



បាយ័ន ក្រេឌីត ម.ក
BAYON CREDIT PLC.
巴戎微型銀行

ANNUAL REPORT 2020

BRING THE BEST

COMPLIANCE
OUR CUSTOMER
SHAREHOLDER
OUR STAFF





TABLE OF CONTENTS

3

Remark from the Chairwoman
of the Board of Director

4

Statement from the CEO

7

Company Milestones
a. Vision
b. Mission
c. Corporate Values

9

Risk Management
and Corporate Governance

15

Organizational Structure

16

Board of Directors

18

Executive Managements

19

Other Startegic Milestones

23

Corporate Social
Responsibility

25

Audited Report

Remark from the Chairwoman of the Board of Director



Bayon Credit PLC. has been newly acquired by two strong and reliable financial shareholders under the registered company names: CHENG FUNG INVESTMENT Co., Ltd. (CFI) and NETGOLD INVESTMENT Co., Ltd. (NETGOLD).

Furthermore, Bayon Credit PLC. was officially recognized by the National Bank of Cambodia. Although Covid-19 pandemic has significantly impacted the economy growth, Bayon Credit PLC. still keeps moving forwards to operate as part of contribution in term of Cambodian Economic Development by sustaining the financial feasibilities for investors as well as local community.

Moreover, Bayon Credit PLC. is going to simplifying the processes via latest and modern digital platform to deliver best customer centric service experiences. Obviously none of success coming from only one person. It is made by united team with highly committed management and employees.

I would like to take this opportunity greatly thanks to all of value shareholders, and employees who have significantly contributed their efforts to support Bayon Credit PLC. in building up the readiness to provide preferred financial products and services with high quality through innovation, technology, and lifelong customer relationships. With our strong team, Bayon Credit PLC. has commitment to transform from Microfinance institution to commercial bank in next five (5)years; as expected in 2025.

Last but not least, on behalf of Bayon Credit PLC. I greatly thank to value clients for the further supports us in the upcoming business operations!

Ms. Buth Kerady
Chairwoman of the Board of Director

Statement from the CEO



Country Overview:

We have lowered our forecast for real GDP growth to 0.9% in 2020, from 3% previously, following the global coronavirus pandemic and a partial withdrawal of preferential trade arrangements by the EU. The garment industry—an important source of growth and employment—will face difficulty in adjusting to the disruption of input supply and decreasing external demand in 2020. The tourism and construction sectors will also struggle with declining visitor spending and investment inflows.

Cambodia is estimated to have population of 16.744 million in the year 2020 and expected to reach 17.772 million by 2024, growing at a CAGR of 1.48%.

Cambodia's unemployment rate was 0.677% of total labor force in 2019. The unemployment levels in cambodia is expected to increase by 4.92% and reach 0.712% in 2020.

Cambodia's real gross domestic product (GDP) is estimated to be around KHR 55708.526 billion in 2020 where as the nominal GDP is estimated to be KHR 119713.70 billion. Per capita GDP is estimated at USD 1750.40 where as purchasing power parity (PPP) based per capita GDP is estimated to be at USD 4.985.05 for the year 2020.

In 2020, Cambodia government's revenue was estimated to be KHR 25920.38 billion whereas the expenditure is estimated to be KHR 29035.06 billion. This is expected to result in Cambodia

government's net lending / borrowing negative at KHR 3114.68 billion in 2020 indicating that enough financial resources will not be made available by the government to boost economic growth.

The current account balance for Cambodia was negative and estimated to be at USD 2.641 billion for the year 2020 and is expected to further decrease at a CAGR of 8.59% and reach USD 3.173 by 2024. This negative current account balance indicates that Cambodia is a net borrower from the whole world. In World Bank's ease of doing business ranking Cambodia was ranked 144 out of 190 countries in 2019. Cambodia's ease of doing business ranking has slipped from 138th position in 2018.

The global shock triggered by the COVID-19 pandemic has significantly impacted Cambodia's economy in 2020 at a time when Cambodia also faces the partial suspension of preferential access to the EU market under the "Everything but Arms" initiative.

The outbreak caused sharp deceleration in most of Cambodia's main engines of growth in the first quarter of 2020, including weakened tourism and construction activity. Growth is projected to slow sharply to 2.5 percent in 2020 under the baseline scenario. The COVID-19 outbreak and slow recovery in global economic activity alongside prolonged financial market turmoil pose risks to Cambodia's growth outlook.

Banking and Financial environment: (Source: National Bank of Cambodia)

All Bank and MFI in Cambodia are under control of the National Bank of Cambodia (NBC). NBC works actively to manage monetary policy, maintain value of currency exchange, audit on banking and MFI transaction.

The growth in all economic sectors and political stability have been the main factors in promoting the public and foreign investors' confidence as well as maintaining the safety and soundness of Cambodia's banking system.

At the end of 2019, Cambodia's banking system consists of 47 commercial banks (17 local banks, 17 subsidiaries and 13 foreign branch banks) 15 specialized banks, 7 microfinance deposit-taking institutions, 76 microfinance non-deposit taking institutions, 245 rural credit institutions, 15 financial leasing companies, 4 third party processors, 21 payment service institutions, 1 credit bureau company, 6 representative offices, and 2,913 money changers.

Bayon Roadmap:

Our institution has contributed to social and economic development through the corporate social responsibility activities in the education sector which is a main key for improving living standards of Cambodian. We also played a crucial role in poverty alleviation by providing financial assistance to enable customers in the rural regions to fulfill their business ambitions.

Our institution continues to upgrade ourselves to be “Commercial Bank” by 2025.

To go in line with our roadmap, we need a specify strategic plan for implementation as below:

1. Grow the loan portfolio with specific target segment such as self-employed and salaried individual.
2. Increase market share and acquire new customer with branch network expansion and branchless.
3. Develop and strengthen all processes and internal controls to minimize operational impact by building good governance and environment.
4. Promote and strengthen brand awareness and improve customer satisfaction.
5. Building first and middle management leadership and improving capacity.
6. Build control function reporting to raise awareness for helping board and management to understand the risk issues.
7. Enhance technology capability.

Acknowledgements:

On behalf of Bayon Credit PLC, I would like to express my sincere gratitude to all the shareholders for their persistent support for overall development of the Bayon Credit PLC. I sincerely thank the members of the Board and all the regulatory authorities for their valuable support and inputs to the management in all its endeavors. I thank to all our customers for their continued support & patronage and the opportunity given to us to serve them and develop business relationship. The dedication commitment and contribution of our beloved employees for the growth of Bayon Credit PLC. deserve special appreciation.

I am sure with your continued support and confidence commitment and guidance that will be able to surpass the expectations of all the stakeholders, our customers, our staff, and our shareholders. We are looking forward to your valuable support and goodwill in our Journey.



Nhean Virak
Chief Executive Officer

Company Milestones

Bayon Credit PLC was established and granted license from the National Bank of Cambodia since 2011. We aim to provide financial solutions to individuals and self-employed as well as enterprises in Cambodia. We realize that our products and services together with professional and experienced staff will enable customers and partners to achieve their business.

Even the number of commercial banks, specialized banks and microfinance institutions are increase recently, but the demand from the market still required as we can see the data from the Fin Scope Consumer Survey on the Cambodia's formal financial sectors found that just 17 percent of adults use bank services while 24percent use the services of microfinance institutions.

In the future, we are going to become a preferred institution to offer superior products and services across the country. To do so, we continue our investment in advanced technology to become an advanced digital institution to provide fast services and convenience products to our customers accordingly.

History



Vision

To provide preferred products and services with high quality through innovation, technology, and lifelong customer relationships.

Mission

Be the preferred institution for our target segments by offering best-in-class customer experience to achieve market-leading efficiency and profitability by developing a strong meritocratic culture and appropriate governance structures.

Corporate Values



Risk management and Corporate governance

1. Good Governance

Good governance is the core to manage of Bayon Credit Plc. to be transparent and to have strong business operations and market competition. Based on the understanding of the importance in this kind of good governance, Bayon Credit Plc. has paid close attention to the quality and promote the good governance to strengthen the quality of internal control management.

1.1 Working Culture

Working culture is a key factor in driving the business operations of the organization towards achieving the strategic plan which have already set by the board of director. All employees must have knowledge, skills, ethics, professional skill and standards of working behavior of employees at all levels in accordance with the requirements of the institution. The institution has set specific quality standards to providing services to customers both inside and outside the institution as a priority and must respond to customers quickly. In order to achieve the above aspirations, the institution has established a coordinated internal process arrangement between each relevant department on the provision of systematic mutual support services that ensures efficiency and effectiveness. Less time consuming work, state of the art technology by focusing on the use of digital instead of using manual processing and providing good results which within the institution is called **Ecosystem**.

Training and strengthening risk management and compliance remains a priority to maintain a good work culture unless all executives within the institution who work in the same department have the same mindset (It means on the same page) has the same mode of operation and smooth operation. In order to be effective and have good governance in risk management, Human Resource Department of has developed a year-round training plan focusing on training as follows:

- a. Mandatory Training: This training is required for all staffs to participate in the training and organized annually on training of risk management, professional ethics and compliance with the regulation (Code of Conduct) that set by the institution.
- b. Continuous Professional Development (CPD) training is provided to regular staffs at least twice times a year.

Integrated Approach and Work Consistency are work approach that the organization adopts and is a tradition of work that is always practiced in the organization. All relevant departments are invited to suggest or initiate any ideas in line with their respective functions in any meeting or discussion to select the best solution or idea. In addition, compliance and risk management culture is the most important element in maintaining success in risk management and compliance. The institution believes that if there's no compliance and risk management culture, institution will face with serious problems, especially institution will have difficulty in making the risk management and execution work successful.

1.2 Core of Good Governance

The elements that determine the success of improving a good governance in Bayon Credit Plc. have identified the following key elements:

a. Efficiency

All departments have clear work plans, goals, and use the available resources to achieve the goals and plans which set. It is the commitment of the institution as well as all employees who are related.

b. Participation

The institution encourages employees at all levels in the business workflow of the institution to participate, advise and improve in this regard, the institution has implemented the Speak up culture of communication and to communicate between management team and staffs to raise awareness of issues that are happening from all parts in the institution. Intimidating or discouraging employees from expressing their opinions is strictly prohibited. For who misbehaves or infringement is punished in accordance with the existing policies of the institution.

c. Transparency

It defines as a clear mechanism for providing and sharing information related to risk management in the institution with relevant staff so that they're understanding of current issues as well as measures to address those issues.

d. Accountability

It means to create and motivate employees to be responsible in their work and earn their job satisfaction as well as take the initiative to work. In this purpose, Human Resources Department play an active role in attracting and motivating employees to have the highest level of accountability in their work that is they dare to dedicate extra time to work and have a strong passion to complete a plan which they have set.

e. Consensus

It means to encourage a lively discussion from all relevant staffs to conduct comparative studies and find new ideas or solutions that have better and acceptable results from all stakeholders to avoid the coercive and manage on who are employees in the relevant department.

f. Equity

The institution encourages all employees to participate in the work with all their physical and mental strength and to evaluate their work results in accordance with the actual work results.

g. Responsiveness

The institution encourages and requires all employees to serve customers with high attention and accountability to work at all times. Employees aren't allowed to leave their work undone which cause obstruction and unable to achieve the plan set.

2. Framework

Bayon Credit PLC. has adopted an appropriate framework in accordance with the regulatory requirement of the National Bank of Cambodia. Role structure and functions as below:

2.1 Board of Directors

The overall responsibilities of the board of directors, as defined in the terms of reference of the board of directors and other responsibilities include: defined in specific policies, such as operational risk management policy, liquidity, internal control, credit, etc.

In order to manage effectively and perform the functions of the board of directors and to comply with the regulations of the National Bank of Cambodia, the institution has established the Audit Committee in charge of the audit work, including internal and external audit work. The other committee is the Risk Committee which is responsible for risk management.

2.2 Senior management

The senior management lead by the Chief Executive Officer and appointed by the board of directors of the institution. The Chief Executive Officer appoints and leads executive committee and is responsible for the important duties in the following:

- a. Define strategies and performance orientations to achieve results in accordance with the strategies set out.
- b. Monitor performance is the mobilization and make use of the available resources to carry out the work.
- c. Risk management is the identification, evaluation, provision of mitigation mechanisms or risk mitigation measures of which the institution is facing the challenge or consequence.
- d. Compliance is to ensure that the institution complies with all laws and regulations related to its business operations.

2.3 General Department of Risk and Compliance

The General Department of Risk and Compliance is headed by Director Risk and Compliance and is appointed by the Risk Committee which acts as a secretariat for Risk Committee to oversee the performance of the Executive Committee. A Director Risk and Compliance is a person who report directly to the Risk Committee quarterly. At the same time, Director shall report to the Executive Committee about the results of the report, as well as convene meetings with the relevant departments to determine the appropriate mechanism or framework or governance for the issues identified.

2.4 Separation of roles and responsibilities

Monitoring functions included risk management and compliance functions under the control of Director Risk and Compliance. The organization and function of these two functions are not under the control and control of the Executive Committee.

In this purpose, to strengthen the efficiency of internal management in the institution, the distinction between executive and control functions is clearly defined as defined by the institution's policy.

2.4.1 Executive Committee

In this purpose, the Executive Committee is headed by a Chief Executive Officer and a member of director or director of all relevant departments that oversee the business operations of the entire institution (First Line of Defense). The Executive Committee shall ensure that the provision of customer service, both internal and external, in a timely manner and in accordance with the technical standards set in Policies and Procedure. In addition, the institution has established management-level committees to provide additional technical assistance to the Executive Committee on key tasks to ensure quality and efficiency. These committees included:

- a. IT Steering Committee-ITSC
- b. Credit Committee
- c. Risk and Compliance Committee
- d. Human Resource Committee

These committees are formed in accordance with the terms of reference of the institution. The main roles and functions of those committees are clearly defined. In addition, each committee has the right to request the establishment of a working group consisting of professional staff from all inter-department alexpert to conduct detailed and technical studies to assist in the implementation of the work in order to provide technical assistance to those committees. Those committee will be dissolved when the work is completed. The establishment of the working group shall be made by the decision of Chief Executive Officer based on all directors request and in accordance with the spirit of the meeting.

2.4.2 Control Function (Second Line of Defense)

As mentioned above, the process of managing and controlling the business operations is carried out by two different organs, in which the execution and management of the business process, including the provision of customer service, is under the responsibility of the executive committee. To oversee, monitor, and advise on standards and governance is under General Department of Risk and Compliance. In this context, Director Risk and Compliance shall perform its function by preparing an annual inspection plan based on the results of the risk assessment to measure and evaluate the performance of the entire Executive Committee independently and impartially. In accordance with the professional standards by local and international professional institutions or associations, especially the guardianship authority. The performance of this oversight function is carried out in good faith and without any indication or order from the Executive Committee.

2.4.3 Periodic Monitoring Function (Third Line of Defense)

The audit function is the review or periodic monitoring function which provide the final and objective assurance that the executive function and control function (Second line of defense) is performing their job and their duties in accordance with policies and procedures on a regular basis.

In case, there are some faults in both organs, an audit function will report the findings and make recommendations for improvement to the relevant stockholders. The audit function will assess and identify high risk area and constitute annual appropriate auditing plan on the performance of stakeholder.

2.4.4 Check and Balance Principle

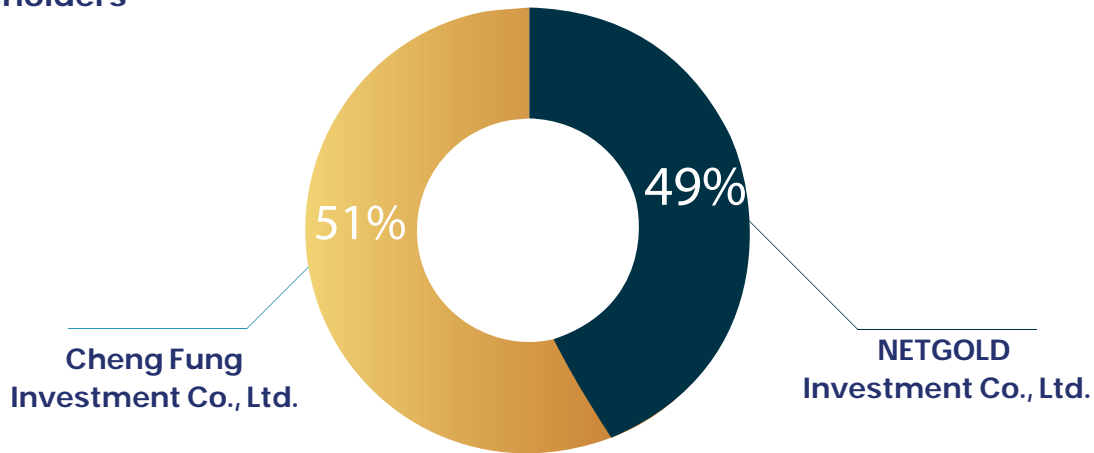
The concepts of adapting the three line of defenses are designed to ensure a balance of authority and role performance in a transparent, equitable and efficient manner. The Principle of Check and Balance further promotes the quality of good governance in the institution to be more efficient and effective.

2.4.5 Board Policy

In addition, to improve the efficiency of management, the institution has established and promulgated key policies to set standards and to improve guidelines of the risk management and compliance practice. These policies have already been approved by the Board of Directors, including credit policy, internal control policy, compliance policy, operational risk management policy and liquidity risk management policy.

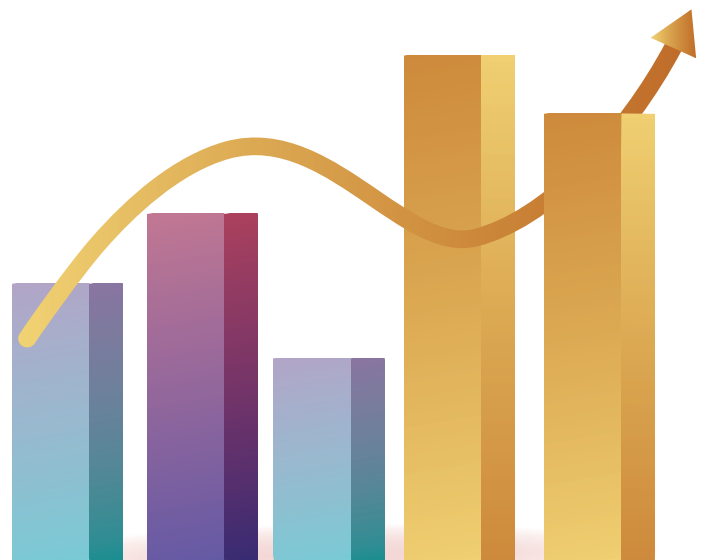


Shareholders

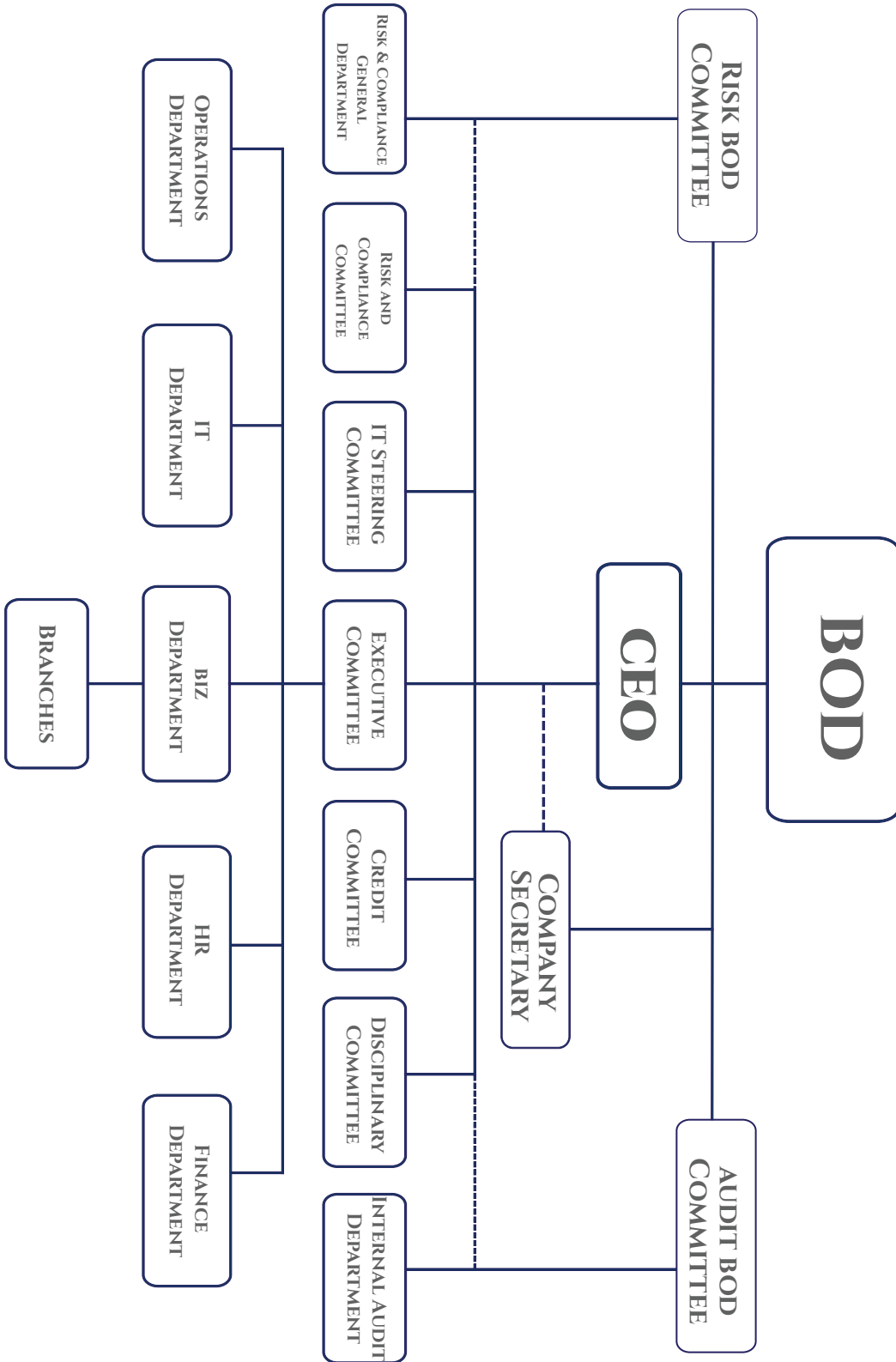


Cheng Fung Investment Co., Ltd. (hereinafter referred to as 'CFI') was granted license by the Ministry of Commerce with the certification of Incorporation No.00032491 issued on 4th of April, 2018 and officially launch in 30th May, 2018 as one of the leading business and investment consultancy firm in Cambodia. CFI specializes in real estate, hospitality and finance, providing advice on investment, management and marketing for clients as varied as hotels, restaurants, real estate developers, construction companies, banks, microfinance organizations, and insurance companies. Its services are based on professionalism and ethics, and can help form strong business partnerships and boost investment in the country. CFI can provide an outstanding one-stop professional services for all business needs, especially real estate, hospitality and financial solutions to aspiring individuals and enterprises in Cambodia.

Netgold Investment Co., Ltd. was granted license by the ministry of commerce with registration number 00051759 issued on 02nd of March 2020 as private limited company. Netgold specializes in management, consultancy activities, Real estate activities on a fee or contract basis, Construction of buildings, Travel agency and tour operator activities, Short term accommodation activities and Restaurants and mobile food service activities.



Organizational Structure



Board of Directors



Ms. BUTH KERADY
Chairwoman of the
Board of Director



Mr. LAN YUAN KU
Director



Mr. DY CHETRA
Independent Board
of Director



Mr. LEE YU CHENG
Advisor to the Board
of Directors

Executive managements



Mr. Nhean Virak
Chief Executive Officer

Insightful bank expertise and a dynamic leader with over than 20 years, Mr. Virak brings with him in-depth financial services knowledge gained from experiencing in senior positions with a wide range of banking and financial operators.

Obviously, he is well placed to carry out his role as the right leader for setting up the full function of bank by focusing on growth and resilience. He, actually, excels with bank operations setup, branch management, core banking platform, credit risk review, structured finance, corporate governance, strategic planning, business development along with team building spirit and inspired leadership.

Along with his great achievement and proven leadership, Bayon Credit PLC. has great honor to invite him to hold the position of Chief Executive Officer to build and lead a strong management teams, bring significant value to all stakeholders of the bank.

Mr. Virak earned his MBA in the field of management, Western University. In addition, he has exposed to attend actively local short courses and some international workshops in Asian, & European countries.



Mr. Touch Tivea
Chief Risk & Compliance

Over than 15 years, Mr. Tivea has intensively involved and led the Risk, Compliance, as well as Legal functions to ensure the good governance culture for both local and multinational companies. Moreover, he's been certified as the professional trainer in specialty of Legal Risk and Compliance by Institution of Banking and Finance (IBF), under the Association of Banks in Cambodia (ABC), and Phnom Penh Business School.

Based on his competence, Bayon Credit PLC. has great honor to invite him to be in-charge as the Director of Risk & Compliance,

directly report to Board of Director. For his role, he mainly in-charge of coordinating, managing, supporting and the monitoring each business unit in the compliance with relevant laws, regulations and internal policies, guidelines and procedures.

Mr. Tivea holds a Master of Private Law from Royal University of Law and Economics, Phnom Penh, Cambodia.

Other strategic milestones

OVERVIEW

Due to long term commitment and clear strategic direction, the Bayon Credit PLC. will grow the portfolio, increase market shares and expand the branch networks in main provinces in a few coming years. Furthermore, our employees are greatest asset, friendly working environment of inspiration, encourage, reward and opportunity are in place to attract the potential resource to diverse the team.

To achieve these targets, the Bayon Credit's Board of Directors and Management identify the following strategic objectives for applying in 2021-2025:

1. Grow the loan portfolio with target segment such as self-employed and salaried individual.
2. Increase market share and acquire new customer with branch network expansion an branchless
3. Develop and strengthen all processes and internal controls to minimize operational impact by building good governance and environment.
4. Promote and strengthen brand awareness and improve customer satisfaction.
5. Building first and middle management leadership and improving capacity.
6. Build control function reporting to raise awareness for helping board and management to understand the risk issues.
7. Enhance technology capability.

The pursuit of the above goal is made concrete each year through the BAYON's annual planning document the Strategy Implementation Plan which provides a five year perspective on the BAYON's activities setting the context for the consideration by the Board of Directors.



INITIATIVE STRATEGY

1. Grow the loan portfolio with target segment such as self-employed and salaried individual.
2. Increase market share and acquire new customer with branch network expansion and branchless.
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6. Build control function repor to raise awareness for helping board and management to understand the risk issues.
7. Enhance technology capability.

Key Goal #1:

Grow the loan portfolio with target segment such as self-employed and salaried individual.

1. Identify the customer target segmentation and tailored products and services to satisfy customer's need.
2. Developing a customer-centric business model:
 - a) Understanding of the customers and dramatically simplify the product set, and deliver a significantly enhanced customer experience with lower levels of operational risk and transformation of the operating model.
 - b) The customers want convenience, personalization, accessibility and ease of use by:
 - i. Win the fee war – Frequent changes have frustrated customers. Mitigate this frustration with better communication and more customer-friendly fee strategies.
 - ii. Fix the bad things by replacing the fast solution – Empathy and an apology go a long way towards satisfactory problem resolution. Identify these negative experiences and work to remove the causes.
 - iii. Go digital— Give them the convenience they seek through digital tools.
3. Streamline lending process to make it convenience with effective risk control by diversifying the branchless operations and offering best-in-class customer experience to achieve market-leading efficiency and profitability:
 - a) Increase operational efficiency of our platform.
 - b) Refocus technology towards digital solution aimed at improving client experience.

4. Optimizing distribution:
 - a) Choose and Develop an appropriate mix of branch models (cross-channel enablers) to support the desired customer experience.
 - b) Design an optimized distribution network that supports the needs of the local markets and scales to the density of market opportunity meeting customer needs and minimizing the cost of delivery.
 - c) Redefine the operating model including the organizational structure, branch processes and infrastructure to support the branch model and network design.
5. Provide the attractive rate and term to acquire new customer while maintaining the existing customer.

Key Goal #2:

Increase market share and acquire new customer with branch network expansion and branchless .

1. Identify potential provinces where the Bank and MFIs have not been covered or less covered in order to expand operations by setting up new office or branchless operations. However, the growth of offices has to go in line with operational growth and demands.
2. Manage properly CAPEX & OPEX to achieve the desired Return of Asset.
3. Introduce new products and services to supply the need of the target customers.
4. Simplifying business and operating models.
 - a) Conducted competitor benchmarking to inform and underscore case for change.
 - b) Conducted stakeholder readiness analysis – to inform change management strategy
 - c) Developed robust and realistic business case.
 - d) Designed and tested the revised operating model.
 - e) Leveraged lean to redesign and optimize processes, and develop a revised operating model and streamlined processes, and functionally.

Key Goal #3:

Develop and strengthen all processes and internal controls to minimize operational impact by building good governance and environment.

1. Continuously establish, review and revise policies, operational manuals and procedures periodically and ensure that segregation of duty is applied in all processes.
2. Continuously identify operational risks and risk control management as well as address those risks immediately to avoid any adverse impact on the business operations.

3. Continuously review and enhance audit scopes and audit programs to ensure the effective of implementation.
4. Re-structure the organizational chart to ensure the proper framework and good governance .
5. Enhance risk and compliance function to identify future potential risks, financial crime, regulatory and other prudential rules in order for prevention and mitigation accordingly.

Key Goal #4:

Promote and strengthen brand awareness and improve customer satisfaction.

1. Enhance marketing activities not only investing in standard office decorations, but also broadcasting in social network, local media, radios, newspaper and other means of promotion.
2. Regularly conduct customer satisfaction and market survey to be aware of the current demand.
3. Effectively manage complaint handling and set up call center to respond customer inquiry, receive feedback and handle properly customers' complaint.
4. Continuously improve service delivery and maintain lifelong customer relationships in order to retain good customer's retention rate.
5. Continue to build brand awareness nationwide.
6. Leverage digital marketing capabilities by developing a strategic plan to revamp the Website, Facebook page, Instagram, and other digital channels.

Key Goal #5:

Building first and middle management leadership and improving capacity.

1. Develop training policy and procedure as well as develop standard course syllabus for the company in order to conduct frequently training.
2. Build Training Need Assessment "TNA" and circulate to departmental level and branch level to facilitate in fulfillment.
3. Develop Continuing Professional Development Program "CPD" to improve Skill, Knowledge and Attitude "SKA".
4. Conduct refreshment courses on updated policies, procedures, new workflow processes, or new products to ensure knowledgeable in managing the risks and servings customer.
5. All employees are required to attend the mandatory training courses while onboarding (two-weeks for foundation and two-weeks for attaching) and annual basis.
6. Develop Business As Usual Management "BAU" to enhance sustainable business activities.
7. Continuously develop the E-learning program and competency assessment.

Key Goal #6:

Build control function reporting to raise awareness for helping board and management to understand the risk issues.

1. Develop risk indicator metric, KRI, and risk dashboard for automation generation from the system.
2. Develop compliance checklist and risk assessment.
3. Enhance timely regulatory report in automate manner.
4. Leverage our unified risk and compliance framework for risk control and preemption.
5. Proactively managing risk, regulations and capital:
 - a) Regulation of capital, liquidity and related stress-test requirements, as well as enhanced prudential standards, will continue to evolve and eventually force globally active and/or systematically important banks to meet even higher stringent and binding standards.
 - b) These requirements are making a compelling case to seek alignment of risk appetite, capital planning and adequacy assessment, recovery and resolution planning, liquidity risk management, stress testing and overall enterprise risk management activities.

Key Goal #7:

Enhance technology capability.

1. Improve Data security.
2. Cyber security development.
3. Improve IT infrastructure.
4. Improve IT governance.
5. Develop BCP for technology sustainability.
6. Improve physical environment control (security device in place).

Corporate Social & Responsibility

Officially launch Bayon Credit Plc. with its new shareholders



Microfinance institution Bayon Credit PLC. announced last Monday its new shareholders following the sale of its 100 per cent stake to Cheng Fung Investment Co., Ltd. and Netgold Investment Co., Ltd.

The transaction took place on March 2 and was concluded on October 1 this year. At the same time, Bayon Credit plc. said it held a blessing ceremony for its new 19-storey office tower, located at 342 Monivong Blvd, corner Street 288, Sangkat Boeung Keng Kang 1. Bayon Credit plc. which boasts six branches in major provinces

and supported by nearly 100 employees, have more than 2,932 loan clients. Its new registered capital is \$3 million.



Bayon Credit PLC joined 12th Kanben at Sang Phnom Pagoda



Kandal province, on September 14th, 2020, the management and staff of Bayon Credit Microfinance Institution at head office had attend the 12th Kanben Ceremony at Saang Phnom pagoda, which was led by Mr. Nhean Virak, CEO of the Bayon Credit PLC. With these reasons, management and staff had been offering foods, materials and money to the monks contributed money to improve the pagoda's infrastructure as well as for dedicating to their ancestors and wishing the best for family.

About the word 'Pchum Ben: Pchum Ben means that large numbers of people gather together at the pagoda to offer food including the ball of rice to the monks. The 15 days celebration is actually divided

into two, from the 1st day to the 14th day, is called "Kan Ben Day", means that the villagers from each village take turn to offer food to the monks", and the last day is called "Ben Thom or Pchum Ben Day" a huge crowded day, that all villagers from surrounded pagoda come together to offer food to the monks. All Cambodians always remember and understand that Pchum Ben is the festival that they offer food to the monks at the pagoda and dedicate their good deeds and food to their parents, and their relatives who might be born in the bad places, especially, if they are born at the place, one of the bad places, where the ghost are suffered from starvation or many other conditions.

BAYON CREDIT MICROFINANCE INSTITUTION PLC.
(INCORPORATED IN CAMBODIA)

AUDITED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
31 DECEMBER 2020



BAYON CREDIT MICROFINANCE INSTITUTION PLC.
(Incorporated in Cambodia)

CORPORATE INFORMATION

DIRECTORS:

Ms. Buth Kerady
Mr. Lan Yuan Ku
Mr. Dy Chetra

REGISTERED OFFICE:

No. 342, Preah Monivong Boulevard
Sangkat Boeng Keng Kang Ti Muoy
Khan Boeng Keng Kang, Phnom Penh
Kingdom of Cambodia

PRINCIPAL BANKERS:

National Bank of Cambodia
Advanced Bank of Asia Limited
Acleda Bank Plc

AUDITORS:

BDO (Cambodia) Limited

BAYON CREDIT MICROFINANCE INSTITUTION PLC.

(Incorporated in Cambodia)

DIRECTORS' REPORT

The Directors hereby submit their report and the audited financial statements of Bayon Credit Microfinance Institution Plc. ("the Company") for the financial year ended 31 December 2020.

Principal activity

The principal activity of the Company is in microfinance operation. There have been no significant changes in the nature of this activity during the financial year.

Results of operations

	US\$	KHR'000
Loss for the financial year	<u>351,900</u>	<u>1,423,435</u>

Dividends

The Directors do not recommend the payment of any dividend for the current financial year.

Reserves and provisions

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

Bad and doubtful loans

Before the statement of comprehensive income and statement of financial position of the Company were made out, the Directors took reasonable steps to ascertain that proper action had been taken in relation to the writing off of bad loans and the making of allowance for doubtful loans and satisfied themselves that all known bad loans that adequate allowance had been made for doubtful loans.

At the date of this report, the Directors are not aware of any circumstances which would render in necessary write off bad loans or the amount of the allowance for doubtful loans in the financial statements of the Company inadequate to any material extent.

Current assets

Before the statement of comprehensive income and statement of financial position were made out, the Directors took reasonable steps to ensure that for any current assets which were unlikely to be realised in the ordinary course of business, their values as shown in the accounting records of the Company have been written down to an amount expected if realised.

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.

Valuation methods

At the date of this report, the Directors are not aware of any circumstances, which have arisen and which may render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate.

BAYON CREDIT MICROFINANCE INSTITUTION PLC.

(Incorporated in Cambodia)

DIRECTORS' REPORT (continued)

Contingent and other liabilities

At the date of this report, there does not exist:

- (i) any 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, or
- (ii) any contingent liability of the Company which has arisen since the end of the financial year.

No contingent or other liability has become enforceable, or is likely to become enforceable, within the period of 12 months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Company to meet its obligations when they fall due.

Change of circumstances

At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or in the financial statements of the Company, which would render any amount stated in the financial statements as misleading.

Items of an unusual nature

The results of the operations of the Company 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.

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 Company for the financial year for which this report is made.

Share capital

The Company did not issue any shares during the current financial year. No option to take up unissued shares in the Company was granted during the financial year and there were no shares under options at the end of the financial year in respect of shares in the Company.

Directors

The Directors who have held for office since the date of last report are :

Ms. Buth Kerady

Mr. Lan Yuan Ku

Mr. Dy Chetra

BAYON CREDIT MICROFINANCE INSTITUTION PLC.
(Incorporated in Cambodia)

DIRECTORS' REPORT (continued)

Directors' benefits

During and at the end of the financial year, no arrangements subsisted to which the Company is a party, with the object or objects of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate. Since the end of previous financial year, the Directors have not received or become entitled to receive any benefit by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, except for any benefit which may be deemed to have arisen by virtue of those transactions as disclosed in Note 24 to the financial statements.

Directors' responsibility in respect of the financial statements

The Directors are responsible to ascertain that the financial statements give a true and fair view of the financial position of the Company as at 31 December 2020, and of its financial performance and cash flows for the financial year then ended. In preparing these financial statements, the Directors are required to:

- (a) adopt appropriate accounting policies which are supported by reasonable judgements and estimates and then apply them consistently;
- (b) comply with the disclosure requirements of the Cambodian International Financial Reporting Standards for Small and Medium-sized Entities ("CIFRSs for SMEs") and the guidelines issued by the National Bank of Cambodia relating to the preparation and presentation of financial statements or, 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;
- (c) maintain adequate accounting records and an effective system of internal controls;
- (d) prepare the financial statements on a going concern basis unless it is inappropriate to assume that the Company will continue its operations in the foreseeable future; and
- (e) control and direct effectively the Company 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 they have complied with the above requirements in preparing the financial statements.

Significant event during the financial year

The significant event during the financial year is disclosed in Note 27 to the financial statements.

BAYON CREDIT MICROFINANCE INSTITUTION PLC.
(Incorporated in Cambodia)

DIRECTORS' REPORT (continued)

Statement by the Directors

In the opinion of the Directors, the financial statements set out on pages 8 to 34 have been drawn up in accordance with Cambodian International Financial Reporting Standards for Small and Medium-sized Entities and the guidelines issued by the National Bank of Cambodia so as to give a true and fair view of the financial position of the Company as at 31 December 2020, and of its financial performance and cash flows for the financial year ended.

Ms. Buth kerady
Chairwoman of the Board of Director
Phnom Penh, cambodia
Date: 31 May 2021

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
BAYON CREDIT MICROFINANCE INSTITUTION PLC
(Incorporated in Cambodia)
(Registration No: 00013046)

Report on the Audit of Financial Statements

Opinion

We have audited the financial statements of Bayon Credit Microfinance Institution Plc. ("the Company"), which comprise statement of financial position as at 31 December 2020, and statement of comprehensive income, statement of changes in equity and statement of cash flows for the financial year ended, and a summary of significant accounting policies, as set out on pages 25 to 59.

The financial statements of the Company for the financial year ended 31 December 2019 was audited by another firm of Certified Public Accountants, whose report dated 15 June 2020 expressed an unqualified opinion on those statements.

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 of its financial performance and cash flows for the financial year then ended in accordance with Cambodian International Financial Reporting Standards for Small and Medium-sized Entities and the guidelines issued by the National Bank of Cambodia.

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 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 Company in accordance with the Code of Ethics for Professional Accountants and Auditors of the Kampuchea Institute of Certified Public Accountants and Auditors ("Code of Ethics") and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics and the IESBA Code.

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the Directors' Report but does not include the financial statements of the Company and our auditors' report thereon.

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

Information Other than the Financial Statements and Auditors' Report Thereon (continued)

In connection with our audit of the financial statements of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Company 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 other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Cambodian International Financial Reporting Standards for Small and Medium-sized Entities and the guidelines issued by the National Bank of Cambodia. The Directors are also responsible for such internal control as the directors determine are necessary to enable the preparation of financial statements of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Company, the Directors are 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 the Directors either intend to liquidate the Company, or to cease operations, or has 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 Company 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 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 the financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements of the Company, 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 the directors.
- 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 auditors' report to the related disclosures in the financial statements of the Company 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Company, including the disclosures, and whether the financial statements of the Company 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

This report is made solely to the shareholders of the Company, as a body. We do not assume responsibility to any other person for the content of this report.



BDO (Cambodia) Limited
Phnom Penh, Cambodia
Date: 31 May 2021

BAYON CREDIT MICROFINANCE INSTITUTION PLC.
(Incorporated in Cambodia)

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

	Note	2020		2019
		US\$	KHR'000	US\$
ASSETS				
Cash on hand	6	2,149,237	8,693, 664	12,834
Balances with National Bank of Cambodia	7	150,990	610, 756	150,583
Balances with other banks	8	188,884	764,036	41,058
Loans to customers	9	207,800	840,550	2,056,893
Other receivables	10	26,224	106,075	870,681
Property, plant and equipment	11	94,390	381,808	40,191
Intangible asset	12	20,524	83,020	23,742
TOTAL ASSETS		<u>2,838,049</u>	<u>11,479,909</u>	<u>3,195,982</u>
LIABILITIES AND EQUITY				
LIABILITIES				
Other payables	13	27,212	110,073	33,218
Current tax liabilities		259	1,048	286
TOTAL LIABILITIES		<u>27,471</u>	<u>111,121</u>	<u>33,504</u>
EQUITY				
Share capital	14	3,000,000	12,135,000	3,000,000
Regulatory reserve	15	5,864	23,720	2,010
(Accumulated losses)/ Retained earnings		(195,286)	(789,932)	160,468
TOTAL EQUITY		<u>2,810,578</u>	<u>11,368,788</u>	<u>3,162,478</u>
TOTAL LIABILITIES AND EQUITY		<u>2,838,049</u>	<u>11,479,909</u>	<u>3,195,982</u>

STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Note	2020		2019
		US\$	KHR'000	US\$
Interest income	16	166,690	674,261	367,343
Interest expense	17	-	-	(1,152)
Net interest income		166,690	674,261	366,191
Reversal of allowance for doubtful loans	9	13,724		36,165
Other operating income	18	50,155	202,877	89,160
Personnel expenses	19	(355,410)	(1,437,633)	(278,526)
Depreciation and amortisation expenses	20	(32,931)	(133,206)	(31,653)
Other operating expenses	21	(191,983)	(776,571)	(251,070)
Loss before tax		(349,755)	(1,414,758)	(69,733)
Tax expense	22	(2,145)	(8,677)	(18,472)
Loss for the financial year		(351,900)	(1,423,435)	(88,205)
Other comprehensive income, net of tax		-	-	-
Total comprehensive loss for the financial year		<u>(351,900)</u>	<u>(1,423,435)</u>	<u>(88,205)</u>

**STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

	Share capital US\$	Regulatory reserve US\$	(Accumulated losses)/ Retained earnings US\$	Total US\$
Balance as at 1 January 2019	3,000,000	-	250,683	3,250,683
Regulatory reserve	-	2,010	(2,010)	-
Loss for the financial year, representing total comprehensive loss	-	-	(88,205)	(88,206)
Balance as at 31 December 2019	3,000,000	2,010	160,468	3,162,478
Regulatory reserve	-	3,854	(3,854)	-
Loss for the financial year, representing total comprehensive loss	-	-	(351,900)	(351,900)
Balance as at 31 December 2020	3,000,000	5,864	(195,286)	2,810,578
(KHR'000 equivalent)	12,135,000	23,720	(789,932)	11,368,788

**STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

	Note	2020 US\$	KHR'000	2019 US\$
Cash flows from operating activities				
Loss before tax		(349,755)	(1,414,758)	(69,733)
Adjustments for:				
Reversal of allowance for doubtful loans	9	(13,724)	(55,514)	(36,395)
Amortisation of intangible assets	12	3,218	13,017	1,108
Depreciation of property, plant and equipment	11	29,713	120,189	30,543
Property, plant and equipment written off		6,343	25,657	-
Loans written off		5,566	22,514	-
Interest expense	18	-	-	1,152
Operating loss before working capital changes		(318,639)	(1,288,895)	(73,325)
Changes in working capital				
Loan to customers		1,857,251	7,512,580	(176,727)
Other receivables		844,457	3,415,830	50,669
Other payables		14,078	56,946	2,408
Cash generated from/(used in) operations		2,397,147	9,696,461	(196,975)
Interest paid		-	-	(1,592)
Income tax paid		(2,172)	(8,786)	(25,657)
Net cash from/(used in) operating activities		2,394,975	9,687,675	(223,784)

Cash flows from investing activity

Purchase of property, plant and equipment, representing net cash used in investing activity	11	(90,255)	(365,080)	(329)
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Cash flows from financing activities

Drawdown of borrowing				(49,874)
Repayments of borrowing		(20,084)	(81,240)	30,791

Net cash used in financing activities		(20,084)	(81,240)	(19,083)
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Net increase/(decrease) in cash and cash equivalents		2,284,636	9,241,355	(243,196)
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Cash and cash equivalents at beginning of financial year		54,475	220,351	297,671
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Cash and cash equivalents at end of financial year		2,339,111	9,461,706	54,475
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Cash and cash equivalents comprise the following:

	Note	2020		2019
		US\$	KHR'000	US\$
Cash on hand	6	2,149,237	8,693,664	12,834
Balances with National Bank of Cambodia (excluding statutory deposit)	7	90	4,006	583
Balances with other banks	8	188,884	764,036	41,058
		2,339,111	9,461,706	54,475

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

1. CORPORATE INFORMATION

Bayon Credit Microfinance Institution Plc. (“the Company”) is a public limited company incorporated in Cambodia under registration number 00013046 dated 11 July 2011, issued by the Ministry of Commerce. The Company obtained its license from the National Bank of Cambodia (“NBC”) to operate as a microfinance institution on 21 November 2011.

The registered office of the Company is at the building located at lot No. 342, Preah Monivong Boulevard cornered with Street 288, Phum 3, Sangkat Boeng Keng Kang Ti Muoy, Khan Boeng Keng Kang, Phnom Penh, Kingdom of Cambodia.

The financial statements are presented in United States Dollar (“US\$”), which is also the Company’s functional currency.

The financial statements were authorised for issue by the Board of Directors on 31 May 2021.

2. PRINCIPAL ACTIVITY

The principal activity of the Company is in microfinance operation. There have been no significant changes in the nature of this activity during the financial year.

3. BASIS OF PREPARATION

The financial statements of the Company have been prepared in accordance with Cambodian International Financial Reporting Standards for Small and Medium-sized Entities (“CIFRSs for SMEs”) as issued by the National Accounting Council of the Ministry of Economy and Finance and the guidelines issued by the NBC relating to the preparation and presentation of financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Basis of accounting

The financial statements of the Company have been prepared under the historical cost convention except as otherwise stated in the financial statements.

The preparation of financial statements in conformity with CIFRSs for SMEs requires the Directors to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses and disclosure of contingent assets and contingent liabilities. In addition, the Directors are also required to exercise their judgement in the process of applying the accounting policies. The areas involving such judgements, estimates and assumptions are disclosed in Note 5 to the financial statements. Although these estimates and assumptions are based on the Directors’ best knowledge of events and actions, actual results could differ from those estimates.

In compliance with the requirements of the NBC, all assets, liabilities, profit and loss items in foreign currencies at the end of the reporting year are converted into thousand Khmer Riel (“KHR’000”) using the official exchange rate announced by the NBC at the end of the reporting year, US\$1 = KHR4,045 (2019: US\$1 = KHR4,075). Such conversions should not be construed as representations that the US\$ amounts have been, could be, or could in the future be, converted into KHR at this or any other rate of exchange.

4.2 Balances with National Bank of Cambodia

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

4.3 Property, plant and equipment

All items of property, plant and equipment are initially measured at cost. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the asset and which has different useful life, is depreciated separately.

After initial recognition, property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated to write off the cost of the assets to their residual values on a declining balance basis. The principal depreciation periods are as follows:

Leasehold improvement	Lower of lease term and 4 years
Furniture and fixtures	4 years
Computer, IT Electronic equipment and other office equipment	4 years
Motor vehicles	4 - 5 years

At the end of each reporting period, the carrying amount of an item of property, plant and equipment is assessed for impairment when events or changes in circumstances indicate that its carrying amount may not be recoverable. A write down is made if the carrying amount exceeds the recoverable amount (see Note 4.5 to the financial statements on impairment of non-financial assets).

The residual values, useful lives and depreciation method are reviewed at each financial year end to ensure that the amount, method and period of depreciation are consistent with previous

estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment. If expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate.

The carrying amount of an item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any, and the carrying amount is included in the profit or loss.

4.4 Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The principal amortisation period is over ten years. The estimated useful life and amortisation method are reviewed at the end of each reporting year, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any accumulated impairment losses.

4.5 Impairment of non-financial assets

The carrying amount of assets, except for financial assets, are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

Intangible assets that have an indefinite useful life are tested annually for impairment or more frequently if events or changes in circumstances indicate that the intangible asset might be impaired.

The recoverable amount of an asset is estimated for an individual asset. Where it is not possible to estimate the recoverable amount of the individual asset, the impairment test is carried out on the cash generating unit ("CGU") to which the asset belongs.

The recoverable amount of an asset or CGU is the higher of its fair value less cost to sell and its value in use. In estimating the value in use, the estimated future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal 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 which the future cash flow estimates have not been adjusted. An impairment loss is recognised in profit or loss when the carrying amount of the asset or the CGU exceeds the recoverable amount of the asset or the CGU.

The total impairment loss is allocated to reduce the carrying amount of the assets of the CGU on a pro-rata basis of the carrying amount of each asset in the CGU. The impairment loss is recognised in profit or loss immediately.

An impairment loss is reversed if, and only if, there has been a change in the estimates used to determine the assets' recoverable amount since the last impairment loss was recognised.

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 or amortisation, if no impairment loss had been recognised. Such reversals are recognised as income immediately in profit or loss.

4.6 Operating leases

A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Lease payments under operating leases are recognised as an expense on a straight-line basis over the lease term.

4.7 Financial instruments

An entity shall recognise a financial asset or a financial liability only when the entity becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is recognised initially at the transaction price (including transaction costs except in the initial measurement of financial assets and liabilities that are measured at fair value through profit or loss) unless the arrangement constitutes, in effect, a financing transaction.

Loans to customers and other receivables are recognised initially at the transaction price. Subsequently, they are measured at amortised cost using the effective interest method, less any impairment. At the end of each reporting period, the carrying amounts of loans to customers and other receivables are reviewed to determine whether there is any objective evidence that the amounts are not recoverable. If so, an impairment loss is recognised immediately in profit or loss.

Other payables and borrowings are recognised initially at transaction price. After initial recognition they are measured at amortised cost using the effective interest method. Trade payables are on normal credit terms and do not bear interest.

4.8 Impairment of financial assets

All financial assets are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment.

The Company collectively considers factors such as the probability of bankruptcy or significant financial difficulties, and default or significant delay in payments to determine whether there is objective evidence that an impairment loss has occurred. Other factors may also be evidence of impairment, including the restructuring of a loan, disappearance of an active market for a security and adverse changes that have taken place in the economic environment.

If there is objective evidence that an impairment loss has been incurred for loans which are deemed to be individually significant, the amount of loss is measured as the difference between the carrying amount of loans and the present value of estimated future cash flows discounted at the original effective interest rate of the loans. The carrying amount of the loans is reduced through the use of an impairment allowance account and the amount of the impairment loss is recognised in the statement of comprehensive income.

Loans which are not individually significant and that have been individually assessed with no evidence of impairment loss are grouped together for collective impairment assessment. These loans are grouped within similar credit risk characteristics for collective assessment, whereby data from the loans, advances and financing portfolio (such as credit quality, levels of arrears, credit utilisation, loan to collateral ratios, etc.) and concentrations of risks (such as the performance of different individual groups) are taken into consideration.

If, in a subsequent period, the amount of the impairment loss decreases and it objectively relates to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of impairment reversed is recognised in profit or loss.

4.9 Regulatory reserve

Regulatory reserve is maintained in addition to the allowance for doubtful loans that has been assessed and recognised in accordance with CIFRS for SMEs and which has been transferred from the retained earnings, in accordance with NBC's Prakas No. B7-017-344 Pro Kor dated 1 December 2017 and Circular No. B7-018-001 dated 16 February 2018.

NBC guidelines require microfinance institutions to classify their loan portfolio into the following five classes and ensure that the minimum mandatory level of specific allowance is made:

Classification	Number of days past due	Allowance
Short - term loans (less than one year):		
General		
Normal	0 - 14 days	1%
Specific		
Special mention	15 - 30 days	3%
Sub-standard	31 - 60 days	20%
Doubtful	61 - 90 days	50%
Loss	91 days or more	100%
Long - term loans (more than one year):		
General		
Normal	0 - 29 days	1%
Specific		
Special mention	30 - 89 days	3%
Sub-standard	90 - 179 days	20%
Doubtful	180 - 359 days	50%
Loss	360 days or more	100%

In accordance with Article 73 of Prakas No. B7-017-344 Pro Kor, the Company shall compare the allowance calculated in accordance with above requirements and the Company's allowance recorded under CIFRS for SMEs:

- (a) If the regulatory allowance is lower, the Company records the allowance calculated in accordance with CIFRS for SMEs; and
- (b) If the regulatory allowance is higher, the Company records the allowance calculated in accordance with CIFRS for SMEs and transfer the difference from retained earnings to regulatory reserve in equity.

4.10 Income taxes

Income taxes include all taxes on taxable profit. Taxes in the statement of comprehensive income comprise current tax and deferred tax.

- (a) Current tax

Current tax expenses are determined according to the tax laws and include all taxes based upon the taxable profits.

(b) Deferred tax

A deferred tax asset or liability is recognised for tax recoverable or payable in future periods as a result of past transactions or events. Deferred tax arises from differences (known as temporary differences) between the carrying amounts of assets and liabilities in the consolidated balance sheet and their corresponding tax bases. The tax bases of assets are determined by the consequences of sale of the assets.

Deferred tax liabilities are recognised for all temporary differences that are expected to increase taxable profit in the future, except those associated with goodwill. Deferred tax assets are recognised for all temporary differences that are expected to reduce taxable profit in the future and any unused tax losses.

Deferred tax assets are measured at the highest amount that is more likely than not to be recovered, based on current or estimated future taxable profit. 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 recognised in the statement of comprehensive income.

Deferred tax is calculated at the tax rates that are expected to apply to the taxable profit (tax loss) of the periods in which management expects the deferred tax asset to be realised 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.

4.11 Provisions

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

Where the effect of the time value of money is material, the amount of a provision will be discounted to its present value at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision will be reversed.

Provisions are not recognised for future operating losses. If the Company has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

4.12 Interest income recognition

(a) Interest income

Interest earned on loans to customers, deposits with National Bank of Cambodia and other banks are recognised on the accrual basis, except when loans become doubtful of collection, in which case, no interest is recognised as income.

Where an account is classified as non-performing, recognition of interest income is suspended until it is realised on a cash basis. Customers' loan accounts are classified as non-performing where repayments are in arrears for 30 days and more.

(b) Fees and commission income

The Company earns fee and commission income mainly from loan processing and early settlements or late payments of loans. They are recognised in the income statement on an accrual basis.

4.13 Employee benefits

(a) Short term employee benefits

Wages, salaries, social security contributions, paid annual leave, paid sick leave, bonuses and non-monetary benefits are measured on an undiscounted basis and are expensed when employees rendered their services to the Company.

Short term accumulating compensated absences such as paid annual leave are recognised as an expense when employees render services that increase their entitlement to future compensated absences. Short term non-accumulating

compensated absences such as sick leave are recognised when the absences occur and they lapse if the current period's entitlement is not used in full and do not entitle employees to a cash payment for unused entitlement on leaving the Company.

Bonuses are recognised as an expense when there is present, legal or constructive obligation to make such payments, as a result of past events and when a reliable estimate can be made of the amount of the obligation.

(b) Termination benefits

Termination benefits are payments due to employees as a result of the termination of employment before the normal retirement date or an employee's decision to accept voluntary redundancy in exchange for those benefits. They are recognised as a liability and an expense when the Company has a detailed formal plan for termination with no realistic possibility of withdrawal. In the case of voluntary redundancy, the benefits are accounted for based on the number of employees expected to accept the offer.

Where termination benefits fall due more than 12 months after the end of reporting period, they are discounted to present value based on market yields at the end of reporting period.

4.14 Foreign currencies

(a) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates (“the functional currency”). The national currency of Cambodia is Khmer Riel (“KHR”). However, as the Company transacts its business and maintains its accounting records primarily in United States Dollar (“US\$”), management have determined United States Dollar to be the Company’s functional and presentation currency as it reflects the economic substance of the underlying events and circumstances of the Company.

(b) Foreign currency translations and balances

Transactions in foreign currencies are converted into functional currency at rates of exchange ruling at the transaction dates. Monetary assets and liabilities in foreign currencies at the end of the reporting period are translated into functional currency at rate of exchange ruling at that date. All exchange differences arising from the settlement of foreign currency transactions and from the translation of foreign currency monetary assets and liabilities are included in profit or loss in the period in which they arise. Non-monetary items initially denominated in foreign currencies, which are carried at historical cost are translated using the historical rate as of the date of acquisition, and non-monetary items which are carried at fair value are translated using the exchange rate that existed when the values were determined for presentation currency purposes.

4.15 Borrowing costs

Borrowing costs are recognised in profit or loss in the period in which they are incurred

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

5.1 Changes in estimates

Estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Directors are of the opinion that there are no significant changes in estimates during the reporting period end and as at the end of the reporting period.

5.2 Critical judgements made in applying accounting policies

There are no critical judgments made by the management in the process of applying the Company’s accounting policies that have the most significant effect on the amount recognised in these financial statements apart from those involving estimates, which are dealt with below.

5.3 Key sources of estimation uncertainty

The following are the key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(a) Depreciation of property, plant and equipment

The cost of property, plant and equipment is depreciated on a reducing balance basis over the assets' useful lives except leasehold improvements is depreciated using straight-line method. Management estimates the useful lives of these property, plant and equipment based on historical experience, the expected usage, wear and tear of the assets and technical obsolescence arising from changes in market demands or service output of the assets. Changes in these factors could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

(b) Impairment on loans to customers

The Company makes allowance for losses on loan to customers based on assessment of their recoverability. Impairment is applied to loan to customers where events or changes in circumstances indicate that the carrying amounts may not be recoverable. Management specifically analyses estimated amount and timing of cash flows as well as net realisable value of the underlying collateral value, when making a judgement to evaluate the adequacy of impairment. Where expectations differ from the original estimate, the differences would impact the carrying amount of loans to customers.

(c) Tax expense

Significant judgement is involved in determining the Company's provision for taxes. The Company will recognise liabilities for expected tax expenses based on an estimate of whether the taxes are due through management's interpretation of the various tax legislations. When the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the tax provision in the financial year in which such determination is made.

6. CASH ON HAND

	2020		2019
	US\$	KHR'000	US\$
Cash on hand ("KHR")	2,399	9,704	3,331
Cash on hand ("US\$")	2,146,838	8,683,960	9,503
	<u>2,149,237</u>	<u>8,693,664</u>	<u>12,834</u>

7. BALANCES WITH NATIONAL BANK OF CAMBODIA

	2020		2019
	US\$	KHR'000	US\$
Current account	990	4,006	583
Statutory deposit	150,000	606,750	150,000
	<u>150,990</u>	<u>610,756</u>	<u>150,583</u>

STATUTORY DEPOSIT

In compliance with Prakas B7-00-006 Pro Kor dated 11 January 2000 and B7-06-209 Pro Kor dated 13 September 2006 on the Licensing of Microfinance Institutions, the Company is required to maintain a statutory capital deposit with the NBC of 5% of registered capital. This deposit is refundable should the Company voluntarily liquidate.

8. BALANCES WITH OTHER BANKS

	2020		2019
	US\$	KHR'000	US\$
Advanced Bank of Asia Limited	188,884	764,036	265
Aceda Bank Plc.	-	-	40,793
	<u>188,884</u>	<u>764,036</u>	<u>41,058</u>

9. LOANS TO CUSTOMERS

	2020		2019
	US\$	KHR'000	US\$
Individual loans	215,481	871,620	2,147,916
Allowance for doubtful loans	(7,681)	(31,070)	(91,023)
	<u>207,800</u>	<u>840,550</u>	<u>2,056,893</u>

(a) Allowance for doubtful loans

	2020		2019
	US\$	KHR'000	US\$
Balance at beginning of year	91,023	368,188	133,117
Allowance for the year	-	-	2,484
Reversal of allowance	(13,724)	(55,514)	(38,879)
Written off during the year	(69,618)	(281,604)	(5,699)
Balance at end of year	<u>7,681</u>	<u>31,070</u>	<u>91,023</u>

(b) By maturity	2020		2019
	US\$	KHR'000	US\$
Within one year	651	2,633	1,600,587
From one to five years	214,830	868,987	536,100
Over five years	-	-	11,229
	<u>215,481</u>	<u>871,620</u>	<u>2,147,916</u>

(c) By currency	2020		2019
	US\$	KHR'000	US\$
US Dollar	187,850	759,853	1,979,555
Khmer Riel	27,631	111,767	168,361
	<u>215,481</u>	<u>871,620</u>	<u>2,147,916</u>

(d) By economic sector	2020		2019
	US\$	KHR'000	US\$
Agriculture	6,399	25,884	40,600
Construction	9,057	36,636	50,298
Household/Family	173,604	702,228	1,043,536
Manufacturing	250	1,011	17,585
Service	6,889	27,866	21,734
Trade and Commerce	16,089	65,080	882,938
Transportation	-	-	14,889
Other categories	3,193	12,915	76,336
	<u>215,481</u>	<u>871,620</u>	<u>2,147,916</u>

(e) By relationship	2020		2019
	US\$	KHR'000	US\$
External customers	208,362	842,824	544,422
Staff loans	7,119	28,796	1,603,494
	<u>215,481</u>	<u>871,620</u>	<u>2,147,916</u>

(f) By performance	2020		2019
	US\$	KHR'000	US\$
Normal loans:			
Secured	193,129	781,207	460,539
Unsecured	7,120	28,880	1,616,148
Special mention:	5,123	20,723	1,806
Secured	-	-	-
Unsecured			
Sub -standard loans:			
Secured	-	-	1,872
Unsecured	-	-	-
Doubtful loans:			
Secured	-	-	-
Unsecured	-	-	-
Loss loans:			
Secured	10,109	40,891	67,433
Unsecured	-	-	118
	<u>215,481</u>	<u>871,620</u>	<u>2,147,916</u>

(g) By exposure	2020		2019
	US\$	KHR'000	US\$
Large exposures	-	-	-
Non -large exposures	215,481	871,620	2,147,916
	<u>215,481</u>	<u>871,620</u>	<u>2,147,916</u>

A "large exposure" is defined under NBC Prakas as the overall gross exposure of the aggregate balance of loans and advances with one single beneficiary, which exceeds 10% of the Company's net worth. The exposure is the higher of the outstanding loans or commitments and the authorised loans or commitments.

10. OTHER RECEIVABLES

	2020		2019
	US\$	KHR'000	US\$
Advances	1,089	4,405	807,945
Interest receivable	2,916	11,794	36,013
Prepayments	22,219	89,876	26,723
	<u>26,224</u>	<u>106,075</u>	<u>870,681</u>

11. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvement US\$	Furniture and fixtures US\$	Computer, IT Electronic equipment, Office equipment US\$	Motor vehicles US\$	Total US\$
Cost					
Balance at 1.1.2019	40,258	33,521	47,613	50,700	172,092
Additions	-	329	-	-	329
Written off	(5,955)	-	(1,467)	-	(7,422)
31.12.2019/1.1.2020	34,303		46,146	50,700	164,999
Additions	-	-	54,255	36,000	90,255
Written off	(28,964)	(27,537)	(24,264)	(13,000)	(93,765)
Balance at 31.12.2020	5,339	1,481	80,969	73,700	161,489
Accumulated depreciation					
Balance at 1.1.2019	21,888	25,246	39,865	37,809	124,808
Depreciation for the year	6,907	3,270	9,829	9,707	29,713
Written off	(24,081)	(26,709)	(23,632)	(13,000)	(87,422)
Balance at 31.12.2019 /1.1.2020	21,934	24,552	40,512	37,809	124,808
Depreciation for the year	6,907	3,270	9,829	9,707	29,713
Written off	(24,081)	(26,709)	(23,632)	(13,000)	(87,422)
Balance at 31.12.2020	4,714	1,807	26,062	34,516	67,099
Carrying amounts					
Balance as at 31.12.2020	625	4,506	50,075	39,184	94,390
(KHR'000 equivalent)	2,528	18,227	202,553	158,500	381,808
Balance as at 31.12.2019	12,415	8,604	6,281	12,891	40,191

12. INTANGIBLE ASSETComputer
software
US\$

Cost

Balance at 1.1.2019/31.12.2019/31.12.2020

33,061

Accumulated amortisation

Balance at 1.1.2019

8,210

Amortisation for the year

1,109

Balance at 31.12.2019/1.1.2020

9,319

Amortisation for the year

3,218

Balance at 31.12.2020

12,537

Carrying amounts

Balance as at 31.12.2020

20,524

(KHR'000 equivalent)

83,020

Balance as at 31.12.2019

23,742**13. OTHER PAYABLES**

	2020		2019
	US\$	KHR'000	US\$

Accruals

17,201

69,578

20,084

Other tax payables

2,393

9,680

3,354

Other payables

7,61830,8159,78027,212110,07333,218**14. SHARE CAPITAL**

	2020		2019	
	Number	US\$	Number	US\$

Ordinary shares of US\$2.5 each

Registered

120,0003,000,000120,0003,000,000

Registered and issued:

At 1 January/31 December

120,0003,000,000120,0003,000,000

(KHR'000 equivalent)

12,135,000

The owners of the Company are entitled to receive dividends as and when declared by the Company and are entitled to one vote per ordinary share at meetings of the Company. All ordinary shares rank pari passu with regard to the Company's residual assets.

15. REGULATORY RESERVE

Regulatory reserve is maintained in addition to the allowance for doubtful loans that has been assessed and recognised in accordance with CIFRS for SMEs and which has been transferred from the retained earnings, in accordance with NBC's Prakas No. B7-017-344 Pro Kor dated 1 December 2017 and Circular No. B7-018-001 dated 16 February 2018.

16. INTEREST INCOME	2020		2019
	US\$	KHR'000	US\$
Loans to customers	166,332	672,813	366,384
Deposits and placements with banks	358	1,448	959
	<u>166,690</u>	<u>674,261</u>	<u>367,343</u>

17. INTEREST EXPENSE	2020		2019
	US\$	KHR'000	US\$
Interest expense on other financial institutions	-	-	1,152

18. OTHER OPERATING INCOME	2020		2019
	US\$	KHR'000	US\$
Fee and commission	5,073	20,521	518
Other income	45,082	182,357	88,642
	<u>50,155</u>	<u>202,878</u>	<u>89,160</u>

19. PERSONNEL EXPENSES	2020		2019
	US\$	KHR'000	US\$
Salaries and benefits	315,531	1,276,323	271,250
Others	39,879	161,310	7,276
	<u>355,410</u>	<u>1,437,633</u>	<u>278,526</u>

20. DEPRECIATION AND AMORTISATION EXPENSES

	2020		2019
	US\$	KHR'000	US\$
Depreciation of property, plant and equipment	29,713	210,189	30,544
Amortisation of intangible asset	3,218	13,017	1,109
	<u>32,931</u>	<u>133,206</u>	<u>31,653</u>

21. OTHER OPERATING EXPENSES

	2020		2019
	US\$	KHR'000	US\$
Communication	11,560	46,760	8,704
Entertainment	49	198	319
Loan receivables written off	5,566	22,514	-
Marketing and advertising	8,687	35,139	256
Membership fee	14,038	56,784	5,224
Office rental	56,638	229,101	59,002
Office supplies	5,156	20,856	1,164
Property, plant and equipment written off	6,343	25,657	-
Professional fees	31,456	127,240	43,168
Repair and maintenance	16,065	64,983	14,426
Security	12,408	50,190	6,732
Transportation fee	6,251	25,285	11,577
Travel expenses	3,385	13,692	1,442
Utilities	6,803	27,518	8,749
Other expense	7,578	30,653	90,307
	<u>191,983</u>	<u>776,571</u>	<u>251,070</u>

22. TAX EXPENSE

	2020		2019
	US\$	KHR'000	US\$
Income tax expense:			
Current year	2,172	8,786	18,471
Under provision in prior year	(27)	(109)	-
	<u>2,145</u>	<u>8,677</u>	<u>18,471</u>

Under the Cambodian Law on Taxation, the Company has an obligation to pay tax on profit at 20% (2019: 20%) of the taxable profit or a minimum tax at 1% (2019: 1%) of total revenue, whichever is higher. The numerical reconciliation between the tax expense and the product of accounting loss multiplied by the applicable tax rate of the Company is as follows:

	2020		2019
	US\$	KHR'000	US\$
Loss before tax	(349,714)	1,414,593	(69,733)
Tax at Cambodian statutory tax rate of 20% (2019 : 20%)	(69,943)	(282,919)	(13,947)
Tax effects in respect of:			
Non -allowable expenses	32,026	129,545	16,533
Tax allowance	379	1,534	-
Deferred tax asset not recognised during the year	37,538	151,841	12,116
Statutory minimum tax	2,172	8,786	3,769
	2,172	8,786	18,471
Under provision in prior years			
- Income tax	(27)	(109)	
Total tax expense	2,145	8,677	18,471

The amount of temporary differences for which no deferred tax asset has been recognised in the statement of financial position is as follows:

	2020		2019
	US\$	KHR'000	US\$
Unused tax losses :			
- Expired on 31 December 2024	53,335	215,740	53,335
- Expired on 31 December 2025	187,689	759,202	
	241,024	974,942	53,335

Deferred tax asset has not been recognised in respect of this item as it is not probable that taxable profits of the Company would be available against which the deductible temporary differences could be utilised. The unused tax losses are subject to review and agreement by the General Department of Taxation.

23. OPERATING LEASE COMMITMENTS

THE COMPANY AS LESSEE

The Company had entered into non-cancellable lease agreements for office space, resulting in future rental commitments which can, subject to certain terms in the agreements, be revised annually based on prevailing market rates. At period-end, the Company has outstanding commitments under non-cancellable operating leases that fall due, as follows:

	2020		2019
	US\$	KHR'000	US\$
Not later than one year	42,267	187,149	52,833
Later than one year and not later than five years	100,500	406,523	171,167
Later than five years	-	-	166,445
	<u>146,767</u>	<u>593,672</u>	<u>390,445</u>

24. RELATED PARTY DISCLOSURES

(a) The Company had the following transactions with a related party during the financial year.

<u>Shareholders</u>	2020		2019
	US\$	KHR'000	US\$
Mr. Ok Somphois			
Loans provided by the Company	-	-	300,000
Mr. Yim Sokhen			
Loans provided by the Company	-	-	200,000
Mr. Mey Sarin			
Loans provided by the Company	-	-	300,000
Mr. Sok Virak			
Loans provided by the Company	-	-	800,160
Mr. Chim Charkya			
Loans provided by the Company	-	-	805,000
Repayments to the Company	805,000	3,256,225	1,600,160
Interest income	-	-	180,669
	<u>-</u>	<u>-</u>	<u>180,669</u>

Balances with related parties at the end of the reporting period are disclosed in Note 9 to the financial statements.

The related party transactions described above were carried out on negotiated commercial terms.

(b) Compensation of key management personnel

	2020		2019
	US\$	KHR'000	US\$
Short term employee benefits	<u>98,950</u>	<u>403,221</u>	<u>91,636</u>

25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's financial risk management objective is to optimise value creation for its shareholders whilst minimising the potential adverse impact arising from volatility of the financial markets.

The Directors are responsible for setting the objectives and underlying principles of financial risk management for the Company. The management then establishes the detailed policies such as authority levels, oversight responsibilities, risk identification and measurement and exposure limits in accordance with the objectives and underlying principles approved by the Directors.

Information on the management of the related exposures is detailed below.

(i) Credit risk

The Company assumes exposure to credit risk which is the risk that a counterparty will be unable to pay the amounts in full when due. The Company structures the levels of credit risk undertaken by placing limits on the amount of risk accepted in relation to one borrower, or Company of borrowers, and the geographical and industry segments. Procedures of risk limit setting, monitoring, usage, control are governed by internal regulations. Such risks are monitored on a regular basis.

Exposure to credit risk is managed through regular analysis of the ability of the borrowers and potential borrowers to meet the interest and capital repayment obligations and reviewing these lending limits where appropriate. Exposure to credit risk is also managed in part by obtaining collateral and corporate or personal guarantees as well as by providing for loan losses.

(a) Risk limit control and mitigation policies.

The Company operates and provides loans to individuals or small-medium enterprises within the Kingdom of Cambodia. The Company manages limits and controls the concentration of credit risk whenever it is identified. The Company 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 Company implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types secured for loans to customers are collateral pledges over properties (land, building and other properties).

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

	Note	2020		2019
		US\$	KHR'000	US\$
Credit exposure relating to assets on the statement of financial position :				
Balances with other banks	8	188,884	764,036	41,058
Loans to customers	9	215,481	871,620	2,147,916
Other receivables	10	26,224	106,075	870,681
		<u>430,589</u>	<u>1,741,731</u>	<u>3,059,655</u>

The above table represents a worst case scenario for credit risk exposure to the Company as 31 December 2020, without taking into account any collateral held or other credit enhancements. For assets in the statement of financial position, the exposure set out above is based on net carrying amounts.

(C) Repossessed collateral

During the financial year ended 31 December 2020, the Company did not obtain any assets by taking possession of collateral held as security.

(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, and 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. An analysis of the interest rate risk pertaining to the Company's assets and liabilities is disclosed below.

The table below summarises the Company's exposure to interest rate risks. Included in the table are the Company's financial assets and liabilities at carrying amounts, categorised by the earlier of contractual re-pricing or maturity dates.

As at 31 December 2020	average effective interest rate %	Within one year US\$	One to five years US\$	Over five years US\$	Non-interest bearing US\$	Total US\$
Financial assets						
Cash on hand	-	-	-	-	2,149,237	2,149,237
Balances with National Bank of Cambodia:						
Statutory deposits	-	-	-	-	150,000	150,000
Deposit with NBC	-	-	-	-	990	990
Balances with other banks	3.00	-	-	-	188,884	188,884
Loans to customers	18.73	651	214,830	-	-	215,481
Other receivables	-	-	-	-	26,224	26,224
		<u>651</u>	<u>214,830</u>	<u>-</u>	<u>2,489,111</u>	<u>2,704,592</u>
(KHR'000 equivalent)		<u>2,633</u>	<u>868,987</u>		<u>10,068,455</u>	<u>10,940,076</u>
Financial liabilities						
Other payables		-	-	-	27,212	27,212
(KHR'000 equivalent)		-	-	-	110,073	110,073

As at 31 December 2019	Weighted average effective %	Within one year US\$	One to five years US\$	Over five years US\$	Non -interest bearing US\$	Total US\$
Financial assets						
Cash on hand	-	-	-	-	12,834	12,834
Balances with National Bank of Cambodia:						
Statutory deposits	-	-	-	-	150,000	583
Deposit with NBC	-	-	-	-	583	150,000
Balances with other banks	3.00	-	-	-	41,058	41,058
Loans to customers	20.49	1,600,587	536,100	11,229	-	2,147,916
Other receivables	-	-	-	-	870,681	870,681
		1,600,587	536,100	11,229	1,075,156	3,223,072
Financial liabilities						
Other payables		-	-	-	33,218	33,218

(iii) 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 Company 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.

The following table provides an analysis of the financial liabilities of the Company into relevant maturity groupings based on the remaining periods to repayment.

	On demand or within one year US\$	One to five years US\$	Over five years US\$	Total US\$
At 31.12.2020				
Other payables	27,212	-	-	27,212
(KHR'000 equivalent)	110,073	-	-	0,073
At 31.12.2019				
Other payables	33,218	-	-	33,218

(iv) Foreign currency risk

Foreign currency risk is the risk that the value of financial assets and liabilities will fluctuate due to changes in foreign exchange rates.

The Company has no material exposures to currency risk as it transacts essentially in US\$. Significant presence of US\$ is a normal practice of companies operating in Cambodia as this is a currency widely in use in Cambodia.

(v) Capital management

The objectives of the Company on managing of capital are to meet the NBC's requirement, continue as a going concern and support the development of the business by maintain strong capital.

The table below summarises the composition of regulatory capital:

	2020		2019
	US\$	KHR'000	US\$
Regulatory reserve	3,000,000	12,135,000	3,000,000
Retained earnings	5,864	23,720	2,010
	(195,286)	(789,932)	160,468
	<u>2,810,578</u>	<u>11,368,788</u>	<u>3,162,478</u>

26. TAXATION CONTINGENCIES

The taxation system in Cambodia is relatively new and is characterised 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 could be significant.

27. SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

The World Health Organisation declared the 2019 Novel Coronavirus infection (“COVID-19”) a pandemic on 11 March 2020.

As at the date of authorisation of the financial statements, the COVID-19 situation is still evolving and unpredictable. Consequently, the Company is unable to estimate the financial effects of COVID-19 pandemic at this juncture. The Company is actively monitoring and managing its operations to minimise any impact arising from the COVID-19 pandemic.

28. COMPARATIVE FIGURES

Comparative figures have been reclassified to conform with the current period's presentation.

	As restated US\$	As previously stated US\$
Statement of financial position		
Assets		
Loans to customers	2,056,893	2,019,923
Hire purchases and lease receivables	-	72,978
Other receivables	<u>870,681</u>	<u>834,674</u>
Statement of profit or loss and other comprehensive income		
Other operating income	89,160	7,220
Reversal of allowance for doubtful loans	36,165	38,649
Personnel expenses	(278,526)	-
Depreciation and amortisation expenses	(31,651)	-
Other operating expense	(251,072)	(479,309)
(Provision)/Reversal of provision for losses on hire purchase and lease receivables	<u>-</u>	<u>(2,484)</u>
Statement of cash flows		
Net cash used in operating activities	(223,783)	(192,993)
Net cash used in investing activities	(330)	(329)
Net cash used in financing activities	<u>(19,083)</u>	<u>(49,874)</u>



បាយ៉ន ក្រេឌីត ម.ក
BAYON CREDIT PLC.
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