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LY HOUR LEASING PLC

The Leasing Center

ANNUAL REPORT



2019



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**ANNUAL
REPORT**
2019



“ I am delighted that our great efforts of the management team and all employees is what we expected from the beginning of the year and as the result Ly Hour Leasing continues to go from strength to strength. ”

MESSAGE FROM THE CHAIRMAN

Ly Hour Leasing is a successful company that grows in size and quality. The company is well managing, has a strong loan policy and a well-diversified client base, all of which we believe makes us well-positioned to take advantage of future business growth opportunities.

Ly Hour Leasing applies the highest ethical standards to the management of its business. Our principles are shaped by a series of codes and charters which form the ethical backbone of its management practices.

Ly Hour Leasing strives to be the best service provider nationwide through strong support from all of it relevant parties as well as its endeavours. Helping to build thriving communities wherever we operate is a vital part of the way we work. We believe in developing the local economy by providing assistance to the ones who really need professional financial lease to improve their living standard and also for business support.

Ly Hour Leasing's achievements would of course not have been possible without the ongoing hard work, diligence and commitment of our excellent employees. We remain wholeheartedly committed to ongoing investment in training and developing our people so we ensure that they are clear in their roles, have structured career progression, and enjoy their work, offering industry-leading employment.

I take this opportunity to thank Mrs. SAN Somany , Acting Chief Executive Officer, management team and all staff in Ly Hour Leasing PLC for their valued contributions during their tenures and wish them well in their future endeavours. I also thank our current Board of Directors for providing the vision and guidance that our organisation needs to ensure continued success in our highly competitive industry.

Last, but not least, I thank our loyal shareholders and customers for their support and ongoing partnership with Ly Hour Leasing.



Oknha LY Sopheark
Chairman

“

We still believe that our continuous improvement on the loan quality is the best way to create value for our shareholders.

”

MESSAGE FROM THE ACEO

In year 2019, we have executed our business strategies with the clear vision of creating a successful long term with the customers and all stakeholders of Ly Hour Leasing.

Credit quality management and company branding improvement are the key activities that we prioritize for this whole year in response to the National Bank of Cambodia's policy to contribute to the positive growth of Cambodia's economy as well as responding to market situation. As of the end of 2019, Ly Hour Leasing has only been in operation for nearly 4 years, but we have provided our customers with many good experiences in using our services and products, through our professional staff and transparency of all our products policy to customers.

In Ly Hour Leasing, we have the same prospective relate to the stable growth in a business that it depends on the satisfaction and meet the expectation from all our customer, staff and shareholders, they all must have the balance of the benefit from the company.

In this coming year, Ly Hour Leasing will remain committed and continue the next phase by effectively strengthening management and staff quality through the training course relate to their function and skill to ensure that staff are adequately responsive to the customer and competitive market, we also boost our branding and advertising to all customer nationwide so that all customers are able to see our information and have chance of receiving good service from us.

On behalf of the Board of Directors, I would like to thank the employees of Ly Hour Leasing for all their hard work, dedication and sacrifices in year 2019. I sincerely believe that we will be able to achieve better financial performance and a better work environment for the staff in Year 2020.



SAN Somany
Acting Chief Executive Officer



EXECUTIVE SUMMARY

Ly Hour Leasing Plc. was established and registered with Ministry of Commerce as public limited company under registered license number Co. 00000694 issued on Sept 9th 2015 with Paid Capital of USD3 million.

The company received from NBC the official license on April 08th, 2016. Primary activities are to provide a financial leasing services to conduct leasing transaction services to all segments of communities but not limited to Cambodia.

The aim is to offer easiness and confidence to the public through financial leasing services to fulfill their living need, daily business and contribution to community development with sustainable manner through its Head Office in Phnom Penh.

The registered head office of the company is located at building No. 243-244 Street 598, group 10, Tuol Kok village, Tuol Sangke quarter, Russey Keo district, Phnom Penh capital, Kingdom of Cambodia. The company has 51 employees of December 31, 2019.

VISION, MISSION & CORE VALUES

VISION

Ly Hour Leasing Plc's Vision is to be a leading financial lease company providing leasing service throughout the Kingdom of Cambodia.

MISSION

Our mission is to provide leasing service to both individual and company with the wherewithal to manage their financial resources efficiently and by doing so to improve the quality of their lives. To achieve these goals, we will ensure sustainable benefits to our shareholders, our staff and the community at large. We will at all times observe the highest principles of ethical behaviour, respect for society, law and the environment.

CORE VALUES



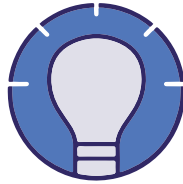
Integrity

Conduct Accurate and Honest



Cooperation

Joint Goal



Leadership

Leadership All



Responsibility

I Do Is I Take Responsibility



Major Customers

Perfect Service

FINANCIAL HIGHLIGHTS

Consolidated Financial Results	Measure	2019	2018
Net Profit/(Loss)	US\$	257,926	20,636
Gross Lease Receivables	US\$	7,155,574	3,922,847
Total Assets	US\$	8,290,595	5,963,859
Share Capital	US\$	3,000,000	3,000,000
Net worth	US\$	2,788,895	2,530,969
Lease Receivable Grow Rate	%	82.41%	23.20%
Return on Assets (ROA)	%	3.62%	0.36%
Return on Equity (ROE)	%	9.70%	0.82%
Solvency Ratio (NBC >=15%)	%	34.24%	43.51%
Yield Ratio	%	26.14%	29.68%
Operating Expense Ratio	%	13.36%	18.41%
PAR>30days	%	0.02%	0.03%



CORPORATE GOVERNANCE

Good corporate governance enhances the reputation of Ly Hour Leasing and makes it more attractive to customers, investors, suppliers and the community. Ly Hour Leasing strives to build a sound corporate governance culture and establish an effective internal audit function and strategic oversight committee that supported from Ly Hour Group.

Profile of Directors



Oknha. LY Sopheark
Chairperson

Oknha Ly Sopheark, Cambodian, born in 1978 from Kompong Cham Province. Oknha Ly Sopheark is a dynamic and charismatic businessman with more than 10 years of professional experiences in the Kingdom of Cambodia. He has been expanding his business through various kinds of investments in many different sectors significantly in the construction, Agriculture, Financial and Insurance.

He has been devoting substantial efforts in strengthening private sectors by enabling steady and sustainable growth of local investment in the Kingdom of Cambodia. Oknha Ly Sopheark has been appointed as Vice President of Ly Hour Group, a member of Board of Directors of Ly Hour Microfinance Institution Plc., since 2012 and also has served as the Chairman of Ly Hour Leasing Plc., since 2015.



Ms. LIAO Xi
Member

Ms. Liao Xi, born in 1977, is a Chinese successful businesswoman. In 2012, she joined Ly Hour Microfinance Institution Plc., as a shareholder and member of the Board of Directors.

Since 2012, she has invested in various kinds of businesses with Ly Hour Group particularly in the construction and financial sector and contributes to the success of Ly Hour Microfinance Institution Plc., as a well-known and top ten institution in Cambodia. As a potential investor, shareholder, and a long-term partner of Ly Hour Group, she is ready and confident to take part in any business need for development and growth of Ly Hour Microfinance Institution Plc.

In 2015, she became a Shareholder and member of the Board of Directors of Ly Hour Leasing Plc.



Chumteav Oknha SEANG Lim
Member

Chumteav Oknha SEANG Lim Born in 1957 in Kompong Cham province, she has started her business life as seller in her hometown in early 1980s, four years later she marriage with Oknha Ly Hour in 1976 during Pol Pot regime. In the year 1983, she together with her husband moved to Phnom Penh Capital to sell fabrics and clothes imported from Vietnam. the business was later changed to money exchange and gold trading in 1986.

She has an extensive experience in business administration over 30 years as Chief Executive Officer of Ly Hour Exchange Co., Ltd. She has also led high performing team with a network of 15 branches to professionally serve clients, which enabled the company to be a well-known and trustworthy currency exchange service provider in Cambodia.

Profile of Managements



Mrs. SAN Somany
Acting Chief Executive Officer

Mrs. Somany graduated Master Degree of financial management from National University of Management in 2007. She has more than 22 years of working experience of credit and accounting management in microfinance institution. From 1996 to 1998, she worked as credit officer for EMT (Gret) and from 1998 to 2012, she had worked for Amret Microfinance Institution Plc., with different positions such as treasury officer, accountant, and senior accountant, cost controller. She joined Ly Hour Microfinance Institution Plc., as accounting manager in August 2012. With her hard work and achievement, in Jan 2014, she was officially promoted to be Head of Finance Department. She also had attended many training courses which are related to financial management with many different institutions especially the training course of Corporate Governance Action Planning Training for Financial Institution. On January 21, 2019 she was officially promoted to Acting Chief Executive Officer for Ly Hour Leasing Plc.

Miss. Phan Sonita joined Ly Hour Leasing Plc. in October 2015 as Sales Consultant. She was changed to Accountant in March 2016 and then on October 2016 she was promoted to be Head of Operation Department responsible for Car buying, garage management, showroom management, and Operation expenses. She has completed BBA in 2015, majoring in Public Administration at Royal University of Law and Economic. Before Joining in LHL, she used to work for New World Microfinance for 1year as Sale Consultant by responsible for many works including stock, daily report, received payment, and customer service.



Miss. PHAN Sonita
Chief Operating Officer



Mr. SUONG Vibol
Head of Sale and Marketing
Department

Mr. Vibol holds master degree in management from National University of Management in 2016 and bachelor degree of business administration in Banking and Finance at Build Bright University in 2010 and Pedagogy of Takeo Center in Biology and Earth in 2002. He was a Teacher in Hight School from October 01, 2002 to January 31, 2007, He also has spent more than 11 years working in an outstanding microfinance in Cambodia which was promoted in various position such as General Credit Officer, Specialized Credit Officer, Deputy Branch Manager, Branch Manager and Senior Branch Manager. He has experience almost 11 years including Sale and managing the Credit, Financial service and Money Transfer Service and loan portfolio quality, practical leadership and he joins Ly Hour Leasing as Head of Sale and Marketing Department in September 17, 2018.



Mr. ME Morkot
Head of Finance Department

Mr. Morkot holds bachelor degree in field of financial and banking from Western University in 2011, Certified of Accounting Technician (CAT) at CamEd Business School in 2011, Certificated of Cambodia Tax Agent from National Tax School of general tax department in 2015. Presently he is continuing his ACCA program at Cam Ed Business School. He worked for accounting firm as Senior Tax and Finance Consultant from January 2014 to June 2015. He also has experience as Internal Audit Officer at Cam Capital Specialize Bank (DGB) from July 2015 to June 2016. He joined Ly Hour Leasing Plc. ("LHL") as Internal Audit Manager on February 2017 and then was transfer to finance department as Finance Manager in August 2017. Furthermore, he has been promoted to be head of Finance in December 2019.

Mr. Bunlong holds bachelor degree in Finance & Banking at Build Bright University in 2011. Bunlong has experience almost 06 years including planning and managing the credit/loan portfolio quality, addressing the overdue to maintain a healthy credit quality and quantity, practical leadership and management, managing the branch operations and member of credit committee. Before joining Ly Hour Leasing Plc., He worked for Chamroeun Microfinance Plc, as Credit Officer and Branch Manager. and he joined Ly Hour Leasing PLC. as the Head of Credit Risk Department in May 2017.



Mr. CHOUT Bunlong
Head of Credit Risk Department



Mr. HOUY Sokly
Head of Loan Recovery Department

Mr. Sokly holds bachelor degree in business management at Build Bright University in 2005. Sokly has more than 20 years working in difference industry. He worked as sale man for 5 years at ANCO Brother Co.,Ltd from 1995 to 1999. He worked as General Manager at Ly Hour F&B Industrial Co.,Ltd from 2013 and also work as General Manager at City Link Transportation Co.,Ltd in 2015. Then he joined Ly Hour Leasing Plc at January 2016 in Credit Department as Credit Officer then promoted as Loan Recovery Manager in July 2017. With his hard work and achievement, In Jan 2019, He was promoted as Head of Loan Recovery.



Mrs. Navy holds bachelor degree in business management at AEU university in 2012. She has 9 years experience as Senior Human Resource at a private company and joined with Ly Hour Leasing Plc as HR manger in 2017.

Mrs. NGOUN Navy
Head of Human Resource & Admin
Department

Management Team



RISK MANAGEMENT

Even though Ly Hour Leasing Plc. is just start its operation in April 2016 in a leasing industry, Boards and Management has put an attention to risk management. Of course, risk management plays a very significant part within Ly Hour Leasing Plc. that we are focusing and prioritizing on. It is a catalyst that helps bring the whole company towards success as well as maintain its long-term sustainability. To this regard, we have segregated a power into three critical parts as below:

Business Function:	1st level of risk control consists of auto-controls within the business hierarchy.
Risk Function:	2nd level of risk control via field inspection and risk analysts by Credit Risk Department.
Audit Function:	3rd level is constituted by all-encompassing control mandate of the internal audit that supported by audit team from Ly Hour Group.

The below herewith is a brief risk function which we have developed in order to be implemented:

- Safeguard/guardian of the company's balance sheet.
- Have clear policy and procedure for credit risk assessment.
- Ensure credit clients are acquired and well managed.
- Be proactive in managing and monitoring credit portfolio.
- Ensure compliance with both internal policies/procedures and also country's requirements.

Strategically, to ensure that there is an effective and efficient risk management in place, Ly Hour Leasing Plc. uses a key principle to early prevent any unexpected risk from happening.

In addition to this, a systematic approach with a clear process is also designed to manage risk and assist the senior management to find out proper solutions to tackle any issues in a timely manner. There are four critical processes that we have introduced as below detail:



Financial Statements for the year ended 31 December 2019 and Report of the Independent Auditors

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CORPORATE INFORMATION

Company	Ly Hour Leasing Plc	
Registration No.	00000694	
Registered office	Building 243-244, Street 598, Sangkat Tuol Sangke Khan Russey Keo, Phnom Penh, Kingdom of Cambodia	
Shareholders	Oknha Ly Sopheark Ms. Liao Xi	
Board of Directors	Oknha Ly Sopheark Mrs. Seang Lim Ms. Liao Xi	Chairman Director Director
Management team	Mrs. San Somany Miss. Phan Sonita Mr. Me Morkot Mr. Chout Bunlong Mr. Suong Vibol Mr. Houy Sokly	Acting Chief Executive Officer Chief Operating Officer Head of Finance Department Head of Credit Risk Department Head of Sale and Marketing Department Head of Loan Recovery Department
Principal bankers	Phillip Bank Plc. Advanced Bank of Asia.,Ltd.	
Auditors	KPMG Cambodia Ltd	

REPORT OF THE BOARD OF DIRECTORS

The Board of Directors has pleasure in submitting their report together with the audited financial statements of Ly Hour Leasing Plc ("the Company") for the year ended 31 December 2019.

Principal activity

The principal activity of the Company is to provide finance lease for the acquisition of vehicles in Cambodia.

Financial results

The financial results of the Company for the year ended 31 December 2019 were as follows:

	2019 US\$	2018 US\$	2019 KHR'000 (Note 5)	2018 KHR'000 (Note 5)
Profit before income tax	324,068	30,451	1,313,124	123,174
Income tax expense	(66,142)	(9,815)	(268,007)	(39,702)
Net profit for the year	257,926	20,636	1,045,117	83,472

Share capital

There is no changes in the shareholding structure during the year.

Dividends

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

Reserves and provisions

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

Bad and doubtful lease receivables

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

At the date of this report, the Directors are not aware of any circumstances, which would render the amount written off for bad lease receivables, or the amount of allowance for doubtful lease receivables 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, other than lease receivables, 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 financial year 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 financial year 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 12 months after the end of the financial year which, in the opinion of the Directors, will or may materially 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 Board of 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.

Items of an unusual nature

The results of the operations of the Company for the financial year were not, in the opinion of the Board of Directors, materially 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 Board of Directors, to affect materially the results of the operations of the Company for the current financial year in which this report is made.

Events since the reporting date

At the date of this report, except as disclosed in Note 27 of the financial statements, there have been no significant events occurring after the reporting 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 during the year and at the date of this report are:

Oknha Ly Sopheark	Chairman
Mrs. Seang Lim	Director
Ms. Liao Xi	Director

Board of Directors' interests

The director who held office at the end of the year and his interests in the Company were as follows:

	2019		2018	
	Holding %	Number of shares	Holding %	Number of shares
Ordinary shares of US\$ 1 each				
Oknha Ly Sopheark	51%	1,530,000	51%	1,530,000
Ms. Liao Xi	49%	1,470,000	49%	1,470,000

Board of Directors' benefits

During and at the end of the financial year, 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 share purchase option.

Since the end of the previous financial year, 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 received or due and 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.

Responsibilities of Directors in respect of the financial statements

The Board of 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 2019, and its financial performance and its cash flows for the year then ended. In preparing these financial statements, the Board of 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 International Financial Reporting Standards for Small and Medium-sized Entities ("CIFRS for SMEs") 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;
- 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 effectively the Company 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 together with the notes thereto as set out on page 9 to 48 which, in our opinion, present fairly, in all material respects, the financial position of the Company as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with Cambodian International Financial Reporting Standards for Small and Medium-sized Entities ("CIFRS for SMEs").

Signed in accordance with a resolution of the Board of Directors, 



Oknha Ly Sopheark

Chairman

Phnom Penh, Kingdom of Cambodia

12 June 2020

REPORT OF THE INDEPENDENT AUDITORS

To the shareholders of Ly Hour Leasing Plc

Qualified Opinion

We have audited the financial statements of Ly Hour Leasing Plc ("the Company"), which comprise the statement of financial position as at 31 December 2019, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information as set out on pages 9 to 48 (hereafter referred to as "the financial statements").

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with Cambodian International Financial Reporting Standards for Small and Medium-sized Entities ("CIFRS for SMEs").

Basis for Qualified Opinion

Our opinion on the financial statements of the Company as at and for the year ended 31 December 2019 was qualified because we were unable to satisfy ourselves as to the completeness and accuracy of the Company's Value Added Taxes ("VAT") on the lease receivables to the customers. Due to the tax system in Cambodia is relatively unclear and the tax regulations are often subject to different interpretation, it is impracticable for us to quantify the potential tax exposures of the open tax years from 2017 to 2019. Accordingly, we were unable to determine whether any adjustments might have been necessary to the amounts shown in the financial statements for tax payables, tax expenses, net profit and accumulated losses as at and for the year ended 31 December 2019.

The Company had also not accounted for the VAT exposure on the lease receivables to customers in previous year. Had the effect of the abovementioned VAT exposure been accounted for in the financial statements for the year ended 31 December 2018, adjustments would have been made to increase VAT payables; and decrease the net profit and shareholders' equity for the year then ended. The Company's management decided not to restate the corresponding figures for the year ended 31 December 2018.

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 qualified opinion.

Other matters- Comparative Information

The financial statements of the Company as at and for the year ended 31 December 2018, excluding the adjustments described in Note 26A to the financial statements, prepared in accordance with Cambodian Accounting Standards and the guidelines of the National Bank of Cambodia ("NBC") relating to the preparation and presentation of financial statements, were audited by another auditor who expressed an unmodified opinion on those financial statements on 12 April 2019.

As part of our audit of the financial statements as at and for the year ended 31 December 2019, we audited the adjustments described in Note 26A that were applied to restate the comparative information presented as at and for the year ended 31 December 2018. We were not engaged to audit, review, or apply any procedures to the financial statements for the years ended 31 December 2018, other than with respect to the adjustments described in Note 26A to the financial statements. Accordingly, we do not express an opinion or any other form of assurance on those respective financial statements taken as a whole. However, in our opinion, the adjustments described in Note 26A are appropriate and have been properly applied.

As stated in Note 26B to the financial statements, the Company adopted CIFRS for SMEs on 1 January 2019 with a transition date of 1 January 2018. These standards were applied retrospectively to the comparative information in these financial statements, including the statement of financial position as at 31 December 2018, and the statements of comprehensive income, changes in equity and cash flows of the Company for the year ended 31 December 2018 and related explanatory notes. We were not engaged to audit on the restated comparative information and it is unaudited. Our responsibilities in respect of this comparative information is to determine whether the financial statements include the comparative information required by CIFRS for SMEs and whether such information is appropriately classified.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Report of the Board of Directors as set out on pages 1 to 4. 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, 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 CIFRS for SMEs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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 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 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**

The image shows a handwritten signature in blue ink that reads "Chew". To the right of the signature is a circular blue stamp. The stamp contains the text "KPMG CAMBODIA LTD" in the center, with Khmer text around the perimeter: "ក្រុមហ៊ុនភូមិភាគកម្ពុជា" at the top and "សមាជិកភាគីកម្ពុជា" at the bottom. There are decorative symbols on either side of the central text.

Lim Chew Teng

Partner

Phnom Penh, Kingdom of Cambodia
12 June 2020

STATEMENT OF FINANCIAL POSITION

as at 31 Decemeber 2019

ASSETS	Note	As at 31 December		As at 31 December	
		2019 US\$	2018 US\$	2019 KHR'000 (Note 5)	2018 KHR'000 (Note 5)
Cash and cash equivalents	6	859,460	15,744	3,502,300	63,259
Statutory deposits	7	150,000	150,000	611,250	602,700
Lease receivables to customers-net	8	7,056,520	3,850,738	28,755,319	15,472,265
Other assets	9	22,483	1,789,329	91,618	7,189,524
Property and equipment	10	160,612	123,933	654,494	497,963
Intangible assets	11	17,668	23,935	71,997	96,171
Deferred tax assets-net	14A	23,852	10,180	97,197	40,903
TOTAL ASSETS		8,290,595	5,963,859	33,784,175	23,962,785
LIABILITIES AND SHAREHOLDERS' EQUITY					
Liabilities					
Borrowings	12	5,338,119	3,329,625	21,752,835	13,378,433
Other liabilities	13	96,910	102,365	394,908	411,303
Current income tax liability	14B	66,671	900	271,685	3,616
Total liabilities		5,501,700	3,432,890	22,419,428	13,793,352
Shareholders' equity					
Share Capital	15	3,000,000	3,000,000	12,000,000	12,000,000
Regulatory reserves	16	62,570	38,689	253,263	156,497
Accumulated losses		(273,675)	(507,720)	(1,101,460)	(2,049,811)
Currency translation reserves		-	-	212,944	62,747
Total shareholders' equity		2,788,895	2,530,969	11,364,747	10,169,433
TOTAL LIABILITIES AND EQUITY		8,290,595	5,963,859	33,784,175	23,962,785

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

STATEMENT OF COMPREHENSIVE INCOME

for the year end 31 Decemeber 2019

	Note	2019 US\$	2018 US\$	2019 KHR'000 (Note 5)	2018 KHR'000 (Note 5)
Operating income					
Interest income	17	1,448,115	1,054,717	5,867,762	4,266,330
Interest expense	18	(411,612)	(386,127)	(1,667,852)	(1,561,884)
Net interest income		1,036,503	668,590	4,199,910	2,704,446
Other income	19	39,473	16,216	159,945	65,594
Net operating income		1,075,976	684,806	4,359,855	2,770,040
Impairment loss allowance on lease receivables	8	(12,137)	-	(49,179)	-
Personnel expenses	20	(442,424)	(365,034)	(1,792,702)	(1,476,563)
Depreciation and amortisation		(56,639)	(56,246)	(229,501)	(227,515)
Other operating expenses	21	(240,708)	(233,075)	(975,349)	(942,788)
Profit before income tax		324,068	30,451	1,313,124	123,174
Income tax expense	14C	(66,142)	(9,815)	(268,007)	(39,702)
Net profit for the year		257,926	20,636	1,045,117	83,472
Other comprehensive income					
Currency translation difference		-	-	150,197	62,747
Total comprehensive income for the year		257,926	20,636	1,195,314	146,219

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

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2019

	US\$	Share capital KHR'000 (Note 5)	Regulatory reserves US\$	Regulatory reserves KHR'000 (Note 5)
At 1 January 2018	3,000,000	12,000,000	-	-
Transactions recorded directly in equity				
Transfer from accumulated losses to regulatory reserves (Note 16)	-	-	38,689	156,497
Total comprehensive income				
Net profit for the year	-	-	-	-
Currency translation difference	-	-	-	-
At 31 December 2018	3,000,000	12,000,000	38,689	156,497
At 1 January 2019	3,000,000	12,000,000	38,689	156,497
Transactions recorded directly in equity				
Transfer from accumulated losses to regulatory reserves (Note 16)	-	-	23,881	96,766
Total comprehensive income				
Net profit for the year	-	-	-	-
Currency translation difference	-	-	-	-
At 31 December 2019	3,000,000	12,000,000	62,570	253,263

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

Accumulated losses		Currency translation reserves		Total	
US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)	US\$	KHR'000 (Note 5)
(489,667)	(1,976,786)	-	-	2,510,333	10,023,214
(38,689)	(156,497)	-	-	-	-
20,636	83,472	-	-	20,636	83,472
-	-	-	62,747	-	62,747
(507,720)	(2,049,811)	-	62,747	2,530,969	10,169,433
(507,720)	(2,049,811)	-	62,747	2,530,969	10,169,433
(23,881)	(96,766)	-	-	-	-
257,926	1,045,117	-	-	257,926	1,045,117
-	-	-	150,197	-	150,197
(273,675)	(1,101,460)	-	212,944	2,788,895	11,364,747

STATEMENT OF CASH FLOWS

for the year ended 31 December 2019

	2019 US\$	2018 US\$	2019 KHR'000 (Note 5)	2018 KHR'000 (Note 5)
Cash flow from operating activities				
Net profit for the year	257,926	20,636	1,045,117	83,472
<i>Adjustments for:</i>				
Income tax expense	66,142	9,815	268,007	39,702
Depreciation and amortisation	56,639	56,246	229,501	227,515
Property and equipment written off	603	24,341	2,443	98,459
Net interest income	(1,036,503)	(668,590)	(4,199,910)	(2,704,446)
Impairment loss allowance on lease receivables	12,137	-	49,179	-
	(643,056)	(557,552)	(2,605,663)	(2,255,298)
<i>Changes in:</i>				
Lease receivables to customers	(3,271,521)	(636,169)	(13,256,203)	(2,573,304)
Other assets	1,766,846	(1,720,882)	7,159,260	(6,960,968)
Other liabilities	(17,419)	(40,666)	(70,582)	(164,494)
Employees' benefit	29,017	-	117,576	-
	(2,136,133)	(2,955,269)	(8,655,612)	(11,954,064)
Interest received	1,501,717	1,073,619	6,084,957	4,342,789
Interest paid	(433,918)	(382,872)	(1,758,236)	(1,548,717)
Income tax paid	(14,043)	(10,521)	(56,902)	(42,557)
Employees' benefit paid	(17,053)	-	(69,098)	-
Net cash used in operating activities	(1,099,430)	(2,275,043)	(4,454,891)	(9,202,549)
Cash flows from investing activities				
Acquisition of property and equipment	(87,654)	(52,295)	(355,174)	(211,533)
Net cash used in investing activities	(87,654)	(52,295)	(355,174)	(211,533)
Cash flows from financing activities				
Repayments of borrowings	(2,050,795)	(1,541,676)	(8,309,821)	(6,236,079)
Proceeds from borrowings	4,081,595	2,000,000	16,538,623	8,090,000
Net cash generated from financing activities	2,030,800	458,324	8,228,802	1,853,921
Net increase/(decrease) in cash and cash equivalents	843,716	(1,869,014)	3,418,737	(7,560,161)
Cash and cash equivalents at 1 January	15,744	1,884,758	63,259	7,623,846
Currency translation difference	-	-	20,304	(426)
Cash and cash equivalents at 31 December (Note 6)	859,460	15,744	3,502,300	63,259

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

1. Reporting entity

Ly Hour Leasing Plc ("the Company") is a public limited company incorporated in Cambodia under the Registration No. 00000694 dated 9 September 2015 from the Ministry of Commerce.

The Company obtained its license from the National bank of Cambodia ("NBC") to operate as a Finance Leasing Business on 8 April 2016.

The principle activity of the Company is to provide finance lease for the acquisition of vehicles in Cambodia.

The address of its registered office is located at Building 243-244, Street 598, Sangkat Toul Sangke, Khan Russey Keo, Phnom Penh, Kingdom of Cambodia.

As at 31 December 2019, the Company had 52 employees (31 December 2018: 57 employees).

2. Basis of accounting

The financial statements have been prepared in accordance with Cambodian International Financial Reporting Standards for Small and Medium-sized Entities ("CIFRS for SMEs"). These are the first set of the financial statements prepared in accordance with CIFRS for SMEs and Section 35 Transition to the CIFRS for SMEs has been applied.

In the previous financial years, the financial statements were prepared in accordance with Cambodian Accounting Standards ("CAS") and the guidelines of the National Bank of Cambodia ("NBC") relating to the preparation and presentation of the financial statements ("Cambodia GAAP").

The Company has applied consistently to all periods presented in these financial statements and in preparing the opening CIFRS for SMEs statement of financial position at 1 January 2018 for the purposes of the transition to CIFRS for SMEs.

An explanation of how the transition to CIFRS for SMEs has affected the reported financial position, financial performance and cash flows of the Company is provided in Note 26B.

The financial statements of the Company were authorised for issue by the Board of Directors on 12 June 2020.

Details of the Company's accounting policies are included in Note 25.

3. Functional and presentation currency

The Company transacts its business and maintains its accounting records in United States Dollars ("US\$"). Management has determined the US\$ to be the Company's functional and presentation currency as it reflects the economic substance of the underlying events and circumstances of the Company.

These financial statements are presented in US\$, which is the Company's functional currency. All amounts have been rounded to the nearest dollar, except when otherwise indicated.

4. Use of estimates and judgements

In preparing these financial statements, management has made judgments, estimates and assumptions that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ended 31 December 2019 is set out below in relation to the impairment of financial instruments:

- Note 25G(vii) – Identification and measurement of impairment.

5. Translation of United States Dollars into Khmer Riel

The financial statements are expressed in United States Dollars. The translations of United States Dollars amounts into Khmer Riel are included solely for compliance with the guidelines of the National Bank of Cambodia relating to the preparation and presentation of financial statements.

Assets and liabilities are translated at the closing rate as at the reporting date and share capital is translated at historical rate. The statements of comprehensive income and cash flows are translated into KHR using the average rate for the year. Exchange differences arising from the translation are recognised as "Currency translation reserves" in the other comprehensive income.

The Company uses the following exchange rates:

			Closing rate	Average rate
31 December 2019	US\$1	=	KHR 4,075	KHR 4,052
31 December 2018	US\$1	=	KHR 4,018	KHR 4,045
1 January 2018	US\$1	=	KHR 4,037	N/A

6. Cash and cash equivalents

	31 December		31 December	
	2019	2018	2019	2018
	US\$	US\$	KHR'000	KHR'000
			(Note 5)	(Note 5)
Cash on hand	3,936	3,671	16,039	14,750
Balances with banks	855,524	12,073	3,486,261	48,509
	859,460	15,744	3,502,300	63,259

7. Statutory deposits

In compliance with Prakas B7-011-242 dated 27 December 2011 on the Licensing of Financial Leasing Businesses, the Company is required to maintain a minimum statutory capital deposit, bearing no interest, with the NBC of US\$150,000 (5% of registered capital). This deposit is refundable when the Company voluntarily liquidate.

8. Leases receivables to customers – net

	31 December 2019			31 December 2018		
	Gross amounts US\$	Impairment loss allowance US\$	Carrying amounts US\$	Gross amounts US\$	Impairment loss allowance US\$	Carrying amounts US\$
Gross lease receivables	7,155,574	(12,137)	7,143,437	3,922,847	-	3,922,847
Unearned finance income	(86,917)	-	(86,917)	(72,109)	-	(72,109)
Total	7,068,657	(12,137)	7,056,520	3,850,738	-	3,850,738
Total – KHR'000 (Note 5)	28,804,777	(49,458)	28,755,319	15,472,265	-	15,472,265

The movements in impairment loss allowance on lease receivables to customers were analysed as follows:

	2019	2018	2019	2018
	US\$	US\$	KHR'000	KHR'000
			(Note 5)	(Note 5)
Collective impairment				
At 1 January	-	-	-	-
Allowance for the year	12,137	-	49,179	-
Currency translation difference	-	-	279	-
At 31 December	12,137	-	49,458	-

Gross lease receivables to customers are analysed as follows:

	2019 US\$	31 Decemer 2018 US\$	2019 KHR'000 (Note 5)	31 December 2018 KHR'000 (Note 5)
A. By maturity:				
Within 1 month	576	956	2,347	3,841
2 to 3 months	11,684	13,879	47,612	55,766
4 to 12 months	367,476	82,945	1,497,465	333,273
Over 12 months	6,775,838	3,825,067	27,611,540	15,369,119
	7,155,574	3,922,847	29,158,964	15,761,999
B. By currency:				
US Dollar	7,155,574	3,922,847	29,158,964	15,761,999
C. By economic sector				
Household / Family	7,155,574	3,922,847	29,158,964	15,761,999
D. By relationship:				
External customers	7,136,392	3,922,847	29,080,797	15,761,999
Related parties (Note 22)	19,182	-	78,167	-
	7,155,574	3,922,847	29,158,964	15,761,999
E. By past due day status:				
Short-term lease receivables				
<15 days	252,579	33,574	1,029,259	134,900
Long-term lease receivables				
<30 days	6,864,614	3,888,267	27,973,302	15,623,057
≥ 30 days – 89 days	20,567	1,006	83,811	4,042
≥ 90 days – 179 days	15,351	-	62,555	-
≥ 180 days – 359 days	2,463	-	10,037	-
More than 359 days	-	-	-	-
	6,902,995	3,889,273	28,129,705	15,627,099
	7,155,574	3,922,847	29,158,964	15,761,999
F. By interest rate (per annum):				
		2019	2018	
US Dollar		13.20%-34.68%	26.88%	

9. Other assets

	2019 US\$	31 Decemer 2018 US\$	2019 KHR'000 (Note 5)	31 December 2018 KHR'000 (Note 5)
Deposits and prepayments	7,775	6,629	31,683	26,635
Amounts due from related parties (Note 22)	5,029	1,782,700	20,493	7,162,889
Others	9,679	-	39,442	-
	22,483	1,789,329	91,618	7,189,524

10. Property and equipment

	Leasehold improvements US\$	Furniture and fixtures US\$	Office equipment US\$
2019			
Cost			
At 1 January 2019	50,917	10,276	23,363
Additions	-	4,667	11,353
Transfers	49,808	-	-
Written off	-	-	-
Currency translation difference	-	-	-
At 31 December 2019	100,725	14,943	34,716
Less: Accumulated depreciation			
At 1 January 2019	13,367	5,263	13,869
Depreciation for the year	10,164	2,591	6,468
Written off	-	-	-
Currency translation difference	-	-	-
At 31 December 2019	23,531	7,854	20,337
Carrying amounts			
At 31 December 2019	77,194	7,089	14,379
2018			
Cost			
At 1 January 2018	48,002	9,166	23,020
Additions	2,915	1,110	343
Written off	-	-	-
Currency translation difference	-	-	-
At 31 December 2018	50,917	10,276	23,363
Less: Accumulated depreciation			
At 1 January 2018	3,233	2,894	8,035
Depreciation	10,134	2,369	5,834
Written off	-	-	-
Currency translation difference	-	-	-
At 31 December 2018	13,367	5,263	13,869
Carrying amounts			
At 31 December 2018	37,550	5,013	9,494

Computer equipment US\$	Motor vehicles US\$	Other fixed assets US\$	Construction in progress US\$	US\$	Total KHR'000 (Note 5)
45,027	58,649	13,793	15,330	217,355	873,332
1,156	36,000	-	34,478	87,654	355,174
-	-	-	(49,808)	-	-
(2,980)	-	-	-	(2,980)	(12,075)
-	-	-	-	-	14,337
43,203	94,649	13,793	-	302,029	1,230,768
26,381	30,926	3,616	-	93,422	375,369
10,265	17,609	3,275	-	50,372	204,107
(2,377)	-	-	-	(2,377)	(9,632)
-	-	-	-	-	6,430
34,269	48,535	6,891	-	141,417	576,274
8,934	46,114	6,902	-	160,612	654,494
34,986	50,665	25,204	-	191,043	771,241
10,386	22,211	-	15,330	52,295	211,533
(345)	(14,227)	(11,411)	-	(25,983)	(105,101)
-	-	-	-	-	(4,341)
45,027	58,649	13,793	15,330	217,355	873,332
13,680	17,504	311	-	45,657	184,317
12,716	14,775	3,579	-	49,407	199,851
(15)	(1,353)	(274)	-	(1,642)	(6,642)
-	-	-	-	-	(2,157)
26,381	30,926	3,616	-	93,422	375,369
18,646	27,723	10,177	15,330	123,933	497,963

11. Intangible assets

	Computer software			
	2019 US\$	2018 US\$	2019 KHR'000 (Note 5)	2018 KHR'000 (Note 5)
Cost				
At 1 January	34,223	34,223	137,508	138,158
Currency translation difference	-	-	1,951	(650)
At 31 December	34,223	34,223	139,459	137,508
Less: Accumulated amortisation				
At 1 January	10,288	3,449	41,337	13,924
Amortisation for the year	6,267	6,839	25,394	27,664
Currency translation difference	-	-	731	(251)
At 31 December	16,555	10,288	67,462	41,337
Carrying amounts				
At 31 December	17,668	23,935	71,997	96,171

12. Borrowings

	31 December		31 December	
	2019 US\$	2018 US\$	2019 KHR'000 (Note 5)	2018 KHR'000 (Note 5)
Related parties (Note 22)	1,009,404	-	4,113,321	-
Non-related parties	4,328,715	3,329,625	17,639,514	13,378,433
	5,338,119	3,329,625	21,752,835	13,378,433

The Company entered into loan agreements with various lenders, some are unsecured and some had been guaranteed by a related party, Ly Hour Microfinance Institutions Plc (now known as SBI LY HOUR PLC). The principal and interest repayments are made either on a semi-annual or quarterly basis based on the respective payment schedule in the loan agreements.

Borrowings are analysed as follows:

	31 December		31 December	
	2019 US\$	2018 US\$	2019 KHR'000 (Note 5)	2018 KHR'000 (Note 5)
A. By maturity:				
1 to 3 months	368,426	-	1,501,336	-
3 to 12 months	1,512,966	1,067,326	6,165,336	4,288,516
1 to 5 years	2,898,303	2,262,299	11,810,585	9,089,917
Over 5 years	558,424	-	2,275,578	-
	5,338,119	3,329,625	21,752,835	13,378,433

B. By interest rate (per annum):

	2019	2018
US Dollar	6.5%-9.75%	10.00%
Khmer Riel	9.75%	N/A

13. Other liabilities

	31 December		31 December	
	2019	2018	2019	2018
	US\$	US\$	KHR'000	KHR'000
			(Note 5)	(Note 5)
Other tax payables	4,871	6,424	19,849	25,812
Other payables	80,075	95,941	326,306	385,491
Provision for employee benefits (*)	11,964	-	48,753	-
	96,910	102,365	394,908	411,303

(*) This represents provision for seniority indemnity payments required by Prakas No. 443 issued by the Ministry of Labour and Vocational Training ("MoLVT") on 21 September 2018, and subsequently amended by the Instruction No. 042/19 dated 22 March 2019. It requires all employers to settle the seniority indemnity to their employee as follows:

- Current pay: starting from 2019 onwards at the amounts equal to 15 days of wages and other benefits per year.
- Retrospective (back-pay): starting from end of 2021 onwards at the amounts equal to 6 days of net wages per year. The provision of back-pay seniority indemnity is calculated at a maximum amount of 6 months net wages (depends on the length of the service employee served) to the employee who has seniority before 2019.

Payments will be made twice a year, in June and December respectively. Employee does not entitle to the remaining back-pay seniority indemnity which is not yet due, if he/she resigns from the Company.

14. Income tax

A. Deferred tax assets, net	31 December		31 December	
	2019	2018	2019	2018
	US\$	US\$	KHR'000	KHR'000
			(Note 5)	(Note 5)
Deferred tax assets	23,852	10,180	97,197	40,903

Deferred tax assets/(liabilities) are attributable to the following:

	31 December		31 December	
	2019	2018	2019	2018
	US\$	US\$	KHR'000	KHR'000
			(Note 5)	(Note 5)
Unearned income	17,383	14,422	70,836	57,948
Impairment loss allowance	2,427	-	9,890	-
Provision for employee benefits	2,393	-	9,751	-
Accelerated depreciation	2,772	(3,567)	11,296	(14,332)
Unrealise exchange gains	(1,123)	(675)	(4,576)	(2,712)
	23,852	10,180	97,197	40,903

Movements of deferred tax assets were as follows:

	2019 US\$	2018 US\$	2019 KHR'000 (Note 5)	2018 KHR'000 (Note 5)
At 1 January	10,180	9,402	40,903	37,956
Recognised in profit or loss	13,672	778	55,399	3,147
Currency translation difference	-	-	895	(200)
At 31 December	23,852	10,180	97,197	40,903

B. Current income tax liability

	2019 US\$	2018 US\$	2019 KHR'000 (Note 5)	2018 KHR'000 (Note 5)
At 1 January	900	828	3,616	3,327
Recognised in profit or loss	79,814	10,593	323,406	42,849
Income tax paid	(14,043)	(10,521)	(56,902)	(42,557)
Currency translation difference	-	-	1,565	(3)
At 31 December	66,671	900	271,685	3,616

C. Income tax expense

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

	2019 US\$	2018 US\$	2019 KHR'000 (Note 5)	2018 KHR'000 (Note 5)
Current income tax expense	79,814	10,593	323,406	42,849
Deferred tax income	(13,672)	(778)	(55,399)	(3,147)
Income tax expense	66,142	9,815	268,007	39,702

The reconciliation of income tax expense computed at the statutory tax rate of 20% to the income tax expense shown in profit or loss is as follows:

	2019			2018		
	US\$	KHR'000 (Note 5)	%	US\$	KHR'000 (Note 5)	%
Profit before income tax	324,068	1,313,124		30,451	123,174	
Income tax using statutory rate at 20%	64,814	262,626	20%	6,090	24,634	20%
Non-deductible expenses	1,328	5,381	0%	3,725	15,068	12%
Income tax expense	66,142	268,007	20%	9,815	39,702	32%

The calculation of taxable income is subject to the final review and approval of the tax authorities.

15. Share capital

	31 December		31 December	
	2019	2018	2019	2018
	US\$	US\$	KHR'000	KHR'000
Registered, issued and fully paid of 3 million ordinary shares at US\$1 per share	3,000,000	3,000,000	(Note 5) 12,000,000	(Note 5) 12,000,000

The Company's shareholders and their respective interest are as follows:

	31 December 2019			31 December 2018		
	% of Ownership	Number of shares	Amount US\$	% of Ownership	Number of shares	Amount US\$
Oknha Ly Sopheark	51%	1,530,000	1,530,000	51%	1,530,000	1,530,000
Ms. Liao Xi	49%	1,470,000	1,470,000	49%	1,470,000	1,470,000
	100%	3,000,000	3,000,000	100%	3,000,000	3,000,000
Equivalent in KHR'000 (Note 5)			12,000,000			12,000,000

16. Regulatory reserves

Regulatory reserves represented the variance of provision between lease receivables impairment in accordance with CIFRS for SMEs and regulatory provision in accordance with National Bank of Cambodia.

17. Interest income

	2019	2018	2019	2018
	US\$	US\$	KHR'000	KHR'000
Lease receivables to customers	1,448,091	1,054,717	(Note 5) 5,867,665	(Note 5) 4,266,330
Placement with banks	24	-	97	-
	1,448,115	1,054,717	5,867,762	4,266,330

18. Interest expense

	2019	2018	2019	2018
	US\$	US\$	KHR'000	KHR'000
Borrowings	411,612	386,127	(Note 5) 1,667,852	(Note 5) 1,561,884

19. Other income

	2019	2018	2019	2018
	US\$	US\$	KHR'000	KHR'000
Penalty income	25,069	12,395	(Note 5) 101,580	(Note 5) 50,138
Other income	8,783	443	35,589	1,792
Unrealised exchange gains	5,621	3,378	22,776	13,664
	39,473	16,216	159,945	65,594

20. Personnel expenses

	2019 US\$	2018 US\$	2019 KHR'000 (Note 5)	2018 KHR'000 (Note 5)
Salaries	397,692	352,384	1,611,448	1,425,394
Employee benefits	29,017	-	117,576	-
Others	15,715	12,650	63,678	51,169
	442,424	365,034	1,792,702	1,476,563

21. Other operating expenses

	2019 US\$	2018 US\$	2019 KHR'000 (Note 5)	2018 KHR'000 (Note 5)
Professional fees	54,000	12,925	218,808	52,282
Rental expenses	40,000	40,000	162,080	161,800
Marketing and advertising	20,784	38,980	84,217	157,674
Office supplies	16,987	15,170	68,831	61,363
Securities and insurance services	13,300	9,549	53,892	38,626
License fees	10,223	12,275	41,424	49,652
Repairs and maintenance	9,787	16,849	39,657	68,154
Utilities	9,785	9,141	39,649	36,975
Communication expenses	8,979	10,959	36,383	44,329
Travelling and entertainment expenses	6,088	7,851	24,669	31,757
Others	50,775	59,376	205,739	240,176
	240,708	233,075	975,349	942,788

22. Related parties

The related parties of, and their relationship with the Company are as follows:

Relationship	Related party
Shareholders	Refer to Note 15
Key management personnel	All directors of the Company who make critical decisions in relation to the strategic direction of the Company and senior management staff (including their close family members)

B. Transactions and balances with related parties

(i) Transactions with key management and related parties

	2019 US\$	2018 US\$	2019 KHR'000 (Note 5)	2018 KHR'000 (Note 5)
Key management remunerations	109,334	84,900	443,021	343,421
Rental expense – Oknha Ly Hour (Note 21)	40,000	40,000	162,080	161,800
Insurance expense	3,620	4,588	14,668	18,558
Interest expense	11,064	-	44,831	-
Interest income	3,465	-	14,040	-
Proceed from borrowings	1,000,000	-	4,075,000	-

(ii) *Balance with related parties*

	31 December		31 December	
	2019	2018	2019	2018
	US\$	US\$	KHR'000	KHR'000
			(Note 5)	(Note 5)
Amounts due from related parties (Note 9)				
Ly Hour Exchange Co., Ltd	-	1,781,504	-	7,158,083
Ly Hour Pay Pro Plc.	5,029	1,196	20,493	4,806
	5,029	1,782,700	20,493	7,162,889
Borrowings from a shareholder – Oknha Ly Sopheark (Note 12)	1,009,404	-	4,113,321	-
Lease receivables-Ly Hour Insurance Plc.	19,182	-	78,167	-

23. Commitments and contingencies

A. *Lease commitments*

The Company has commitments for the lease of its office under an operating lease arrangement with minimum future lease amount due as follows:

	2019	2018	2019	2018
	US\$	US\$	KHR'000	KHR'000
			(Note 5)	(Note 5)
Within 1 year	40,000	40,000	162,080	161,800
1 to 5 years	80,000	116,667	324,160	471,918
	120,000	156,667	486,240	633,718

B. *Tax contingencies*

The taxation system in Cambodia 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.

The latest comprehensive tax audit conducted by the General Department of Taxation ("GDT") for the period from 1 January 2017 to 31 December 2017 has imposed additional taxes, penalties and interest to the Company on the VAT exposure on the lease receivables to the customers. On 20 December 2019, the Company filed an administrative protest letter to the GDT to exempt the penalties and additional tax on the grounds that the Company has encountered some difficulties in the implementation of the existing Cambodian Law on Taxation. At the date of this report, the tax appeal process is still on going.

24. Fair values of financial assets and liabilities

Fair value represents the amount at which an asset could be exchanged or a liability settled on an arm's length basis. As verifiable market prices are not available, market prices are not available for a significant proportion of the Company's financial assets and liabilities. Fair values, therefore, have been based on management assumptions according to the profile of the asset and liability base. In the opinion of the management, the carrying amounts of the financial assets and liabilities included in the statement of financial position are a reasonable estimation of their fair values.

25. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and in preparing the opening CIFRS for SMEs statement of financial position at 1 January 2018 for the purposes of the transition to CIFRS for SMEs, unless otherwise indicated.

A. Basis of measurement

The financial statements have been prepared on a historical cost.

B. Foreign currency transactions

Transactions in currencies other than US\$ are translated into US\$ at the exchange rate ruling at the dates of the transactions.

Monetary assets and liabilities denominated in currencies other than US\$ at the reporting date are translated into US\$ at the rates of exchange ruling at that date. Foreign currency difference are generally recognised in profit or loss. Non-monetary items that are measured in terms of historical cost in other currency are translated using the exchange rates as at the respective dates of the initial transactions.

C. Interest

Interest income from lease receivables and interest expense from borrowings are recognised in profit or loss using the effective interest method. The 'effective interest rate' is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or financial liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or financial liability.

When calculating the effective interest rate, the Company estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

D. Fees and commission

Fees and commission income and expense that are integral to the effective interest rate on a financial asset or financial liability are included in the measurement of the effective interest rate.

Other fees and commission income are recognised as the related services are performed. If a lease receivable commitment is not expected to result in the draw-down of a lease receivable, then the related lease receivable commitment fees are recognised on a straight-line basis over the commitment period.

Other fees and commission expense relate mainly to transaction and service fees, which are expensed as the services are received.

E. Leases

(i) As a lessor - Lease receivables

At its inception, a lease is classified as either a finance lease or an operating lease. Finance leases transfer substantially all the risks and rewards of ownership. All other leases are classified as operating leases.

Lease receivables are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method.

(ii) As a lessee

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

F. Income tax

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

(i) Current tax

'Current tax' comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

(ii) Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on business plans for the Company and the reversal of temporary differences. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(ii) Deferred tax (continued)

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

G. *Financial assets and financial liabilities*

(i) Recognition

The Company initially recognises a financial assets or a financial liability when the Company becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus transaction costs that are directly attributable to its acquisition or issue.

(ii) Classification

The Company classifies its financial assets and liabilities as basic financial instruments in accordance with Section 11 Basic Financial Instruments.

(iii) Derecognition

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or settled, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

(iv) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(v) Amortised cost measurement

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

(vi) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Company uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Company determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

The Company recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

(vii) Identification and measurement of impairment

Objective evidence of impairment

At each reporting date, the Company assesses whether there is objective evidence that financial assets that are measured at cost or amortised cost. A financial asset or a group of financial assets is impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the assets and that the loss event has an impact on the future cash flows of the assets that can be estimated reliably.

Objective evidence that financial assets are impaired includes:

- significant financial difficulty of the borrower or issuer;
- default or delinquency by a borrower;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- indications that a borrower or issuer will enter bankruptcy;
- the disappearance of an active market for a security; or
- observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the group.

Individual and collective assessment

All individually significant assets are individually assessed for impairment.

Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified.

The individual component of the total allowance for impairment applies to financial assets evaluated individually for impairment, and found to be individually impaired, and is based on management's best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows, management makes judgements about a debtor's financial situation and the net realisable value of any underlying collateral. Each impaired asset is assessed on its merits, and the workout strategy and estimate of cash flows considered recoverable are independently approved by the management.

A collective component of the total allowance is established for:

- groups of homogeneous lease receivables that are not considered individually significant; and
- groups of assets that are individually significant but that were not found to be individually impaired.

The collective allowance for groups of homogeneous lease receivables is established using statistical methods such as roll rate methodology or, for small portfolios with insufficient information, a formula approach based on historical loss rate experience.

In assessing the collective loss allowance, management considers factors such as credit quality, portfolio size, concentrations and economic factors. To estimate the required allowance, assumptions are made to define how inherent losses are modelled and to determine the required input parameters, based on historical experience and current economic conditions. The accuracy of the allowance depends on the model assumptions and parameters used in determining the collective allowance.

Measurement

Impairment losses on assets measured at amortised cost are calculated as the difference between the carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate.

Reversal of impairment and write offs

If, in a subsequent period, the amount of an impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the entity shall reverse the previously recognised impairment loss either directly or by adjusting an allowance account.

The reversal shall not result in a carrying amount of the financial asset (net of any allowance account) that exceeds what the carrying amount would have been had the impairment not previously been recognised. The entity shall recognise the amount of the reversal in profit or loss immediately.

The Company writes off a lease receivable or an investment debt security, either partially or in full, and any related allowance for impairment losses, when the management determines that there is no realistic prospect of recovery.

H. Cash and cash equivalents

Cash and cash equivalents consist of cash and bank balances, demand deposits and short-term highly liquid investments with original maturities of three months or less when purchased, and that are readily convertible to known amounts of cash and subject to an insignificant risk of changes in value, and are used by the Company in the management of its short-term commitments

Cash and cash equivalents are carried at amortised cost in the statement of financial position.

I. Statutory deposits

Statutory deposits represent mandatory reserve deposits and cash maintained with the National Bank of Cambodia ("NBC") in compliance with the Law on Banking and Financial Institutions ("LBFI"). 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.

Balance with National Bank of Cambodia are carried at amortised cost using the effective interest method in the statement of financial position.

J. Other assets

Other assets are carried at amortised cost using the effective interest method in the statement of financial position.

K. Property and equipment

(i) Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any. When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

(ii) Depreciation of property and equipment is charged to profit or loss on straight-line basis over the estimated useful lives of the individual assets as follows:

Leasehold improvements	5 years
Furniture and fixtures	2 years
Office equipment	2 – 5 years
Motor vehicles	4 years
Computer equipment and other fixed assets	2 – 5 years

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

(iv) Gains or losses arising from the retirement or disposal of an item of property and equipment are determined as the difference between the estimated net disposal proceeds and the carrying amount of the assets and are recognised in profit or loss on the date of retirement or disposal.

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

L. Intangible assets

Intangible assets comprise of software including costs incurred in acquiring and building software, which is not integral to the operation of hardware, and is carried at cost less accumulated amortisation and accumulated impairment losses, if any. Software costs are amortised on a straight-line basis over the expected useful lives of 5 years.

Costs incurred in planning or evaluating software proposals, or in maintaining systems after implementation, are not capitalised.

M. Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets (other than deferred tax assets) are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less cost to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

N. Provisions

Provisions are recognised in the statement of financial position when the Company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

O. Borrowings and other liabilities

Borrowings and other liabilities are carried at amortised cost using the effective interest method in the statement of financial position.

P. Employee benefits

(i) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(ii) Other long-term employee benefits

The Company's net obligation in respect of long-term employee benefits is the amount of the benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Remeasurements are recognised in profit or loss in the period in which they arise.

Q. Share capital

Incremental costs that are directly attributable to the issue of an equity instrument are deducted from the initial measurement of the equity instruments.

R. Regulatory reserves

Regulatory reserves are set up for the variance of provision between loan impairment in accordance with CIFRS for SMEs and regulatory provision in accordance with National Bank of Cambodia's Prakas No. B7-017-344 dated 1 December 2017 and Circular No. B7-018-001 Sor Ror Chor Nor dated 16 February 2018 on credit risk classification and provision on impairment for banks and financial institutions.

Based on these NBC Guidelines, all lease receivables to customers are classified according to the repayment capacity of the counterparty and the number of days past due is taken into account as follows:

Classification	Number of days past due	Allowance
Short-term lease receivables (less than or equal one year):		
Normal/standard	<15 days	1%
Special mention	15 days – 30 days	3%
Substandard	31 days – 60 days	20%
Doubtful	61 days – 90 days	50%
Loss	≥ 91 days	100%
Long-term lease receivables (more than one year):		
Normal/standard	<30 days	1%
Special mention	≥ 30 days – 89 days	3%
Substandard	≥ 90 days – 179 days	20%
Doubtful	≥ 180 days – 359 days	50%
Loss	More than 359 days	100%

In accordance with Article 73, the entity shall compare the provision calculated in accordance with above requirements, and the Company's record which is under CIFRS for SMEs:

- (i) If the regulatory provision is lower, the entity records the provision calculated in accordance with CIFRS for SMEs; and
- (ii) If the regulatory provision is higher, the entity records the provision calculated in accordance with CIFRS for SMEs and transfer the difference from retained earnings or accumulated losses into regulatory reserve in equity.

26. Comparative information

A. Restatement

During the preparation of the financial statements for the year ended 31 December 2019, the Company's management has identified certain errors in the prior years' financial statements that were not correctly presented. The errors related to the Company wrongly recorded the "amounts due from a related party" - Ly Hour Exchange Co., Ltd. as "cash on hand"; amounting to US\$1,741,200 and US\$1,760,000, respectively, as at 31 December 2018 and 1 January 2018. The Company's management decided to restate the comparative information for the year ended 31 December 2018 and 1 January 2018 to correct these errors.

B. Explanation of transition to CIFRS for SMEs

As stated in Note 2, these are the Company's first set of financial statements prepared in accordance with CIFRS for SMEs.

The accounting policies set out in Note 25 have been applied in preparing the financial statements for the year ended 31 December 2019, the comparative information presented in these financial statements for the year ended 31 December 2018 and in the preparation of an opening CIFRS for SMEs statement of financial position at 1 January 2018 (the Company's date of transition).

In preparing its opening CIFRS for SMEs statement of financial position, the Company has adjusted amounts reported previously in financial statements prepared in accordance with Cambodian Accounting Standards and the guidelines of the National Bank of Cambodia ("NBC") relating to the preparation and presentation of the financial statements ("Cambodia GAAP").

C. Financial assets

Restatement of financial assets

The impact arising from the change is summarised as follows:

	1 January 2018 US\$	31 December 2018 US\$
Statement of financial position		
Cash on hand	(1,760,000)	(1,741,200)
Other assets	1,760,000	1,741,200

Reconciliation of equity

Note	1 January 2018			31 December 2018			
	Cambodia GAAP US\$	Effect of transition to CIFRS for SMEs US\$	CIFRS for SMEs US\$	Cambodia GAAP US\$	Effect of transition to CIFRS for SMEs US\$	CIFRS for SMEs US\$	
ASSETS							
Cash on hand	C	1,777,258	*(1,777,258)	-	1,744,871	*(1,744,871)	-
Balance with NBC	C	151,000	(151,000)	-	151,000	(151,000)	-
Balance with banks	A(ii),C	106,500	(106,500)	-	12,268	(12,268)	-
Cash and cash equivalents	C	-	124,758	124,758	-	15,744	15,744
Statutory deposits	C	-	150,000	150,000	-	150,000	150,000
Lease receivables to customers-net	A(i),(ii),C	3,253,143	(19,672)	3,233,471	3,816,060	34,678	3,850,738
Other assets	C	142,686	*1,685,761	1,828,447	141,907	*1,647,422	1,789,329
Property and equipment		145,386	-	145,386	123,933	-	123,933
Intangible assets		30,774	-	30,774	23,935	-	23,935
Deferred tax assets, net	B	-	9,402	9,402	-	10,180	10,180
Total assets		5,606,747	(84,509)	5,522,238	6,013,974	(50,115)	5,963,859
Total assets (KHR'000-Note 5)		22,634,438	(341,163)	22,293,275	24,164,148	(201,362)	23,962,785

(*) Included herein are effects of restatement of comparative information. Refer 26A for further details.

LIABILITIES

Borrowings	A(ii),C	2,892,965	(24,919)	2,868,046	3,356,377	(26,752)	3,329,625
Other liabilities	C	143,031	-	143,031	102,503	(138)	102,365
Current income tax liability		828	-	828	900	-	900
Total liabilities		3,036,824	(24,919)	3,011,905	3,459,780	(26,890)	3,432,890

SHAREHOLDERS' EQUITY

Share capital		3,000,000	-	3,000,000	3,000,000	-	3,000,000
Regulatory reserves	A(i)	-	-	-	-	38,689	38,689
Accumulated losses	C	(430,077)	(59,590)	(489,667)	(445,806)	(61,914)	(507,720)
Total shareholders' equity		2,569,923	(59,590)	2,510,333	2,554,194	(23,225)	2,530,969
Total liabilities and shareholders' equity		5,606,747	(84,509)	5,522,238	6,013,974	(50,115)	5,963,859
Total liabilities and shareholders' equity (KHR'000-Note 5)		22,634,438	(341,163)	22,293,275	24,164,148	(201,362)	23,962,785

Reconciliation of comprehensive income for the year ended 31 December 2018

		2018		
	Note	Cambodia GAAP US\$	Effect of transition to CIFRS for SMEs US\$	CIFRS for SMEs US\$
Operating income				
Interest income	A(ii)	1,001,118	53,599	1,054,717
Interest expense	A(ii)	(367,850)	(18,277)	(386,127)
Net interest income		633,268	35,322	668,590
Other income		73,129	(56,913)	16,216
Net operating income	A(ii)	706,397	(21,591)	684,806
Impairment loss allowance on lease receivables	A(i)	(38,566)	38,566	-
Personnel expenses	C	-	(365,034)	(365,034)
Depreciation and amortisation	C	-	(56,246)	(56,246)
Other operating expenses	C	(672,968)	439,893	(233,075)
(Loss)/Profit before income tax		(5,137)	35,588	30,451
Income tax expense	B	(10,593)	778	(9,815)
Net (loss)/profit for the year/Total comprehensive (loss)/income for the year		(15,730)	36,366	20,636

A. Financial assets and liabilities

(i) Restatement of allowance for impairment

Under Cambodia GAAP, the Company's recognised impairment losses on financial assets based on overdue days. On adoption of CIFRS for SMEs, the impairment losses are adjusted retrospectively to reflect the incurred loss model.

	1 January 2018 US\$	31 December 2018 US\$
Statement of financial position		
Increase in lease receivables to customers	-	38,566
Related tax effect	-	(7,713)
Adjustment to accumulated losses	-	30,853
Adjustment to accumulated losses (KHR'000 – Note 5)	-	123,967
Statement of comprehensive income		2018 US\$
Decrease in impairment loss allowance on lease receivables to customers		38,566
Adjustment to profit before income tax		38,566
Adjustment to profit before income tax (KHR'000 – Note 5)		155,999

To comply with NBC regulations, the Company transferred from accumulated losses to regulatory reserves amounting to US\$38,689 as at 31 December 2018. See Note 25R.

(ii) Restatement of amortised cost – financial asset and liability, transaction costs and interest

Under Cambodia GAAP, transaction costs, including fees and commission, integral to the financial asset or liability were not considered as effective interest and recognised as expense on occurrence of transactions. Recognition of interest income was suspended when loan become non-performing.

Under CIFRS for SMEs, a financial asset or financial liability is measured initially at fair value plus transaction costs that are directly attributable to its acquisition or issue and subsequently measured at their amortised cost using the effective interest method. Fees and commission income and expense that are integral to the effective interest rate on a financial asset or financial liability are included in the measurement of the effective interest rate.

The impact arising from the change is summarised as follows:

	1 January 2018 US\$	31 December 2018 US\$
Statement of financial position		
Decrease in lease receivables to customers	(68,992)	(72,109)
Decrease in borrowings	24,919	26,752
Adjustment to retained earnings	(44,073)	(45,357)
Adjustment to retained earnings (KHR'000 – Note 5)	(177,923)	(182,244)
		2018 US\$
Statement of comprehensive income		
Decrease in interest income		53,599
Increase in interest expenses		18,277
Adjustment to profit before income tax		71,876
Adjustment to profit before income tax (KHR'000 – Note 5)		290,738

B. Income tax

	1 January 2018 US\$	31 December 2018 US\$
Unearned income	13,798	623
Increase in deferred tax assets	13,798	623
Increase in deferred tax assets (KHR'000 – Note 5)	55,704	2,505

C. Reclassification

In addition to above adjustments, the Company made certain reclassification to conform to the current year presentation.

27. Subsequent events

Impact of Novel Coronavirus Outbreak to the Company

Since January 2020, the outbreak of Novel Coronavirus ("COVID-19") has impact on the global and Cambodia business environment. Up to the date of this report, COVID-19 has not resulted in material impact to the Company. Pending on the development and spread of COVID-19 subsequent to the date of this report, further changes in economic conditions for the Company arising thereof may have impact on the financial results of the Company, the extent of which could not be estimated as at the date of this report. The Company will keep continuous attention on the situation of the COVID-19 and react actively to its impact on the financial position and operating results of the Company.

CORPORATE SOCIAL RESPONSIBILITY

Ly Hour Leasing Plc Donates Blood to Kantha Bopha Hospital

Phnom Penh, July 13, 2019: To contribute of saving children lives in Cambodia, Ly Hour Leasing which is under the initiative of Oknha Ly Sopheark, the Chairman of Ly Hour Leasing Plc. has led many staff members of the company subsidiaries to donate blood to Kantha Bopha Hospital.

It has been observed that over a period of time, many children were affected by a total of 30,000 dengue fever as of July 2019, some of them with long-term anemia up to seven months and blood transfusions are required, as most of them are from poor families and this blood donation is a great charity for humanity, because so far scientists have not yet been able to produce blood, and all blood donations can save 3 lives Which are priceless values.

In addition to this blood donation program, Oknha Ly Sopheark has been involved in many humanitarian activities such as donating money to the CRC, donating money to the Kantha Bopha Hospital, donating money to victims of building collapse and other humanitarian activities.



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អគារ ២៤៣-២៤៤ ផ្លូវលេខ ៥៩៨ ភូមិទួលគោក សង្កាត់ទួលសង្កែ ខណ្ឌឧប្បស័រកាំង រាជធានីភ្នំពេញ

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