



CHOKHEY FINANCE  
PLC.

**CHOKHEY FINANCE**



**THE BEST  
WINNING  
SOLUTION  
ANNUAL REPORT 2018**

# JUMP ON THE SPRINGBOARD



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# VISION



# MISSION

GAINING LIFETIME LOYALTY  
WINNING HABIT CULTURE  
SUSTAINABLE BUSINESS GROWTH

# PHILOSOPHY AND CULTURE

## Adopt the new cultures



- USA is a melting pot, it adopted good cultures from all over the world.
- Cambodia shall adopt new foreign cultures as well as keep good Cambodian culture.

## People, People and People



- Work hard, and grow together
- Opportunities are opened
- Empowerment
- High Performance, high compensation

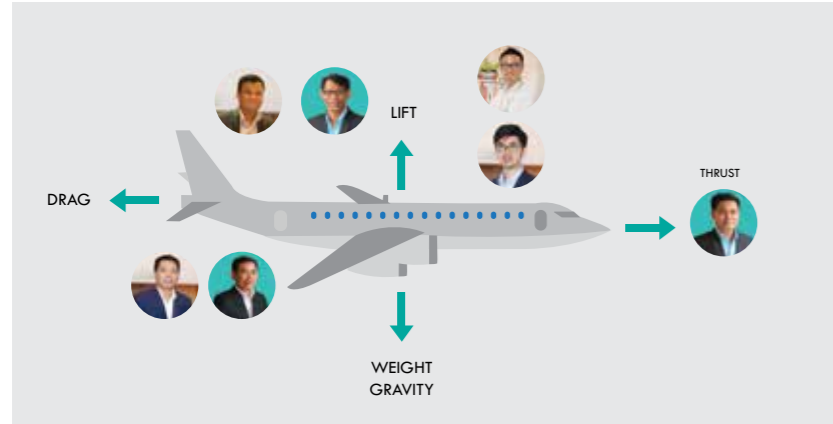
## Honesty



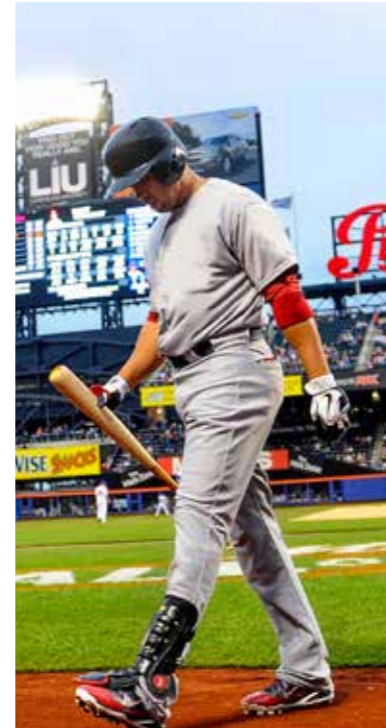
## Fairness



## Respect each Function



## Never Ending Changes



## CIF Policy

- NO Commission
- NO Intentional Mistakes
- NO Fraud

## PERFORMANCE HIGHLIGHTS

Key Operations	2016	2017	2018	May 2019
Number of Branches	1	1	6	6
Number of Staff	24	77	137	136
Number of Clients	296	350	8,397	17,009
PAR 30+	2.7%	5.34%	0.54%	0.30%
Loan Outstanding (USD)	1,376,329	2,518,080	13,183,178	17,244,476
Total Assets (USD)	1,564,201	3,642,020	16,170,766	18,577,263



## CHAIRMAN'S MESSAGE

It has been 2 years that ChokChey Finance Plc., the financial subsidiary of Hanshin Engineering and Construction in Cambodia continues its existence with pride and confidence in Cambodia's microfinance industry. We are, at the present time, recognized by National Bank of Cambodia (NBC) and Cambodian Microfinance Association (CMA) as one of the biggest Microfinance Institutions (MFI) in terms of loan portfolio. It is a proven record that our strategic plan was met and significant growth was achieved. We are really proud to see the fruitful outcome and we confidently believe that ChokChey will continue to work a miracle in 2019.

In the year 2018, the overall situation of banking and financial institutions stayed healthy due to high rate of funding, stable profits and high rate of liquidity. The Return On Asset (ROA) was 1.7% and 3.6%, Return On Equity (ROE) was 9.2% and 17.7%. The non-performing loan (NPL) ratio was 2.8% and 1.3%. Moreover, the average solvency ratio and liquidity ratio for banks is 25% and 168% (compared to limit range 15% and 80%) and for microfinance was 21% and 188%.

## OUTLOOK & STRATEGY FOR 2019

Growth has held up well in Cambodia, and it marginally expanded by 7.3% in 2018, which was higher than those in the last 4 years. This is driven mainly by expansion in garment industry, robust performance of the tourism, construction and spurred by expansionary fiscal policy.

We envision to become one of the prominent financial institutions in microfinance industry very soon. In this regard, investing in human capital, upgrading advanced core banking system have been put in our top priority. As a subsidiary of multinational construction company, ChokChey Finance Plc., has been fully supported by shareholders to formulate a strategic plan to secure strong financial growth in business operations.

More than this, our operation network will increase up 8 branches in the late 2019. We will move, in the next 5 years, to greater position in becoming Microfinance Deposit Taking Institution or Commercial Bank and expanding to new potential business models.

Finally, on behalf of the Board, I would like to express my gratitude to my Board colleagues, as well as our CEO, top management and all ChokChey Finance people in efficiently discharging our respective responsibilities. I would also like to take this opportunity to thank all our stakeholders, regulatory authorities, customers, business partners, and the community for the overall support you have given ChokChey in enabling us to move our steps towards living our aspiration of

world class financial company in the future. In particular, I am pleased to extend our thanks and appreciation for the ongoing support from the National Bank of Cambodia. We look forward to the continuous support from all stakeholders in ensuring ChokChey to continue to deliver sustainable and inclusive growth in 2019. Thank you.

**Mr. MOON KYU CHOI**  
Chairman



## CEO'S MESSAGE

I am truly proud of all my people, especially diligent and well-talented managements, endeavoring to accomplish our mission, "the best life-time winning solution, Chok Chey Finance".

We've been creating our unique culture, namely "working with the best people", "be fair", "Never ending changes" and "Honesty is the best policy" to enhance sustainable fundamentals. Chok Chey Finance is a sort of melting pot, composed up of the best people from various MDIs and MFIs. The modelling practices and cultures have been adopted from the leading financial institutions, creating "Chok Chey Style" under the slogan of "One Team One Goal".

As we do believe that Finance is IT business, so we've been investing to IT systems including hardware infrastructures and core-banking, anticipating possibly running a Fin-Tech business as well as stabilizing our current loan business. To develop differentiated and

captivating products are key success point to prosper in this congested MFI market, therefore we devote ourselves to pursue captive partners to create unique loan services such as providing salary loan services to young and trend-leading factory workers who eagerly purchase an affordable smart phone.

I prospect that this year would be the most challenging, competing with the advanced global financial institutions from all over the world, however we do our best to cultivate non-competing blue ocean market to pursue sustainable growth, and we start to contribute to societies, implementing corporate social responsibilities such as talent donation in Cambodia.

**Mr. CHEON GIL PARK**  
Chief Executive Officer

Chok Chey Finance started to operate June 2016 by local shareholders, and share transfer to Korean shareholders was approved by National Bank of Cambodia in August 2017. We have dedicated ourselves to survive in this fierce competition in finance sector. In Chok Chey Finance 136 people are working in Headquarter and 6 branches, with the amount of 17 Million loan outstanding and 17,000 clients as of 31 May 2019.

## CHOKCHEY FINANCE AT A GLANCE



Head Office

### History

- July 2015 : Established
- March 2016 : Business Registration, MOC
- April 2016 : Microfinance License, NBC
- August 2017 : Acquired by Hanshin E&C and Plus International

### New Branches launched

- March 2018 : 3 branches (TK, TKH, TNTT)
- July 2018 : 2 branches (KPS, CHP)



Ta Khmau Branch (TKH)



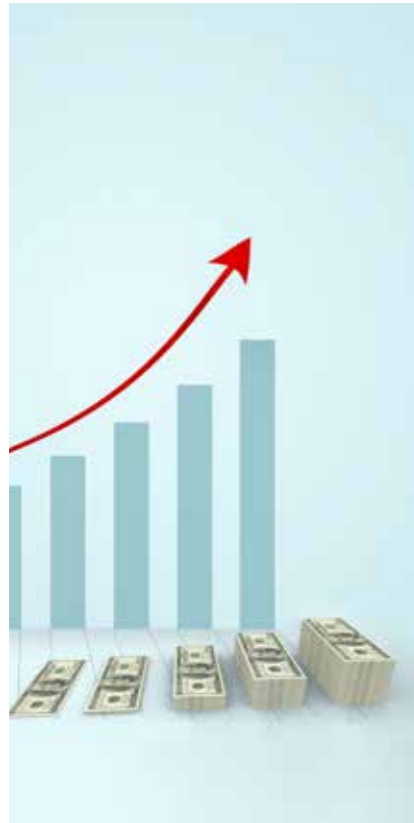
Tuol Kok Branch (TK)



Cheung Prey Branch (CHP)

## Capital Injection

Feb 2018 : Increased to USD 1.5 Million  
 Jan 2019 : Increased to USD 3.5 Million



## Business Collaboration

### INBIZNEST PLC



### HYUNDAI AGRO CAMBODIA



## CULTURE ACTIVITIES IN 2018/2019

### NEW STAFF TRAININGS AND OTHER SOFT SKILL TRAININGS



### FIRST STAFF ANNUAL WORKSHOP IN APRIL 2018 AT SEIM REAP



MANAGEMENT WORKSHOP IN JULY 2018 AT SOKHA PHNOM PENH HOTEL



IMPLICATION TRIP TO SEOUL, KOREA

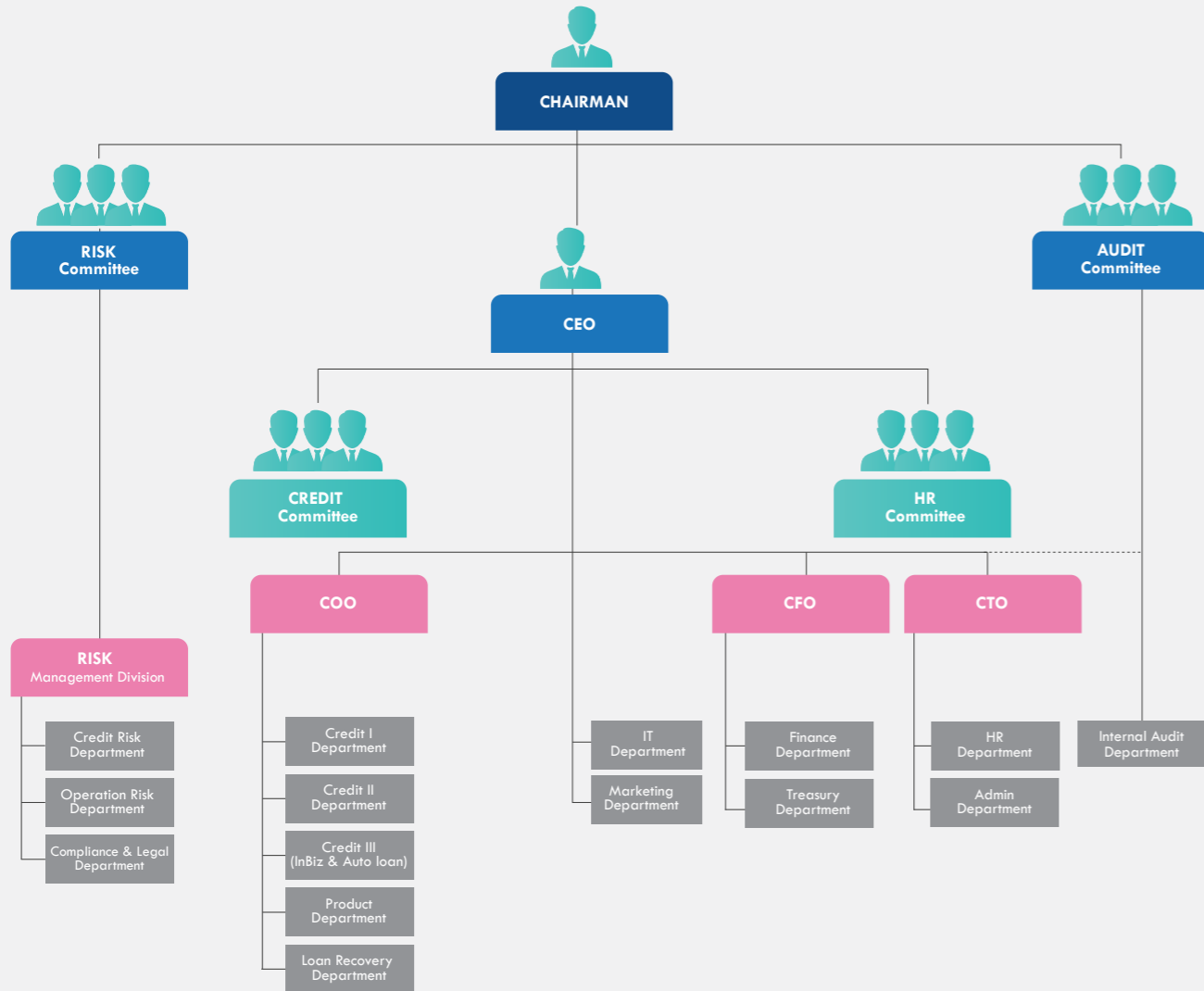


YEAR-END PARTY ATTENDED BY ALL STAFF ON DECEMBER 2018 AT TONLE BASAC





# ORGANIZATIONAL STRUCTURE



# SHAREHOLDERS

HANSHIN ENGINEERING AND CONSTRUCTION CO., LTD.



## MEGA CONSTRUCTION PROJECTS OF HANSHIN E&C IN 2018



## CORPORATE SOCIAL RESPONSIBILITY (CSR)



ROAD NUMBER 5 & 21 CONSTRUCTION PROJECTS IN CAMBODIA



PLUS INTERNATIONAL CO., LTD.



## BOARD OF DIRECTORS



**Mr. MOON KYU CHOI**  
Chairman

- Current CEO of Hanshin Engineering and Construction Co., Ltd.
- MBA from Thunderbird School of Global Management, Arizona, USA
- Business from Sogang University, Seoul, Korea.
- Hyundai Merchant Marine
- Hyundai Motor Company



**Mr. JUNG HOON KIM**  
Independent Director

- Graduated in Business from Sogang University, Seoul Korea.
- Career in Hyundai Marine & Fire Insurance



**Mr. CHEON GIL PARK**  
Director

- MBA from Yonsei University, Seoul, Korea
- UC Berkeley Marketing Diploma, California, USA
- Business from Sogang University, Seoul, Korea
- CEO of Green Central Micro-Finance
- Samsung Card, Manager
- Hyundai Card, Team Leader
- CJ Hellovision, Head of Marketing Group

## MANAGEMENT



**Mr. CHEON GIL PARK**  
Chief Executive Officer

- MBA from Yonsei University, Seoul, Korea
- UC Berkeley Marketing Diploma, California, USA
- Business from Sogang University, Seoul, Korea
- CEO of Green Central Micro-Finance
- Samsung Card, Manager
- Hyundai Card, Team Leader
- CJ Hellovision, Head of Marketing Group



**Mr. YIV PHANNA**  
Chief Operation Officer

- 11 years of experience in Microfinance sector
- An Internal Auditor, Internal Audit Team Leader, Branch Manager, Regional Manager, Deputy Head of Credit and Acting Head of Credit at AMK
- Finished Master Degree in Auditing, participated in numerous practical programs conducted both locally and internationally in the Philippines and Indonesia.



**Mr. VANN CHANTHY**  
Chief Talent Officer

- 15 years in micro finance sector
- Credit Officer, Accountant, Compensation & Benefit Unit Manager, Deputy Personnel Department Manager and Head of HR & Admin Department.
- Holding Master Degree of Management and Bachelor degree in Accounting



**Mr. CHENG BUNTHOEUN**  
Head of Risk Management  
Division

- 9 years in microfinance sector (Amret, Green Central MFI)
- Started from credit officer and moved up to Risk Management Officer, Deputy Lending Unit Manager, Risk Management Unit Manager and a Deputy Executive Director.
- Holds Bachelor's Degree in Economics of Development in 2007.



**Mr. NY SOKEA**  
Head of Product Development  
Department

- Over 10 years of experience in Microfinance Sector
- Developed himself from a Credit Officer to Deputy Head of Credit Department
- Holding Master's Degree in MBA in 2011
- Joined a lot of training courses related to microfinance and banking locally



**Mr. LY SOPICHEA**  
Head of Credit Department

- Over 9 years of experience with Microfinance and Specialized Bank as a Credit Officer, Area Manager, Senior Loan Officer, Loan Manager and Deputy Branch Manager
- Earned his Master's Degree in Finance and Banking in 2014



**Mr. NEM MANIEN**  
Head Of Credit Department

- Over 8 years of experience in Prasac MFI
- Had gone through various positions such as Credit Officer, Branch Manager, Senior Performance Management Officer, and Assistant Credit Department Manager
- Earned his Master's Degree in Business Administration (MBA) in 2015



**Mr. SEANG CHHAY**  
Head of IT Department

- 9 years of experience in micro finance/leasing sector as System Developer, Senior Developer and IT Manager.
- Holding Bachelor's Degree in Computer science & Engineering at RUPP and Master Degree in Software development at BBU.



**Ms. CHANN DANY**  
Head of Treasury Department

- NGOs job in charge of Society Improvement Projection, Healthy Child, Healthy women, and Human Resources Improvement.
- Experienced 10 years in Micro finance sector
- Teller, Head Teller, Customer Service Support Officer, Sale and Customer Service Officer, Treasury Officer, and Senior Treasury Officer at KREDIT MFI.



**Mr. OUK TORACLIDE**  
Deputy Head of Finance  
Department

- Finance Manager in Leasing Company, BSP Finance Plc.
- 5 years experience in External Audit firm, KPMG (Cambodia), In charge directly with different industry such as Financial Institution (Banks and MFIs), Commercials, Hotels, NGOs, and Government Projects.
- Doing ACCA at CamEd Business School.
- Finished Bachelor's Degree in Accounting in 2012



**Mr. HAN CHANCHUMNOR**  
Deputy Head of HR and  
Assistant CEO

- A senior translator, consecutive and simultaneous interpreter, quality assurance manager and school campus director
- Finished Bachelor of Business Administration majoring in Economics in 2011 and Bachelor of Education in 2012



**Mr. LIM RATANAK**  
Deputy Head of Credit Risk

- 11-year job experience in Credit Operators and Micro-finance Institutions developing from a Credit Officer to Team Leader and Branch Manager.
- Finished Bachelor's Degree majoring in Rural Development in 2011.

## COMMITTEE

### Credit Risk Committee

Credit Risk Committee is accountable to the Board of Directors and performs the following duties:

- Deeply review and evaluate business strategies and processes, as well as develop a plan that focuses on all aspects of the risks.
- Analyze future risks, including trends and give feedback to management.
- Review all policies and procedures for risk minimization.
- Set the roles, responsibilities and authorities in risk management, which defines the framework of risk management.
- Thoroughly review of the institution's risk management activities reported by the management and find out the action items required to comply with the policies.
- Give advices or suggestions to the management for the protective mechanism of external factors influencing the company's operations, such as politics, economy, and regulatory frameworks.
- Review and evaluate the integrity of the risk management system and ensure that risk management policies and Strategies are effectively managed.
- Review and decide on risk management policies.
- Give comments and suggestions to the management to carry out the action items of risk mitigation, risk taking or risk transfer based on risk management reports and compliance.





### Audit Committee

Audit Committee is accountable to the Board of Directors and performs the following duties:

- Establish and monitor the regulatory coordination with their own corporate professionalism.
- Review the procedures of all compliance tasks and provisions of the Royal Government.
- Monitor audit findings and other inspection agencies
- Discuss the disagreement between internal auditors, external auditors and the management.
- Communicate the external auditor's comments on the capacity of accounting staff, finance staff and internal audit officers.
- Review the completeness of the internal management structure for the preparation of financial statements.
- Take control of the company's internal control to secure the company's assets
- Assess the objectives of the internal auditor.
- Review the roles and responsibilities of the internal auditor and evaluate overall job performance and capacity development.
- Ensure the smooth process of preparing financial statement after the internal auditor's inspection and good cooperation with all external auditors.

## CLIENT HIGHLIGHTS



### San Theary, 28, Kandal Province

Spare part Dealer

My name is San Theary, 28, a car spare part dealer in Prek Samrong 3 Village, Sangkat Takhmao, Takhmao City, Kandal Province. I am a client of ChokChey Finance Plc., Takhmao Branch.

Before turning to use the services of ChokChey, I requested loan from various financial institutions but did not succeed at all because my business was quite small and did not have enough materials for daily sale. After a while, a staff from ChokChey Finance came to my house to advertise his credit services, and I also asked for some information about the services that ChokChey provides. The staff gave detailed information to my family and I. With the interest on the credit service of ChokChey, my family and I decided to applied for the loan, and we was later informed that our loan request was approved with the amount requested and longer loan term compared to other financial institutions. We were delighted to hear this since other institutions did not agree to provide us the amount we requested.

After getting the loan from ChokChey Finance Plc. my family and I used it to expand our business by purchasing many more spare parts in stock and our business has been growing well since then.

## Oum Sreyleav, 38, Kampong Speu Province

Restaurant & Guest House Owner

My name is Oum Sreyleav, 38, an owner of Karaoke and a guest house in Tropaing Veng Village, Trapeang Kong Commune, Samrong Tong District, Kampong Speu province. At the present time, I am a client of ChokChey Finance Plc., Kampong Speu Branch.

Before becoming a client of ChokChey Finance Plc., I ran a small restaurant for soup and drinks. Since I wanted to expand my business, I decided to borrow money from a private lender in the village where I have to repay in much amount both principal and interest. This made my family's living even more difficult. After that, a neighbor advised me to contact ChokChey's staff for detailed loan information. Since I noticed that ChokChey is an institution providing low interest rate with license from the National Bank of Cambodia, my family and I decided to apply for an initial \$ 5,000 loan to pay off the loan of the village lender, and the remaining amount was used to expand my business. After 8 months, I requested additional loan to invest in building guest houses. My family's economy, since then, have remarkably been growing. This really surprised my neighbors that we increased more business on running guest houses. This is the contribution from ChokChey that provided business consultation as well as the loan with low interest rate, and as a result my family's economy is much better now.



## CREDIT PRODUCT

### Credit Product for Consumer



### General Loan

- Target: People live at downtown or countryside who have legal business.
- Loan size: Up to 120 million in KHR or 30K in USD
- Loan term: Up to 72 months
- Interest rate: 1.2% - 1.5%
- Payment method: Declining, Annuity, Semi-Balloon, Declining-Negotiate, Balloon





### Agriculture Loan

- Target: People living at countryside who have main business in agriculture sector.
- Loan size: Up to 20 million in KHR or 5K in USD / Up to 60 million in KHR or 15K in USD
- Loan term: Up to 60 months
- Interest rate: 1.3% - 1.5%
- Payment method: Declining, Annuity, Balloon, Semi-Balloon



### Salary Loan

- Target: Employees are working at any companies that is cooperating with the partner company of CHOKCHEY FINANCE.
- Loan size: Up to 6 million in KHR or 1.5K in USD
- Loan term: Up to 12 months
- Interest rate: 1.5%
- Payment method: Annuity



**Speed Loan**

- Target: People live at downtown or countryside who have legal business.
- Loan size: Up to 12 million in KHR or 3K in USD
- Loan term: Up to 36 months
- Interest rate: 1.5%
- Payment method: Declining and Annuity



**SME Loan**

- Target: People has own business or any entities who has legal business and wish fund to expand their income.
- Loan size: More than 120 million in KHR or 30K in USD up to 200 million in KHR or 100K in USD.
- Loan term: Up to 120 months
- Interest rate: 1.15% - 1.5%
- Payment method: Declining, Annuity, Balloon, Semi-Balloon

## Credit Product for Staff



### Staff General Loan

- Target: Staff has length of service more than 6 months
- Loan size: Up to 8 times of salary but not exceed 5K in USD
- Loan term: Up to 36 months
- Interest rate: 1.1%
- Payment method: Annuity

### Staff Acquisition Loan

- Target: Staff has length of service more than 12 months
- Loan size: Up to 10K in USD
- Loan term: Up to 60 months
- Interest rate: 1%
- Payment method: Annuity

## 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 Institution") for the year ended 31 December 2018 ("the period" or "the financial period").

### Principal Activity

The principal activity of the Institution 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 Institution for the period were as follows:

	For the year ended 31 December 2018		For the year ended 31 December 2017
	US\$	KHR'000	US\$
Loss before income tax	(306,878)	(1,233,035)	(259,943)
Income tax expense	(15,431)	(62,002)	(3,253)
<b>Net loss for the period</b>	<b>(322,309)</b>	<b>(1,295,037)</b>	<b>(263,196)</b>

## 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

On 11 December 2018, the Company submitted the application to the National Bank of Cambodia for the increase in share capital from US\$1,500,000 to US\$3,500,000 which equivalent to 14,063,000,000 Khmer Riel. The approval from the National Bank of Cambodia was obtained on 31 January 2019.

## Bad and Doubtful Loans

Before the financial statements of the Company were prepared, the Board of Directors took reasonable steps to ascertain that actions 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 had been written off, and adequate allowance had been made for bad and doubtful loans.

At the date of this report, the Board of Directors is not aware of any circumstances, which would render the amount written off for bad loans, or the amount of allowance for bad

and doubtful loans in the financial statements of the Company, inadequate to any material extent.

There is bad loans write-off amount of 2,483 US\$ for the year ended 2018.

## Current Assets

Before the financial statements of the Institution 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 Institution 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 Institution 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 Institution 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 Institution 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 Institution 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 Institution 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 Institution 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 Institution, which would render any amount stated in the financial statements misleading.

## Items of an unusual nature

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

## Events since the reporting date

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:

- |                             |                             |
|-----------------------------|-----------------------------|
| • <b>Mr. Moon Kyu Choi</b>  | <b>Chairman</b>             |
| • <b>Mr. Cheon Gil Park</b> | <b>Director and CEO</b>     |
| • <b>Mr. Jung Hoon Kim</b>  | <b>Independent Director</b> |

## Directors' benefits

During and at the end of the financial period, no arrangements existed to which the Institution is a party with the object of enabling Directors of the Institution to acquire benefits by means of the acquisition of shares in or debentures of the Institution or any other body corporate.

During the financial period, no Director of the Institution 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 Institution 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.

## REPORT OF THE INDEPENDENT AUDITORS

### 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 Institution as at 31 December 2018, and its financial performance and its cash flows for the year ended 31 December 2018. In preparing these financial statements, the Directors are required to:

- a) adopt appropriate accounting policies which are supported by reasonable and prudent judgments and estimates and then apply them consistently;
- b) 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;
- c) oversee the Institution's financial reporting process and maintain adequate accounting records and an effective system of internal controls;
- d) assess the Institution'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 or to cease operations, or has no realistic alternative but to do so; and
- e) control and direct the Institution 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 which, in our opinion, present fairly, in all material respects, the financial position of Chokchey Finance Plc. as at 31 December 2018, and its financial performance and its cash flows for the year ended 31 December 2018 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. Cheon Gil Park**

Chief Executive Officer

Phnom Penh, Kingdom of Cambodia

23 April 2019

To the shareholders  
Chokchey Finance Plc.

### Opinion

We have audited the financial statements of Chokchey Finance Plc. ("the Institution"), which comprise the balance sheet as at 31 December 2018, the income statement, the statements of changes in equity and cash flows for the year ended 31 December 2018, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Institution as at 31 December 2018, and its financial performance and its cash flows for the year ended 31 December 2018 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 Institution 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, 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 Institution'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 Institution or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Institution'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 Institution'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 Institution'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 Institution 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 **HRDP & Associates Co., Ltd.**



**Peou Dara**

Partner

Phnom Penh, Kingdom of Cambodia

23 April 2019

## CHOKCHEY FINANCE PLC.

### Balance Sheet as at 31 December 2018

	As at 31 December 2018		As at 31 December 2017
	US\$	KHR'000	US\$
<b>ASSETS</b>			
Cash on hand	45,402	182,425	2,520
Deposits and placements with the National Bank of Cambodia	2,075,500	8,339,359	552,256
Deposits and placements with banks	688,836	2,767,743	413,302
Loans to customers, net	13,018,726	52,309,241	2,467,753
Other assets	134,743	541,397	50,689
Property and equipment	180,557	725,478	135,949
Intangible assets	27,002	108,494	19,551
<b>TOTAL ASSETS</b>	<b>16,170,766</b>	<b>64,974,137</b>	<b>3,642,020</b>

## LIABILITIES AND EQUITY

### LIABILITIES

Other liabilities	272,781	1,096,033	33,283
Current income tax liability	-	-	-
Advances from shareholders	12,150,000	48,818,700	1,700,000
Long term borrowing	850,000	3,415,300	688,443
<b>TOTAL LIABILITIES</b>	<b>13,272,781</b>	<b>53,330,033</b>	<b>2,421,726</b>

### EQUITY

Share capital	1,500,000	6,027,000	1,000,000
Capital reserves	2,000,000	8,036,000	500,000
Accumulated losses	(279,706)	(1,123,858)	(16,510)
(Loss)/profit for the year	(322,309)	(1,295,038)	(263,196)
<b>TOTAL EQUITY</b>	<b>2,897,986</b>	<b>11,644,104</b>	<b>1,220,294</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>16,170,766</b>	<b>64,974,137</b>	<b>3,642,020</b>

## CHOKCHEY FINANCE PLC.

### Income Statement for the year ended 31 December 2018

	For the year ended 31 December 2018		For the year ended 31 December 2017
	US\$	KHR'000	US\$
Interest income	1,154,862	4,640,236	269,070
Interest expenses	(438,999)	(1,763,898)	(91,669)
<b>Net interest income</b>	<b>715,863</b>	<b>2,876,338</b>	<b>177,401</b>
Other operating income	388,118	1,559,458	56,385
General and administrative expenses	(1,294,295)	(5,200,477)	(443,320)
Allowance for bad and doubtful loans	(116,564)	(468,354)	(50,409)
<b>Loss before income tax</b>	<b>(306,878)</b>	<b>(1,233,035)</b>	<b>(259,943)</b>
Income tax expense	(15,431)	(62,002)	(3,253)
<b>NET LOSS FOR THE PERIOD</b>	<b>(322,309)</b>	<b>(1,295,037)</b>	<b>(263,196)</b>

## CHOKCHEY FINANCE PLC.

### Statement of changes in equity for the year ended 31 December 2018

	Share capital US\$	Accumulated losses US\$	Total US\$
Balance as at 01 January 2017	1,000,000	(16,510)	983,490
Additional during the period	500,000	-	500,000
Net loss for the period	-	(263,196)	(263,196)
<b>At 31 December 2017</b>	<b>1,500,000</b>	<b>(279,706)</b>	<b>1,220,294</b>
(KHR'000 equivalent)	6,055,500	(1,129,173)	4,926,327
Balance as at 01 January 2018	1,500,000	(279,706)	1,220,294
Additional during the period	2,000,000	-	2,000,000
Net loss for the period	-	(322,309)	(322,309)
<b>Balance as at 31 December 2018</b>	<b>3,500,000</b>	<b>(602,015)</b>	<b>2,897,985</b>
(KHR'000 equivalent)	14,063,000	(2,418,896)	11,644,104

## CHOKCHEY FINANCE PLC.

### Statement for cash flows for the year ended 31 December 2018

	For the year ended 31 December 2018		For the year ended 31 December 2017
	US\$	KHR'000	US\$
<b>Cash flows from operating activities</b>			
Loss before income tax	(306,878)	(1,233,035)	(259,943)
Adjustment for:			
Depreciation and amortization	44,984	180,746	19,684
Allowance for bad and doubtful loans	114,126	458,558	42,527
	(147,768)	(593,731)	(197,732)
<b>Change in:</b>			
Loans to customer	(10,665,099)	(42,852,368)	(1,141,620)
Other assets	(84,054)	(337,730)	(27,169)
Other liabilities	239,498	962,303	29,307
Cash used in operation	(10,509,655)	(42,227,795)	(1,139,482)
Income tax paid	(15,431)	(62,002)	(3,504)



Net cash used in operating activities	(10,672,854)	(42,883,528)	(1,340,718)
<b>Cash flows from investing activities</b>			
Purchase of property and equipment	(86,693)	(348,332)	(61,219)
Purchases of intangible assets	(10,350)	(41,586)	-
Capital guarantee deposit	(25,000)	(100,450)	-
Net cash used in investing activities	(122,043)	(490,368)	(61,219)
<b>Cash flows from financing activities</b>			
Advances from shareholders	10,450,000	41,988,100	1,123,517
Long term borrowing	161,557	649,136	688,443
Proceeds from issuance of share capital	-	-	-
Capital injection during the period	2,000,000	8,036,000	500,000
Net cash generated from financing activities	12,611,557	50,673,236	2,311,960
Net increase in cash and cash equivalents	1,816,660	7,299,340	910,020
<b>Cash and cash equivalents at the beginning of the period</b>	918,078	3,688,837	8,058
<b>Cash and cash equivalents at the end of the period</b>	<b>2,734,738</b>	<b>10,988,177</b>	<b>918,078</b>

