



CHOKCHEY FINANCE
PLC.

គ្រឹះស្ថានមីក្រូហិរញ្ញវត្ថុ ជោគជ័យ ហ្វាយនែល ភីអិលស៊ី
CHOKCHEY FINANCE PLC

2016

ANNUAL REPORT

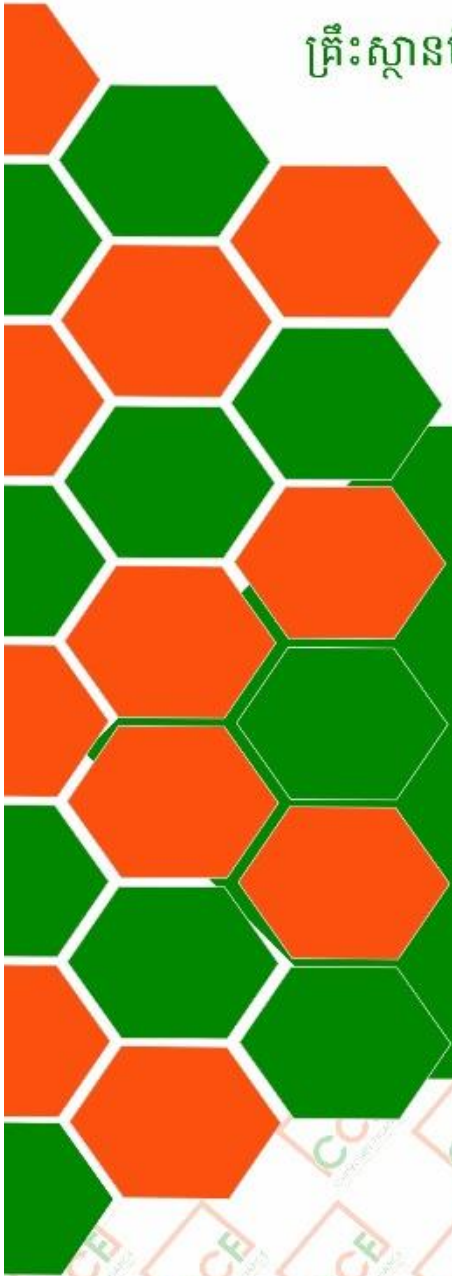


TABLE OF CONTENTS

1. VISION.....	2
2. MISSION.....	2
3. PERFORMANCE HIGHLIGHTS.....	2
4. CAMBODIA KEY ECONOMIC INDICATORS 2016.....	3
5. CHAIRPERSON’S REPORT.....	4
6. CEO’S REPORT.....	6
7. CHOKCHEY OVERVIEW.....	7
8. ORGANIZATIONAL CHART.....	7
9. SHAREHOLDERS.....	8
10. BOARD OF DIRECTORS.....	8
11. COMMITTEES.....	8
12. SENIOR MANAGEMENT.....	10
13. LOAN PRODUCTS & LOAN CATEGORIES.....	11
14. OPERATIONAL PERFORMANCE.....	12
15. FINANCIAL STATEMENTS & EXTERNAL AUDIT REPORT.....	13
16. CONTACT US.....	24

1. VISION

CHOKCHEY FINANCE PLC (“CHOKCHEY”)’s vision is to be the financial institution of choice for Cambodian Community.

2. MISSION

Its mission is to achieve excellence in providing financial services in a manner that is beneficial to our members and community.

3. PERFORMANCE HIGHLIGHTS

INDICATORS	YEAR 2016
Operational Performance	
Number of Branches	1
Number of Service Offices	1
Number of Provinces Covered	2
Number of Districts Covered	18
Number of Communes Covered	64
Number of Villages Covered	97
Loan Outstanding (in USD)	1,376,329
Active Borrowers	296
Borrowers per Credit Officer	9
Average Loans Portfolio per Credit Officer	152,925
Average Amount per Group Loan	0
Average Amount per Individual Loan	4,650
Average Amount per SME Loan	0
PAR 30+	2.7%
Total Staff	24
Financial Performance	
Total Assets (in USD)	1,564,201
Total Equity (in USD)	983,490
Return on Equity	0
Return on Assets	0
Net Interest Incomes / Total Assets	0.07
Net Interest Incomes / Net Financial Incomes	0.80
Net Financial Incomes	140,523

4. CAMBODIA KEY ECONOMIC INDICATORS 2016

Key Economic Indicators	2012	2013	2014	2015	2016p
Growth & Consumer Prices*					
GDP Growth (% Change)	7.3	7.4	7.1	7.0	7.0
Nominal GDP (bn. USD)	14.1	15.2	16.9	18.5	19.3
GDP per Capita (USD)	945	1,036	1,139	1,228	1,228
Consumer Price Index (% Change)	1.4	2.2	1.7	1.3	3.2
Trade & Investment*					
Export (bn. USD)	6.0	6.9	7.8	7.3	9.0
Import (bn. USD)	7.9	9.0	10.1	8.2	9.0
Foreign Direct Investment (bn. USD)	1.41	1.45	1.62	1.65	1.7
Public Sector*					
Government Revenue (% of GDP)	15.7	15.1	18.1	18.5	18.8
Government Expenses (% of GDP)	21.6	21.5	21.6	20.5	21.7
Financial Market**					
Credit to Private Sector (% Change)	29.6	28.6	28.4	27.0	25.8
Deposit (% Change)	29.0	1.32	10.6	18.9	N/A
Short-term Interest Rate (%p.a.)	11.6	11.3	11.5	11.7	12.0
Exchange Rate (KHR/USD)	4,033	4,027	4,038	4,060	4,062
p = projection					
Source:					
*	Data in 2016: Ministry of Economic and Finance (January 2017); Data in 2016: World Bank Update Report (October 2016)				
**	National Bank of Cambodia (24th March, 2016) & Cambodia Microfinance Association (December 2016)				

5. CHAIRPERSON'S REPORT

THE ECONOMY IN 2016

According to estimating of economy or called Gross domestic product (GDP), in 2016, the growth was remarkably up 7% compared to 2015 growth of similar to 7.0%. This shows a commendable growth in the economy of the country. Experts evaluate the factor driving economic growth is the result of strong macroeconomic situation and achieving industry including a sustainable agriculture sector growth, resilient exports, rebounding construction activity, and a robust tourism sector.

In 2016 garments, clothing and shoes work well and industry speaking in general including construction activities are expected to 10.5%, while tourism has increased by 8.2%. Meanwhile, construction sector accounted for almost 30 percent of real growth in 2015 and is projected to remain the second most dynamic driver of growth after the garment sector. While rice exports have increased by 13.5%, while the agricultural production sector increased by 6.0%. Foreign Direct Investment (FDI) in the Kingdom of Cambodia has been increased 25 percent amounting \$2.15 billion in 2016. Khmer Riel exchange rate to the U.S. dollar stability normal change is about amount of \$1 equal to 4,062 KHR. The inflation rate is expected to level 3% during 2016, although the value of food and fuel increased, however.

In 2016 financial results in the banking sector and microfinance and we found a remarkable high provided positive points to economic growth and continue to expand operations in more rural areas. In year 2016, there are 37 commercial banks, 15 specialized banks, and 7 commercial bank representative offices. The growth is due to the increase in loans to customers, saving-deposits, operational income, assets and net profit. In the commercial banking sector total assets increased by 118.2% of GDP as of December 2016. The loan has increased considerably, up to 20.5% and deposit rose by 21.8% of year 2016.

According to the report from the National Bank of Cambodia, there are 241 financial institutions which are 7 MDIs, 64 MFIs, and 12 Leasing Company, and 170 Credit Operators. At the end of 2016, we found that the total assets increased approximately 3.5% equal to 3,852.8 million US dollar. The total loan portfolio increased by 4.3% equal to 3,136.4 million US dollar. Moreover, Deposit of public in the microfinance institutions in 2016 increased by 40.2% to 1,513.3 million US dollar. Whereas the PAR30⁺ comparing the total loan portfolio was only 1.4% as the end of 2016.

ECONOMIC OUTLOOK 2017

Future prospects for the Cambodia economy in 2017 will remain stable and the expected growth rate of 7.1%. Experts evaluated the increase in economic in the coming year, from the growth of the export sector, tourism and real estate. Export garment sector continues to grow steadily while tourism has increased because of foreign tourists to visit more. Property sector remarkable recovery because of the construction sector more separate development, the impact on the agricultural sector due to the floods, less than expectations. Reduce inflation expected to average 3.4%.

ACHIEVEMENTS IN 2016

In 2016, ChokChey Finance Plc ("CCF") received its countrywide microfinance approval from National Bank of Cambodia, No. MF-70, dated 27th April, 2016.

CCF fully started its operation since May 2017, as the first year. Total equity was US\$ 983,490 and total assets was US\$ 1,564,201 while total loss was US\$ 16,510. Moreover, Gross Loan Portfolio was amounted US\$ 1,376,329 at the end of 2016.

We found that CCF has built a good relationship among shareholders, Board of Directors, management and staff as well as other stakeholders and the struggle overcome all the obstacles in business activities and mission to provide loans to people to make the institution successful in the current as well as the following years so as on behalf of management, I would like all of us to continue to maintain a good culture forever.

EVENTS IN 2016

- ✓ Officially license the microfinance institution from National Bank of Cambodia, No. MF-70, dated 27th April, 2017.
- ✓ Do the advertising and promotion, dated 29th October, 2016 & 9th November, 2016.
- ✓ Staff were visiting the KEP Resort, dated 4th September, 2016.
- ✓ Sign the MoU of Acquisition between CCF, and PLUS INTERNATIONAL CO., LTD & HANSHIN ENGINEERING AND CONSTRUCTION CO., LTD, represented by Mr. CHEON GIL PARK, a citizen of the Korea, dated 25th November, 2016.

GENERAL ASSEMBLY OF SHAREHOLDERS

Annual General Assembly of Shareholders held on 27 April 2017 at the headquarters of the **ChokChey Finance Plc** to review the results achieved in 2016 and the direction of the plan for 2017. Notice of the General Assembly, Annual Report, Meeting Agenda and recommendations of the Board of Directors be given to shareholders in advance pursuant to CCF's the Memorandum and Articles of Association and government regulations.

Key issues, which approved the Annual General Assembly of Shareholders:

- ✓ Annual Report 2016
- ✓ Financial Report Audited for 2016
- ✓ Target Strategic Plan for 2017
- ✓ Announced the decision of the Board of Directors and senior management to continue discussions with interested investors.

Once again, I would like to thank the Board of Directors for the very good cooperation and actively contribution in 2016 and on behalf of the Board of Directors I would like to express our appreciation to the Chief Executive Officer and his management team as well as employees of CHOKCHEY FINANCE PLC for their efforts to bring CCF to further GROWTH.

Last but not least, as CCF, I thank you for participation from customers, shareholders, regulators and investors, especially for NBC for their support and always provide confidence to CCF.

On behalf of the Board of Directors



Mrs. Ouk Chakriya
Chairwoman

6. CEO'S REPORT

As a positive economic growth over the last year; and with prudent regulation and monitoring from NBC, ChokChey Finance Plc is pleased to showcase some of our more significant achievements.

- **Outreach and Assets Quality**

Our loans outstanding has reached US\$ 1,376,329 and the total number of borrowers were 296 as of 2016. In addition, the Non-Performing Loan were \$7,669 in 2016. Currently, we operate in 1 province and 1 city, 18 districts, 64 communes and 97 villages with 1 branch in Phnom Penh City.

- **Financial Performance**

The total assets of CCF were US\$ 1,564,201 and the Equity were US\$ 983,490

- **Core Banking System**

ChokChey Finance Plc selected Core Banking System of Morokot VB. Under the Core Banking System, it is now in the process of being implementation and CCF hope that appropriate products and services can be developed to better respond to the needs of our clients.

With these achievements, we will strive to strengthen ourselves for the upcoming year of 2017. With the support from our shareholders, Board of Directors and commitment from Management and all levels of staff, the following are the strategies for our business growth:

- Maximize Shareholders' Values
- Comply fully with all Regulations
- Expand in Breadth and Depth to Reach Maximum Number of Clients
- Provide High Quality of Products & Services
- Provide Good Working Environment
- Promote the Best Brand
- Invest in Human Capital

On behalf of CCF Management I would express my sincere appreciation to shareholders, board of director for their ongoing support and leadership and also would like to thank to all creditors, government, local authority, donors and business association for their on-going support, confidence and trust in us.

Finally, great thanks to all CCF's staff for their hard work in order to bring CCF to success.

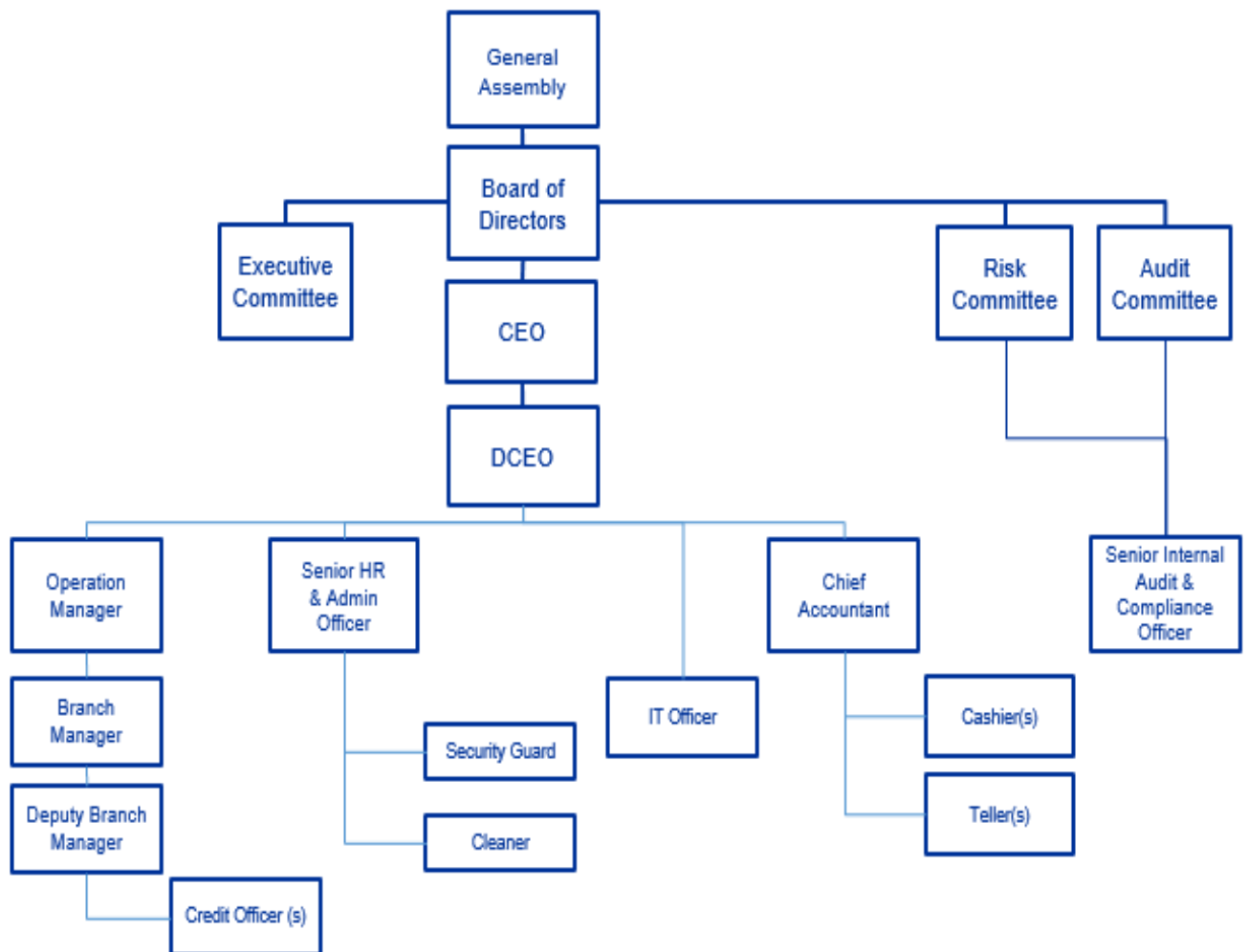


Mr. VA Dalot
Chief Executive Officer

7. CHOKCHEY OVERVIEW

ChokChey Finance Plc. was established in 11 July, 2015. It was registered with Ministry of Commerce as public limited company under registered license No. 00002952, issued on 2nd March, 2016 with Paid Capital of USD 1 million. The institution received its countrywide microfinance approval from National Bank of Cambodia, No. M.F-70, 27th April, 2016.

8. ORGANIZATIONAL CHART



9. SHAREHOLDERS

The shareholders of ChokChey Finance Plc for the year ended 31 December, 2016 were as follows:

1. Mrs. Ouk Chakriya
2. Mrs. Chea Pisey
3. Mr. Va Dalot
4. Mr. Hiv Chunneath

10. BOARD OF DIRECTORS

No.	Name	Position
1	Mrs. Ouk Chakriya	Chairperson
2	Mrs. Chea Pisey	Member
3	Mr. Va Dalot	Member
4	Mr. Lim Veasna	Member
5	Mr. Tol Phirith	Member

11. COMMITTEES

AUDIT COMMITTEE

Responsibilities of Audit Committee

The Audit Committee is the responsibility of the Board of Directors and is required to perform the following general functions:

- Establish and monitor compliance with a corporate code of conduct;
- Monitor procedures for compliance with government regulation;
- Review the findings of audits or examinations conducted by other agencies;
- Discuss disagreements between internal or external auditors and management;
- Inquire about the external auditor's opinion on the competence of financial and accounting personnel and the internal auditors;
- Review the adequacy of internal control structures over financial reporting;
- Oversee the company's internal controls for safeguarding its assets;
- Evaluate the internal auditor's objective;
- Review the internal auditor's work and assess their performance and capacity building;
- Ensure that the internal auditor's involvement in auditing the financial reporting process is well-coordinated with the work of the external auditors;

Activities and Achievements for the year 2016

- The Audit Committee met 1 times during the year in July;
- In the meeting in July, the committee approved an internal audit plan for the year 2016;
- Internal Audit reports directly to the Board Audit Committee to provide independent and objective assurance over the adequacy, sustainability, and effectiveness of the organization's governance, internal controls and risk management process;
- All key operational, business and management process are audited according to risk-based methodologies;
- Internal Audit examines the strategies of the organization and the adequacy and effectiveness of the relevant policies, procedures and regulatory guidelines;
- Internal Audit discusses the result of all assessments with management and reports its observation/findings, recommendations and opinions, via a structured process, to the Board Audit Committee;

It is the opinion of the Committee that the internal controls, audit procedures and risk management processes are adequate to safeguard the organization and to provide sufficient reassurance as to the integrity of the financial accounts.

RISK COMMITTEE

The Risk Committee is the responsibility of the Board of Directors and is required to perform the following general functions:

- Critically assesses CCF Business Strategies and processes and plan from the risk perspectives;
- Analyzes future risks including trends and provides comments to management;
- Reviews all policies and procedure for risk mitigation;
- Sets out the nature, role, responsibility and authority of the risk management function with the outline of the scope of risk management framework;
- Reviews critical risk management activities of CCF as reported by the management and finds out definitely activities are all requirement of the policy are being complied with;
- Suggests or commends to the management for any pre-emptive action for any external factors influence the company operation such as political, economy, regulatory framework;
- Reviews and estimates the integrity of the risk control system and ensures that the risk policy and strategies are effectively managed;
- Reviews and approves for risk policy;
- Through report from Risk and Compliance Unit, does suggestion or comment to the management for any action to mitigate risk, risk acceptant or risk transfer;

12. SENIOR MANAGEMENT



Mr. VA Dalot, a CEO, joined CCF since July, 2015. Prior to this, he worked as Internal Audit Manager of Worldbridge International (Cambodia) Ltd, an Audit Manager of KPMG, a Senior Auditor – Assistant Manager of KPMG. Currently, Mr. Va Dalot is pursuing a Master Degree of Business Administration, Charles Sturt University and a Bachelor Degree of Accounting, National University of Management. Mr. Va Dalot is an associate member of CPA Australia Ltd and a student member of Khmer Institute of Certified Public Accountants and Auditors (“KICPAA”).



Mr. SI Len, a DCEO, joined CCF since March, 2016. Prior to this, he worked as CEO of Maxima, a General Manager of Association of Banks in Cambodia, an Executive Director of Cambodia Microfinance Association, a Training and Program Manager of Cambodian Federation of Employers and Business Associations, a Community Development Director of Goodwill Family Resources Center, a Chief Human Resource Officer of Newton Thilay Community. Currently, Mr. Si Len is holding a Master degree in Management and a Bachelor degree in Business Administration.

13. LOAN PRODUCTS & LOAN CATEGORIES

LOAN PRODUCTS

ChokChey Finance Plc provides micro-financial services with an emphasis on lending to rural poor and low-income individuals and small & medium enterprises to improve their living standards and realizing their business goals. The current loan products include individual loans, and small & medium businesses loans. The dominant service delivery model of CCF is the declining methodology i.e. monthly installment, constant amortization, seasonal loan (balloon loan) with loan sizes ranging from US\$ 200 to US\$ 50,000. The loan term ranges from 6 months to 60 months and the interest rate charged is ranging from 1.5% to 3.0% per month. More products will be established in the future depending upon customers' needs.

LOAN CATEGORIES

CCF provides loans to business categories include agriculture, trades, services, transportation and households/ families and other categories.

- **Agriculture Productions**
 - ✓ **Plantation:** *flower plantation, vegetables, food crops, seeds, fertilizer...*
 - ✓ **Livestock:** *animal husbandry, animal food, fascination...*
 - ✓ **Fisheries:** *fishing tools, gasoline and boat...*
- **Trade & Commerce**
 - ✓ Purchase of produce contracts, Vendors - whole sale and retails,
 - ✓ Processing, making doors/ windows, production of Khmer noodles and other foods
- **Services**
 - ✓ Activities of laundry, haircut, public telephone service, motor-repaired, water supply tube network, battery charging
- **Transportation**
 - ✓ Motor taxi, motor trailer and car taxi...
- **Household business**
 - ✓ Handicraft and grocery at home
- **Family/ consumption**
 - ✓ House repair, education and other consumption...
- **Miscellaneous**
 - ✓ All rural small business activities other than agriculture, trade/ commerce, services and household/ family

14. OPERATIONAL PERFORMANCE

Cambodia country has continued its enjoyment with country stability and security with economic growth for the year 7%, inflation rate 3%, and GDP per capita is about \$1,228. Within such favorable environment, Cambodian Banks and MFIs have continued its growth: numbers of clients, volume of products sold, expansion of coverage areas, technologies, and product varieties.

Concern of multiple borrowings in the market has been reduced due to effectively performed by Credit Bureau Cambodia (CBC) which is aimed to strengthen the credit reporting system and to enhance the credit assessments of borrowers.

At CCF, we are still concerned over multiple borrowings so Board of Directors and Executive Management set conservative growth for the year by identifying of High Risk Villages in some of our existing operations areas with strict conditions in terms of loan assessment; mainly for new clients. However, the loan performance of CCF for the year was still at good stage: growth of outreach and quality of loan. At the end of year 2016, CCF had reached 1,376,329 US dollar and the total number of borrowers were 296 to various sectors: trade & commerce, services, house improvement, consumption, and others.

Our gross loan portfolio has reached, and In addition, the Non-Performing Loan was 0.55% in 2016. Currently, we operate in 1 province and 1 city, 18 districts, 64 communes and 97 villages with 1 branch network.

■ Loan Performance

The gross loan portfolio and clients reached USD 1,376,329 and 296 borrowing accounts. Loan of CCF has been used for many different sectors; however, the high sectors of loan utilization are trade & commerce.

Loan quality has also improved because PAR 30+ was only 2.70% in 2016 and the written off loans for the year was 0%. This great achievement occurred because of our on- time responses to the market changes, clear loan assessment, staff's high commitment, well-built relationship among CCF staff, all levels of local authorities and clients.

■ Staff Productivity and Workload

Since the concerns of loan overlap and over-indebtedness from lenders, investors and other stakeholders, CCF was rigorous in lending; mainly to new loans and in high penetration areas. With the implementation of the credit bureau, average number of borrowers per Credit Officer (CO). However, the portfolio outstanding per CO and per total staff has increased notably from date of incorporation to end of 2016.

	2016
Loan / CO (in USD)	152,925
Borrowers / CO	33
Loans / Front-line Staff	344,082
Loans / Total Staff (in USD)	57,347

15. FINANCIAL STATEMENTS & EXTERNAL AUDIT REPORT

Report of the Board of Directors

The Board of Directors has pleasure in submitting their report together with the audited financial statements of Chokchey Finance Plc. (“the Company”) for the period from 2 March 2016 (date of incorporation) to 31 December 2016 (“the period” or “the financial period”).

Principal activity

The principal activity of the Company is to provide the public with sustainable micro-finance services to small and medium enterprises, and low-income families in the Kingdom of Cambodia.

Financial results

The financial results of the Company for the period were as follows:

	Period from 2 March 2016 (date of incorporation) to 31 December 2016	
	US\$	KHR'000
Loss before income tax	(15,053)	(60,769)
Income tax expense	(1,457)	(5,882)
Net loss for the period	<u>(16,510)</u>	<u>(66,651)</u>

Dividends

No dividend was declared or paid and the Directors do not recommend any dividend to be paid for the period under audit.

Share capital

As at 31 December 2016, the Company’s paid up share capital is US\$1,000,000 (equivalent to KHR4,037,000 thousand).

On 28 February 2017, the existing shareholders entered into a Sale and Purchase agreement with Hanshin Engineering and Construction Co., Ltd and Plus International Co., Ltd to sell their 100% shares. The Company is in the process to obtain approval from the National Bank of Cambodia and the Ministry of Commerce.

Chokchey Finance Plc.

Bad and doubtful loans

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

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

Current assets

Before the financial statements of the Company were prepared, the Board of Directors took reasonable steps to ensure that any current assets, which were unlikely to be realised in the ordinary course of business at their values as shown in the accounting records of the Company had been written down to amounts which they might be expected to realise.

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 which render adherence to the existing method of valuation of assets and liabilities in the financial statements of the Company misleading or inappropriate.

Contingent and other liabilities

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

- (a) any charge on the assets of the Company which has arisen since the end of the period which secures the liabilities of any other person; and
- (b) any contingent liability in respect of the Company that has arisen since the end of the period other than in the ordinary course of its business operations.

No contingent or other liability of the Company has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the period which, in the opinion of the Directors, will or may substantially affect the ability of the Company to meet its obligations as and 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 the financial statements of the Company, which would render any amount stated in the financial statements misleading.

Chokchey Finance Plc.

Items of an unusual nature

The results of the operations of the Company for the period 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 period 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 current period in which this report is made.

Events since the reporting date

On 13 March 2017, the NBC issued Prakas No. B7-017-109 to cap the interest rate to a maximum of 18% per annum for any maturity of loan. This Prakas is effective for any new loan contract including restructured loan and/or finger print from 1 April 2017.

There have been no other significant events occurring after the balance sheet date which would require adjustments or disclosures to be made in the financial statements.

The Board of Directors

The members of the Board of Directors holding office during the period and at the date of this report are:

- | | |
|---------------------|----------|
| • Mrs. Ouk Chakriya | Chairman |
| • Mrs. Chea Pisey | Member |
| • Mr. Va Dalot | Member |
| • Mr. Lem Veasna | Member |
| • Mr. Tol Phirith | Member |

Directors' interests

The interests of the Directors of the Company are disclosed in Note 14 to the financial statements.

Directors' benefits

During and at the end of the financial period, no arrangements existed to which the Company is a party with the object 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.

During the financial period, no Director of the Company has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments receivable by the Directors as disclosed in the financial statements) by reason of a contract made by the Company or a related corporation with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest other than as disclosed in the financial statements.

Chokchey Finance Plc.

Directors' responsibility in respect of the financial statements

The Directors are responsible for ascertaining that the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2016, and its financial performance and its cash flows for the period from 2 March 2016 (date of incorporation) to 31 December 2016. In preparing these financial statements, the Directors are required to:

- adopt appropriate accounting policies which are supported by reasonable and prudent judgments and estimates and then apply them consistently;
- comply with Cambodian Accounting Standards and the guidelines of the National Bank of Cambodia relating to the preparation and presentation of the financial statements or, if there have been any departures in the interest of fair presentation, ensure that these have been appropriately disclosed, explained and quantified in the financial statements;
- oversee the Company's financial reporting process and maintain adequate accounting records and an effective system of internal controls;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so; and
- control and direct the Company effectively in all material decisions affecting the operations and performance and ascertain that such have been properly reflected in the financial statements.

The Board of Directors confirms that they have complied with the above requirements in preparing the financial statements.

Approval of the financial statements

We hereby approve the accompanying financial statements as set out on pages 20 to 23 which, in our opinion, present fairly, in all material respects, the financial position of Chokchey Finance Plc. as at 31 December 2016, and its financial performance and its cash flows for the period from 2 March 2016 (date of incorporation) to 31 December 2016 in accordance with Cambodian Accounting Standards and the guidelines of the National Bank of Cambodia relating to the preparation and presentation of financial statements.

On behalf of the Board of Directors,



Mr. Va Dalot
Chief Executive Officer

Phnom Penh, Kingdom of Cambodia

28 April 2017

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Report of the independent auditors

To the shareholders

Chokchey Finance Plc.

Opinion

We have audited the financial statements of Chokchey Finance Plc. (“the Company”), which comprise the balance sheet as at 31 December 2016, the income statement, the statements of changes in equity and cash flows for the period from 2 March 2016 (date of incorporation) to 31 December 2016, and notes, comprising significant accounting policies and other explanatory information as set out on pages 20 to 23.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2016, and its financial performance and its cash flows for the period from 2 March 2016 (date of incorporation) to 31 December 2016 in accordance with Cambodian Accounting Standards and the guidelines of the National Bank of Cambodia relating to the preparation and presentation of financial statements.

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 are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Cambodia, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditors’ report is the information included in the Report of the Board of Directors as set out on pages 13 to 16, and the annual report which is expected to be made available to us after that date.

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

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

If, based on the work we have performed on the other information obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Cambodian Accounting Standards and the guidelines of the National Bank of Cambodia relating to the preparation and presentation of financial statements, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, 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 these financial statements.

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

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

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

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

For **KPMG Cambodia Ltd**

A handwritten signature in blue ink, appearing to be 'Nge Huy', written over a horizontal line.

Nge Huy
Partner

Phnom Penh, Kingdom of Cambodia

28 April 2017

Chokchey Finance Plc.

Balance sheet As at 31 December 2016

	As at 31 December 2016	
	US\$	KHR'000
ASSETS		
Cash on hand	1,418	5,724
Deposits and placements with the National Bank of Cambodia	52,031	210,049
Deposits and placements with banks	4,609	18,607
Loans to customers	1,368,660	5,525,280
Other assets	23,520	94,950
Property and equipment	92,369	372,894
Intangible assets	21,594	87,175
TOTAL ASSETS	<u>1,564,201</u>	<u>6,314,679</u>
LIABILITIES AND EQUITY		
LIABILITIES		
Other liabilities	3,977	16,055
Current income tax liability	251	1,013
Advances from shareholders	576,483	2,327,262
TOTAL LIABILITIES	<u>580,711</u>	<u>2,344,330</u>
EQUITY		
Share capital	1,000,000	4,037,000
Accumulated losses	(16,510)	(66,651)
TOTAL EQUITY	<u>983,490</u>	<u>3,970,349</u>
TOTAL LIABILITIES AND EQUITY	<u>1,564,201</u>	<u>6,314,679</u>

The accompanying notes form an integral part of these financial statements.

Chokchey Finance Plc.

Income statement for the period from 2 March 2016 (date of incorporation) to 31 December 2016

	Period from 2 March 2016 (date of incorporation) to 31 December 2016	
	US\$	KHR'000
Interest income	130,092	525,181
Interest expenses	(18,034)	(72,803)
	<hr/>	<hr/>
Net interest income	112,058	452,378
Other operating income	28,465	114,913
General and administrative expenses	(147,907)	(597,100)
Allowance for bad and doubtful loans	(7,669)	(30,960)
	<hr/>	<hr/>
Loss before income tax	(15,053)	(60,769)
Income tax expense	(1,457)	(5,882)
	<hr/>	<hr/>
Net loss for the period	<u>(16,510)</u>	<u>(66,651)</u>

The accompanying notes form an integral part of these financial statements.

Chokchey Finance Plc.

Statement of changes in equity for the period from 2 March 2016 (date of incorporation) to 31 December 2016

	Share capital US\$	Accumulated losses US\$	Total US\$
At 2 March 2016 (date of incorporation)	-	-	-
Issuance of share capital	1,000,000	-	1,000,000
Net loss for the period	-	(16,510)	(16,510)
At 31 December 2016	<u>1,000,000</u>	<u>(16,510)</u>	<u>983,490</u>
(KHR'000 equivalents)	<u>4,037,000</u>	<u>(66,651)</u>	<u>3,970,349</u>

The accompanying notes form an integral part of these financial statements.

Chokchey Finance Plc.

Statement of Cash Flows for the period from 2 March 2016 (date of incorporation) to 31 December 2016

	Period from 2-Mar-16 (date of incorporation) To 31 December 2016	
	US\$	KHR'000
Loss before income tax	(15,053)	(60,769)
Adjustment for:		
Depreciation and amortization	9,196	37,124
Allowance for bad and doubtful loans	7,669	30,960
	<hr/>	<hr/>
	1,812	7,315
Changes in:		
Loans to customers	(1,376,329)	(5,556,240)
Other assets	(23,520)	(94,950)
Other liabilities	3,977	16,055
	<hr/>	<hr/>
Cash used in operations	(1,394,060)	(5,627,820)
Income tax paid	(1,206)	(4,869)
	<hr/>	<hr/>
Net cash used in operating activities	(1,395,266)	(5,632,689)
	<hr/>	<hr/>
Cash flows from investing activities		
Acquisition of property and equipment	(100,098)	(404,096)
Acquisition of intangible assets	(23,061)	(93,097)
Capital guarantee deposit	(50,000)	(201,850)
	<hr/>	<hr/>
Net cash used in investing activities	(173,159)	(699,043)
	<hr/>	<hr/>
Cash flows from financing activities		
Advances received from shareholders	576,483	2,327,262
Proceeds from issuance of share capital	1,000,000	4,037,000
	<hr/>	<hr/>
Net cash generated from financing activities	1,576,483	6,364,262
	<hr/>	<hr/>
Net increase in cash and cash equivalents	8,058	32,530
	<hr/>	<hr/>
Cash and cash equivalents at the end of the period	8,058	32,530
	<hr/>	<hr/>

16. CONTACT US

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