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Cam Capital Public Limited Company



ANNUAL
REPORT

2020

CONTENT

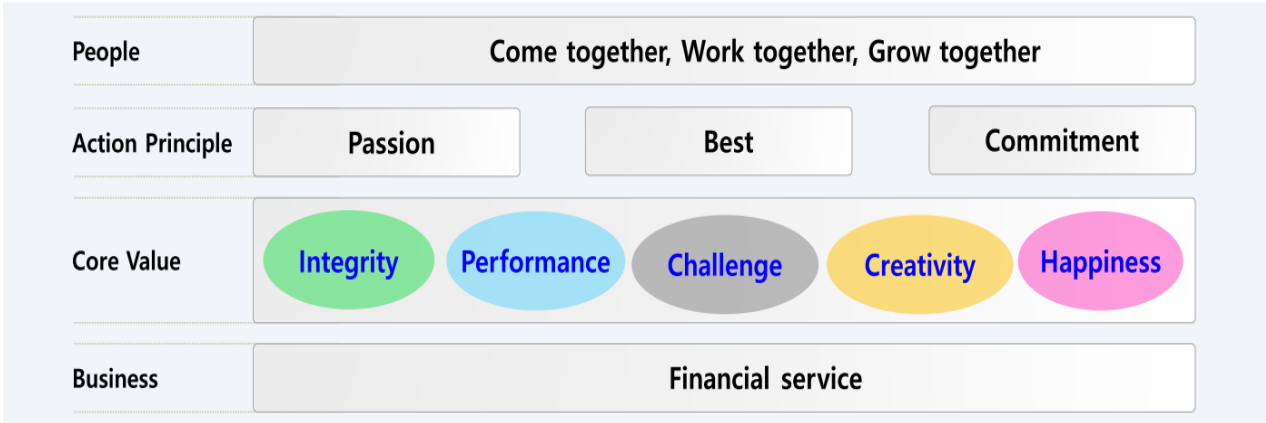
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MISSION

To make people happy with more flexibility to accommodate. And to improve the economic and social conditions of Cambodian low-income family, especially those of small and micro enterprises by providing the best financial services.

VISION

To become the pioneering and sustainable financial institution in Cambodia.



MESSAGE FROM CEO



Cam Capital Public Limited Company (“the company”) has been established in the purposes and dreams of DGB Capital Co., LTD who is the company’s sole shareholder. Throughout the initiatives, as well as a strong commitment, the company has overcome all obstacles and received the official business operating license from The National Bank of Cambodia, No. M.F-61, issued on 02nd December 2019.

I am very pleased with the reports that have shown an additional year of our success. The company has attained the best financial result and record of significant growth because of the strong support from headquarter and everyone who share the same goal and work collaboratively as a group to complete a task in the most effective and efficient way.

Currently, the company is expanding and continuing to open more branches to meet the need of our customers who are struggling financially when they try to open new or expand the existing businesses. Especially, we are always ready to provide "More flexibility to accommodate client's need". At the same time, we always adhere to core 6 values such as Integrity, Challenge, Performance, Digital, Happiness and Morals.

With the steady growth of the company, we make sure that we operate in a way that demonstrates social responsibility. Therefore, we are initiating CSR (Corporate Social Responsibility) to contribute to help further develop our community by partnering with a local NGO to help the local primary school by constructing cement road to the school main gate and back gate and also supplying school supplies to students in need within this year. For the following years, we are planning to build 2 toilets, the playground field and providing necessary supplies. We will continue to work closely with the local NGO to provide support to school in needs.

In conclusion, I wish to thank the management team of Cam Capital Plc for shaping our future and employees for their hard work to achieve it. I also sincerely thank our shareholders for their confidence in our strategy and full support for our development. Ultimately, I thank all the customers for their trust in Cam Capital Plc and contribution to our development.

Sincerely yours,

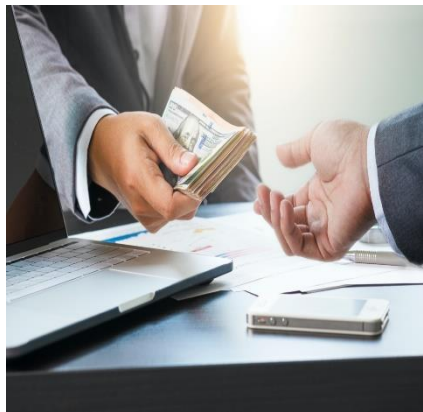
Ros Thearith, CEO

LOAN PRODUCTS

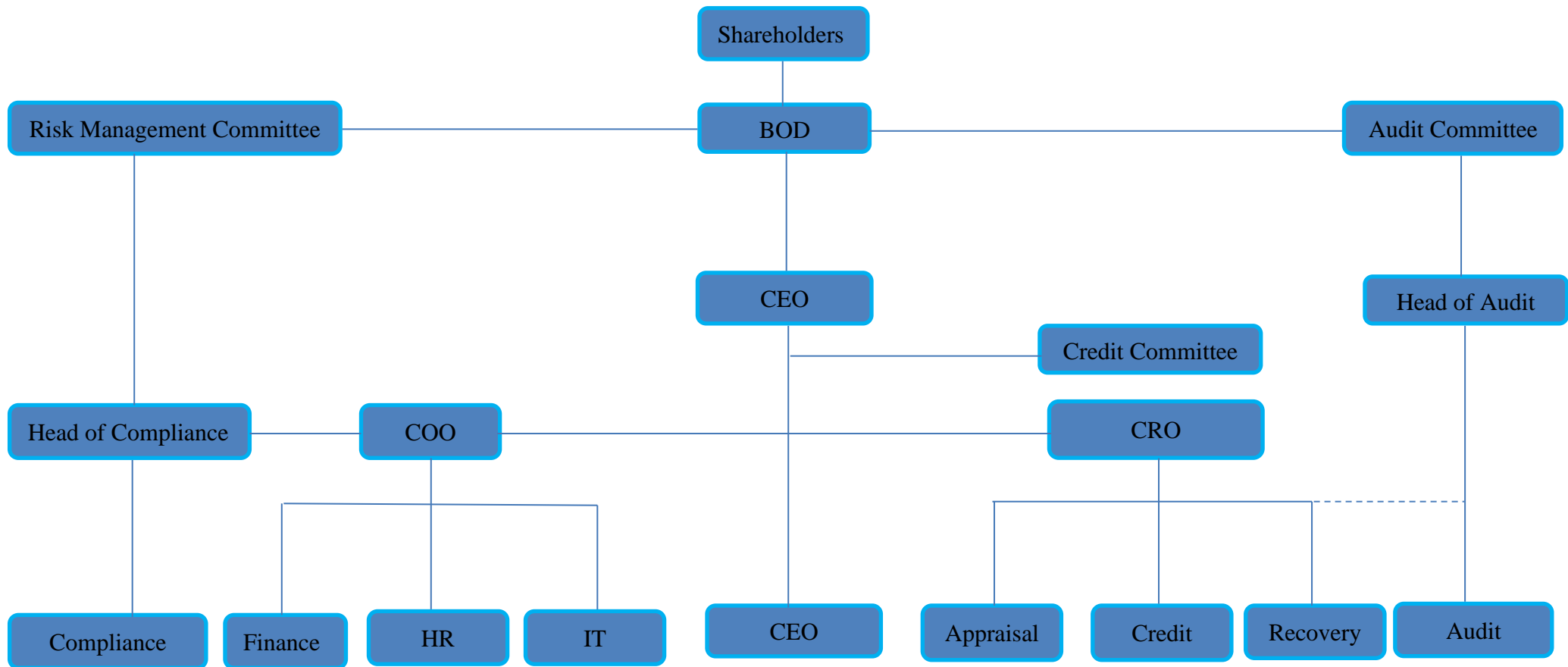
The Company offers financial products and services to individual or corporate borrower is as General loans and more details are as following:

Short term loans: short term loans are loans up to 12 months in maturity. These loans are for working capital purposes and other short-term purposes. Repayment is required at bullet payment, or on an amortizing basis.

Long term loans: long term loans are made for machinery and equipment investment and other long-term purposes, exceeding 12 months in maturity. Loans are extended based upon careful analysis of the borrower's cash flows and business cycle risks.



ORGANIZATION CHART



SHARE CAPITAL AND SHAREHOLDERS

All of the 5,500,000 ordinary shares have been fully subscribed and paid up by the following shareholder(s) according to their respective shareholding ratio in the company. The Company's shareholder(s) are as follows:

No	Name	Number of Shares	Amount US\$	Share in %
1	DGB Capital Co., Ltd. (Represented by Mr. Park Nam Kyu)	5,500,000	5,500,000 USD	100%
Total		5,500,000	5,500,000 USD	100%

Note: Ordinary Shares with a par value of USD 1 (One US Dollar) per share.

REPORT OF THE BOARD OF DIRECTORS

The Board of Directors of CAM Capital Public Limited Company (“the Company”) presents its report and the Company’s financial statements as at 31 December 2020 and for the year then ended.

THE COMPANY

The Company, previously known as Collective Win (Cambodia) Plc, is a public limited company incorporated in Cambodia and registered with the Ministry of Commerce under Registration Number Co., 2160KH/2015, dated 23 June 2015. On 2 December 2019, the Company obtained its license from the National Bank of Cambodia (“NBC”) to operate as a micro-finance institution. The Company’s immediate parent company is DGB Capital Co., Ltd., a company incorporated in South Korea.

The principal activity of the Company is to provide microfinance services to low-income individuals and small and medium enterprises through its office in the Kingdom of Cambodia.

The Company’s registered office address is located at No. R-02, Ruby Street, Sangkat Tumnob Teuk, Khan Chamkar Mon, Phnom Penh, Kingdom of Cambodia. The Company’s operating office locates at No. 318, Street 271, Phum 5, Sangkat Steung Mean Chey 2, Khan Mean Chey, Phnom Penh, Kingdom of Cambodia.

FINANCIAL RESULTS

The financial performance of the Company is set out in the statement of comprehensive income.

PAID-UP CAPITAL

The Company’s paid-up capital increased by US\$4,000,000 during the year.

DIVIDENDS

No dividends were declared during the year.

RESERVES AND PROVISIONS

There were no material movements to or from reserves and provisions during the financial year other than those disclosed in the financial statements.

BAD AND DOUBTFUL LOANS AND ADVANCES TO CUSTOMERS

Before the financial statements of the Company were drawn up, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad loans and the making of provisions for bad and doubtful loans and satisfied themselves that all known bad loans had been written off and that adequate provisions had been made for bad and doubtful loans.

At the date of this report, the directors are not aware of any circumstances which would render the amount written off for bad loans or the amount of the provision for bad and doubtful loans in the financial statements of the Company inadequate to any material extent.

CURRENT ASSETS

Before the financial statements of the Company were drawn up, the directors took reasonable steps to ascertain that any current assets, other than loans, which were unlikely to be realized in the ordinary course of business at their value as shown in the accounting records of the Company, have been written down to an amount which they might be expected to realize.

At the date of this report, the directors are not aware of any circumstances which would render the values attributed to the current assets in the financial statements of the Company misleading in any material respect.

VALUATION METHODS

At the date of this report, the directors are not aware of any circumstances that have arisen which would render adherence to the existing method of valuation of assets and liabilities in the financial statements of the Company misleading or inappropriate in any material respect.

CONTINGENT AND OTHER LIABILITIES

At the date of this report, there is:

- No charge on the assets of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; and
- No contingent liability in respect of the Company that has arisen since the end of the financial year other than in the ordinary course of business.

No contingent or other liability of the Company 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 have a material effect on the ability of the Company to meet its obligations as and when they become due.

EVENTS AFTER THE REPORTING PERIOD

No significant events occurred after the balance sheet date requiring disclosure or adjustment other than those already disclosed in the accompanying notes to the financial statements.

THE BOARD OF DIRECTORS

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

Mr. Sur Juing Doung	Chairman (appointed on 22 May 2020)
Mr. Kang Jeong Hun	Director
Mr. Cho Yunho	Independent Director (appointed on 29 January 2021)
Mr. Lee Jae Yung	Chairman (resigned on 22 May 2020)
Mr. Kim Chul Woong	Independent Director (resigned on 29 January 2021)

AUDITOR

Ernst & Young (Cambodia) Ltd is the auditor of the Company.

DIRECTORS' INTERESTS

No members of the Board of Directors hold any interest in the equity of the Company.

DIRECTORS' BENEFITS

During and at the end of the year, no arrangement existed, to which the Company was a party, whose object was to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other corporate body.

No director of the Company has received or become entitled to receive any benefit by reason of a contract made by the Company or with a firm in which the director is a member, or with a company which the director has a material financial interest other than those disclosed in the financial statements.

STATEMENT OF THE BOARD OF DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Board of Directors is responsible for ensuring that the financial statements give a true and fair view of the financial position of the Company as at 31 December 2020, and its financial performance and its cash flows for the year then ended. The Board of Directors oversees preparation of these financial statements by management who is required to:

- Adopt appropriate accounting policies which are supported by reasonable and prudent judgments and estimates and then apply them consistently;
- Comply with Cambodian International Financial Reporting Standard for Small and Medium-sized Entities ("CIFRS for SMEs"), or if there has been any departure in the interest of fair presentation, ensure this has been appropriately disclosed, explained and quantified in the financial statements;
- Maintain adequate accounting records and an effective system of internal controls;
- Prepare the financial statements on a going concern basis unless it is inappropriate to assume that the Company will continue operations in the foreseeable future; and
- Set overall policies for the Company, ratify all decisions and actions that have a material effect on the operations and performance of the Company, and ensure they have been properly reflected in the financial statements.

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

The Board of Directors confirms that the Company has complied with these requirements in preparing the financial statements.

APPROVAL OF THE FINANCIAL STATEMENTS

We hereby approve the accompanying financial statements which give a true and fair view of the financial position of the Company as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with CIFRS for SMEs.

On behalf of the Board of Directors



Mr Sur Juing Doung
Chairman

Phnom Penh, Kingdom of Cambodia

28 June 2021

INDEPENDENT AUDITOR'S REPORT

To: The Shareholder of CAM Capital Public Limited Company

Opinion

We have audited the financial statements of CAM Capital Public Limited Company (“the Company”), which comprise the statement of financial position as at 31 December 2020, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with Cambodian International Financial Reporting Standard for Small and Medium-sized Entities (“CIFRS for SMEs”).

Basis for Opinion

We conducted our audit in accordance with Cambodian International Standards on Auditing (“CISAs”). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with on the Code of Ethics for Professional Accountants and Auditors issued by the Ministry of Economy and Finance of Cambodia, together with the ethical requirements that are relevant to our audit of the financial statements in Cambodia, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The financial statements of the Company as at and for the year ended 31 December 2019 were audited by another auditor who expressed an unmodified opinion on those statements on 27 November 2020.

Other Information

The other information obtained at the date of the auditor's report comprises the Report of the Board of Directors as set out in pages 1 to 3. Management is responsible for the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other

Cam Capital Public Limited Company

information and, in doing so, consider whether the other information is materially inconsistent with the financial statements 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 this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with CIFRS for SMEs and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

We communicate with those charged with governance 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.



Sinratana Lan
Partner

Ernst & Young (Cambodia) Ltd.
Certified Public Accountants
Registered Auditors

Phnom Penh, Kingdom of Cambodia

28 June 2021



STATEMENT OF FINANCIAL POSITION

as at 31 December 2020

	Notes	2020		2019	
		US\$	KHR'000 equivalent (Note 2)	US\$	KHR'000 equivalent (Note 2)
ASSETS					
Cash on hand and in banks	4	1,446,025	5,849,171	83,107	338,661
Balances with the National Bank of Cambodia	5	276,482	1,118,370	76,211	310,560
Loans and advances to customers	6	6,718,821	27,177,631	277,584	1,131,155
Other assets	7	58,186	235,362	4,850	19,764
Property and equipment	8	579,298	2,343,260	4,805	19,580
Intangible asset	9	344,988	1,395,476	1,612	6,569
TOTAL ASSETS		9,423,800	38,119,270	448,169	1,826,289
LIABILITIES AND SHAREHOLDER'S EQUITY					
LIABILITIES					
Income tax payable	10	1,021	4,130	59	240
Borrowing	11	6,004,532	24,288,332	121,216	493,955
Other liabilities	12	213,893	865,196	78,201	318,669
Total liabilities		6,219,446	25,157,658	199,476	812,864
SHAREHOLDER'S EQUITY					
Share capital	13	5,500,000	22,000,000	1,500,000	6,000,000
Accumulated losses	14	(2,295,646)	(9,299,482)	(1,251,307)	(5,041,712)
Cumulative differences on exchange translation		-	261,094	-	55,137
Total shareholder's equity		3,204,354	12,961,612	248,693	1,013,425
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY		9,423,800	38,119,270	448,169	1,826,289

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2020

	Notes	2020		2019	
		US\$	KHR '000 equivalent (Note 2)	US\$	KHR '000 equivalent (Note 2)
Operating income					
Interest income	15	433,746	1,768,382	141,374	572,847
Interest expense	16	(21,111)	(86,070)	-	-
Net interest income		412,635	1,682,312	141,374	572,847
Fee and commission expense	17	(123,729)	(504,443)	-	-
Other operating income	18	8,228	33,546	132	535
Total operating income		297,134	1,211,415	141,506	573,382
General and administrative expenses	19	(1,206,729)	(4,919,834)	(198,191)	(803,070)
Provision for losses on loans and advances to customers	8	(129,767)	(529,060)	(352,549)	(1,428,529)
Loss before income tax		(1,039,362)	(4,237,479)	(409,234)	(1,658,217)
Income tax expense	10	(4,977)	(20,291)	(1,353)	(5,482)
Net loss for the year		(1,044,339)	(4,257,770)	(410,587)	(1,663,699)
<i>Other comprehensive income item:</i>					
Difference on exchange translation		-	205,957	-	28,137
Net comprehensive loss for the year		(1,044,339)	(4,051,813)	(410,587)	(1,635,562)

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2020

	<i>Share capital</i>		<i>Accumulated losses</i>		<i>Accumulated exchange translation</i>	<i>Total</i>	
	<i>US\$</i>	<i>KHR '000 equivalent (Note 2)</i>	<i>US\$</i>	<i>KHR '000 equivalent (Note 2)</i>	<i>KHR '000 equivalent (Note 2)</i>	<i>US\$</i>	<i>KHR '000 equivalent (Note 2)</i>
As at 1 January 2020	1,500,000	6,000,000	(1,251,307)	(5,041,712)	55,137	248,693	1,013,425
Additional share capital	4,000,000	16,000,000	-	-	-	4,000,000	16,000,000
Net loss for the year	-	-	(1,044,339)	(4,257,770)	-	(1,044,339)	(4,257,770)
Difference on exchange translation	-	-	-	-	205,957	-	205,957
As at 31 December 2020	5,500,000	22,000,000	(2,295,646)	(9,299,482)	261,094	3,204,354	12,961,612
As at 1 January 2019	1,500,000	6,000,000	(840,720)	(3,378,013)	27,000	659,280	2,648,987
Net loss for the period	-	-	(410,587)	(1,663,699)	-	(410,587)	(1,663,699)
Difference on exchange translation	-	-	-	-	28,137	-	28,137
As at 31 December 2019	1,500,000	6,000,000	(1,251,307)	(5,041,712)	55,137	248,693	1,013,425

STATEMENT OF CASH FLOWS

for the year ended 31 December 2020

	Notes	2020		2019	
		US\$	KHR'000 equivalent (Note 2)	US\$	KHR'000 equivalent (Note 2)
OPERATING ACTIVITIES					
Loss before income tax		(1,039,362)	(4,257,770)	(409,234)	(1,658,217)
<i>Adjustments for:</i>					
Depreciation and amortization	19	95,637	389,912	4,109	16,650
Provision for losses on loans and advances	6	116,969	476,883	352,549	1,428,529
Write-off of loans and advances	6	(1,346,045)	(5,487,825)	-	-
Recovery of loans and advances previously written off	6	(1,073)	(4,375)	-	-
Loss on property and equipment written off and adjustment	8	21	86	5,280	21,395
Interest expense	11	21,111	86,070	-	-
Operating loss before movements in operating assets and liabilities		(2,152,742)	(8,797,019)	(47,296)	(191,643)
<i>Movements in operating assets and liabilities:</i>					
Statutory deposit	5	(200,000)	(815,400)	-	-
Loans and advances to customers	6	(5,211,088)	(21,245,606)	163,037	660,626
Other assets	7	(53,336)	(217,451)	9,301	37,688
Other liabilities	12	135,692	553,216	41,608	168,595
Cash (used in) provided by operating activities		(7,481,474)	(30,522,260)	166,650	675,266
Interest paid	11	(16,579)	(67,593)	-	-
Income tax paid		(4,015)	(16,369)	(1,444)	(5,851)
Net cash (used in) generated from operating activities		(7,502,068)	(30,606,222)	165,206	669,415
INVESTING ACTIVITIES					
<i>Acquisition of:</i>					
Property and equipment	10	(656,062)	(2,674,765)	113	458
Software		(357,377)	(1,457,026)	(616)	(2,496)
Proceed from disposal of property and equipment		(88)	(359)	-	-
Net cash used in investing activities		(1,013,527)	(4,132,150)	(503)	(2,038)
FINANCING ACTIVITIES					
Proceeds (repayment of) from borrowings	11	6,000,000	24,462,000	(98,000)	(397,096)
Repayment of borrowing	11	(121,216)	(494,198)	-	-
Proceeds from capital contribution	13	4,000,000	16,308,000	-	-
Net cash generated from (used in) financing activities		9,878,784	40,275,802	(98,000)	(397,096)
Net increase in cash and cash equivalents		1,363,189	5,537,430	66,703	270,281
Cash and cash equivalents at beginning of year	5	84,318	343,764	17,615	70,777
Difference on exchange translation		-	(26,028)	-	2,538
Cash and cash equivalents at end of year	5	1,447,507	5,855,166	84,318	343,596



NOTES TO THE FINANCIAL STATEMENTS

as at 31 December 2020 and for the year then ended

1. CORPORATE INFORMATION

CAM Capital Public Limited Company (“the Company”) is a licensed microfinance institution (“MFI”) incorporated and registered in the Kingdom of Cambodia.

Establishment and operations

The Company, previously known as Collective Win (Cambodia) Plc, is a public limited company incorporated in Cambodia and registered with the Ministry of Commerce under Registration Number Co., 2160KH/2015, dated 23 June 2015. On 2 December 2019, the Company obtained its revised license from the National Bank of Cambodia (“NBC”) to operate as a micro-finance institution. The Company’s immediate parent company is DGB Capital Co., Ltd., a company incorporated in South Korea.

The principal activity of the Company is to provide microfinance services to low income individuals and small and medium enterprises through its office in the Kingdom of Cambodia.

The Company’s registered office address is located at No. R-02, Ruby Street, Sangkat Tumnob Teuk, Khan ChamKar Mon, Phnom Penh, Kingdom of Cambodia. The Company’s operating office locates at No. 318, Street 271, Phum 5, Sangkat Steung Mean Chey 2, Khan Mean Chey, Phnom Penh, Kingdom of Cambodia.

Employees

As at 31 December 2020, the Company had a total of 65 employees (2019: 14 employees).

Approval of the financial statements

The financial statements were authorized for issue by the Board of Directors (“BoD”) on 28 June 2021.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements, expressed in United States dollar (“US\$”), have been prepared on a historical cost basis, except otherwise indicated.

Basis of presentation

The financial statements of the Company, expressed in United States dollar (“US\$”), are prepared in accordance with Cambodian International Financial Reporting Standard for Small and Medium-sized Entities (“CIFRS for SMEs”).

The translation of the US\$ amounts into Khmer riel (“KHR”) is presented in the financial statements to comply with the Law on Accounting and Auditing and the relevant provision of CIFRS for SMEs using the closing and average rates for the year then ended.

Assets and liabilities are translated at the closing rate ruling at each reporting date, whereas income and expense items are translated at the average rate for the year then ended. All resulting exchange differences are recognized as a separate component of equity. Such translation should not be construed as a representation that the US\$ amounts represent, or have been or could be, converted into KHR at that or any other rate. All values in US\$ and KHR are rounded to the nearest dollar and thousand KHR (“KHR’000”), respectively, except otherwise indicated. The financial statements are presented in KHR based on the following applicable exchange rates per US\$1:

	2020	2019
Closing rate	4,045	4,075
Average rate	4,077	4,052

Fiscal year

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

Functional and presentation currency and foreign exchange

The national currency of Cambodia is KHR. However, as the Company transacts its business and maintains its accounting records primarily in US\$, management has determined the US\$ to be the Company’s currency for measurement and presentation purposes as it reflects the economic substance of the underlying events and circumstances of the Company.

Transactions in currencies other than US\$ are translated to US\$ at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in currencies other than US\$ which are outstanding at the reporting date are translated into US\$ at the rate of exchange ruling at that date. Exchange differences arising on translation are recognized in the statement of comprehensive income.

Financial instruments

The Company applied both Section 11 on Basic Financial Instruments and Section 12 on Other Financial Instrument Issues in full.

The Company's financial instruments consist of basic financial assets and liabilities such as cash on hand and in banks, current account with the NBC, loans and advances to customers, other current assets (except prepayment), borrowings and other liabilities (except withholding tax payables).

Financial assets and financial liabilities are recognized only when the entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially recognized at the transaction price unless the arrangement constitutes a financing transaction. A financing transaction may take place if payment is deferred beyond normal business terms or is financed at a rate of interest that is not a market rate. If the arrangement constitutes a financing transaction, the Company shall measure the financial asset or financial liability at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Transaction costs are included in the initial measurement of all financial assets and financial liabilities, except for financial instruments measured at fair value through profit or loss.

After initial recognition, all basic financial instruments are measured at amortized cost using effective interest method ("EIR").

At the end of each reporting period, the Company assesses whether there is objective evidence of impairment of any financial assets that are measured at cost or amortized cost. If there is objective evidence of impairment, the Company recognizes an impairment loss in profit or loss immediately.

For financial assets measured at amortized cost, the impairment loss is the difference between the asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate ("EIR"). If such a financial instrument has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR determined under the contract.

If, in a subsequent period, the amount of an impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the Company shall reverse the previously recognized impairment loss either directly or by adjusting an allowance account. The reversal shall not result in a carrying amount of the financial asset that exceeds what the carrying amount would have been had the impairment not previously been recognized. The Company shall recognize the amount of the reversal in profit or loss immediately.

Derecognition of financial assets and financial liabilities

Financial assets

The Company shall derecognize a financial asset only when:

- The contractual rights to the cash flows from the financial asset expire or are settled; or
- The Company transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or

- The Company, despite having retained some significant risks and rewards of ownership, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the Company shall (a) derecognize the asset, and (b) recognize separately any rights and obligations retained or created in the transfer.

If a transfer does not result in derecognition because the Company has retained significant risks and rewards of ownership of the transferred asset, the Company shall continue to recognize the transferred asset in its entirety and shall recognize a financial liability for the consideration received. The asset and liability shall not be offset. In subsequent periods, the entity shall recognize any income on the transferred asset and any expense incurred on the financial liability.

Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the carrying value of the original liability and the recognition of a new liability, at fair value and any resulting difference is recognized in profit or loss.

Cash and cash equivalents

For cash flow statement purposes, cash and cash equivalents include cash on hand, balances with the NBC and other banks and short-term highly liquid investments with original maturities of three months or less from the respective dates of placements, and that are readily convertible to known amounts of cash and subject to insignificant risk of change in value.

Balances with other banks

Balances with other banks are carried at cost.

Statutory deposit

Statutory deposit is maintained with the NBC in compliance with the Cambodian Law on Banking and Financial Institutions and is determined by defined percentage of minimum share capital as required by the NBC.

Loans and advances to customers

Loans and advances to customers are initially recognized at the transaction prices (including transaction costs) and subsequently measured at amortized cost using effective interest method.

At the end of each reporting period, the carrying amounts of loans and advances to customers are reviewed to determine whether there is any objective evidence of impairment. If there is objective evidence of impairment, an impairment loss is recognised

immediately in profit or loss. Impairment loss is the difference between carrying amounts of loans and advances and the present value of estimated cash flows discounted at the asset's original effective interest rate.

Objective evidences of impairment include observable data that come to the management's attention about the following loss events:

- Significant financial difficulty of the borrower;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- It has become probable that the borrower will enter bankruptcy;
- Observable data indicating that there has been a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, even though the decrease cannot yet be identified with the individual financial assets in the group, such as adverse national or local economic conditions or adverse changes in industry conditions.

Loans and advances to customers are grouped on the basis of similar credit risk characteristics.

Reversal of impairment

If, in a subsequent period, the amount of an impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the entity shall reverse the previously recognized impairment loss either directly or by adjusting an allowance account. The reversal shall not result in a carrying amount of the financial asset (net of any allowance account) that exceeds what the carrying amount would have been had the impairment not previously been recognized. The entity shall recognize the amount of the reversal in profit or loss immediately.

Regulatory reserve

Regulatory reserve is set up to account for the difference in provision between loan impairment determined in accordance with CIFRS for SMEs and the regulatory provision computed in accordance with NBC Prakas No B7-017-344 dated 1 December 2017 and Circular No B7-018-001 dated 16 February 2018 on credit risk classification and provision on impairment for banks and financial institutions.

The regulatory provision requires banks and financial institutions to classify their loan portfolio into five classes and provide general and specific allowance based on the loan classification as follows:

<i>Classification</i>	<i>Number of days past due</i>	<i>Allowance rate</i>
Standard	0 to 14 days (short-term)	1%
	0 to 29 days (long-term)	
Special mention	15 days to 30 days (short-term)	3%
	30 days to 89 days (long-term)	
Substandard	31 days to 60 days (short-term)	20%
	90 days to 179 days (long-term)	

Doubtful	61 days to 90 days (short-term)	
	180 days to 359 days (long-term)	50%
Loss	From 91 days (short-term)	
	360 days or more (long-term)	100%

The Company shall compare the provision calculated in accordance with CIFRS for SMEs and the regulatory provision, and:

- (i) In case the regulatory provision is lower than provision calculated under CIFRS for SMEs, the Company shall record the provision calculated in accordance with CIFRS for SMEs; and
- (ii) In case the regulatory provision is higher than provision calculated under CIFRS for SMEs, the Company shall record the provision calculated in accordance with CIFRS for SMEs and transfer the difference from retained earnings to the regulatory reserve.

Other assets

Amounts receivable are recognized initially at transaction prices and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of the amount's receivable is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The carrying amount of the amount's receivable is reduced through the use of the allowance account and the amount of loss is recognized in the statement of comprehensive income.

Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. After initial recognition, interest-bearing borrowings are measured at amortized cost using the effective interest rate method; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the statement of comprehensive income over the period of the borrowings using the effective rate method. For floating interest borrowings, effective interest rate is being calculated based on the revised cash flow expectations every reporting period.

Property and equipment

Property and equipment are stated at cost excluding day-to-day servicing, less accumulated depreciation and provision for impairment in value (if any). Changes in the expected useful life are accounted for by changing the depreciation period or method, as appropriate and treated as a change in accounting estimate

Property and equipment are stated at cost less accumulated depreciation and impairment losses, if any. The cost of property and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its

intended use. Where an item of property and equipment comprises, major components having different useful lives, the components are accounted for as separate items of property and equipment.

Subsequent expenditure relating to an item of property and equipment that has already been recognized is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Company. All other subsequent expenditure is recognized as an expense in the period in which it is expensed.

Gain or loss arising from the retirement or disposal of an item of property and equipment is determined as the difference between the estimated net disposal proceeds and the carrying amount of the assets and is recognized in profit or loss on the date of retirement or disposal.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset, as follows:

Leasehold improvements	5 years
Computer and IT equipment	5 years
Furniture and fixtures	5 years
Office equipment	5 years
Vehicles	5 years

Fully depreciated property and equipment are retained in the financial statements until disposed of or written off.

If there is an indication that there has been a significant change in the useful life or residual value of an asset, the depreciation of that asset is revised prospectively to reflect the new expectations.

Software

Software is stated at cost less accumulated amortization and accumulated impairment losses, if any. It is amortized on a straight-line basis at the rate of 25% per annum. If there is an indication that there has been a significant change in amortization rate, useful life or residual value of software, the amortization is revised prospectively to reflect the new expectations.

Impairment of non-financial assets

At each reporting date, property and equipment and intangible assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset (or group of related assets) is estimated and compared with its carrying amount. If estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognized immediately in profit or loss.

Calculation of recoverable amount

The recoverable amount of the Company's long-term assets is the higher of its fair value less costs to sell and its value in use. Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Reversals of impairment

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount and if circumstances subsequently improve and there is persuasive evidence that the improved circumstances will persist.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized.

Employee benefits

Short-term employee benefits

Short-term employee benefits are accrued in the financial period in which the associated services are rendered by the employees of the Company.

Retroactive seniority indemnity

On 21 September 2018, the Ministry of Labor and Vocational Training ("MoLVT") issued Prakas No. 443 on Seniority Payment to all enterprises, establishments and those who are covered by the provision of Article 89 (New) of the Labor Law. The said Prakas requires retroactive seniority payment. According to the clarification issued by MoLVT No. 042 dated 22 March 2019, the payment of retroactive seniority indemnity will be made from 2021 as follows:

- Equal to three days payable every June; and
- Equal to three days payable every December.

The retroactive seniority payment shall not exceed 6 months of employee's average wage of each retrospective year. Employees are not entitled to the payment if they resign before receiving it.

Leases

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

Company as a lessee

Operating lease payments are recognized as an expense in profit or loss on a straight-line basis over the lease term.

Corporate income tax

Current income tax

Income tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the year.

The current income tax charge is calculated on the basis of the tax rates and laws that have been enacted or substantially enacted by the reporting date in the countries where the Company operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretations. It establishes provisions, where appropriate, on the basis of the amounts expected to be paid to the tax authorities.

Deferred income tax

Deferred income tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, except where the deferred income tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred income tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized except where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The net carrying amount of deferred tax assets is reviewed at each reporting date and is adjusted to reflect the current assessment of future taxable profits. Any adjustments are recognized in profit or loss. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred income tax asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply to the taxable profit (tax loss) of the periods in which it expects the deferred tax asset to be realized or the deferred tax liability to be settled, on the basis of tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Other liabilities

Other liabilities are stated at cost which represents the fair value of the consideration expected to be paid in the future for goods and services received.

Provisions

Provisions are recognized when the Company has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of the provision is the present value of the expenditure expected to be required to settle the obligation.

Contingencies

Contingent liabilities are not recognized in the consolidated financial statements but are disclosed in the notes to consolidated financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized but disclosed in the notes to consolidated financial statements when an inflow of economic benefit is probable.

Effective interest rate

Effective interest rate (“EIR”) is a rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset or to the amortized cost of a financial liability.

When calculating the EIR, the Branch estimates the expected cash flow by considering all the contractual terms of the financial instrument, but not considering the expected credit loss. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Recognition of income or expense

Interest income is earned from loans and advances to customers and balances with the NBC and other banks. Interest income is calculated using the effective interest method presented in the statement of comprehensive income includes interest on financial assets measured at amortized cost.

Interest expense is also calculated using the EIR method for all financial liabilities held at amortized cost. Interest expense presented in the statement of comprehensive income includes financial liabilities measured at amortized cost.

Related parties

Enterprises and individuals that directly or indirectly, through one or more intermediaries, control, are controlled by or under common control with the Company, including holding companies, subsidiaries and fellow subsidiaries, are related parties of the Company. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the enterprise, key management personnel, including directors and officers of the Company and close family members of these individuals, and companies associated with these individuals also constitute related parties. In considering each possible related entity relationship, attention is directed to the substance of the relationship, and not merely the legal form.

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the amounts reported in the financial statements and related notes. In preparing the Company's financial statements, management has made its best estimates and judgments of certain amounts, giving due consideration to materiality. The judgments, estimates and assumptions used in the accompanying financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the financial statements. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods effected.

(a) Critical judgments

In the process of applying the Company's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognized in the financial statements:

Determination of functional currency

Based on the economic substance of underlying circumstances relevant to the Company, the functional currency of the Company has been determined to be the US\$. The US\$ is the currency of the primary economic environment in which the Company operates; and it is the currency that mainly influences the selling of services and the cost of selling services.

Operating lease – Company as a lessee

The Company has entered into property lease arrangement under operating lease as a lessee. The Company has determined, based on an evaluation of the terms and conditions of the arrangements, that the lessor retains all the significant risks and rewards of ownership of these properties

(b) Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are discussed below.

Estimating allowance for impairment of loans and advances to customers

Allowance for doubtful debts is maintained at a level considered adequate to provide for potentially uncollectible receivables. The level of allowance is based on the status of receivables, past collection experience and other factors that may affect collectability. The allowance is established by charges to income in the form of provision for doubtful accounts.

Estimating useful lives of property and equipment and intangible asset

The Company estimates the useful or economic lives of its property and equipment and intangible asset based on the period over which the assets are expected to be available for use. The Company reviews annually the estimated useful or economic lives of property and equipment and intangible asset based on factors that include asset utilization, internal technical evaluation, technological changes, environmental and anticipated use of the assets tempered by related industry benchmark information. It is possible that future results of operation could be materially affected by changes in these estimates brought about by changes in factors mentioned. A reduction in the estimated useful or economic lives of property and equipment and intangible asset would increase depreciation and amortization expense and decrease property and equipment and intangible asset.

Taxes

Uncertainties exist with respect to the interpretation of tax regulations, changes in tax laws, and the amount and timing of future taxable income. The taxation system in Cambodia is characterized by numerous taxes and frequently changing legislation, which is often unclear, contradictory and subject to interpretation. Differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Company establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities.

Foreign currency transactions and translation

The Company maintains its accounting system and records all transactions in original currencies. Monetary assets and liabilities denominated in foreign currencies (“FC”) other than the US\$ and KHR at year-end are re-translated to US\$ at the exchange rates ruling at the reporting date. Income and expenses arising in FC and KHR are converted into US\$ at month-end using the applicable middle exchange rates rather than the exchange rates ruling at the transaction dates. Unrealized foreign exchange differences arising from the translation of monetary assets and liabilities on the balance sheet date are recognized in the income statement.

Rounding of amounts

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

4. CASH AND CASH WQUIVALENTS

Cash and cash equivalents comprise:

	2020		2019	
	US\$	KHR'000 equivalent (Note 2)	US\$	KHR'000 equivalent (Note 2)
Cash on hand	22,870	92,509	82,263	335,222
Cash in banks	1,423,155	5,756,662	844	3,439
	1,446,025	5,849,171	83,107	338,661
Current account at the NBC	1,482	5,995	1,211	4,935
	1,447,507	5,855,166	84,318	343,596

5. BALANCES WITH NBC

	2020		2019	
	US\$	KHR'000 equivalent (Note 2)	US\$	KHR'000 equivalent (Note 2)
Current accounts	1,482	5,995	1,211	4,935
Statutory deposit	275,000	1,112,375	75,000	305,625
	276,482	1,118,370	76,211	310,560

Under the NBC Prakas B7-00-06 dated 11 January 2000, microfinance institutions are required to maintain a statutory deposit of 5% of registered capital with the NBC. This deposit is not available for use in the Company's day-to-day operations but is refundable when the Company voluntarily ceases to operate the business in Cambodia.

The statutory deposit is interest-bearing at 1/2 of the six-month period refinancing rate set by the NBC for statutory deposit maintained in Khmer Riel and 3/8 of the six-month period SIBOR rate for statutory deposit maintained in US\$.

Statutory deposit earns interest at rates ranging from 0.47% - 0.09% (2019: 0.72% - 0.54%) per annum. Current account with the NBC does not earn interest.

6. LOANS AND ADVANCES TO CUSTOMERS

	2020		2019	
	US\$	KHR'000 equivalent (Note 2)	US\$	KHR'000 equivalent (Note 2)
Individual loans	6,895,915	27,893,976	1,653,482	6,737,939
Accrued interest receivable	45,448	183,837	18,213	74,218
Loans and advances to customers – gross	6,941,363	28,077,813	1,671,695	6,812,157
Unamortized loan processing fees	(58,580)	(236,956)	-	-
Carrying amount	6,882,783	27,840,857	1,671,695	6,812,157
Allowance for losses on loans and advances	(163,962)	(663,226)	(1,394,111)	(5,681,002)
Loans and advances to customers – net	6,718,821	27,177,631	277,584	1,131,155

Movements of allowance for losses on loans and advances to customers were as follows:

	2020		2019	
	US\$	KHR'000 equivalent (Note 2)	US\$	KHR'000 equivalent (Note 2)
At beginning of year	1,394,111	5,681,002	1,041,562	4,184,996
Charge for the year	116,969	473,140	352,549	1,428,529
Write off	(1,346,045)	(5,444,752)	-	-
Recovery of loans previously written off	(1,073)	(4,340)	-	-
Translation exchange difference	-	(41,824)	-	67,477
At end of year	163,962	663,226	1,394,111	5,681,002

Further analyses of loans and advances to customers based on outstanding principal are as follows:

(a) By maturity

	2020		2019	
	US\$	KHR'000 equivalent (Note 2)	US\$	KHR'000 equivalent (Note 2)
Within 1 year	7,132	28,849	112,532	458,568
From 1 to 5 years	6,831,084	27,631,734	1,298,972	5,293,311
Over 5 years	103,147	417,230	260,191	1,060,278
Total	6,941,363	28,077,813	1,671,695	6,812,157

(b) By industrial sector

	2020		2019	
	US\$	KHR'000 equivalent (Note 2)	US\$	KHR'000 equivalent (Note 2)
Business loans	2,344,971	9,485,406	1,401,255	5,710,113
Consumers loans	902,086	3,648,938	102,729	418,621
Household loans	8,890	35,960	91,852	374,297
Trade loans	3,404,878	13,772,731	53,692	218,795
Agricultural loans	280,538	1,134,778	22,167	90,331
Total	6,941,363	28,077,813	1,671,695	6,812,157

(c) By residency, relationship and location

	2020		2019	
	US\$	KHR'000 equivalent (Note 2)	US\$	KHR'000 equivalent (Note 2)
Residency				
Residents	6,941,363	28,077,813	1,671,695	6,812,157
Relationship				
Staff loans	57,914	234,263	-	-
External customers	6,883,449	27,843,550	1,671,675	6,812,157
	6,941,363	28,077,813	1,671,675	6,812,157
Location				
Head office	6,938,393	28,065,800	1,640,289	6,684,178
Battambang	2,970	12,013	31,406	127,979
	6,941,363	28,077,813	1,671,695	6,812,157

(a) By currency:

	2020		2019	
	US\$	KHR'000 equivalent (Note 2)	US\$	KHR'000 equivalent (Note 2)
US\$	6,052,952	24,484,190	1,493,366	6,085,466
KHR	888,411	3,593,623	178,329	726,691
Total	6,941,363	28,077,813	1,671,695	6,812,157

6. OTHER ASSETS

	2020		2019	
	US\$	KHR'000 equivalent (Note 2)	US\$	KHR'000 equivalent (Note 2)
Rental deposits	44,361	179,440	4,220	17,197
Prepayments	4,734	19,149	570	2,323
Others	9,091	36,773	60	244
	58,186	235,362	4,850	19,764
Current portion	13,055	52,807	4,850	19,764
Non-current portion	45,131	182,555	-	-
	58,186	235,362	4,850	19,764

7. PROPERTY AND EQUIPMENT

	<i>Leasehold improvements</i>	<i>Computer and IT equipment</i>	<i>Furniture and fixtures</i>	<i>Office equipment</i>	<i>Vehicles</i>	<i>Total</i>
	<i>US\$</i>		<i>US\$</i>	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>
Cost						
As at 1 January 2020	-	19,792	10,048	2,438	-	32,278
Additions	236,706	308,826	3,600	21,520	85,410	656,062
Disposals	-	(5,823)	(4,224)	-	-	(10,047)
Write off	-	(3,970)	(484)	(294)	-	(4,748)
Adjustment	-	-	90	-	-	90
As at 31 December 2020	236,706	318,825	9,030	23,664	85,410	673,635
Less accumulated depreciation						
As at 1 January 2020	-	18,309	7,360	1,804	-	27,473
Charges for the year	7,890	51,619	3,396	4,229	14,502	81,636
Disposals	-	(5,823)	(4,224)	-	-	(10,047)
Write off	-	(3,947)	(484)	(294)	-	(4,725)
As at 31 December 2020	7,890	60,158	6,048	5,739	14,502	94,337
Net book value						
As at 31 December 2020	228,816	258,667	2,982	17,925	70,908	579,298
As at 31 December 2019	-	1,483	2,688	634	-	4,805
KHR'000 equivalent (Note 2)						
As at 31 December 2020	925,561	1,046,308	12,061	72,507	286,823	2,343,260
As at 31 December 2019	-	6,043	10,954	2,583	-	19,580

8. INTANGIBLE ASSET

Intangible asset mainly represents operating and accounting software.

	2020		2019	
	US\$	KHR '000 equivalent (Note 2)	US\$	KHR '000 equivalent (Note 2)
Cost				
As at 1 January	33,808	137,768	33,808	135,841
Additions	357,377	1,457,026	-	-
Write off	(308)	(1,256)	-	-
Currency translation difference	-	(12,441)	-	1,927
As at 31 December	390,877	1,581,097	33,808	137,768
Less accumulated amortization				
As at 1 January	32,196	131,199	30,585	122,891
Charges for the year	14,001	57,082	1,611	6,528
Write off	(308)	(1,256)	-	-
Currency translation difference	-	(1,404)	-	1,780
As at 31 December	45,889	185,621	32,196	131,199
Net book value	344,988	1,395,476	1,612	6,569

10. INCOME TAX

	2020		2019	
	US\$	KHR '000 equivalent (Note 2)	US\$	KHR '000 equivalent (Note 2)
Minimum tax	4,977	20,291	1,353	5,482

10.1 Current income tax

In accordance with Cambodian tax regulations, current income tax is calculated at the higher of the taxable income for the year multiplied by the tax rate of 20% at the reporting date and 1% of turnover.

The reconciliation of income tax computed at the statutory tax rate to the income tax expense shown in the statement of comprehensive income is as follows:

	2020		2019	
	US\$	KHR '000 equivalent (Note 2)	US\$	KHR '000 equivalent (Note 2)
Loss before income tax	(1,039,362)	(4,237,479)	(409,234)	(1,658,217)
Income tax at applicable rate of 20%	(207,872)	(847,496)	(81,847)	(331,643)
Non-deductible expenses	14,326	58,408	383	1,552
Unrecognized temporary differences and others	(279,804)	(1,140,762)	12,056	48,851
Unrecognized tax loss	473,350	1,929,850	69,408	281,240
Minimum tax	4,977	20,291	1,353	5,482
Income tax expense	4,977	20,291	1,353	5,482

9. INCOME TAX (continued)

10.1 Current income tax (continued)

The Company's tax returns are subject to periodic examination by the tax authorities. Because the application of tax laws and regulations to many types of transactions is susceptible to varying interpretations, amounts reported in the financial statements could be changed at a later date upon final determination by the tax authorities.

10.2 Income tax payable

	2020		2019	
	US\$	KHR '000 equivalent (Note 2)	US\$	KHR '000 equivalent (Note 2)
Balance at beginning of year	59	240	150	603
Minimum tax	4,977	20,291	1,353	5,482
Income tax paid	(4,015)	(16,369)	(1,444)	(5,851)
Translation exchange difference	-	(32)	-	6
Balance at end of year	1,021	4,130	59	240

10.3 Deferred tax

Deferred tax asset and liability items not recognized during the year are as follows:

	2020		2019	
	US\$	KHR '000 equivalent (Note 2)	US\$	KHR '000 equivalent (Note 2)
Property and equipment and intangible asset	(31,531)	(127,543)	(169)	(684)
Allowance on loans and advances	26,006	105,194	11,764	47,585
Seniority indemnity	584	2,362	584	2,362
Unamortized borrowing processing fees	11,716	47,391	-	-
Tax losses	473,351	1,914,705	69,408	280,755
Deferred tax assets - net	480,126	1,942,109	81,587	330,018

Deferred tax assets as at reporting date were not recognized since management believes that it is not probable that future taxable income will be available against which the deferred tax assets can be utilized.

10.4 Tax losses carried forward

Tax losses can be carried forward to offset against the taxable profits of subsequent years for up to five (5) years from the year in which they were incurred and are subject to the review and assessment of the General Department of Taxation.

In accordance with the Prakas on Tax on Income, in order for the tax losses to be carried forward for a period of five (5) consecutive years and utilized against taxable profit in subsequent years, the following conditions should be met:

- Continuity of the business activity of the Company;

No tax unilateral reassessment on the tax losses made by the General Department of Taxation ("GDT").

10. INCOME TAX (continued)

10.4 Tax losses carried forward (continued)

Tax loss is subject to assessment by GDT and may not be utilized if one of the criteria mentioned above will not be met.

Details of tax losses carried forward are as follows:

Originating year	Can be utilized up to	Tax loss amount	Forfeited	Unutilized as at 31 December 2020	
		US\$		US\$	Utilized US\$
2018	2023	40,250	(40,250)	-	-
2019	2024	347,040	(347,040)	-	-
2020	2025	2,366,843	-	-	2,366,843

11. BORROWINGS

	2020		2019	
	US\$	KHR'000 equivalent (Note 2)	US\$	KHR'000 equivalent (Note 2)
Principal	6,000,000	24,270,000	121,216	493,955
Accrued interest payable	4,532	18,332	-	-
TOTAL	6,004,532	24,288,332	121,216	493,955

On 31 August 2020, the Company entered into a non-revolving credit facility agreement with Daegu Bank to borrow loans with credit limit of US\$16,000,000. Each loan has a term of 1 year from the drawdown date and bear interest rate at 2.97% plus 3-month Libor per annum.

Movement of borrowing during the year is as follows:

	2020		2019	
	US\$	KHR'000 equivalent (Note 2)	US\$	KHR'000 equivalent (Note 2)
As at 1 January	121,216	493,955	219,216	880,810
Additional borrowings	6,000,000	24,462,000	-	-
Repayment of borrowings	(121,216)	(494,198)	(98,000)	(397,096)
Interest charge	21,111	86,070	-	-
Interest paid	(16,579)	(67,593)	-	-
Currency translation difference	-	(191,902)	-	10,241
TOTAL	6,004,532	24,288,332	121,216	493,955

12. OTHER LIABILITIES

	2020		2019	
	US\$	KHR'000 equivalent (Note 2)	US\$	KHR'000 equivalent (Note 2)
Amount due to related party	81,533	329,801	-	-
Withholding tax payable	57,785	233,740	3,216	13,105
Accruals (*)	49,971	202,133	61,034	248,714
Advance payments from customers	11,262	45,555	-	-
Other payables	13,342	53,967	13,951	56,850
	213,893	865,196	78,201	318,669

(*) included seniority indemnity of US\$2,921 or KHR'000 11,815 (2019: US\$2,921 or KHR'000 11,903).

13. SHAREHOLDER'S EQUITY

	2020		2019	
	US\$	KHR'000 equivalent (Note 2)	US\$	KHR'000 equivalent (Note 2)
Ordinary shares registered, issued and paid-up with par value of US\$ 1	5,500,000	22,000,000	1,500,000	6,112,500

On 23 December 2019, the Company obtained approval from the NBC for the increase of US\$ 4,000,000 to share capital. The amendment of the Company's memorandum and articles of association was endorsed by the Ministry of Commerce on 23 January 2020 and the capital increment was paid up on 28 February 2020.

Capital management

The primary objectives of the Company's capital management are to ensure that it complies with externally imposed capital requirements, to maintain strong credit ratings and healthy capital ratios to support its business and to maximize its shareholder's value.

The Company manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities to maintain or adjust the capital structure. No changes were made in the objectives, policies and processes from the previous years.

14. INTEREST INCOME

Interest income arose from:

	2020		2019	
	US\$	KHR'000 equivalent (Note 2)	US\$	KHR'000 Equivalent (Note 2)
Loans and advances to customers	433,456	1,767,176	140,905	570,947
Balances with other banks	290	1,206	469	1,900
	433,746	1,768,382	141,374	572,847

15. INTEREST EXPENSE

This represents interest expense on borrowing from Daegu Bank (*Note 11*).

16. FEES AND COMMISSION EXPENSES

This represents a guarantee fee charged by its parent for guaranteeing the borrowings obtained from Daegu Bank. The fee is charged at 1.767% per annum of the guarantee limit.

17. OTHER INCOME

Other income mainly comprises of recoveries of loans previously written off and penalty income for late payment of loans.

18. GENERAL AND ADMINISTRATIVE EXPENSES

	2020		2019	
	US\$	KHR '000 equivalent (Note 2)	US\$	KHR '000 equivalent (Note 2)
Staff and other related costs	500,559	2,040,779	71,278	288,818
Rental	147,605	601,786	34,810	141,050
Legal and professional fees	137,227	559,474	57,834	234,343
Depreciation and amortization	95,637	389,912	3,898	15,795
Transportation and travelling	85,768	349,676	1,428	5,786
Stationery and office supplies	55,025	224,337	597	2,419
Meal and entertainment	48,995	199,753	204	827
Withholding tax	22,078	90,012	-	-
Utilities	20,071	81,829	2,234	9,052
Repairs and maintenance	14,397	58,697	3,320	13,453
Communication	11,399	46,474	4,924	19,952
Securities	9,017	36,762	120	486
Membership, subscription and license fee	8,123	33,117	8,421	34,122
Patent and registration	5,989	24,417	-	-
Insurance	1,397	5,696	1,215	4,923
Other tax expenses	43,442	177,113	7,908	32,044
	1,206,729	4,919,834	198,191	803,070

Others include miscellaneous expenses, bank charge, and net loss on foreign exchange.

19. COMMITMENTS AND CONTINGENCY

19.1 Lease commitments

The Company has lease commitments in respect of the lease of two buildings under an operating lease arrangement, due as follows:

	2020		2019	
	US\$	KHR '000 equivalent (Note 2)	US\$	KHR '000 equivalent (Note 2)
Within one year	107,800	436,051	114,675	467,301
More than 1 year to 5 years	312,400	1,263,658	420,200	1,712,315
	420,200	1,699,709	534,875	2,179,616

19.2 Tax contingency

The taxation system in Cambodia is characterized by numerous taxes and frequently changing legislation, which is often unclear, contradictory and subject to interpretation. Often, differing interpretations exist 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 significant than in other countries.

Management believes that it has adequately provided for tax liabilities based on its interpretation of tax legislation. However, the relevant authorities may have differing interpretations and the effects since the incorporation of the Company could be significant.

20. RELATED PARTY DISCLOSURES

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

Related party	Nature of transaction	2020		2019	
		US\$	KHR '000 Equivalent (Note 2)	US\$	KHR '000 equivalent (Note 2)
DGB Capital Co., Ltd	Guarantee fee (Note 17)	123,729	504,443	-	-
Daegu Bank	Outstanding principal of borrowing	6,000,000	24,270,000	-	-
	Accrued interest payable	4,532	18,332	-	-
	Interest expense	21,111	85,394	-	-
Previous shareholder	Repayment of borrowings	121,216	493,955	-	-
Management personnel	Remuneration	117,765	480,128	1,258	5,089

21. EVENTS AFTER REPORTING PERIOD

With the Covid-19 pandemic, many countries have required entities to limit or suspend business operations and implemented travel restrictions and quarantine measures. These measures and policies have significantly disrupted (or are expected to disrupt) the activities of many entities. The condition of the coronavirus outbreak has continued to evolve throughout the timeline crossing 31 December 2020. Cambodia is among those affected countries that signifies economic slowdown due to global recession. Amid the outbreak, the NBC advised all banks and financial institutions to delay or suspend all loan and interest payments as part of measures to soften the economic blow of coronavirus on business and household borrowers.

Based on management's assessment, the impact of the potential disease outbreak could be minimal due to availability of loan protection measures in controlling credit risks of the portfolio, management does not consider it practicable to provide a quantitative estimate of the potential impact of this pandemic on the Company. Management will continuously pay attention to the situation of the COVID-19 in Cambodia, operations of its loan customers, as well as their ability to service debts.

Other than as disclosed elsewhere in these financial statements, at the date of this report, there were no events which occurred subsequent to 31 December 2020 that had significant impact on the financial position of the Company as at 31 December 2020 and its financial performance for the year then ended.