KHR'000
Key management personnel compensation:-				
Benefits to key management	-	490,088	-	2,002,990
	<u>-</u>	<u>490,088</u>	<u>-</u>	<u>2,002,990</u>

b) Related Party Balances

	2023 USD	2022 USD	2023 KHR'000	2022 KHR'000
Deposits from customer:				
Staff	-	173,151	-	712,863
Amounts due to related parties				
Rui Li airlines	-	63,309	-	260,643
Peak Wealthy Investment	551,156	-	2,251,472	-
Amounts due from related parties				
Yunnan Jingcheng Group Limited	60,000,000	75,770,000	245,100,000	311,945,090
	<u>60,000,000</u>	<u>75,770,000</u>	<u>245,100,000</u>	<u>311,945,090</u>

RUI LI (CAMBODIA) BANK PLC.

(Incorporated in Cambodia)

Registration No: 00039263

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

27. FINANCIAL INSTRUMENTS

The main risks arising from the Bank's financial instruments in the normal course of business are operational risk, credit risk, market risk and liquidity risk.

The Bank does not use derivative financial instruments such as foreign exchange contract and interest rate swaps to manage its risk exposures.

These risks are limited by the Bank's financial management policies and practices described below.

27.1 FINANCIAL RISK MANAGEMENT POLICIES

The Bank's policies in respect of the major areas of treasury activity are as follows:-

(a) Operational risk

Operational risk is the risk of direct or indirect loss arising from inadequate or failed internal processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior.

The operational risk losses is managed through established operational risk management processes, proper monitoring and reporting of the business activities by control and support units which are independent of the business units and oversight provided by the senior management of the Bank.

The Bank's operational risk management entails the establishment of clear organisational structures, roles and control policies. Various internal control policies and measures have been implemented including the establishment of signing authorities, defining system parameters controls, streamlining procedures and documentation and compliance with regulatory and other legal requirements.

(b) Credit risk

Credit risk is the potential loss of revenue and principal losses in the form of specific provisions as a result of defaults by the borrowers or counterparties through its lending and investing activities.

The primary exposure to credit risk arises through its loans to customers. The amount of credit exposure in this regard is represented by the carrying amounts of the assets on the statement of financial position. The lending activities are guided by the Bank's credit policy to ensure that the overall objectives in the area of lending are achieved; i.e., that the loans portfolio is strong and healthy and credit risks are well diversified. The credit policy documents the lending policy, collateral policy and credit approval processes and procedures implemented to ensure compliance with NBC Guidelines.

The Bank holds collateral against loans to customers in the form of mortgage interests over property and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and generally are not updated except when a loan is individually assessed as doubtful.

RUI LI (CAMBODIA) BANK PLC.

(Incorporated in Cambodia)

Registration No: 00039263

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

27. FINANCIAL INSTRUMENTS (CONT'D)

27.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit risk (Cont'd)

(i) Credit risk measurement

The measurement of expected credit loss allowance under the CIFRS 9's three-stage approach is to recognise lifetime expected credit loss allowance for financial instrument for which there has been a significant increase in credit risk since initial origination or is credit-impaired as at the reporting date. The financial instrument which has not undergone any significant deterioration in credit risk shall be recognised with 12-month expected credit loss allowance.

Under the three-stage approach, the financial instrument is allocated into three stages based on the relative movement in the credit risk.

- Stage 1 includes financial instruments that neither have a significant increase in credit risk since initial recognition nor credit-impaired as at reporting date. For these assets, 12-month expected credit loss allowance are recognised.
- Stage 2 includes financial instruments that have had a significant increase in credit risk since initial recognition but do not have objective evidence of impairment. For these assets, lifetime expected credit loss allowance are recognised.
- Stage 3 includes financial instruments that have objective evidence of impairment at the reporting date. For these assets, lifetime expected credit loss allowance are recognised.
- Purchased or originated credit-impaired financial assets are those financial assets that are credit-impaired on initial recognition. Their expected credit loss allowance is always measured on a lifetime basis (Stage 3).

The key judgements and assumptions adopted by the Bank in addressing the requirements of the standard on the measurement of allowances are:-

(1) Significant increase in credit risk ("SICR")

The assessment of SICR shall be a multifactor and holistic analysis and based on a mixture of quantitative and/or qualitative information. To determine whether the risk of default of a loan has increased significantly since initial recognition, the current risk of default at the reporting date is compared with the risk of default at initial recognition.

RUI LI (CAMBODIA) BANK PLC.

(Incorporated in Cambodia)

Registration No: 00039263

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

27. FINANCIAL INSTRUMENTS (CONT'D)

27.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit risk (Cont'd)

(i) Credit risk measurement (Cont'd)

The key judgements and assumptions adopted by the Bank in addressing the requirements of the standard on the measurement of allowances are (Cont'd):-

(2) Definition of credit impaired

Loans and advances

The Bank classifies a loan and advance as impaired when it meets one or more of the following criteria:-

- The principal or interest or both of the loan is past due for more than 3 months for short term loans and 1 year for long term loans;
- The loan is forced impaired due to various reasons, such as bankruptcy;
- The loan is classified as "Loss" as per NBC's requirement.

(3) Definition of default

Loans and advances

The Bank defines a financial instrument as in default when it meets one or more of the following criteria:-

- Credit-impaired;
- Write-off/charged-off accounts.

(4) Measuring ECL – inputs, assumptions and estimation techniques

The ECL is measured on either a 12-month or Lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. The 12-month or Lifetime ECL reflects multiple forward-looking scenarios and is weighted based on the probability of occurrence for each scenario. The ECL can be assessed and measured either on collective or individual basis.

For collective assessment, the ECL is determined by projecting the Probability of Default ("PD"), Loss Given Default ("LGD") and Exposure at Default ("EAD") for each future month and for each individual exposure or collective segment. The three components are multiplied together to calculate an ECL for each future month, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

RUI LI (CAMBODIA) BANK PLC.

(Incorporated in Cambodia)

Registration No: 00039263

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

27. FINANCIAL INSTRUMENTS (CONT'D)

27.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit risk (Cont'd)

(i) Credit risk measurement (Cont'd)

The key judgements and assumptions adopted by the Bank in addressing the requirements of the standard on the measurement of allowances are (Cont'd):-

(4) Measuring ECL – inputs, assumptions and estimation techniques (Cont'd)

For individual assessment, the ECL allowance is determined by comparing the outstanding exposure with the present value of cash flow which is expected to be received from the borrower.

Probability of Default

The PD represents the likelihood of a borrower will be unable to meet its financial obligation either over the next 12 months (12-month PD) or over the remaining lifetime (Lifetime PD) of the obligation.

The PD is derived based on the modelling approach of which statistical analysis and expert judgement was performed to identify the risk parameters which correlate with the historical observed default. The model relies on the risk parameters and its correlation with the historical observed default to predict the 12-month PD.

Exposure at Default

EAD is the total amount that the Bank is exposed to at the time the borrower defaults.

The 12-month and lifetime EADs are determined based on the expected payment profile. For amortising products and bullet repayment loans, this is based on the contractual repayments owed by the borrower over a 12-month or remaining maturity.

Loss Given Default

LGD represents the Bank's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default.

RUI LI (CAMBODIA) BANK PLC.

(Incorporated in Cambodia)

Registration No: 00039263

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

27. FINANCIAL INSTRUMENTS (CONT'D)

27.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit risk (Cont'd)

(i) Credit risk measurement (Cont'd)

The key judgements and assumptions adopted by the Bank in addressing the requirements of the standard on the measurement of allowances are (Cont'd):-

(4) Measuring ECL – inputs, assumptions and estimation techniques (Cont'd)

Loss Given Default (Cont'd)

The 12-month and lifetime LGDs are determined based on the factors which impact the recoveries made post default. These vary by product type.

- For secured products, this is primarily based on collateral type and projected collateral values, historical discounts to market/book values due to forced sales, time to repossession and recovery costs observed.
- For unsecured products, LGD's are typically set at product level due to the limited differentiation in recoveries achieved across different borrowers. These LGD's are influenced by collection strategies, including contracted debt sales and price.

The assumptions underlying the ECL calculation are monitored and reviewed periodically. There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

(5) Forward-looking information incorporated into the ECL models

The estimation of ECL incorporates forward-looking information. The Bank has performed statistical analysis based on historical experience and identified the key economic variables impacting credit risk and expected credit losses for each portfolio. The relationship of these economic variables on the PD, EAD and LGD has been determined by performing statistical regression analysis to understand the impact changes in these variables have had historically on default rates and on the components of PD and LGD. These economic variables and their associated impact on the PD, EAD and LGD vary by financial instrument. Expert judgement has also been applied in this process.

RUI LI (CAMBODIA) BANK PLC.

(Incorporated in Cambodia)

Registration No: 00039263

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

27. FINANCIAL INSTRUMENTS (CONT'D)

27.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit risk (Cont'd)

(i) Credit risk measurement (Cont'd)

The key judgements and assumptions adopted by the Bank in addressing the requirements of the standard on the measurement of allowances are (Cont'd):-

(5) Forward-looking information incorporated into the ECL models (Cont'd)

As with any economic forecasts, the projections and likelihoods of occurrence are subject to some degree of inherent uncertainty and therefore the actual outcomes may be different to those projected. The Bank considers these forecasts to represent its best estimate of the possible outcomes and are appropriately representative of the range of possible scenarios. The scenario weightage, number of scenarios and their attributes are reassessed periodically.

(6) Grouping of exposure for ECL measured on collective basis

For expected credit loss provisions modelled on a collective basis, a grouping of exposures is performed on the basis of shared risk characteristics, such that risk exposures within a group are homogeneous.

In performing this grouping, there must be sufficient information for the group to be statistically credible. Where sufficient information is not available internally, the Bank has considered benchmarking internal/external supplementary data to use for modelling purposes.

The appropriateness of groupings is monitored and reviewed on a periodic basis.

(ii) Risk limit control and mitigation policies

The Bank operates and provides loans and advances to individuals or enterprises within the Kingdom of Cambodia. The Bank manages limits and controls concentration of credit risk whenever they are identified.

The Bank employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security in the form of collateral for loans to customers, which is common practice. The Bank implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types secured for loans to customers are:-

- Mortgages over residential properties (land, building and other properties);
- Charges over business assets such as land and buildings; and
- Cash in the form of margin deposits.

RUI LI (CAMBODIA) BANK PLC.

(Incorporated in Cambodia)

Registration No: 00039263

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

27. FINANCIAL INSTRUMENTS (CONT'D)

27.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit risk (Cont'd)

(iii) Impairment and provisioning policies

The Bank is required to follow the mandatory credit classification and provisioning in accordance with Prakas B7-017-344 and B7-018-001 dated 1 December 2017 and 16 February 2018 respectively on loan classification and provisioning. The impairment policy is set out in Note 7.

At each reporting date, the Bank assesses whether any of financial assets at amortised cost are credit impaired.

Loans and advances

The bank applies a three-stage approach based on the change in credit quality since initial recognition:

(i) Stage 1: 12-month ECL – not credit-impaired

For exposures where there has not been a significant increase in credit risk since initial recognition and that are not credit-impaired upon origination, the ECL associated with the probability of default events occurring within next 12 months will be recognised.

(ii) Stage 2: Lifetime ECL - not credit-impaired

For exposures where there has been a significant increase in credit risk since initial recognition but that are not credit-impaired, a lifetime ECL will be recognised.

(iii) Stage 3: Lifetime ECL - credit-impaired

Financial assets are assessed as credit-impaired when one or more events that have detrimental impact on the estimated future cash flows of that asset have occurred. For financial assets that are credit-impaired, a lifetime ECL will be recognised.

Stage	Credit risk status	Default indicator	
		Short-term loan	Long-term loan
1	12-month ECL – not credit-impaired	0 to 14 days past due (“DPD”)	0 to 29 days past due (“DPD”)
2	Lifetime ECL – not credit-impaired	15 to 30 DPD	30 to 89 DPD
3	Lifetime ECL – credit-impaired	More than 31 DPD	More than 89 DPD

RUI LI (CAMBODIA) BANK PLC.

(Incorporated in Cambodia)

Registration No: 00039263

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023****27. FINANCIAL INSTRUMENTS (CONT'D)**

27.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit risk (Cont'd)

(iii) Impairment and provisioning policies (Cont'd)

Loans and advances (Cont'd)

The information about the exposure to credit risk and the loss allowances calculated under CIFRS 9 for loans and advances are summarised below:-

	Gross Amount USD	-----Loss Allowance for ECL----->			Carrying amount USD
		12-month ECL (Stage 1) USD	Lifetime ECL - not credit impaired (Stage 2) USD	Lifetime ECL - credit impaired (Stage 3) USD	
2023					
Not pass due					
1 – 30 days past due	-	-	-	-	-
30 – 90 days past due	-	-	-	-	-
more than 90 days	-	-	-	-	-
	-	-	-	-	-
2022					
Not pass due	126,200,066	(1,822,582)	-	-	124,377,484
1 – 30 days past due	-	-	-	-	-
30 – 90 days past due	-	-	-	-	-
more than 90 days	-	-	-	-	-
	126,200,066	(1,822,582)	-	-	124,377,484

RUI LI (CAMBODIA) BANK PLC.

(Incorporated in Cambodia)

Registration No: 00039263

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023****27. FINANCIAL INSTRUMENTS (CONT'D)**

27.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit risk (Cont'd)

(iii) Impairment and provisioning policies (Cont'd)

Loans and advances (Cont'd)

The information about the exposure to credit risk and the loss allowances calculated under CIFRS 9 for loans and advances are summarised below:-

	Gross Amount KHR'000	Loss Allowance for ECL			Carrying amount KHR'000
		12-month ECL (Stage 1) KHR'000	Lifetime ECL - not credit impaired (Stage 2) KHR'000	Lifetime ECL - credit impaired (Stage 3) KHR'000	
2023					
Not pass due	-	-	-	-	-
1 – 30 days past due	-	-	-	-	-
30 – 90 days past due	-	-	-	-	-
more than 90 days	-	-	-	-	-
	-	-	-	-	-
2022					
Not pass due	519,565,672	(7,503,570)	-	-	512,062,102
1 – 30 days past due	-	-	-	-	-
30 – 90 days past due	-	-	-	-	-
more than 90 days	-	-	-	-	-
	519,565,672	(7,503,570)	-	-	512,062,102

RUI LI (CAMBODIA) BANK PLC.

(Incorporated in Cambodia)

Registration No: 00039263

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023****27. FINANCIAL INSTRUMENTS (CONT'D)**

27.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit risk (Cont'd)

(iii) Impairment and provisioning policies (Cont'd)

The movement is the loss allowance for ECL in respect of loans and advances are disclosed in Note 7.

Other receivables

Other receivables are also subject to the impairment requirements of CIFRS 9, the identified impairment loss was immaterial and hence, it is not provided for.

Bank Balances

Bank balances are also subject to the impairment requirements of CIFRS 9, the identified impairment loss was immaterial and hence, it is not provided for.

(iv) Maximum exposure to credit risk before collateral held or other credit enhancements

The credit exposure arising from on and off balance sheet activities are as follows:-

	2023 USD	2022 USD	2023 KHR'000	2022 KHR'000
Credit risks exposures relating to on-balance sheet assets:-				
Deposits and placements with other banks – gross	50,485	138,299	206,231	569,377
Loans and advances – gross	-	126,200,066	-	519,565,672
Amount owing by related party	60,000,000	75,770,000	245,100,000	311,945,090
Other assets	78,809	8	321,907	33
	<u>60,129,294</u>	<u>202,108,373</u>	<u>245,628,138</u>	<u>832,080,172</u>
Credit risks exposures relating to off-balance sheet items:-				
Unused portion of credit facilities	-	-	-	-
Total maximum credit risk exposure	<u>60,129,294</u>	<u>202,108,373</u>	<u>245,628,138</u>	<u>832,080,172</u>

RUI LI (CAMBODIA) BANK PLC.

(Incorporated in Cambodia)

Registration No: 00039263

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

27. FINANCIAL INSTRUMENTS (CONT'D)

27.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit risk (Cont'd)

(v) Exposure to credit risk

At the end of the reporting period, the maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statement of financial position of the Bank after deducting any allowance for impairment losses (where applicable).

Loans with renegotiated terms/restructured loans

Loans with renegotiated terms are loans that have been rescheduled or refinanced in accordance with an agreement setting forth a new repayment schedule on a periodic basis occasioned by weaknesses in the borrower's financial condition and/or inability to repay the loan as originally agreed. Loans to be restructured are analyzed on the basis of the business prospects and repayment capacity of the borrower according to new cash flow projections supported by updated business perspectives and overall market conditions being based on realistic and prudent assumptions.

Once the loan is restructured it remains in the same category independent of satisfactory performance after restructuring. The classification is not improved unless there are no arrears in repayment of principal and interest within 3 installment periods and within a period of not less than 3 months.

Write-off policy

In compliance with NBC Guidelines, the Bank shall remove a loan/advance or a portion of a loan from its balance sheet when the Bank loses control of the contractual rights over the loan or when all or part of a loan is deemed uncollectible; or there is no realistic prospect of recovery.

Collateral

The Bank holds collateral against loans and advances in the form of mortgage interests over property and/or guarantees. Estimates of fair value are based on the value of collateral assessed on an annual basis. There were no non-financial assets obtained by the Bank during the year by taking possession of collateral held as security against loans and advances. The repossessed properties have to be sold within one year as the required by the NBC Guidelines and are classified in the statement of financial position as foreclosed property.

Concentration of credit risk

The analysis of concentrations of credit risk from loans and advances at the end of the reporting period is shown in Note 7 to the financial statements.

RUI LI (CAMBODIA) BANK PLC.

(Incorporated in Cambodia)

Registration No: 00039263

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

27. FINANCIAL INSTRUMENTS (CONT'D)

27.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(c) Market Risk

Market risk is the risk of loss arising from adverse movement in the level of market prices or rates, the two key components being foreign currency exchange risk and interest rate risk. Market risk arising from the trading activities is controlled by marking to market the trading positions against their predetermined market risk limits.

(i) Foreign currency risk

Foreign currency exchange risk refers to the adverse exchange rate movements on foreign currency exchange positions taken from time to time. The Bank maintains a policy of not exposing itself to large foreign exchange positions. Any foreign currency exchange open positions are monitored against the operating requirements, predetermined position limits and cut-loss limits.

Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities denominated in a currency that is not the Bank's functional currency.

The Bank's exposure to foreign currency exchange rate risk at the end of the reporting period is disclosed in the respective notes to the financial statements.

Any reasonably possible change in the foreign currency exchange rates at the end of the reporting period against the functional currencies of the Bank does not have a material impact on the profit/loss after taxation and other comprehensive income of the Bank and hence, no sensitivity analysis is presented.

(ii) Interest rate risk

Interest rate risk refers to the volatility in net interest income as a result of changes in the levels of interest rate and shifts in the composition of the assets and liabilities. Interest rate risk is managed through close monitoring of returns on investment, market pricing, cost of funds and through interest rate sensitivity gap analysis. The potential reduction in net interest income from an unfavorable interest rate movement is monitored against the risk tolerance limits set.

The Bank's exposure to interest rate risk based on the carrying amounts of the financial instruments at the end of the reporting period is disclosed in respective notes to the financial statements.

Fair value sensitivity analysis for fixed rate instruments

The Bank does not account for any fixed rate liabilities at fair value through profit or loss, and the Bank does not have derivatives as at the year end.

RUI LI (CAMBODIA) BANK PLC.

(Incorporated in Cambodia)

Registration No: 00039263

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

27. FINANCIAL INSTRUMENTS (CONT'D)

27.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(c) Market Risk (Cont'd)

(ii) Interest rate risk (Cont'd)

Therefore, a change in interest rates at the reporting date would not affect profit or loss.

Sensitivity analysis for floating rate instruments

The Bank does not have significant floating rate instruments. Any reasonably possible change in the interest rates of floating rate instruments at the end of the reporting period does not have a material impact on the profit after tax and other comprehensive income of the Bank and hence, no sensitivity analysis is presented.

(iii) Equity price risk

The Bank does not have any quoted investments and hence is not exposed to equity price risk.

(d) Liquidity Risk

Liquidity risk relates to the ability to maintain sufficient liquid assets to meet its financial commitments and obligations when they fall due at a reasonable cost.

In addition to full compliance of all liquidity requirements, the management of the Bank closely monitors all inflows and outflows and the maturity gaps through periodical reporting. Movements in loans and customers' deposits are monitored and liquidity requirements adjusted to ensure sufficient liquid assets to meet its financial commitments and obligations as and when they fall due.

RUI LI (CAMBODIA) BANK PLC.

(Incorporated in Cambodia)

Registration No: 00039263

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023****27. FINANCIAL INSTRUMENTS (CONT'D)**

27.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(d) Liquidity Risk (Cont'd)*Maturity Analysis*

The following table sets out the maturity profile of the financial liabilities at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period):-

	Weighted Average Effective Interest Rate %	Carrying Amount USD	Contractual undiscounted cash flow USD	Within 1 Year USD	1 - 5 Years USD	Over 5 Years USD
2023						
<u>Non-derivative Financial Liabilities</u>						
Deposits from customers	n/a	105	105	105	-	-
Other payable	n/a	30,891	30,891	30,891	-	-
Amount owing to shareholder	n/a	551,156	551,156	551,156	-	-
Lease liabilities	4.5%	2,647,897	3,075,432	426,720	1,784,096	864,616
		3,230,049	3,657,584	1,008,872	1,784,096	864,616
2022						
<u>Non-derivative Financial Liabilities</u>						
Deposits from customers	0% - 6%	71,795,074	71,795,074	71,795,074	-	-
Other payables	n/a	1,607,952	1,607,952	1,607,952	-	-
Amount owing to shareholder	n/a	63,309	63,309	63,309	-	-
Deposit from banks	0% - 6%	66,537,456	66,537,456	46,537,456	20,000,000	-
Lease liabilities	4.5%	3,591,109	4,662,152	666,720	2,679,712	1,315,720
		143,594,900	144,665,943	120,670,511	22,679,712	1,315,720

RUI LI (CAMBODIA) BANK PLC.

(Incorporated in Cambodia)

Registration No: 00039263

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023****27. FINANCIAL INSTRUMENTS (CONT'D)**

27.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(d) Liquidity Risk (Cont'd)*Maturity Analysis (Cont'd)*

The following table sets out the maturity profile of the financial liabilities at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period) (Cont'd):-

	Weighted Average Effective Interest Rate %	Carrying Amount KHR'000	Contractual undiscounted cash flow KHR'000	Within 1 Year KHR'000	1 - 5 Years KHR'000	Over 5 Years KHR'000
2023						
<u>Non-derivative Financial Liabilities</u>						
Deposits from customers	n/a	429	429	429	-	-
Other payables	n/a	126,190	126,190	126,190	-	-
Amount owing to shareholder	n/a	2,251,472	2,251,472	2,251,472	-	-
Lease liabilities	4.5%	10,816,659	12,563,140	1,743,151	7,288,032	3,531,957
		13,194,750	14,941,231	4,121,242	7,288,032	3,531,957
2022						
<u>Non-derivative Financial Liabilities</u>						
Deposits from customers	0% - 6%	295,580,320	295,580,320	295,580,320	-	-
Other payables	n/a	6,619,938	6,619,938	6,619,938	-	-
Amount owing to shareholder	n/a	260,643	260,643	260,643	-	-
Deposit from banks	0% - 6%	273,934,706	273,934,706	191,594,706	82,340,000	-
Lease liabilities	4.5%	14,784,596	19,194,079	2,744,886	11,032,374	5,416,819
		591,180,203	595,589,686	496,800,493	93,372,374	5,416,819

RUI LI (CAMBODIA) BANK PLC.

(Incorporated in Cambodia)

Registration No: 00039263

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

27. FINANCIAL INSTRUMENTS (CONT'D)

27.2 CAPITAL RISK MANAGEMENT

(a) Regulatory Capital

The Bank's objectives when managing capital, which is a broader concept than the 'equity' on the face of the statement of financial position, are:-

- To comply with the capital requirements set by the NBC;
- To safeguard the Bank's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of the business.

The NBC requires all the Banks to (i) fulfill the minimum capital requirements, and (ii) comply with solvency, liquidity and other requirements.

(b) Capital allocation

The allocation of capital between specific operations and activities is, to a large extent, driven by optimisation of the return achieved on the capital allocated. The amount of capital allocated to each operation or activity is based primarily upon the regulatory capital.

There was no change in the Bank's approach to capital management during the financial year.

RUI LI (CAMBODIA) BANK PLC.

(Incorporated in Cambodia)

Registration No: 00039263

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023****27. FINANCIAL INSTRUMENTS (CONT'D)**

27.3 CLASSIFICATION OF FINANCIAL INSTRUMENTS

	2023 USD	2022 USD	2023 KHR'000	2022 KHR'000
Financial assets				
<u>Amortised Cost</u>				
Cash on hand	4,155,672	91,951	16,975,920	378,562
Deposits and placements with other banks	50,485	138,299	206,231	569,377
Loans and advances	-	124,377,484	-	512,062,102
Amount owing by related party	60,000,000	75,770,000	245,100,000	311,945,090
Other assets	78,809	8	321,907	33
Statutory deposits with National Bank of Cambodia	13,500,250	13,540,745	55,148,521	55,747,247
	<u>77,785,216</u>	<u>213,918,487</u>	<u>317,752,579</u>	<u>880,702,411</u>
Financial liabilities				
<u>Amortised Cost</u>				
Deposits from customers	105	71,795,074	429	295,580,320
Other payables	30,891	1,607,952	126,190	6,619,938
Amount owing to shareholder	551,156	63,309	2,251,472	260,643
Deposit from banks	-	66,537,456	-	273,934,706
	<u>582,152</u>	<u>140,003,791</u>	<u>2,378,091</u>	<u>576,395,607</u>

27.4 GAINS OR LOSSES ARISING FROM FINANCIAL INSTRUMENTS

	2023 USD	2022 USD	2023 KHR'000	2022 KHR'000
Financial assets				
<u>Amortised Cost</u>				
Net gain recognised in profit or loss	7,993,865	13,298,806	32,854,785	54,352,220
Financial liabilities				
<u>Amortised Cost</u>				
Net losses recognised in profit or loss	(2,572,951)	(4,671,346)	(10,574,829)	(19,091,791)

RUI LI (CAMBODIA) BANK PLC.

(Incorporated in Cambodia)

Registration No: 00039263

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023**

28. COMPARATIVE FIGURES

The following figures have been reclassified to conform with the presentation of the current financial year due to the change in account grouping by the management:-

	As previously reported		As restated	
	31 December 2022		31 December 2022	
	USD	KHR'000	USD	KHR'000
Amount owing by related party	-	-	75,770,000	311,945,090
Other assets	75,914,811	312,541,277	144,811	596,187
Amount owing to shareholder	-	-	63,309	260,643
Other payables	1,734,871	7,142,464	1,671,562	6,881,821



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PEAK WEALTH BANK
典豐銀行