

**HATTHA KAKSEKAR LIMITED  
AND ITS SUBSIDIARY**  
(Registration No. 00005355)

**CONDENSED CONSOLIDATED AND SEPARATE  
INTERIM FINANCIAL INFORMATION**

**FOR THE THREE-MONTH AND SIX-MONTH  
PERIOD ENDED 30 JUNE 2020  
AND**

**INDEPENDENT AUDITOR'S REPORT ON REVIEW OF  
INTERIM FINANCIAL INFORMATION**

## HATTHA KAKSEKAR LIMITED AND ITS SUBSIDIARY

### CONDENSED CONSOLIDATED AND SEPARATE INTERIM FINANCIAL INFORMATION FOR THE THREE-MONTH AND SIX-MONTH PERIOD ENDED 30 JUNE 2020

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**ហត្ថាកសិករ លីមីតធីត**  
HATTHA KAKSEKAR LIMITED

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**STATEMENT OF THE BOARD OF DIRECTORS**

In the opinion of the Board of Directors, the accompanying condensed consolidated interim financial statements of Hattha Kaksekar Limited (the "Company") and its subsidiary (collectively referred to as the "Group") and condensed separate interim financial statements of the Company, set out on pages 4 to 51 are prepared, in all material respects, in accordance with Cambodian International Accounting Standard 34, 'Interim Financial Reporting'. *kw គេ*

On behalf of the Board of Directors, *kw*

*[Handwritten signature]*

Mr. Hout Ieng Tong  
President and Chief Executive Officer

Phnom Penh, Kingdom of Cambodia  
14 August 2020

**Subsidiary of krungsri bank**  
A member of MUFG, a global financial group



KPMG Cambodia Ltd  
4<sup>th</sup> Floor, Delano Center  
No. 144, Street 169, Sangkat Veal Vong  
Khan 7 Makara, Phnom Penh  
Kingdom of Cambodia  
+855 23 216 899 | kpmg.com.kh

## **Independent Auditors' Report on review of interim financial information**

### **To the shareholder of Hattha Kaksekar Limited**

#### ***Introduction***

We have reviewed the accompanying 30 June 2020 condensed consolidated interim financial information of Hattha Kaksekar Limited and its subsidiary (together referred to as the "Group") and the condensed separate interim financial statements of the Hattha Kaksekar Limited ("the Company"), which comprise:

- the condensed consolidated and interim statements of financial position as at 30 June 2020;
- The condensed consolidated and interim statements of profit or loss and other comprehensive income for the three-month and six-month periods ended 30 June 2020;
- The condensed consolidated and interim statements of changes in equity for the six-month period ended 30 June 2020;
- The condensed consolidated and interim statements of cash flows for the six-month period ended 30 June 2020; and
- Other explanatory notes to the condensed interim financial information as set out on pages 4 to 51.

Management is responsible for the preparation and presentation of these condensed interim financial information in accordance with Cambodian International Accounting Standard 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on these interim financial information based on our review.



### **Scope of review**

We conducted our review in accordance with *Cambodian International Standard on Review Engagements 2400, 'Engagement to Review Historical Financial Statements'*. A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Cambodian International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 30 June 2020 condensed interim financial information is not prepared, in all material respects, in accordance with Cambodian International Accounting Standard 34, "*Interim Financial Reporting*".

### **Other matters**

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

The condensed interim statements of profit or loss and other comprehensive income, changes in equity and cash flows of the Group and the Company for the three-month and six-month period ended 30 June 2019 were reviewed by another auditor who expressed an unmodified conclusion on those condensed interim financial information on 14 August 2019.

For KPMG Cambodia Ltd

  


Nge Huy  
Partner

Phnom Penh, Kingdom of Cambodia

14 August 2020

**HATTHA KAKSEKAR LIMITED AND ITS SUBSIDIARY**

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2020**

	Notes	30 June 2020		31 December 2019	
		US\$	KHR'000	US\$	KHR'000
			(Note 2.3)		(Note 2.3)
<b>ASSETS</b>					
Cash on hand		30,635,660	125,391,756	34,190,445	139,326,063
Balances with the NBC	4	69,495,047	284,443,227	95,934,585	390,933,434
Balances with other banks	5	88,494,671	362,208,688	9,657,803	39,355,547
Loans to customers	6	1,044,763,726	4,276,217,931	1,036,272,930	4,222,812,190
Investment securities		20,000	81,860	20,000	81,500
Property and equipment	7	33,375,825	136,607,251	4,201,129	17,119,601
Right-of-use assets	8	11,976,534	49,019,954	12,281,257	50,046,122
Intangible assets	9	4,151,663	16,992,757	2,300,471	9,374,419
Deferred tax assets, net	10(a)	8,946,698	36,618,835	3,902,683	15,903,433
Other assets	11	11,648,243	47,676,259	28,066,516	114,371,054
<b>TOTAL ASSETS</b>		<b><u>1,303,508,067</u></b>	<b><u>5,335,258,518</u></b>	<b><u>1,226,827,819</u></b>	<b><u>4,999,323,363</u></b>
<b>LIABILITIES</b>					
Deposits from customers	12	589,489,502	2,412,780,532	610,098,327	2,486,150,683
Debt securities issued	13	29,265,549	119,783,892	29,196,072	118,973,993
Borrowings	14	405,221,930	1,658,573,359	311,485,982	1,269,305,377
Subordinated debts	15	8,261,055	33,812,498	11,974,921	48,797,803
Derivatives held for risk management	16	9,212,571	37,707,053	1,887,584	7,691,905
Current income tax liabilities	10(b)	4,272,022	17,485,386	2,632,899	10,729,063
Lease liabilities	17	12,834,350	52,530,995	13,005,210	52,996,231
Provisions	18	46,927	192,072	2,717	11,072
Other liabilities	19	8,532,801	34,924,755	48,184,085	196,350,146
<b>TOTAL LIABILITIES</b>		<b><u>1,067,136,707</u></b>	<b><u>4,367,790,542</u></b>	<b><u>1,028,467,797</u></b>	<b><u>4,191,006,273</u></b>
<b>EQUITY</b>					
Share capital	20	115,000,000	470,695,000	75,000,000	305,625,000
Share premium		19,082,502	78,104,681	19,082,502	77,761,196
Reserves	21	27,542,399	118,597,017	8,818,392	40,434,778
Retained earnings		74,746,459	300,071,278	95,459,128	384,496,116
<b>TOTAL EQUITY</b>		<b><u>236,371,360</u></b>	<b><u>967,467,976</u></b>	<b><u>198,360,022</u></b>	<b><u>808,317,090</u></b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b><u>1,303,508,067</u></b>	<b><u>5,335,258,518</u></b>	<b><u>1,226,827,819</u></b>	<b><u>4,999,323,363</u></b>

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

HATTHA KAKSEKAR LIMITED AND ITS SUBSIDIARY

CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE THREE-MONTH PERIOD ENDED 30 JUNE 2020

	Notes	Three-month period ended 30 June 2020		Three-month period ended 30 June 2019	
		US\$	KHR'000 (Note 2.3)	US\$	KHR'000 (Note 2.3)
Interest income	22	40,856,365	167,042,768	34,085,933	138,062,532
Interest expense	22	(17,021,764)	(69,586,917)	(14,674,605)	(59,434,932)
<b>Net interest income</b>		<b>23,834,601</b>	<b>97,455,851</b>	<b>19,411,328</b>	<b>78,627,600</b>
Fee and commission income	23	837,536	3,430,000	1,107,915	4,491,757
Fee and commission expense	23	(122,331)	(500,439)	(188,748)	(764,653)
<b>Net fee and commission income</b>		<b>715,205</b>	<b>2,929,561</b>	<b>919,167</b>	<b>3,727,104</b>
Net gains/(losses) from other financial instruments at FVTPL	24	246,208	992,984	(433,407)	(1,755,149)
Other (expense)/income		(66,860)	(270,649)	33,745	140,065
Net impairment losses on financial instruments	25	(16,184,924)	(66,008,800)	(223,681)	(904,813)
Personnel expenses	26	(9,394,902)	(38,416,175)	(8,338,720)	(33,779,335)
Depreciation and amortisation		(1,271,545)	(5,198,785)	(1,334,945)	(5,408,625)
Other expenses	27	(2,190,106)	(8,956,098)	(2,105,981)	(8,528,984)
<b>(Loss)/profit before income tax</b>		<b>(4,312,323)</b>	<b>(17,472,111)</b>	<b>7,927,506</b>	<b>32,117,863</b>
Income tax benefit/(expense)	10(c)	854,336	3,460,684	(1,592,514)	(6,455,816)
<b>(Loss)/profit for the period</b>		<b>(3,457,987)</b>	<b>(14,011,427)</b>	<b>6,334,992</b>	<b>25,662,047</b>
<b>Other comprehensive (loss)/income</b>					
Cash flow hedge reserve		(905,865)	(3,763,554)	-	-
Income tax relating to components of other comprehensive income		181,173	752,711	-	-
Currency translation difference		-	1,737,100	-	3,795,197
		(724,692)	(1,273,743)	-	3,795,197
<b>Total comprehensive (loss)/ income for the period</b>		<b>(4,182,679)</b>	<b>(15,285,170)</b>	<b>6,334,992</b>	<b>29,457,244</b>
<b>(Loss)/profit attributable to shareholder</b>		<b>(3,457,987)</b>	<b>(14,011,427)</b>	<b>6,334,992</b>	<b>25,662,047</b>
<b>Total comprehensive (loss)/ income attributable to shareholder</b>		<b>(4,182,679)</b>	<b>(15,285,170)</b>	<b>6,334,992</b>	<b>29,457,244</b>

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

**HATTHA KAKSEKAR LIMITED AND ITS SUBSIDIARY**

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020**

	Notes	Six-month period ended 30 June 2020		Six-month period ended 30 June 2019	
		US\$	KHR'000 (Note 2.3)	US\$	KHR'000 (Note 2.3)
Interest income	22	83,541,730	340,516,091	65,838,464	265,263,171
Interest expense	22	(34,205,717)	(139,422,502)	(28,194,091)	(113,593,993)
<b>Net interest income</b>		<b>49,336,013</b>	<b>201,093,589</b>	<b>37,644,373</b>	<b>151,669,178</b>
Fee and commission income	23	2,187,820	8,917,554	2,323,894	9,362,969
Fee and commission expense	23	(273,817)	(1,116,078)	(370,808)	(1,493,985)
<b>Net fee and commission income</b>		<b>1,914,003</b>	<b>7,801,476</b>	<b>1,953,086</b>	<b>7,868,984</b>
Net losses from other financial instruments at FVTPL	24	(633,793)	(2,583,340)	(822,660)	(3,314,497)
Other income		89,158	363,408	212,260	855,196
Net impairment losses on financial instruments	25	(19,439,021)	(79,233,450)	(380,306)	(1,532,253)
Personnel expenses	26	(19,607,815)	(79,921,454)	(16,279,255)	(65,589,118)
Depreciation and amortisation		(2,602,145)	(10,606,343)	(2,645,034)	(10,656,842)
Other expenses	27	(4,625,640)	(18,854,108)	(4,018,449)	(16,190,331)
<b>Profit before income tax</b>		<b>4,430,760</b>	<b>18,059,778</b>	<b>15,664,015</b>	<b>63,110,317</b>
Income tax expense	10(c)	(944,808)	(3,851,037)	(3,313,290)	(13,349,245)
<b>Profit for the period</b>		<b>3,485,952</b>	<b>14,208,741</b>	<b>12,350,725</b>	<b>49,761,072</b>
<b>Other comprehensive (loss)/income</b>					
Cash flow hedge reserve		(6,843,268)	(27,893,160)	-	-
Income tax relating to components of other comprehensive income		1,368,654	5,578,634	-	-
Currency translation difference		-	5,772,909	-	3,637,622
		(5,474,614)	(16,541,617)	-	3,637,622
<b>Total comprehensive (loss)/income for the period</b>		<b>(1,988,662)</b>	<b>(2,332,876)</b>	<b>12,350,725</b>	<b>53,398,694</b>
<b>Profit attributable to shareholder</b>		<b>3,485,952</b>	<b>14,208,741</b>	<b>12,350,725</b>	<b>49,761,072</b>
<b>Total comprehensive (loss)/income attributable to shareholder</b>		<b>(1,988,662)</b>	<b>(2,332,876)</b>	<b>12,350,725</b>	<b>53,398,694</b>

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



HATTHA KAKSEKAR LIMITED AND ITS SUBSIDIARY

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY  
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020

	Attributable to shareholder				Total US\$
	Share capital	Share premium	Reserves	Retained earnings	
	US\$	US\$	US\$	US\$	
<b>Six-month period ended 30 June 2019</b>					
<b>At 1 January 2019</b>	75,000,000	19,082,502	4,389,186	67,772,665	166,244,353
Profit for the period	-	-	-	12,350,725	12,350,725
<b>Total comprehensive income for the period</b>	-	-	-	<b>12,350,725</b>	<b>12,350,725</b>
Transfers	-	-	1,957,858	(1,957,858)	-
<b>At 30 June 2019</b>	<b>75,000,000</b>	<b>19,082,502</b>	<b>6,347,044</b>	<b>78,165,532</b>	<b>178,595,078</b>
<b>In KHR'000 equivalents (Note 2.3)</b>	<b>304,950,000</b>	<b>77,589,453</b>	<b>29,444,703</b>	<b>314,183,430</b>	<b>726,167,586</b>
<b>Six-month period ended 30 June 2020</b>					
<b>At 1 January 2020</b>	75,000,000	19,082,502	8,818,392	95,459,128	198,360,022
Issuance of share capital	40,000,000	-	-	-	40,000,000
Profit for the period	-	-	-	3,485,952	3,485,952
Other comprehensive loss	-	-	(5,474,614)	-	(5,474,614)
<b>Total comprehensive (loss)/income for the period</b>	-	-	<b>(5,474,614)</b>	<b>3,485,952</b>	<b>(1,988,662)</b>
Transfers	-	-	24,198,621	(24,198,621)	-
<b>At 30 June 2020</b>	<b>115,000,000</b>	<b>19,082,502</b>	<b>27,542,399</b>	<b>74,746,459</b>	<b>236,371,360</b>
<b>In KHR'000 equivalents (Note 2.3)</b>	<b>470,695,000</b>	<b>78,104,681</b>	<b>118,597,017</b>	<b>300,071,278</b>	<b>967,467,976</b>

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

HATTHA KAKSEKAR LIMITED AND ITS SUBSIDIARY

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS  
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020

	Notes	Six-month period ended 30 June 2020		Six-month period ended 30 June 2019	
		US\$	KHR'000 (Note 2.3)	US\$	KHR'000 (Note 2.3)
<b>Cash flows from operating activities</b>					
Profit before income tax		4,430,760	18,059,778	15,664,015	63,110,317
<i>Adjustments for:</i>					
Net interest income	22	(49,336,013)	(201,093,589)	(37,644,373)	(151,669,178)
Net losses from other financial instruments at FVTPL	24	633,793	2,583,340	822,660	3,314,497
Net impairment losses on financial instruments	25	19,439,021	79,233,450	380,306	1,532,253
Depreciation and amortisation		2,602,145	10,606,343	2,645,034	10,656,842
Provision for employee benefits		796,707	3,247,378	634,658	2,557,037
Losses on disposals of property and equipment		958	3,905	450	1,813
Effect of currency translation of monetary items		(1,141,626)	(4,653,268)	(11,588)	(46,688)
		<b>(22,574,255)</b>	<b>(92,012,663)</b>	<b>(17,508,838)</b>	<b>(70,543,107)</b>
<i>Changes in:</i>					
Balances with the NBC		1,476,566	6,018,483	(10,971,462)	(44,204,020)
Loans to customers		(27,569,599)	(112,373,686)	(125,465,320)	(505,499,774)
Other assets		4,757,417	19,391,232	(669,759)	(2,698,459)
Deposits from customers		(19,087,103)	(77,799,032)	82,256,481	331,411,362
Other liabilities		(27,865,460)	(113,579,615)	922,830	3,718,082
Cash used in operations		(90,862,434)	(370,355,281)	(71,436,068)	(287,815,916)
Interest received		81,947,034	334,016,111	66,273,358	267,015,359
Interest paid		(35,207,864)	(143,507,254)	(27,222,024)	(109,677,535)
Income tax paid	10(b)	(2,981,046)	(12,150,743)	(5,623,475)	(22,656,981)
<b>Net cash used in operating activities</b>		<b>(47,104,310)</b>	<b>(191,997,167)</b>	<b>(38,008,209)</b>	<b>(153,135,073)</b>

HATTHA KAKSEKAR LIMITED AND ITS SUBSIDIARY

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS  
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020 (CONTINUED)

Note	Six-month period ended 30 June 2020		Six-month period ended 30 June 2019		
	US\$	KHR'000 (Note 2.3)	US\$	KHR'000 (Note 2.3)	
<b>Cash flows from investing activities</b>					
Purchases of property and equipment	7	(30,174,621)	(122,991,755)	(684,696)	(2,758,640)
Purchases of intangible assets	9	(1,977,103)	(8,058,672)	(618,068)	(2,490,196)
Proceeds from disposals of property and equipment		1,625	6,624	732	2,949
<b>Net cash used in investing activities</b>		<b>(32,150,099)</b>	<b>(131,043,803)</b>	<b>(1,302,032)</b>	<b>(5,245,887)</b>
<b>Cash flows from financing activities</b>					
Proceeds from borrowings		240,109,738	978,687,292	85,326,978	343,782,394
Repayments of borrowings		(145,083,184)	(591,359,058)	(36,095,564)	(145,429,027)
Repayments of subordinated debts		(3,500,000)	(14,266,000)	(7,500,000)	(30,217,500)
Principal elements of lease payments		(1,826,918)	(7,446,518)	(1,735,890)	(6,993,901)
Issuance of share capital		40,000,000	163,040,000	-	-
<b>Net cash from financing activities</b>		<b>129,699,636</b>	<b>528,655,716</b>	<b>39,995,524</b>	<b>161,141,966</b>
<b>Net increase in cash and cash equivalents</b>		<b>50,445,227</b>	<b>205,614,746</b>	<b>685,283</b>	<b>2,761,006</b>
<b>Cash and cash equivalents at the beginning of the period</b>		<b>78,700,630</b>	<b>320,705,067</b>	<b>106,976,320</b>	<b>429,830,854</b>
Currency translation differences		-	2,274,180	-	5,160,218
<b>Cash and cash equivalents at the end of period</b>	28	<b>129,145,857</b>	<b>528,593,993</b>	<b>107,661,603</b>	<b>437,752,078</b>

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

**HATTHA KAKSEKAR LIMITED**

**CONDENSED SEPARATE INTERIM STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2020**

	Notes	30 June 2020		31 December 2019	
		US\$	KHR'000 (Note 2.3)	US\$	KHR'000 (Note 2.3)
<b>ASSETS</b>					
Cash on hand		30,635,660	125,391,756	34,190,445	139,326,063
Balances with the NBC	4	69,495,047	284,443,227	95,934,585	390,933,434
Balances with other banks	5	88,494,671	362,208,688	9,657,803	39,355,547
Loans to customers	6	1,044,763,726	4,276,217,931	1,036,272,930	4,222,812,190
Investment securities		20,000	81,860	20,000	81,500
Investment in subsidiary		490	2,006	490	1,997
Property and equipment	7	3,945,487	16,148,878	4,201,129	17,119,601
Right-of-use assets	8	11,976,534	49,019,954	12,281,257	50,046,122
Intangible assets	9	4,151,663	16,992,757	2,300,471	9,374,419
Deferred tax assets, net	10(a)	8,946,698	36,618,835	3,902,683	15,903,433
Other assets	11	41,095,642	168,204,463	28,071,676	114,392,081
<b>TOTAL ASSETS</b>		<b>1,303,525,618</b>	<b>5,335,330,355</b>	<b>1,226,833,469</b>	<b>4,999,346,387</b>
<b>LIABILITIES</b>					
Deposits from customers	12	589,490,515	2,412,784,678	610,099,327	2,486,154,758
Debt securities issued	13	29,265,549	119,783,892	29,196,072	118,973,993
Borrowings	14	405,221,930	1,658,573,359	311,485,982	1,269,305,377
Subordinated debts	15	8,261,055	33,812,498	11,974,921	48,797,803
Derivatives held for risk management	16	9,212,571	37,707,053	1,887,584	7,691,905
Current income tax liabilities	10(b)	4,272,022	17,485,386	2,632,899	10,729,063
Lease liabilities	17	12,834,350	52,530,995	13,005,210	52,996,231
Provisions	18	46,927	192,072	2,717	11,072
Other liabilities	19	8,530,872	34,916,860	48,179,260	196,330,485
<b>TOTAL LIABILITIES</b>		<b>1,067,135,791</b>	<b>4,367,786,793</b>	<b>1,028,463,972</b>	<b>4,190,990,687</b>
<b>EQUITY</b>					
Share capital	20	115,000,000	470,695,000	75,000,000	305,625,000
Share premium		19,082,502	78,104,681	19,082,502	77,761,196
Reserves	21	27,542,399	118,597,560	8,818,392	40,434,996
Retained earnings		74,764,926	300,146,321	95,468,603	384,534,508
<b>TOTAL EQUITY</b>		<b>236,389,827</b>	<b>967,543,562</b>	<b>198,369,497</b>	<b>808,355,700</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>1,303,525,618</b>	<b>5,335,330,355</b>	<b>1,226,833,469</b>	<b>4,999,346,387</b>

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

HATTHA KAKSEKAR LIMITED

CONDENSED SEPARATE INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE THREE-MONTH PERIOD ENDED 30 JUNE 2020

	Notes	Three-month period ended 30 June 2020		Three-month period ended 30 June 2019	
		US\$	KHR'000 (Note 2.3)	US\$	KHR'000 (Note 2.3)
Interest income	22	40,856,365	167,042,768	34,085,933	138,062,532
Interest expense	22	(17,021,769)	(69,586,937)	(14,674,605)	(59,434,932)
<b>Net interest income</b>		<b>23,834,596</b>	<b>97,455,831</b>	<b>19,411,328</b>	<b>78,627,600</b>
Fee and commission income	23	837,536	3,430,000	1,107,915	4,491,757
Fee and commission expense	23	(122,331)	(500,439)	(188,748)	(764,653)
<b>Net fee and commission income</b>		<b>715,205</b>	<b>2,929,561</b>	<b>919,167</b>	<b>3,727,104</b>
Net gains/(losses) from other financial instruments at FVTPL	24	246,208	992,984	(433,407)	(1,755,149)
Other (expense)/income		(66,860)	(270,649)	33,745	140,065
Net impairment losses on financial instruments	25	(16,184,924)	(66,008,800)	(223,681)	(904,813)
Personnel expenses	26	(9,393,566)	(38,410,725)	(8,338,720)	(33,779,335)
Depreciation and amortisation		(1,271,456)	(5,198,422)	(1,334,945)	(5,408,625)
Other expenses	27	(2,184,291)	(8,932,380)	(2,105,981)	(8,528,984)
<b>(Loss)/profit before income tax</b>		<b>(4,305,088)</b>	<b>(17,442,600)</b>	<b>7,927,506</b>	<b>32,117,863</b>
Income tax benefit/(expense)	10(c)	854,336	3,460,684	(1,592,514)	(6,455,816)
<b>(Loss)/profit for the period</b>		<b>(3,450,752)</b>	<b>(13,981,916)</b>	<b>6,334,992</b>	<b>25,662,047</b>
<b>Other comprehensive (loss)/income</b>					
Cash flow hedge reserve		(905,865)	(3,763,554)	-	-
Income tax relating to components of other comprehensive income		181,173	752,711	-	-
Currency translation difference		-	1,737,461	-	3,795,197
		(724,692)	(1,273,382)	-	3,795,197
<b>Total comprehensive (loss)/income for the period</b>		<b>(4,175,444)</b>	<b>(15,255,298)</b>	<b>6,334,992</b>	<b>29,457,244</b>
<b>(Loss)/profit attributable to shareholder</b>		<b>(3,450,752)</b>	<b>(13,981,916)</b>	<b>6,334,992</b>	<b>25,662,047</b>
<b>Total comprehensive (loss)/income attributable to shareholder</b>		<b>(4,175,444)</b>	<b>(15,255,298)</b>	<b>6,334,992</b>	<b>29,457,244</b>

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

HATTHA KAKSEKAR LIMITED

CONDENSED SEPARATE INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020

	Notes	Six-month period ended 30 June 2020		Six-month period ended 30 June 2019	
		US\$	KHR'000 (Note 2.3)	US\$	KHR'000 (Note 2.3)
Interest income	22	83,541,730	340,516,091	65,838,464	265,263,171
Interest expense	22	(34,205,730)	(139,422,555)	(28,194,091)	(113,593,993)
<b>Net interest income</b>		<b>49,336,000</b>	<b>201,093,536</b>	<b>37,644,373</b>	<b>151,669,178</b>
Fee and commission income	23	2,187,820	8,917,554	2,323,894	9,362,969
Fee and commission expense	23	(273,817)	(1,116,078)	(370,808)	(1,493,985)
<b>Net fee and commission income</b>		<b>1,914,003</b>	<b>7,801,476</b>	<b>1,953,086</b>	<b>7,868,984</b>
Net losses from other financial instruments at FVTPL	24	(633,793)	(2,583,340)	(822,660)	(3,314,497)
Other income		89,158	363,408	212,260	855,196
Net impairment losses on financial instruments	25	(19,439,021)	(79,233,450)	(380,306)	(1,532,253)
Personnel expenses	26	(19,606,079)	(79,914,378)	(16,279,255)	(65,589,118)
Depreciation and amortisation		(2,602,025)	(10,605,854)	(2,645,034)	(10,656,842)
Other expenses	27	(4,618,491)	(18,824,969)	(4,018,449)	(16,190,331)
<b>Profit before income tax</b>		<b>4,439,752</b>	<b>18,096,429</b>	<b>15,664,015</b>	<b>63,110,317</b>
Income tax expense	10(c)	(944,808)	(3,851,037)	(3,313,290)	(13,349,245)
<b>Profit for the period</b>		<b>3,494,944</b>	<b>14,245,392</b>	<b>12,350,725</b>	<b>49,761,072</b>
<b>Other comprehensive (loss)/income</b>					
Cash flow hedge reserve		(6,843,268)	(27,893,160)	-	-
Income tax relating to components of other comprehensive income		1,368,654	5,578,634	-	-
Currency translation difference		-	5,773,452	-	3,637,622
		(5,474,614)	(16,541,074)	-	3,637,622
<b>Total comprehensive (loss)/income for the period</b>		<b>(1,979,670)</b>	<b>(2,295,682)</b>	<b>12,350,725</b>	<b>53,398,694</b>
<b>Profit attributable to shareholder</b>		<b>3,494,944</b>	<b>14,245,392</b>	<b>12,350,725</b>	<b>49,761,072</b>
<b>Total comprehensive (loss)/income attributable to shareholder</b>		<b>(1,979,670)</b>	<b>(2,295,682)</b>	<b>12,350,725</b>	<b>53,398,694</b>

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

**HATTHA KAKSEKAR LIMITED**

**CONDENSED SEPARATE INTERIM STATEMENT OF CHANGES IN EQUITY  
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020**

	Attributable to shareholder				
	Share capital	Share premium	Reserves	Retained earnings	Total
	US\$	US\$	US\$	US\$	US\$
<b>Six-month period ended 30 June 2019</b>					
<b>At 1 January 2019</b>	75,000,000	19,082,502	4,389,186	67,772,665	166,244,353
Profit for the period	-	-	-	12,350,725	12,350,725
<b>Total comprehensive income for the period</b>	-	-	-	<b>12,350,725</b>	<b>12,350,725</b>
Transfers	-	-	1,957,858	(1,957,858)	-
<b>At 30 June 2019</b>	<b>75,000,000</b>	<b>19,082,502</b>	<b>6,347,044</b>	<b>78,165,532</b>	<b>178,595,078</b>
<b>In KHR'000 equivalents (Note 2.3)</b>	<b>304,950,000</b>	<b>77,589,453</b>	<b>29,444,703</b>	<b>314,183,430</b>	<b>726,167,586</b>
<b>Six-month period ended 30 June 2020</b>					
<b>At 1 January 2020</b>	75,000,000	19,082,502	8,818,392	95,468,603	198,369,497
Issuance of share capital	40,000,000	-	-	-	40,000,000
Profit for the period	-	-	-	3,494,944	3,494,944
Other comprehensive loss	-	-	(5,474,614)	-	(5,474,614)
<b>Total comprehensive loss/income for the period</b>	-	-	<b>(5,474,614)</b>	<b>3,494,944</b>	<b>(1,979,670)</b>
Transfers	-	-	24,198,621	(24,198,621)	-
<b>At 30 June 2020</b>	<b>115,000,000</b>	<b>19,082,502</b>	<b>27,542,399</b>	<b>74,764,926</b>	<b>236,389,827</b>
<b>In KHR'000 equivalents (Note 2.3)</b>	<b>470,695,000</b>	<b>78,104,681</b>	<b>118,597,560</b>	<b>300,146,321</b>	<b>967,543,562</b>

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

HATTHA KAKSEKAR LIMITED

CONDENSED SEPARATE INTERIM STATEMENT OF CASH FLOWS  
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020

	Notes	Six-month period ended 30 June 2020		Six-month period ended 30 June 2019	
		US\$	KHR'000 (Note 2.3)	US\$	KHR'000 (Note 2.3)
<b>Cash flows from operating activities</b>					
Profit before income tax		4,439,752	18,096,429	15,664,015	63,110,317
<i>Adjustments for:</i>					
Net interest income	22	(49,336,000)	(201,093,536)	(37,644,373)	(151,669,178)
Net losses from other financial instruments at FVTPL	24	633,793	2,583,340	822,660	3,314,497
Net impairment losses on financial instruments	25	19,439,021	79,233,450	380,306	1,532,253
Depreciation and amortisation		2,602,025	10,605,854	2,645,034	10,656,842
Provision for employee benefits		796,707	3,247,378	634,658	2,557,037
Losses on disposals of property and equipment		958	3,905	450	1,813
Effect of currency translation of monetary items		(1,141,626)	(4,653,268)	(11,588)	(46,688)
		<b>(22,565,370)</b>	<b>(91,976,448)</b>	<b>(17,508,838)</b>	<b>(70,543,107)</b>
<i>Changes in:</i>					
Balances with the NBC		1,476,566	6,018,483	(10,971,462)	(44,204,020)
Loans to customers		(27,569,599)	(112,373,686)	(125,465,320)	(505,499,774)
Other assets		(12,898,998)	(52,576,316)	(669,759)	(2,698,459)
Deposits from customers		(19,087,103)	(77,799,032)	82,256,481	331,411,362
Other liabilities		(39,648,388)	(161,606,829)	922,830	3,718,082
<b>Cash used in operations</b>		<b>(120,292,892)</b>	<b>(490,313,828)</b>	<b>(71,436,068)</b>	<b>(287,815,916)</b>
Interest received		81,947,034	334,016,111	66,273,358	267,015,359
Interest paid		(35,207,864)	(143,507,254)	(27,222,024)	(109,677,535)
Income tax paid	10(b)	(2,981,046)	(12,150,743)	(5,623,475)	(22,656,981)
<b>Net cash used in operating activities</b>		<b>(76,534,768)</b>	<b>(311,955,714)</b>	<b>(38,008,209)</b>	<b>(153,135,073)</b>



HATTHA KAKSEKAR LIMITED

CONDENSED SEPARATE INTERIM STATEMENT OF CASH FLOWS (CONTINUED)  
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020

	Note	Six-month period ended 30 June 2020		Six-month period ended 30 June 2019	
		US\$	KHR'000 (Note 2.3)	US\$	KHR'000 (Note 2.3)
<b>Cash flows from investing activities</b>					
Purchases of property and equipment	7	(744,163)	(3,033,208)	(684,696)	(2,758,640)
Purchases of intangible assets	9	(1,977,103)	(8,058,672)	(618,068)	(2,490,196)
Proceeds from disposals of property and equipment		1,625	6,624	732	2,949
<b>Net cash used in investing activities</b>		<b>(2,719,641)</b>	<b>(11,085,256)</b>	<b>(1,302,032)</b>	<b>(5,245,887)</b>
<b>Cash flows from financing activities</b>					
Proceeds from borrowings		240,109,738	978,687,292	85,326,978	343,782,394
Repayments of borrowings		(145,083,184)	(591,359,058)	(36,095,564)	(145,429,027)
Repayments of subordinated debts		(3,500,000)	(14,266,000)	(7,500,000)	(30,217,500)
Principal elements of lease payments		(1,826,918)	(7,446,518)	(1,735,890)	(6,993,901)
Issuance of share capital		40,000,000	163,040,000	-	-
<b>Net cash from financing activities</b>		<b>129,699,636</b>	<b>528,655,716</b>	<b>39,995,524</b>	<b>161,141,966</b>
<b>Net increase in cash and cash equivalents</b>		<b>50,445,227</b>	<b>205,614,746</b>	<b>685,283</b>	<b>2,761,006</b>
<b>Cash and cash equivalents at the beginning of the period</b>		<b>78,700,630</b>	<b>320,705,067</b>	<b>106,976,320</b>	<b>429,830,854</b>
Currency translation differences		-	2,274,180	-	5,160,218
<b>Cash and cash equivalents at the end of period</b>	28	<b>129,145,857</b>	<b>528,593,993</b>	<b>107,661,603</b>	<b>437,752,078</b>

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

## HATTHA KAKSEKAR LIMITED AND ITS SUBSIDIARY

### NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE THREE-MONTH AND SIX-MONTH PERIOD ENDED 30 JUNE 2020

#### 1. REPORTING ENTITY

Hattha Kaksekar, a non-governmental organisation (“NGO”) established in November 1996, has created Hattha Kaksekar Limited (“HKL” or the “Company”) in order to comply with the Prakas No. B7-00-06 dated 11 January 2000 of the National Bank of Cambodia (“NBC” or “the Central Bank”) on the licensing of micro-finance institutions. The creation of HKL converted the NGO’s micro-lending operations into a licensed and commercially oriented micro-finance institution. HKL aims to continue the NGO’s micro-finance activities and conduct banking operations as defined in the Law on Banking and Financial Institution. The conversion was achieved by transferring and assigning all the assets and liabilities of the NGO as at 27 April 2001, the effective date of transfer, to HKL including all grant contracts and the outstanding receivables arising from these contracts as at the date of transfer, conditions and obligations relating to borrowings, all employment contracts, conditions, obligations and benefits, leases on premises or houses for office branches or headquarters, and all other related to the micro-lending operations of the NGO. The transfer and assignment of all these were put into effect through an agreement to transfer assets and liabilities, and the subordinated loan agreement between the NGO and HKL, both dated 27 April 2001.

In 2001, the Ministry of Commerce issued an incorporation certificate dated 3 April 2001 to HKL to operate as a limited company with the aim of providing credit and saving services for the lower segments of the market. On 19 October 2001, under license number 2, the NBC granted HKL a license to conduct micro-finance business for a three-year period which expired on 19 October 2004. On 12 July 2004, HKL obtained a new license for a three-year period which expired on 19 October 2007. The NBC granted an indefinite micro-finance license to the Company effective from 8 August 2007.

On 29 January 2010, the NBC granted HKL a license to conduct the deposit taking business.

On 9 October 2013, HKL obtained approval from NBC for operating Mobile Banking exclusively covering the services namely (1) balance inquiry, (2) account statement summary, (3) search ATM location, (4) fund transfers, (5) mobile top-up, (6) loan repayment, (7) check interest rate, (8) check exchange rate, (9) loan repayment alert, (10) advertising through mobile device and (11) SMS notification.

NBC approved HKL to be an Insurance Agent by acting as Referral for Prévoir Kampuchea Micro Life Insurance Plc. and Sovannaphum Life Assurance Plc. on 19 December 2014 and 29 December 2017, respectively.

The principal activity of HKL is to provide loans, savings and other financial services particularly to women and low income families through its head office in Phnom Penh and its various branch offices in the Kingdom of Cambodia.

HKL operates in 177 offices (including Head Office) located in Phnom Penh and all provinces of the country with the primary source of income being interest income earned on providing loans to customers.

The Company’s registered office is located at No. 606, Street 271, Sansam Kosal 3 Village, Sangkat Boeung Tumpun I, Khan Mean Chey, Phnom Penh, Kingdom of Cambodia.

Hattha Services Co., Ltd., the subsidiary, was incorporated on 8 October 2019 by the Company and Saray Holding Limited, a private limited company incorporated in Cambodia. The principal activity of the subsidiary is buying, selling, renting and operating of self-owned or leased real estate.

## **HATTHA KAKSEKAR LIMITED AND ITS SUBSIDIARY**

### **NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (CONTINUED) FOR THE THREE-MONTH AND SIX-MONTH PERIOD ENDED 30 JUNE 2020**

## **2. BASIS OF ACCOUNTING**

### **2.1 Basis of preparation**

These condensed interim financial statements have been prepared in accordance with CIAS 34 Interim Financial Reporting, and should be read in conjunction with the Group and the Company's last annual consolidated and separate financial statements as at and for the year ended 31 December 2019 ("last annual financial statements"). They do not include all of the information required for a complete set of CIFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group and the Company's financial position and performance since the last annual financial statements.

The condensed interim financial statements of the Group and the Company were authorised for issue by the Board of Directors on 14 August 2020.

### **2.2 Functional and presentation currency**

The Group and the Company transact its business and maintains its accounting records in three currencies, Khmer Riel ("KHR"), United States Dollars ("US\$") and Thai Baht ("THB"). Management have determined the US\$ to be the functional and presentation currency of the Group and the Company as it reflects the economic substance of the underlying events and circumstances of the Group and the Company.

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. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on translation are recognised in profit or loss.

### **2.3 Presentation in Khmer Riel**

The translation of the US\$ amounts into Khmer Riel ("KHR") is presented in the condensed interim financial statements to comply with the Law on Accounting and Auditing dated 11 April 2016 using the closing for the year and average rates for the period, as announced by the National Bank of Cambodia.

Assets and liabilities for each statement of financial position presented are translated at the closing rate ruling at each reporting date whereas income and expense items for each statement of profit or loss and other comprehensive income and cash flow items presented are translated at the average rate for the period then ended. All resulting exchange differences are recognised in other comprehensive income ("OCI").

## HATTHA KAKSEKAR LIMITED AND ITS SUBSIDIARY

### NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (CONTINUED) FOR THE THREE-MONTH AND SIX-MONTH PERIOD ENDED 30 JUNE 2020

#### 2. BASIS OF ACCOUNTING (continued)

##### 2.3 Presentation in Khmer Riel (continued)

The condensed interim financial statements presented in KHR are based on the following applicable exchange rates per US\$1:

	<i>Closing rate</i>	<i>Average rate</i>
30 June 2020	4,093	4,076
30 June 2019	4,066	4,029
31 December 2019	<u>4,075</u>	<u>4,052</u>

#### 3. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of condensed interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The significant judgements made by the management in applying the Group's and the Company's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual consolidated and separate financial statements.

##### *Critical judgments in applying the accounting policies*

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the condensed interim financial statements included the followings:

##### **Business model assessment**

Classification and measurement of financial assets depends on the results of the SPPI and the business model test. The Group and the Company determine the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Group and the Company monitor financial assets measured at amortised cost that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Group and the Company's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

## HATTHA KAKSEKAR LIMITED AND ITS SUBSIDIARY

### NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (CONTINUED) FOR THE THREE-MONTH AND SIX-MONTH PERIOD ENDED 30 JUNE 2020

#### 3. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

##### *Critical judgments in applying the accounting policies (continued)*

##### **Significant increase of credit risk**

Expected Credit Loss ("ECL") are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL assets for stage 2 and stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. In assessing whether the credit risk of an asset has significantly increased the Group and the Company take into account qualitative and quantitative reasonable and supportable forward-looking information.

##### **Establishing groups of assets with similar credit risk characteristics**

When ECLs are measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics. The Group and the Company monitor the appropriateness of the credit risk characteristics on an ongoing basis to assess whether they continue to be similar. This is required in order to ensure that should credit risk characteristics change there is appropriate re-segmentation of the assets. This may result in new portfolios being created or assets moving to an existing portfolio that better reflects the similar credit risk characteristics of that group of assets.

Re-segmentation of portfolios and movement between portfolios is more common when there is a significant increase in credit risk (or when that significant increase reverses) and so assets move from 12-month to lifetime ECLs, or vice versa, but it can also occur within portfolios that continue to be measured on the same basis of 12-month or lifetime ECLs but the amount of ECL changes because the credit risk of the portfolios differ.

##### **Models and assumptions used**

The Group and the Company use various models and assumptions in measuring fair value of financial assets as well as in estimating ECL. Judgement is applied in identifying the most appropriate model for each type of asset, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk.

##### **Key sources of estimation uncertainty**

Information about key assumptions and estimation uncertainties that have the most significant effect on the amounts recognised in condensed interim financial statements includes the followings:

##### **Establishing the number and relative weightings of forward-looking scenarios for each type of product and determining the forward-looking information relevant to each scenario:**

When measuring ECL the Group and the Company use reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

## HATTHA KAKSEKAR LIMITED AND ITS SUBSIDIARY

### NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (CONTINUED) FOR THE THREE-MONTH AND SIX-MONTH PERIOD ENDED 30 JUNE 2020

#### 3. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

##### *Key sources of estimation uncertainty (continued)*

##### **Probability of default (PD)**

PD constitutes a key input in measuring ECL. PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

##### **Loss Given Default (LGD)**

LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

##### **Incorporation of forward-looking information**

HKL analyses forward-looking information by using the statistical regression model to assess whether the credit risk of an instrument has increased significantly to measure ECL.

The Group and the Company formulate three economic scenarios: a base case, which is the median scenario assigned a 35% probability of occurring, and two less likely scenarios, one upside 25% and one downside assigned a 40% probability of occurring. The base case is aligned with information used by the Group and the Company for other purposes such as strategic planning and budgeting. External information considered includes economic data and forecasts published by governmental bodies (National Bank of Cambodia) and international bodies such as World Bank and Bloomberg.

Weightage scenario	Base	Bad	Good
	35%	40%	25%

Based on the forward-looking analysis, HKL applied the forward-looking scalar in year one (1.42) for 12-month and lifetime ECL.

The ECL was estimated based on a range of forecast economic conditions as at reporting date. The Novel Coronavirus (Covid-19) outbreak has spread across mainland China, Cambodia and beyond, causing disruption to business and economic activity. The impact on Gross Domestic Product ("GDP") and other key indicators will be considered when determining the severity and likelihood of downside economic scenarios that are used to estimate ECL.

The calculation of the ECL in this current environment is subject to significant uncertainty. Management provides its best estimate on the possible outcomes of Covid-19 on the Group and the Company, however, this estimate may move materially as events unfold. Consequently, this number should not be seen as firm guidance or a forecast as to the final financial impacts expected. In the event the impacts are more severe or prolonged than anticipated in the scenarios, this will have a corresponding impact on the ECL, the financial position and performance of the Group and the Company.

## HATTHA KAKSEKAR LIMITED AND ITS SUBSIDIARY

### NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (CONTINUED) FOR THE THREE-MONTH AND SIX-MONTH PERIOD ENDED 30 JUNE 2020

#### 3. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

##### *Fair value of financial assets and liabilities*

Financial instruments comprise financial assets, financial liabilities and off-balance sheet instruments. 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 Group and the Company have access at that date. The information presented herein represents the estimates of fair values as at the financial position date.

Quoted and observable market prices, where available, are used as the measure of fair values of the financial instruments. Where such quoted and observable market prices are not available, fair values are estimated based on a range of methodologies and assumptions regarding risk characteristics of various financial instruments, discount rates, estimates of future cash flows and other factors.

Fair value information for non-financial assets and liabilities are excluded as they do not fall within the scope of CIFRS 7: Financial Instruments Disclosures which requires the fair value information to be disclosed. These include investment in subsidiaries and property and equipment.

The fair value of the Group and the Company's financial instruments such as cash and short-term funds, balances with the NBC, deposits and placements with banks and other financial institutions, deposits from customers and banks, other assets, other liabilities and short-term borrowings are not materially sensitive to shifts in market profit rate because of the limited term to maturity of these instruments. As such, the carrying value of these financial assets and liabilities at financial position date approximate their fair values.

##### **Fair value hierarchy**

CIFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources and unobservable inputs reflect the Group and the Company's market assumptions. The fair value hierarchy is as follows:

Level 1 – Quoted price (unadjusted) in active markets for the identical assets or liabilities. This level includes listed equity securities and debt instruments.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Level 3 – Inputs for asset or liability that are not based on observable market data (unobservable inputs). This level includes equity instruments and debt instruments with significant unobservable components.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

The Group and 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.

HATTHA KAKSEKAR LIMITED AND ITS SUBSIDIARY

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (CONTINUED)  
FOR THE THREE-MONTH AND SIX-MONTH PERIOD ENDED 30 JUNE 2020

4. BALANCES WITH THE NBC

Group and Company	30 June 2020		31 December 2019	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
Statutory deposits				
Capital guarantee deposit	11,526,951	47,179,810	11,531,305	46,990,068
Reserve requirement	48,048,378	196,662,011	49,524,943	201,814,143
	59,575,329	243,841,821	61,056,248	248,804,211
Current accounts	5,766,072	23,600,533	30,652,582	124,909,272
Negotiable Certificate of Deposit ("NCD")	4,153,646	17,000,873	4,225,755	17,219,951
	69,495,047	284,443,227	95,934,585	390,933,434

5. BALANCE WITH OTHER BANKS

Balances with other banks are measured at amortised cost because these instruments meet the SPPI criterion and are held to collect the contractual cash flows.

Group and Company	30 June 2020		31 December 2019	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
Balance with other banks at amortised cost	88,598,301	362,632,846	9,672,795	39,416,639
Impairment loss allowance	(103,630)	(424,158)	(14,992)	(61,092)
	88,494,671	362,208,688	9,657,803	39,355,547

The above amounts are analysed as follows:

As at 30 June 2020

Group and Company	Gross carrying amount	ECL allowance	Carrying amount	
	US\$	US\$	US\$	KHR'000
				(Note 2.3)
Current accounts	47,688,462	(57,995)	47,630,467	194,951,500
Savings accounts	40,909,839	(45,635)	40,864,204	167,257,188
	88,598,301	(103,630)	88,494,671	362,208,688



HATTHA KAKSEKAR LIMITED AND ITS SUBSIDIARY

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (CONTINUED)  
FOR THE THREE-MONTH AND SIX-MONTH PERIOD ENDED 30 JUNE 2020

5. BALANCE WITH OTHER BANKS (continued)

The above amounts are analysed as follows: (continued)

As at 31 December 2019

Group and Company	Gross carrying amount	ECL allowance	Carrying amount	
	US\$	US\$	US\$	KHR'000
				(Note 2.3)
Current accounts	4,505,799	(9,138)	4,496,661	18,323,893
Savings accounts	5,166,996	(5,854)	5,161,142	21,031,654
	<u>9,672,795</u>	<u>(14,992)</u>	<u>9,657,803</u>	<u>39,355,547</u>

6. LOANS TO CUSTOMERS

Group and Company	30 June 2020		31 December 2019	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
Loans to customers at amortised cost	1,068,643,784	4,373,959,008	1,041,441,228	4,243,873,004
Impairment loss allowance	<u>(23,880,058)</u>	<u>(97,741,077)</u>	<u>(5,168,298)</u>	<u>(21,060,814)</u>
	<u>1,044,763,726</u>	<u>4,276,217,931</u>	<u>1,036,272,930</u>	<u>4,222,812,190</u>

The above amounts are analysed as follows:

As at 30 June 2020

Group and Company	Gross carrying amount	ECL allowance	Carrying amount	
	US\$	US\$	US\$	KHR'000
				(Note 2.3)
Individual loans				
External customers				
Mortgage lending	67,441,541	(2,437,078)	65,004,463	266,063,268
Personal lending	995,233,715	(21,433,376)	973,800,339	3,985,764,787
Staff loans	<u>5,968,528</u>	<u>(9,604)</u>	<u>5,958,924</u>	<u>24,389,876</u>
	<u>1,068,643,784</u>	<u>(23,880,058)</u>	<u>1,044,763,726</u>	<u>4,276,217,931</u>

HATTHA KAKSEKAR LIMITED AND ITS SUBSIDIARY

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (CONTINUED)  
FOR THE THREE-MONTH AND SIX-MONTH PERIOD ENDED 30 JUNE 2020

6. LOANS TO CUSTOMERS

The above amounts are analysed as follows: (continued)

As at 31 December 2019

Group and Company	Gross carrying amount	ECL allowance	Carrying amount	
	US\$	US\$	US\$	KHR'000
				(Note 2.3)
Individual loans				
External customers				
Mortgage lending	70,231,258	(408,332)	69,822,926	284,528,424
Personal lending	965,340,346	(4,755,800)	960,584,546	3,914,382,025
Staff loans	5,869,624	(4,166)	5,865,458	23,901,741
	<u>1,041,441,228</u>	<u>(5,168,298)</u>	<u>1,036,272,930</u>	<u>4,222,812,190</u>

The following table sets out information about the credit quality of financial assets measured at amortised cost. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts. For loan commitments, the amounts in the table represent the amounts committed.

Group and Company	30 June 2020				
	Stage 1	Stage 2	Stage 3	Total	
	US\$	US\$	US\$	US\$	KHR'000
					(Note 2.3)
Loans to customers					
Normal	1,036,899,661	-	-	1,036,899,661	4,244,030,312
Special mention	7,996	24,808,353	-	24,816,349	101,573,316
Substandard	-	17,194	4,376,175	4,393,369	17,982,059
Doubtful	-	3,555	1,855,056	1,858,611	7,607,295
Loss	-	-	675,794	675,794	2,766,026
	<u>1,036,907,657</u>	<u>24,829,102</u>	<u>6,907,025</u>	<u>1,068,643,784</u>	<u>4,373,959,008</u>
Loss allowance	(1,909,485)	(15,063,548)	(6,907,025)	(23,880,058)	(97,741,077)
Carrying amount	<u>1,034,998,172</u>	<u>9,765,554</u>	<u>-</u>	<u>1,044,763,726</u>	<u>4,276,217,931</u>
Loan commitments					
Normal	531,035	-	-	531,035	2,173,526
Special mention	-	69,037	-	69,037	282,568
Substandard	-	-	4,474	4,474	18,312
Doubtful	-	-	-	-	-
Loss	-	-	-	-	-
	<u>531,035</u>	<u>69,037</u>	<u>4,474</u>	<u>604,546</u>	<u>2,474,406</u>
Loss allowance (Note 18)	(932)	(41,521)	(4,474)	(46,927)	(192,072)
Carrying amount	<u>530,103</u>	<u>27,516</u>	<u>-</u>	<u>557,619</u>	<u>2,282,334</u>

HATTHA KAKSEKAR LIMITED AND ITS SUBSIDIARY

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (CONTINUED)  
FOR THE THREE-MONTH AND SIX-MONTH PERIOD ENDED 30 JUNE 2020

6. LOANS TO CUSTOMERS (continued)

Group and Company	31 December 2019				
	Stage 1	Stage 2	Stage 3	Total	
	US\$	US\$	US\$	US\$	KHR'000
					(Note 2.3)
Loans to customers					
Normal	1,036,773,314	-	-	1,036,773,314	4,224,851,255
Special mention	589	1,337,059	-	1,337,648	5,450,916
Substandard	-	241	1,263,955	1,264,196	5,151,599
Doubtful	-	4,814	1,886,674	1,891,488	7,707,813
Loss	-	-	174,582	174,582	711,421
	1,036,773,903	1,342,114	3,325,211	1,041,441,228	4,243,873,004
Loss allowance	(911,026)	(932,061)	(3,325,211)	(5,168,298)	(21,060,814)
Carrying amount	1,035,862,877	410,053	-	1,036,272,930	4,222,812,190
Loan commitments					
Normal	1,213,838	-	-	1,213,838	4,946,390
Special mention	-	-	-	-	-
Substandard	-	-	1,681	1,681	6,850
Doubtful	-	-	-	-	-
Loss	-	-	-	-	-
	1,213,838	-	1,681	1,215,519	4,953,240
Loss allowance (Note 18)	(1,036)	-	(1,681)	(2,717)	(11,072)
Carrying amount	1,212,802	-	-	1,212,802	4,942,168

The below table sets out information about the overdue status of loans to customers in Stage 1, 2 and 3.

Group and Company	30 June 2020				
	Stage 1	Stage 2	Stage 3	Total	
	US\$	US\$	US\$	US\$	KHR'000
					(Note 2.3)
Loans to customers					
Current	1,012,281,151	2,171,249	535,420	1,014,987,820	4,154,345,152
Overdue ≤ 30 days	24,626,506	1,311,563	181,827	26,119,896	106,908,733
Overdue > 30 days	-	21,346,290	6,189,778	27,536,068	112,705,123
Total	1,036,907,657	24,829,102	6,907,025	1,068,643,784	4,373,959,008
	31 December 2019				
	Stage 1	Stage 2	Stage 3	Total	
	US\$	US\$	US\$	US\$	KHR'000
					(Note 2.3)
Loans to customers					
Current	1,036,407,510	664,633	566,285	1,037,638,428	4,228,376,594
Overdue ≤ 30 days	366,393	57,439	7,666	431,498	1,758,354
Overdue > 30 days	-	620,042	2,751,260	3,371,302	13,738,056
Total	1,036,773,903	1,342,114	3,325,211	1,041,441,228	4,243,873,004

## HATTHA KAKSEKAR LIMITED AND ITS SUBSIDIARY

### NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (CONTINUED) FOR THE THREE-MONTH AND SIX-MONTH PERIOD ENDED 30 JUNE 2020

#### 6. LOANS TO CUSTOMERS (continued)

Group and Company	30 June 2020		31 December 2019	
	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance
	US\$	US\$	US\$	US\$
Loans to customers				
0-29 days	1,040,910,706	4,626,379	1,038,025,227	1,952,803
30-59 days	14,256,997	8,668,495	370,050	256,832
60-89 days	7,442,791	4,551,895	344,079	256,791
90-180 days	3,779,211	3,779,211	876,674	876,674
More than 180 days	2,254,079	2,254,078	1,825,198	1,825,198
Total	1,068,643,784	23,880,058	1,041,441,228	5,168,298
<b>In KHR'000 equivalents</b> (Note 2.3)	<b>4,373,959,008</b>	<b>97,741,077</b>	<b>4,243,873,004</b>	<b>21,060,814</b>

#### 7. PROPERTY AND EQUIPMENT

During the six-month period ended 30 June 2020, the Group and the Company acquired property and equipment amounting to US\$30,174,621 and US\$744,163 (Group and Company: six-month period ended 30 June 2019: US\$684,696) respectively, and the depreciation expense amounting to US\$997,342 and US\$997,222 (Group and Company: six-month period ended 30 June 2019: US\$1,112,026) were charged to condensed consolidated and separate interim statement of profit or loss during the period.

#### 8. RIGHT-OF-USE ASSETS

The Group and the Company lease its headquarters, branch offices and premises for public Automated Teller Machine (ATM).

Group and Company	Buildings	ATM premises	Total	
	US\$	US\$	US\$	KHR'000
<b>30 June 2020</b>				(Note 2.3)
<b>Cost</b>				
At 1 January 2020	17,294,280	504,725	17,799,005	72,530,945
Additions	1,098,764	108,390	1,207,154	4,920,360
Reversals	(50,622)	(12,217)	(62,839)	(256,132)
Currency translation differences	-	-	-	339,836
At 30 June 2020	18,342,422	600,898	18,943,320	77,535,009
<b>Less: Accumulated amortisation</b>				
At 1 January 2020	5,246,053	271,695	5,517,748	22,484,823
Amortisation	1,393,610	85,282	1,478,892	6,027,964
Reversals	(23,746)	(6,108)	(29,854)	(121,685)
Currency translation differences	-	-	-	123,953
At 30 June 2020	6,615,917	350,869	6,966,786	28,515,055
<b>Carrying amount</b>				
At 30 June 2020	11,726,505	250,029	11,976,534	49,019,954

HATTHA KAKSEKAR LIMITED AND ITS SUBSIDIARY

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (CONTINUED)  
FOR THE THREE-MONTH AND SIX-MONTH PERIOD ENDED 30 JUNE 2020

8. RIGHT-OF-USE ASSETS (continued)

Group and Company

31 December 2019	Buildings	ATM premises	Total	
	US\$	US\$	US\$	KHR'000
				(Note 2.3)
<b>Cost</b>				
At 1 January 2019	15,095,835	346,830	15,442,665	62,048,628
Additions				
1 January to 31 March	385,467	56,992	442,459	1,772,491
1 April to 30 June	422,418	53,785	476,203	1,928,798
1 July to 31 December	1,426,230	74,931	1,501,161	6,103,834
Reversals	(35,670)	(27,813)	(63,483)	(257,233)
Currency translation differences	-	-	-	934,427
At 31 December 2019	17,294,280	504,725	17,799,005	72,530,945
<b>Less: Accumulated amortisation</b>				
At 1 January 2019	2,540,401	113,999	2,654,400	10,665,379
Amortisation				
1 January to 31 March	667,476	42,896	710,372	2,845,750
1 April to 30 June	675,771	44,416	720,187	2,917,972
1 July to 31 December	1,375,379	90,356	1,465,735	5,972,061
Reversals	(12,974)	(19,972)	(32,946)	(133,497)
Currency translation differences	-	-	-	217,158
At 31 December 2019	5,246,053	271,695	5,517,748	22,484,823
<b>Carrying amount</b>				
At 31 December 2019	12,048,227	233,030	12,281,257	50,046,122

9. INTANGIBLE ASSETS

During the six-month period ended 30 June 2020, the Group and the Company acquired the intangible assets which is currently under progress amounting to US\$1,977,103 (six-months period 30 June 2019: addition amounting to US\$79,068 and asset under progress amounting to US\$539,000), and the amortisation expense amounting to US\$125,911 (six-months period ended 30 June 2019: US\$ 102,449) was charged to condensed consolidated and separate interim statement of profit or loss during the period.

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**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (CONTINUED)  
FOR THE THREE-MONTH AND SIX-MONTH PERIOD ENDED 30 JUNE 2020**

**10 INCOME TAX**

**(a) Deferred tax assets, net**

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when deferred taxes relate to the same fiscal authority. The offset amounts were as follows:

<b>Group and Company</b>	<b>30 June 2020</b>		<b>31 December 2019</b>	
	<b>US\$</b>	<b>KHR'000</b>	<b>US\$</b>	<b>KHR'000</b>
		(Note 2.3)		(Note 2.3)
Deferred tax assets	11,064,217	45,285,840	6,141,196	25,025,373
Deferred tax liabilities	(2,117,519)	(8,667,005)	(2,238,513)	(9,121,940)
Net deferred tax assets	<u>8,946,698</u>	<u>36,618,835</u>	<u>3,902,683</u>	<u>15,903,433</u>

The movement of net deferred tax assets was as follows:

<b>Group and Company</b>	<b>30 June 2020</b>		<b>31 December 2019</b>	
	<b>US\$</b>	<b>KHR'000</b>	<b>US\$</b>	<b>KHR'000</b>
		(Note 2.3)		(Note 2.3)
At the beginning of period	3,902,683	15,903,433	3,100,212	12,456,652
Credited to profit or loss				
1 January to 31 March	855,756	3,477,793	231,125	925,888
1 April to 30 June	2,819,605	11,502,979	188,260	763,815
1 July to 31 December	-	-	383,086	1,561,910
Credited to other comprehensive income				
1 January to 31 March	1,187,481	4,825,923	-	-
1 April to 30 June	181,173	752,711	-	-
Currency translation differences	-	155,996	-	195,168
At the end of period	<u>8,946,698</u>	<u>36,618,835</u>	<u>3,902,683</u>	<u>15,903,433</u>

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NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (CONTINUED)  
FOR THE THREE-MONTH AND SIX-MONTH PERIOD ENDED 30 JUNE 2020

10. INCOME TAX (continued)

(b) Current income tax liabilities

The movement of current income tax liabilities was as follow:

Group and Company	30 June 2020		31 December 2019	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
At the beginning of period	2,632,899	10,729,063	4,862,542	19,537,694
Current income tax expense				
1 January to 31 March	2,654,900	10,789,514	1,951,901	7,819,316
1 April to 30 June	1,965,269	8,042,295	1,780,774	7,219,632
1 July to 31 December	-	-	446,284	1,894,194
Current income tax paid				
1 January to 31 March	(2,973,116)	(12,082,743)	(5,248,222)	(21,024,377)
1 April to 30 June	(7,930)	(68,000)	(375,253)	(1,632,604)
1 July to 31 December	-	-	(785,127)	(3,310,674)
Currency translation differences	-	75,257	-	225,882
At the end of period	4,272,022	17,485,386	2,632,899	10,729,063

(c) Income tax expense

Group and Company	Three-month period ended 30 June 2020		Three-month period ended 30 June 2019	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
Current income tax	1,965,269	8,042,295	1,780,774	7,219,632
Deferred tax	(2,819,605)	(11,502,979)	(188,260)	(763,816)
Income tax (benefit)/expense	(854,336)	(3,460,684)	1,592,514	6,455,816

  

Group and Company	Six-month period ended 30 June 2020		Six-month period ended 30 June 2019	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
Current income tax	4,620,169	18,831,809	3,732,675	15,038,948
Deferred tax	(3,675,361)	(14,980,772)	(419,385)	(1,689,703)
Income tax expense	944,808	3,851,037	3,313,290	13,349,245

In accordance with Cambodian law on taxation, the Company has an obligation to pay corporate income tax of either the income tax at the rate of 20% of taxable income or the minimum tax at 1% of gross revenue, whichever is higher.

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**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (CONTINUED)  
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**10. INCOME TAX (continued)**

**(c) Income tax expense (continued)**

Based on ANUKRET on Tax Incentive in CSX, HKL is entitled to reduce half amount of its tax on income within the duration of tax incentive period. In order to get the incentives, HKL needs to submit the request to the General Department of Taxation (“GDT”) through the Securities and Exchange Commission of Cambodia (“SECC”). On 20 December 2019, the Company received the letter from SECC informing that the request was submitted to GDT. The Company has issued a clarification letter to GDT regarding the approval on tax incentive. On 23 March 2020, the Company received the approval from the GDT on the tax incentives and thus reduced half of its tax on income for the fiscal year 2019.

For fiscal years 2020 and 2021, the Company shall implement the new Prakas No. 183 on Implementation Guidelines on Tax Incentives on Tax on Income to New Securities Issuing Enterprises issued by the Ministry of Economy and Finance.

**11. OTHER ASSETS**

Group	30 June 2020		31 December 2019	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
Deferred employee expense	7,138,659	29,218,531	7,013,693	28,580,799
Deposits for leases of offices and ATM premises	1,429,030	5,849,020	1,356,808	5,528,993
Prepaid maintenance services	369,730	1,513,305	381,799	1,555,831
Deposits for purchase of land	-	-	17,661,416	71,970,270
Other receivables	2,710,824	11,095,403	1,652,800	6,735,161
	<u>11,648,243</u>	<u>47,676,259</u>	<u>28,066,516</u>	<u>114,371,054</u>

Company	30 June 2020		31 December 2019	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
Amounts due from related party (Note 29)	29,451,890	120,546,586	17,666,066	71,989,219
Deferred employee expense	7,138,659	29,218,531	7,013,693	28,580,799
Deposits for leases of offices and ATM premises	1,429,030	5,849,020	1,356,808	5,528,993
Prepaid maintenance services	369,730	1,513,305	381,799	1,555,831
Other receivables	2,706,333	11,077,021	1,653,310	6,737,239
	<u>41,095,642</u>	<u>168,204,463</u>	<u>28,071,676</u>	<u>114,392,081</u>



**HATTHA KAKSEKAR LIMITED AND ITS SUBSIDIARY**

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (CONTINUED)  
FOR THE THREE-MONTH AND SIX-MONTH PERIOD ENDED 30 JUNE 2020**

**12. DEPOSITS FROM CUSTOMERS**

Group	30 June 2020		31 December 2019	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
At amortised cost				
Savings deposits	108,875,100	445,625,785	142,895,495	582,299,143
Term deposits	480,614,402	1,967,154,747	467,202,832	1,903,851,540
	<u>589,489,502</u>	<u>2,412,780,532</u>	<u>610,098,327</u>	<u>2,486,150,683</u>
<b>Company</b>				
		(Note 2.3)		(Note 2.3)
At amortised cost				
Savings deposits	108,876,113	445,629,931	142,896,495	582,303,218
Term deposits	480,614,402	1,967,154,747	467,202,832	1,903,851,540
	<u>589,490,515</u>	<u>2,412,784,678</u>	<u>610,099,327</u>	<u>2,486,154,758</u>

**13. DEBT SECURITIES ISSUED**

Group and Company	30 June 2020		31 December 2019	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
Debt securities issued at amortised cost	<u>29,265,549</u>	<u>119,783,892</u>	<u>29,196,072</u>	<u>118,973,993</u>

On 1 August 2018, HKL obtained an approval letter from the NBC on the corporate bond issuance.

On 1 November 2018, HKL received a final approval and registration from the Securities and Exchange Commission of Cambodia ("SECC") on the Single Submission Form and the Disclosure Document for its Public Offering of HKL's Corporate Bond. The Bond was issued to the investors on 14 November 2018.

On 5 December 2018, HKL was successfully listed on the Cambodia Securities Exchange ("CSX"). It is the first company to list its corporate bond on the CSX.

The First Cambodian Corporate Bond issued by HKL offers in an aggregate total principal amount of KHR 120 billion. The Bonds have a tenor of 3 years with the coupon rate of 8.50% per annum.

**HATTHA KAKSEKAR LIMITED AND ITS SUBSIDIARY**

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (CONTINUED)  
FOR THE THREE-MONTH AND SIX-MONTH PERIOD ENDED 30 JUNE 2020**

**14. BORROWINGS**

Group and Company	30 June 2020		31 December 2019	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
At amortised cost				
Floating rate	36,750,051	150,417,959	47,403,299	193,168,443
Fixed rate	368,471,879	1,508,155,400	264,082,683	1,076,136,934
	<u>405,221,930</u>	<u>1,658,573,359</u>	<u>311,485,982</u>	<u>1,269,305,377</u>

**15. SUBORDINATED DEBTS**

Group and Company	30 June 2020		31 December 2019	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
At amortised cost				
Floating rate	2,521,445	10,320,274	5,047,841	20,569,952
Fixed rate	5,739,610	23,492,224	6,927,080	28,227,851
	<u>8,261,055</u>	<u>33,812,498</u>	<u>11,974,921</u>	<u>48,797,803</u>

During the six months period, subordinated debts amounting to US\$2,500,000 and US\$1,000,000 were repaid to the lender with an approval from the National Bank of Cambodia on 07 May 2020 and 03 February 2020, respectively.

**16. DERIVATIVES HELD FOR RISK MANAGEMENT**

Group and Company	30 June 2020		31 December 2019	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
Interest rate swap designated in cash flow hedges	8,109,706	33,193,027	-	-
Interest rate swap not designated in cash flow hedges	1,124,854	4,604,027	1,868,132	7,612,638
Foreign exchange	(21,989)	(90,001)	19,452	79,267
	<u>9,212,571</u>	<u>37,707,053</u>	<u>1,887,584</u>	<u>7,691,905</u>

## HATTHA KAKSEKAR LIMITED AND ITS SUBSIDIARY

### NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (CONTINUED) FOR THE THREE-MONTH AND SIX-MONTH PERIOD ENDED 30 JUNE 2020

#### 16. DERIVATIVES HELD FOR RISK MANAGEMENT (continued)

HKL uses the above derivatives to manage its exposure to foreign currency and interest rate risk. The instruments used principally include interest rate swaps and currency swaps.

Interest rate designated in cash flow hedges was applied on 1 January 2020. The designated hedged exposure is \$80,000,000 layer of HKL's USD fixed deposits portfolio. The amount is exactly matched notional amount of the hedging instrument and this results in a hedge ratio of 1:1 or 100%. This ratio is consistent with the strategy to hedge the total exposure arising from refinancing of fixed deposits. Cash flows hedge reserves amounting to US\$6,843,268 and related deferred tax assets amounting US\$1,368,654 were recognised in OCI.

#### 17. LEASE LIABILITIES

Group and Company	30 June 2020		31 December 2019	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
Not later than 1 year	2,633,294	10,778,072	2,543,796	10,365,969
Later than 1 year and not later than 5 years	7,996,888	32,731,263	7,687,866	31,328,054
Later than 5 years	2,204,168	9,021,660	2,773,548	11,302,208
	<u>12,834,350</u>	<u>52,530,995</u>	<u>13,005,210</u>	<u>52,996,231</u>

#### 18. PROVISIONS

Group and Company	30 June 2020		31 December 2019	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
Loan commitments	<u>46,927</u>	<u>192,072</u>	<u>2,717</u>	<u>11,072</u>

The amount in respect of loan commitments represents ECL provisions.

## HATTHA KAKSEKAR LIMITED AND ITS SUBSIDIARY

### NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (CONTINUED) FOR THE THREE-MONTH AND SIX-MONTH PERIOD ENDED 30 JUNE 2020

#### 19. OTHER LIABILITIES

Group	30 June 2020		31 December 2019	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
Amounts due to related party (*)	35,997	147,336	40,080,966	163,329,936
Short-term employee benefits	4,280,529	17,520,205	4,767,591	19,427,933
Provident benefits	2,006,704	8,213,439	1,266,489	5,160,943
Creditors and accruals	1,045,466	4,279,092	526,472	2,145,373
Others	1,164,105	4,764,683	1,542,567	6,285,961
	<u>8,532,801</u>	<u>34,924,755</u>	<u>48,184,085</u>	<u>196,350,146</u>

  

Company	30 June 2020		31 December 2019	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
Amounts due to related party (*)	35,997	147,336	40,080,966	163,329,936
Short-term employee benefits	4,280,529	17,520,205	4,767,591	19,427,933
Provident benefits	2,006,704	8,213,439	1,266,489	5,160,943
Creditors and accruals	1,043,541	4,271,213	521,647	2,125,712
Others	1,164,101	4,764,667	1,542,567	6,285,961
	<u>8,530,872</u>	<u>34,916,860</u>	<u>48,179,260</u>	<u>196,330,485</u>

(\*) During the six-month period ended 30 June 2020, the Group and the Company converted US\$40,000,000 to the share capital (Note 20).

#### 20. SHARE CAPITAL

Group and Company	30 June 2020		31 December 2019	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
Registered, issued and fully paid ordinary share of US\$1 each	<u>115,000,000</u>	<u>470,695,000</u>	<u>75,000,000</u>	<u>305,625,000</u>

The Company is wholly owned by Bank of Ayudhya PCL. ("Krungsri"), a company incorporated in Thailand, with effective control from 12 September 2016.

On 10 May 2019, HKL requested for approval from the NBC for increasing new share capital by US\$40 million from US\$75 million to US\$115 million. This request was approved by the NBC on 07 October 2019.

On 11 February 2020, the Ministry of Commerce approved the amended Memorandum and Articles of Association of the Company with share capital of US\$115 million.

HATTHA KAKSEKAR LIMITED AND ITS SUBSIDIARY

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (CONTINUED)  
FOR THE THREE-MONTH AND SIX-MONTH PERIOD ENDED 30 JUNE 2020

21. RESERVES

Group	30 June 2020		31 December 2019	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
Legal reserves	682,459	2,793,305	682,459	2,781,020
Regulatory reserves	923,110	3,778,289	6,724,489	27,402,293
Other reserves	31,411,444	128,567,040	1,411,444	5,751,634
Cash flow hedge reserve	(5,474,614)	(22,314,526)	-	-
Currency translation differences	-	5,772,909	-	4,499,831
	<u>27,542,399</u>	<u>118,597,017</u>	<u>8,818,392</u>	<u>40,434,778</u>

Company	30 June 2020		31 December 2019	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
Legal reserves	682,459	2,793,305	682,459	2,781,020
Regulatory reserves	923,110	3,778,289	6,724,489	27,402,293
Other reserves	31,411,444	128,567,040	1,411,444	5,751,634
Cash flow hedge reserve	(5,474,614)	(22,314,526)	-	-
Currency translation differences	-	5,773,452	-	4,500,049
	<u>27,542,399</u>	<u>118,597,560</u>	<u>8,818,392</u>	<u>40,434,996</u>

HATTHA KAKSEKAR LIMITED AND ITS SUBSIDIARY

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FOR THE THREE-MONTH AND SIX-MONTH PERIOD ENDED 30 JUNE 2020

22. NET INTEREST INCOME

Group	Three-month period ended 30 June 2020		Three-month period ended 30 June 2019	
	US\$	KHR'000 (Note 2.3)	US\$	KHR'000 (Note 2.3)
<b>Interest income</b>				
Loans to customers	40,828,492	166,928,792	34,031,955	137,843,132
Balances with the NBC	17,421	71,299	36,111	146,185
Balances with other banks	10,452	42,677	17,867	73,215
	<u>40,856,365</u>	<u>167,042,768</u>	<u>34,085,933</u>	<u>138,062,532</u>
<b>Interest expense</b>				
Deposits from customers	9,181,473	37,535,973	8,930,338	36,169,345
Borrowings	6,641,216	27,147,436	4,330,589	17,532,704
Debt securities issued	696,536	2,848,312	685,962	2,779,944
Subordinated debts	261,552	1,070,042	488,353	1,982,993
Lease liabilities	240,987	985,154	239,363	969,946
	<u>17,021,764</u>	<u>69,586,917</u>	<u>14,674,605</u>	<u>59,434,932</u>
<b>Net interest income</b>	<u>23,834,601</u>	<u>97,455,851</u>	<u>19,411,328</u>	<u>78,627,600</u>
Group	Six-month period ended 30 June 2020		Six-month period ended 30 June 2019	
	US\$	KHR'000 (Note 2.3)	US\$	KHR'000 (Note 2.3)
<b>Interest income</b>				
Loans to customers	83,483,427	340,278,448	65,700,884	264,708,861
Balances with the NBC	41,688	169,920	66,274	267,018
Balances with other banks	16,615	67,723	71,306	287,292
	<u>83,541,730</u>	<u>340,516,091</u>	<u>65,838,464</u>	<u>265,263,171</u>
<b>Interest expense</b>				
Deposits from customers	18,538,856	75,564,377	17,148,302	69,090,509
Borrowings	13,127,870	53,509,198	8,015,845	32,295,840
Debt securities issued	1,465,847	5,974,792	1,390,434	5,602,059
Subordinated debts	591,255	2,409,955	1,158,712	4,668,451
Lease liabilities	481,889	1,964,180	480,798	1,937,134
	<u>34,205,717</u>	<u>139,422,502</u>	<u>28,194,091</u>	<u>113,593,993</u>
<b>Net interest income</b>	<u>49,336,013</u>	<u>201,093,589</u>	<u>37,644,373</u>	<u>151,669,178</u>

HATTHA KAKSEKAR LIMITED AND ITS SUBSIDIARY

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (CONTINUED)  
FOR THE THREE-MONTH AND SIX-MONTH PERIOD ENDED 30 JUNE 2020

22. NET INTEREST INCOME (continued)

Company	Three-month period ended 30 June 2020		Three-month period ended 30 June 2019	
	US\$	KHR'000 (Note 2.3)	US\$	KHR'000 (Note 2.3)
<b>Interest income</b>				
Loans to customers	40,828,492	166,928,792	34,031,955	137,843,132
Balances with the NBC	17,421	71,299	36,111	146,185
Balances with other banks	10,452	42,677	17,867	73,215
	<u>40,856,365</u>	<u>167,042,768</u>	<u>34,085,933</u>	<u>138,062,532</u>
<b>Interest expense</b>				
Deposits from customers	9,181,478	37,535,993	8,930,338	36,169,345
Borrowings	6,641,216	27,147,436	4,330,589	17,532,704
Debt securities issued	696,536	2,848,312	685,962	2,779,944
Subordinated debts	261,552	1,070,042	488,353	1,982,993
Lease liabilities	240,987	985,154	239,363	969,946
	<u>17,021,769</u>	<u>69,586,937</u>	<u>14,674,605</u>	<u>59,434,932</u>
<b>Net interest income</b>	<u>23,834,596</u>	<u>97,455,831</u>	<u>19,411,328</u>	<u>78,627,600</u>
Company	Six-month period ended 30 June 2020		Six-month period ended 30 June 2019	
	US\$	KHR'000 (Note 2.3)	US\$	KHR'000 (Note 2.3)
<b>Interest income</b>				
Loans to customers	83,483,427	340,278,448	65,700,884	264,708,861
Balances with the NBC	41,688	169,920	66,274	267,018
Balances with other banks	16,615	67,723	71,306	287,292
	<u>83,541,730</u>	<u>340,516,091</u>	<u>65,838,464</u>	<u>265,263,171</u>
<b>Interest expense</b>				
Deposits from customers	18,538,869	75,564,430	17,148,302	69,090,509
Borrowings	13,127,870	53,509,198	8,015,845	32,295,840
Debt securities issued	1,465,847	5,974,792	1,390,434	5,602,059
Subordinated debts	591,255	2,409,955	1,158,712	4,668,451
Lease liabilities	481,889	1,964,180	480,798	1,937,134
	<u>34,205,730</u>	<u>139,422,555</u>	<u>28,194,091</u>	<u>113,593,993</u>
<b>Net interest income</b>	<u>49,336,000</u>	<u>201,093,536</u>	<u>37,644,373</u>	<u>151,669,178</u>

HATTHA KAKSEKAR LIMITED AND ITS SUBSIDIARY

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (CONTINUED)  
FOR THE THREE-MONTH AND SIX-MONTH PERIOD ENDED 30 JUNE 2020

23. NET FEE AND COMMISSION INCOME

Group and Company	Three-month period ended 30 June 2020		Three-month period ended 30 June 2019	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
<b>Fee and commission income</b>				
Referral fees	223,581	916,298	309,179	1,253,896
Service charges on deposit accounts	62,353	254,908	59,779	242,285
Remittance fees	19,453	79,593	32,688	132,487
Other fees and commissions on loans	500,007	2,047,844	673,256	2,729,278
Other fee income	32,142	131,357	33,013	133,811
	<u>837,536</u>	<u>3,430,000</u>	<u>1,107,915</u>	<u>4,491,757</u>
<b>Fee and commission expense</b>				
Borrowing fees	57,388	234,640	106,627	432,042
Bank charges	54,973	224,925	62,509	253,122
Debt securities fees	4,739	19,377	4,503	18,245
Referral fees	3,925	16,158	13,803	55,953
Subordinated debts fees	1,306	5,339	1,306	5,291
	<u>122,331</u>	<u>500,439</u>	<u>188,748</u>	<u>764,653</u>
<b>Net fee and commission income</b>	<u>715,205</u>	<u>2,929,561</u>	<u>919,167</u>	<u>3,727,104</u>
Group and Company	Six-month period ended 30 June 2020		Six-month period ended 30 June 2019	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
<b>Fee and commission income</b>				
Referral fees	638,749	2,603,541	666,307	2,684,551
Service charges on deposit accounts	125,375	511,029	122,180	492,263
Remittance fees	44,658	182,026	66,912	269,588
Other fees and commissions on loans	1,317,928	5,371,875	1,400,606	5,643,042
Other fee income	61,110	249,083	67,889	273,525
	<u>2,187,820</u>	<u>8,917,554</u>	<u>2,323,894</u>	<u>9,362,969</u>
<b>Fee and commission expense</b>				
Bank charges	126,156	514,212	117,868	474,889
Borrowing fees	117,948	480,756	212,780	857,291
Referral fees	17,295	70,494	28,605	115,250
Debt securities fees	9,806	39,969	8,957	36,088
Subordinated debts fees	2,612	10,647	2,598	10,467
	<u>273,817</u>	<u>1,116,078</u>	<u>370,808</u>	<u>1,493,985</u>
<b>Net fee and commission income</b>	<u>1,914,003</u>	<u>7,801,476</u>	<u>1,953,086</u>	<u>7,868,984</u>



HATTHA KAKSEKAR LIMITED AND ITS SUBSIDIARY

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24. NET LOSSES/(GAINS) FROM OTHER FINANCIAL INSTRUMENTS AT FVTPL

Group and Company	Three-month period ended 30 June 2020		Three-month period ended 30 June 2019	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
Interest rate	(102,052)	(406,636)	471,438	1,907,638
Foreign exchange	(144,156)	(586,348)	(38,031)	(152,489)
	<u>(246,208)</u>	<u>(992,984)</u>	<u>433,407</u>	<u>1,755,149</u>
Group and Company	Six-month period ended 30 June 2020		Six-month period ended 30 June 2019	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
Interest rate	675,235	2,752,258	828,588	3,338,381
Foreign exchange	(41,442)	(168,918)	(5,928)	(23,884)
	<u>633,793</u>	<u>2,583,340</u>	<u>822,660</u>	<u>3,314,497</u>

25. NET IMPAIRMENT LOSSES ON FINANCIAL INSTRUMENTS

Group and Company	Three-month period ended 30 June 2020		Three-month period ended 30 June 2019	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
Loans to customers (*)	16,063,694	65,514,526	196,650	795,224
Balances with other banks	77,814	317,301	4,350	18,204
Loan commitments	43,416	176,973	22,681	91,385
	<u>16,184,924</u>	<u>66,008,800</u>	<u>223,681</u>	<u>904,813</u>
Group and Company	Six-month period ended 30 June 2020		Six-month period ended 30 June 2019	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
Loans to customers (*)	19,306,091	78,691,627	323,665	1,304,046
Balances with other banks	88,708	361,574	33,819	136,257
Loan commitments	44,222	180,249	22,822	91,950
	<u>19,439,021</u>	<u>79,233,450</u>	<u>380,306</u>	<u>1,532,253</u>

(\*) This includes the recoveries of loans previously written off amounting to US\$353,206 (30 June 2019: US\$359,824).

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FOR THE THREE-MONTH AND SIX-MONTH PERIOD ENDED 30 JUNE 2020

26. PERSONNEL EXPENSES

Group	Three-month period ended 30 June 2020		Three-month period ended 30 June 2019	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
Salaries and bonuses	7,973,498	32,600,071	7,003,316	28,368,379
Provident benefits	377,125	1,541,572	311,106	1,260,313
Seniority payments	291,024	1,193,453	324,799	1,317,215
Other personnel expenses	753,255	3,081,079	699,499	2,833,428
	<u>9,394,902</u>	<u>38,416,175</u>	<u>8,338,720</u>	<u>33,779,335</u>
Group	Six-month period ended 30 June 2020		Six-month period ended 30 June 2019	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
Salaries and bonuses	16,314,616	66,498,375	13,612,839	54,846,128
Seniority payments	894,364	3,645,427	698,739	2,815,219
Provident benefits	744,671	3,035,279	609,704	2,456,497
Other personnel expenses	1,654,164	6,742,373	1,357,973	5,471,274
	<u>19,607,815</u>	<u>79,921,454</u>	<u>16,279,255</u>	<u>65,589,118</u>
Company	Three-month period ended 30 June 2020		Three-month period ended 30 June 2019	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
Salaries and bonuses	7,972,298	32,595,175	7,003,316	28,368,379
Provident benefits	377,125	1,541,572	311,106	1,260,313
Seniority payments	290,888	1,192,899	324,799	1,317,215
Other personnel expenses	753,255	3,081,079	699,499	2,833,428
	<u>9,393,566</u>	<u>38,410,725</u>	<u>8,338,720</u>	<u>33,779,335</u>
Company	Six-month period ended 30 June 2020		Six-month period ended 30 June 2019	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
Salaries and bonuses	16,313,016	66,491,853	13,612,839	54,846,128
Seniority payments	894,228	3,644,873	698,739	2,815,219
Provident benefits	744,671	3,035,279	609,704	2,456,497
Other personnel expenses	1,654,164	6,742,373	1,357,973	5,471,274
	<u>19,606,079</u>	<u>79,914,378</u>	<u>16,279,255</u>	<u>65,589,118</u>

**HATTHA KAKSEKAR LIMITED AND ITS SUBSIDIARY**

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (CONTINUED)  
FOR THE THREE-MONTH AND SIX-MONTH PERIOD ENDED 30 JUNE 2020**

**27. OTHER EXPENSES**

Group	Three-month period ended 30 June 2020		Three-month period ended 30 June 2019	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
Travelling and transportation	616,120	2,520,087	507,136	2,054,422
Repairs and maintenance	269,461	1,101,958	315,419	1,277,240
Utilities	217,182	887,540	177,207	718,026
Office supplies and non-capitalised purchases	193,922	793,691	170,855	691,422
Security	186,675	763,165	173,826	704,349
License fee, patent and other taxes	177,492	725,609	173,130	701,088
Communication	171,680	701,765	161,191	653,087
Professional services	129,387	528,918	57,092	231,293
Leases and rental	111,029	454,041	105,996	429,317
Marketing and advertising	62,033	253,575	186,841	755,580
Board fees and meetings	23,286	95,129	31,651	127,905
Others	31,839	130,620	45,637	185,255
	<u>2,190,106</u>	<u>8,956,098</u>	<u>2,105,981</u>	<u>8,528,984</u>
Group	Six-month period ended 30 June 2020		Six-month period ended 30 June 2019	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
Travelling and transportation	1,347,936	5,494,187	992,812	4,000,040
Repairs and maintenance	572,364	2,332,956	594,423	2,394,930
Office supplies and non-capitalised purchases	465,954	1,899,229	303,350	1,222,197
Utilities	409,367	1,668,580	353,674	1,424,953
Security	376,489	1,534,569	347,900	1,401,689
License fee, patent and other taxes	356,745	1,454,093	327,394	1,319,070
Communication	338,159	1,378,336	319,833	1,288,607
Professional services	257,461	1,049,411	112,277	452,364
Leases and rental	234,908	957,485	204,199	822,718
Marketing and advertising	122,696	500,109	308,490	1,242,906
Board fees and meetings	41,256	168,159	48,303	194,613
Others	102,305	416,994	105,794	426,244
	<u>4,625,640</u>	<u>18,854,108</u>	<u>4,018,449</u>	<u>16,190,331</u>

**HATTHA KAKSEKAR LIMITED AND ITS SUBSIDIARY**

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (CONTINUED)  
FOR THE THREE-MONTH AND SIX-MONTH PERIOD ENDED 30 JUNE 2020**

**27. OTHER EXPENSES (continued)**

Company	Three-month period ended 30 June 2020		Three-month period ended 30 June 2019	
	US\$	KHR'000 (Note 2.3)	US\$	KHR'000 (Note 2.3)
Travelling and transportation	616,120	2,520,087	507,136	2,054,422
Repairs and maintenance	269,461	1,101,958	315,419	1,277,240
Utilities	217,182	887,540	177,207	718,026
Office supplies and non-capitalised purchases	193,922	793,691	170,855	691,422
Security	186,675	763,165	173,826	704,349
License fee, patent and other taxes	177,492	725,605	173,130	701,088
Communication	171,680	701,765	161,191	653,087
Professional services	123,572	505,205	57,092	231,293
Leases and rental	111,029	454,041	105,996	429,317
Marketing and advertising	62,033	253,575	186,841	755,580
Board fees and meetings	23,286	95,129	31,651	127,905
Others	31,839	130,619	45,637	185,255
	<u>2,184,291</u>	<u>8,932,380</u>	<u>2,105,981</u>	<u>8,528,984</u>

  

Company	Six-month period ended 30 June 2020		Six-month period ended 30 June 2019	
	US\$	KHR'000 (Note 2.3)	US\$	KHR'000 (Note 2.3)
Travelling and transportation	1,347,936	5,494,187	992,812	4,000,040
Repairs and maintenance	572,364	2,332,956	594,423	2,394,930
Office supplies and non-capitalised purchases	465,954	1,899,229	303,350	1,222,197
Utilities	409,367	1,668,580	353,674	1,424,953
Security	376,489	1,534,569	347,900	1,401,689
License fee, patent and other taxes	356,450	1,452,890	327,394	1,319,070
Communication	338,159	1,378,336	319,833	1,288,607
Professional services	250,684	1,021,788	112,277	452,364
Leases and rental	234,908	957,485	204,199	822,718
Marketing and advertising	122,696	500,109	308,490	1,242,906
Board fees and meetings	41,256	168,159	48,303	194,613
Others	102,228	416,681	105,794	426,244
	<u>4,618,491</u>	<u>18,824,969</u>	<u>4,018,449</u>	<u>16,190,331</u>

## HATTHA KAKSEKAR LIMITED AND ITS SUBSIDIARY

### NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (CONTINUED) FOR THE THREE-MONTH AND SIX-MONTH PERIOD ENDED 30 JUNE 2020

#### 28. CASH AND CASH EQUIVALENTS

For the purpose of the statement of cash flows, cash and cash equivalents comprise:

Group and Company	30 June 2020		30 June 2019	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
Balances with other banks	88,595,261	362,620,404	65,185,915	265,045,931
Cash on hand	30,635,660	125,391,756	26,268,257	106,806,733
Balances with the NBC	9,914,936	40,581,833	16,207,431	65,899,414
	<u>129,145,857</u>	<u>528,593,993</u>	<u>107,661,603</u>	<u>437,752,078</u>

#### 29. RELATED PARTIES

##### (a) Related parties and relationships

The related parties of and their relationships with the Group and the Company are as follows:

Related parties	Relationship
Mitsubishi UFJ Financial Group, Inc.	Ultimate parent company
Bank of Ayudhya Public Company Limited ("Krungsri")	Immediate parent company/shareholder
Hattha Services Co., Ltd.	Subsidiary of HKL
Affiliates	All entities under the same ultimate parent company
Board of Directors	Persons overseeing the activities of the Group and the Company.
Key management personnel	The key management personnel are those participating in the administration, direction, management or the design and implementation of the internal controls of the Group and the Company. The key management personnel of the Group and the Company include all EXCOM members appointed by the Board of Directors.

HATTHA KAKSEKAR LIMITED AND ITS SUBSIDIARY

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (CONTINUED)  
FOR THE THREE-MONTH AND SIX-MONTH PERIOD ENDED 30 JUNE 2020

29. RELATED PARTIES (continued)

(b) Directors and key management compensation

Group and Company	Three-month period ended 30 June 2020		Three-month period ended 30 June 2019	
	US\$	KHR'000 (Note 2.3)	US\$	KHR'000 (Note 2.3)
Board of Directors				
Fees and related expenses	23,286	95,129	31,651	127,905
Key management				
Salaries and short-term benefits	441,758	1,811,975	429,139	1,745,408
Provident benefits	25,448	104,031	24,567	99,516
	467,206	1,916,006	453,706	1,844,924
Group and Company	Six-month period ended 30 June 2020		Six-month period ended 30 June 2019	
	US\$	KHR'000 (Note 2.3)	US\$	KHR'000 (Note 2.3)
Board of Directors				
Fees and related expenses	41,256	168,159	48,303	194,613
Key management				
Salaries and short-term benefits	1,389,202	5,662,387	1,142,486	4,603,076
Provident benefits	50,895	207,448	47,813	192,639
	1,440,097	5,869,835	1,190,299	4,795,715
	30 June 2020		31 December 2019	
	US\$	KHR'000 (Note 2.3)	US\$	KHR'000 (Note 2.3)
Provident benefits payable	146,905	601,282	94,190	383,824

(c) Loans to key management and interest income

Group and Company	30 June 2020		31 December 2019	
	US\$	KHR'000 (Note 2.3)	US\$	KHR'000 (Note 2.3)
Loans outstanding to key management	383,349	1,569,047	470,249	1,916,265

HATTHA KAKSEKAR LIMITED AND ITS SUBSIDIARY

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (CONTINUED)  
FOR THE THREE-MONTH AND SIX-MONTH PERIOD ENDED 30 JUNE 2020

29. RELATED PARTIES (continued)

(c) Loans to key management and interest income

Loans are provided to key management of the Group and the Company with a contractual interest rate at 8% per annum (2019: 8% per annum).

Group and Company	Three-month period ended 30 June 2020		Three-month period ended 30 June 2019	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
Interest income from key management	7,726	31,611	10,566	42,771

  

Group and Company	Six-month period ended 30 June 2020		Six-month period ended 30 June 2019	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
Interest income from key management	17,721	72,231	19,288	77,711

(d) Deposits from and interest expense to key management

Group and Company	30 June 2020		31 December 2019	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
Deposits from key management	2,234,404	9,145,416	2,054,009	8,370,087

Deposits from key management of the Group and the Company bear interest rates ranging from 2.5% to 10% per annum (2019: 2.5% to 10% per annum) depending on the terms and currency of the deposits.

Group and Company	Three-month period ended 30 June 2020		Three-month period ended 30 June 2019	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
Interest expense to key management	40,013	163,382	18,505	74,919

  

Group and Company	Six-month period ended 30 June 2020		Six-month period ended 30 June 2019	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
Interest expense to key management	64,162	261,524	34,259	138,030

HATTHA KAKSEKAR LIMITED AND ITS SUBSIDIARY

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (CONTINUED)  
FOR THE THREE-MONTH AND SIX-MONTH PERIOD ENDED 30 JUNE 2020

29. RELATED PARTIES (continued)

(e) Deposits from and interest expense to Directors

Group and Company	30 June 2020		31 December 2019	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
Deposits from Board of Directors	3,533,362	14,462,051	4,607,061	18,773,774

Deposits from the Board of Directors of the Group and the Company bear interest rates ranging from 2.5% to 8.7% per annum (2019: from 2.5% to 8.7% per annum) depending on the terms and currency of deposits.

Group and Company	Three-month period ended 30 June 2020		Three-month period ended 30 June 2019	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
Interest expense to the Board of Directors	61,153	250,063	53,903	218,307

Group and Company	Six-month period ended 30 June 2020		Six-month period ended 30 June 2019	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
Interest expense to the Board of Directors	128,135	522,278	103,104	415,406

(f) Office rental from key management

Group and Company	Three-month period ended 30 June 2020		Three-month period ended 30 June 2019	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
Office rental expenses	16,980	69,414	16,980	68,803

Group and Company	Six-month period ended 30 June 2020		Six-month period ended 30 June 2019	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
Office rental expenses	33,960	138,421	33,960	136,825



HATTHA KAKSEKAR LIMITED AND ITS SUBSIDIARY

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (CONTINUED)  
FOR THE THREE-MONTH AND SIX-MONTH PERIOD ENDED 30 JUNE 2020

29. RELATED PARTIES (continued)

(g) Transactions and balances with shareholder and affiliate

(i) Transactions with shareholder and affiliate

Group and Company	Three-month period ended 30 June 2020		Three-month period ended 30 June 2019	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
<i>Shareholder</i>				
Repayments of borrowing via IFC (*)	(2,857,143)	(11,645,715)	(2,857,143)	(11,511,429)
Repayment of borrowings from Krungsri	(10,000,000)	(40,760,000)	-	-
Interest and fee expenses	(924,124)	(3,776,157)	407,997	1,652,416
Group and Company	Six-month period ended 30 June 2020		Six-month period ended 30 June 2019	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
<i>Shareholder</i>				
Repayments of borrowing via IFC (*)	(2,857,143)	(11,645,715)	(2,857,143)	(11,511,429)
Proceeds received for borrowings from Krungsri	15,000,000	61,140,000	-	-
Repayment of borrowings from Krungsri	(10,000,000)	(40,760,000)	-	-
Interest and fee expenses	(1,709,739)	(6,968,896)	(781,727)	(3,149,578)

(ii) Balances with shareholder and affiliate

Group and Company	30 June 2020		31 December 2019	
	US\$	KHR'000	US\$	KHR'000
		(Note 2.3)		(Note 2.3)
<i>Shareholder</i>				
Interest payable on interest rate SWAP	202,640	829,406	28,868	117,637
Interest receivable on interest rate SWAP	1,341	5,489	74	302
Amount payable on payment on behalf of HKL's expense	35,997	147,336	80,132	326,538
Amount payable for share capital injection	-	-	40,000,000	163,000,000
Borrowing via IFC (*)	5,714,286	23,388,573	8,571,429	34,928,573
Interest payable on borrowing via IFC	46,075	188,585	83,067	338,498
Commitment given on interest rate SWAP (**)	119,643,286	489,699,970	132,857,429	541,394,023
Commitment received on interest rate SWAP (**)	(119,643,286)	(489,699,970)	(132,857,429)	(541,394,023)
Borrowing	25,000,000	102,325,000	20,000,000	81,500,000
Interest and fee payable on borrowing	210,507	861,605	833	3,394
	31,210,846	127,745,994	68,764,403	280,214,942
<i>Affiliate</i>				
Amount receivable from Hattha Services Co., Ltd (Note 11)	29,451,890	120,546,586	17,666,066	71,989,219
Deposit from Hattha Services Co., Ltd	1,013	4,146	-	-
	60,663,749	248,296,726	86,430,469	352,204,161

## HATTHA KAKSEKAR LIMITED AND ITS SUBSIDIARY

### NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (CONTINUED) FOR THE THREE-MONTH AND SIX-MONTH PERIOD ENDED 30 JUNE 2020

#### 29. RELATED PARTIES (continued)

##### (g) Transactions and balances with shareholder and affiliate (continued)

- (\*) This represents syndicated loan from IFC of which Krungsri is the lender who provides funding to IFC.
- (\*\*) On 12 January 2017, the Group and the Company entered into agreements with Krungsri for interest rate swap totalling US\$54 million, effective from 15 May 2017. On 7 February 2018, the Group and the Company entered into another agreement with Krungsri for interest rate swap of US\$55 million, effective from 23 February 2018. On 24 December 2019, the Group and the Company entered into another agreement with Krungsri for interest swap of US\$80 million, effective from 27 December 2019. This is to manage the Group and the Company's exposure to interest rate risk of its funding.

#### 30. SEASONALITY

The principal businesses of the Group and the Company are mainly to provide banking and related financial services and other services. There is no significant seasonality factor associated with these businesses.

#### 31. FINANCIAL INSTRUMENTS

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

HATTHA KAKSEKAR LIMITED AND ITS SUBSIDIARY

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (CONTINUED)  
FOR THE THREE-MONTH AND SIX-MONTH PERIOD ENDED 30 JUNE 2020

31. FINANCIAL INSTRUMENTS (CONTINUED)

Group and Company

30 June 2020

	Carrying amount				Fair value			
	FVOCI – equity instruments	Fair value - hedging instrument	FVTPL	Total	Level 1	Level 2	Level 3	Total
	US\$	\$US	US\$	US\$	US\$	US\$	US\$	US\$
<i>Financial assets measured at fair value</i>								
Equity securities	20,000	-	-	20,000	-	-	20,000	20,000
<i>Financial liabilities measured at fair value</i>								
Interest rate swaps	-	8,109,706	1,124,854	9,234,560	-	9,234,560	-	9,234,560
Currency swaps	-	-	(21,989)	(21,989)	-	(21,989)	-	(21,989)
Total	-	8,109,706	1,102,865	9,212,571	-	9,212,571	-	9,212,571

HATTHA KAKSEKAR LIMITED AND ITS SUBSIDIARY

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (CONTINUED)  
FOR THE THREE-MONTH AND SIX-MONTH PERIOD ENDED 30 JUNE 2020

31. FINANCIAL INSTRUMENTS (CONTINUED)

Group and Company

31 December 2019

	Carrying amount			Fair value			
	FVOCI – equity instruments	FVTPL	Total	Level 1	Level 2	Level 3	Total
	US\$	US\$	US\$	US\$	US\$	US\$	US\$
<i>Financial assets measured at fair value</i>							
Equity securities	20,000	-	20,000	-	-	20,000	20,000
<i>Financial liabilities measured at fair value</i>							
Interest rate swaps	-	1,868,132	1,868,132	-	1,868,132	-	1,868,132
Currency swaps	-	19,452	19,452	-	19,452	-	19,452
Total	-	1,887,584	1,887,584	-	1,887,584	-	1,887,584

## HATTHA KAKSEKAR LIMITED AND ITS SUBSIDIARY

### NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (CONTINUED) FOR THE THREE-MONTH AND SIX-MONTH PERIOD ENDED 30 JUNE 2020

#### 32. TAX CONTINGENCIES

On 19 March 2019, the General Department of Taxation (“GDT”) issued a notice of tax reassessment to the Group and the Company to pay reassessed taxes of KHR 31,255,677,651 (approximately US\$7.7 millions) for the fiscal year 2016.

On 11 April 2019, the Group and the Company filed a tax objection letter to the GDT protesting to the reassessed taxes. As a result, HKL received the 2<sup>nd</sup> Notice of Tax Reassessment from the GDT dated 9 July 2019 re-imposing taxes in total amount of KHR 30,958,899,567 (approximately US\$7.6 millions). The Group and the Company have not made provision at this stage as the Group and the Company believe that there are reasonable grounds to challenge the assessment as stated in the tax law and regulations mentioned in its objection letter.

The Group and the Company have engaged tax advisor to help on this matter and filed 2<sup>nd</sup> protest letter to the GDT on 30 July 2019. On 8 January 2020, the Group and the Company have received a response to the 2<sup>nd</sup> protest letter from the GDT. There is no change in the reassessment amount. However, the Group and the Company have consulted with the tax advisor and it is believed that the Group and the Company would have reasonable grounds to challenge the case. Therefore, the Group and the Company decided to move on with 3<sup>rd</sup> protest requesting the GDT to transfer the case to litigation department. The letter was signed on 23 January 2020 and submitted to the tax agent for further process to the GDT. The Group and the Company have not recorded any contingent tax liability as at 30 June 2020. The outcome of the ultimate tax liabilities for this assessment is unknown.

#### 33. SIGNIFICANT EVENT

##### *Impact of COVID-19 Outbreak to the Group and the Company*

Since January 2020, the outbreak of Novel Coronavirus (“COVID-19”) has had an impact on the global business environment, including Cambodia. COVID-19 has resulted in a significant impact on some customers’ repayment capacity. Further deterioration in economic conditions resulting from the continued spread of COVID-19 and government response to the disease may have a material impact on the financial results of the Group and the Company, the extent of which could not be estimated as at the date of this report. The Group and the Company will keep continuous attention on the situation of the COVID-19 and react actively to mitigate risks to the financial position and operating results of the Group and the Company.