

LOLC (CAMBODIA) PLC.

**Condensed Interim Financial Statements
for the six-month period ended
30 June 2019
and
Independent Auditors' Report on Review of
Interim Financial Information**

Corporate information

Company	LOLC (Cambodia) Plc.
Registration No.	00012829
Registered office	Building No. 666B, Street 271 Sangkat Boeung Tumpun 2, Khan Mean Chey Phnom Penh, Kingdom of Cambodia
Shareholders	LOLC Private Limited TPC-ESOP Co., Ltd.
Board of Directors	Mr. Brindley Chrisantha Gajanayake de Zylva, Chairman Mr. Indrajith Wijesiriwardana, Member Mr. Hans Michael Theodor Moormann, Member Mr. Dulip Rasika Samaraweera, Member Mr. Francisco Kankanamalage Conrad Prasad Nirosh Dias, Member
Audit committee	Mr. Hans Michael Theodor Moormann, Chairman Mr. Brindley Chrisantha Gajanayake de Zylva, Member Mr. Indrajith Wijesiriwardana, Member
Risk committee	Mr. Hans Michael Theodor Moormann, Chairman Mr. Brindley Chrisantha Gajanayake de Zylva, Member Mr. Francisco Kankanamalage Conrad Prasad Nirosh Dias, Member
Appointment and remuneration committee	Mr. Indrajith Wijesiriwardana, Chairman Mr. Dulip Rasika Samaraweera, Member Mr. Francisco Kankanamalage Conrad Prasad Nirosh Dias, Member
Executive committee	Mr. Sok Voeun, Chief Executive Officer Mr. Sok Sophal, Deputy Chief Executive Officer/Chief Finance Officer Mr. Damburue Liyanage Duleep Roshan, Chief Information Officer Mr. Tun Komg, Deputy Head of Credit Department Mrs. Leng Thavy, Head of Human Resources Department Mrs. Svoeuy Sodyna, Chief Risk Officer Mrs. Keo Taraty, Head of Finance Department Mrs. Try Sola, Head of Treasury Department Mrs. Chheang Kagna, Chief Digital Financial Services and Deposit Officer Mr. Hul Sovutha, Head of Information Technology Department Mr. Seam Hak, Head of Administration and Procurement Department Mr. Chhuon Sokcheth, Head of Marketing Department Mr. Teng Pheap, Head of Internal Audit Department Mr. Ban Phalleng, Head of Compliance Department Mr. Nuth Theng, Head of Business Department Mr. Muth Pisey, Head of Credit Department Mr. Romesh Perera, Chief Channel Officer
Auditors	KPMG Cambodia Ltd

LOLC (Cambodia) Plc.

Condensed Interim Financial Statements for the Six-Month Period Ended 30 June 2019

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Report of the Board of Directors

The Board of Directors ("the Board" or "the Directors") hereby submit their report together with the condensed interim financial statements of LOLC (Cambodia) Plc. ("the Company" or "LOLC") for the six-month period ended 30 June 2019 (hereafter referred to as "the condensed interim financial statements").

The Company

LOLC (Cambodia) Plc. (formerly known as Thaneakea Phum (Cambodia) Ltd.) ("the Company"), a licensed micro-finance institution, incorporated in the Kingdom of Cambodia and registered with the Ministry of Commerce as a public limited liability company under the registration number Co. 1413 E/2002 and changed to the registration number 00012829, dated 23 May 2002 and latest renewed on 28 September 2015. After a change in the shareholding structure in September 2014, the Company became a subsidiary of LOLC Micro Investments Ltd., a company incorporated in Sri Lanka. The ultimate parent is Lanka ORIX Leasing Company PLC, a company incorporated in Sri Lanka and listed on the Colombo Stock Exchange.

On 16 September 2017, LOLC Micro investments Ltd. and DWM Investment Asia Ltd, transferred/sold all their shareholding of 96.97% to LOLC Private Limited. This was subsequently approved by the NBC on 28 November 2017. In addition, the subject shares were approved for the change in ownership by the NBC on 14 March 2018 and endorsed by the MoC on 25 June 2018.

On 11 September 2015, the Company obtained a Micro-finance Deposit Taking Institution ("MDI") license to conduct deposit-taking business from the National Bank of Cambodia ("NBC").

The Company has 79 office locations (78 branches and a head office in Phnom Penh). The Company's registered office is at Building No. 666B, Street 271, Sangkat Boeung Tumpun 2, Khan Mean Chey, Phnom Penh, Kingdom of Cambodia.

Principal activity

The principal activity of the Company is to provide micro-finance services (deposit-taking and lending) to the rural population, micro-enterprises and small and medium enterprises through its head office in Phnom Penh and its various branches in the Kingdom of Cambodia. Its corporate objective is to provide reliable and affordable access to financial services to micro-entrepreneurs and small and medium enterprises.

Financial performance

The interim financial performance of the Company for the six-month period ended 30 June 2019 are set out in the condensed interim income statement on page 9.

LOLC (Cambodia) Plc.

Dividends

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

Share capital

On 10 November 2018, the Company sent the request to the NBC to increase the share capital from KHR120,000,000 thousand (equivalent to US\$29,865,605) to KHR140,846,600 thousand (equivalent to US\$34,640,089). The request was approved by the NBC on 22 February 2019.

Advance capital contribution

On 3 June 2019, the Board of Directors approved to increase the registered capital to KHR182,612,000 thousand via cash injection from LOLC Private Limited and TPC-ESOP Co., Ltd. amounting to KHR40,500,000 thousand and KHR1,265,400 thousand, respectively. As of the date of these interim financial statements, the Company received the cash capital injection from LOLC Private Limited and TPC-ESOP Co., Ltd. amounting to KHR20,375,000 thousand and KHR1,265,400 thousand, respectively. Additionally, on 8 July 2019, the Company received the remaining cash capital injection from LOLC Private Limited amounting to KHR20,375,000 thousand. As of the date of this report, the Company is waiting for the approval from the NBC and the endorsement on the revised Memorandum and Articles of Association ("MoAA") by the Ministry of the Commerce ("MoC").

Reserves and provisions

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

Bad and doubtful loans

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

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

Assets

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

LOLC (Cambodia) Plc.

Valuation methods

At the date of this report, the Board of Directors is not aware of any circumstances that have arisen which render adherence to the existing method of valuation of assets and liabilities in the condensed interim financial statements of the Company misleading or inappropriate.

Contingent and other liabilities

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

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

No contingent or other liability of the Company has become enforceable, or is likely to become enforceable within the period of 12 months after the end of the financial period which, in the opinion of the Board of Directors, will or may have a material effect on the ability of the Company to meet its obligations as and when they fall due.

Change of circumstances

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

Items of an unusual nature

The results of the operations of the Company for the period were not, in the opinion of the Board of Directors, substantially affected by any item, transaction or event of a material and unusual nature.

There has not arisen in the interval between the end of the financial period and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Board of Directors, which affect substantially the financial performance of the Company for the current financial period in which this report is made.

The Board of Directors

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

- Mr. Brindley Chrisantha Gajanayake de Zylva, Chairman
- Mr. Indrajith Wijesiriwardana, Member
- Mr. Hans Michael Theodor Moormann, Member
- Mr. Dulip Rasika Samaraweera, Member
- Mr. Francisco Kankanamalage Conrad Prasad Nirosh Dias, Member

LOLC (Cambodia) Plc.

Audit committee

The members of the Audit committee during the period and at the date of this report are:

- Mr. Hans Michael Theodor Moormann, Chairman
- Mr. Brindley Chrisantha Gajanayake de Zylva, Member
- Mr. Indrajith Wijesiriwardana, Member

Risk committee

The members of the Risk committee during the period and at the date of this report are:

- Mr. Hans Michael Theodor Moormann, Chairman
- Mr. Brindley Chrisantha Gajanayake de Zylva, Member
- Mr. Francisco Kankanamalage Conrad Prasad Nirosh Dias, Member

Appointment and remuneration committee

The members of the appointment and remuneration committee during the period and at the date of this report are:

- Mr. Indrajith Wijesiriwardana, Chairman
- Mr. Dulip Rasika Samaraweera, Member
- Mr. Francisco Kankanamalage Conrad Prasad Nirosh Dias, Member

Responsibilities of the Board of Directors in respect of the condensed interim financial statements

The Board of Directors is responsible for ascertaining that the condensed interim financial statements are prepared, in all material respects, in accordance with the accounting principles generally accepted in Cambodia for interim financial reporting.

In preparing these condensed interim financial statements, the Board of Directors is required to:

- (i) adopt appropriate accounting policies which are supported by reasonable and prudent judgments and estimates and then apply them consistently;
- (ii) comply with the accounting principles generally accepted in Cambodia for interim financial reporting or, if there have been any departures in the interest of true and fair presentation, ensure that these have been appropriately disclosed, explained and quantified in the condensed interim financial statements;
- (iii) oversee the Company's financial reporting process and maintains adequate accounting records and an effective system of internal controls;

LOLC (Cambodia) Plc.

Responsibilities of the Board of Directors in respect of the condensed interim financial statements (continued)

- (iv) assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so; and
- (v) effectively control and direct effectively the Company in all material decisions affecting the operations and performance and ascertain that such have been properly reflected in the condensed interim financial statements.

The Board of Directors confirmed that they have fulfilled and complied with the above responsibilities in preparing the condensed interim financial statements.

Approval of condensed interim financial statements

The accompanying condensed interim financial statements, together with the notes thereto, as set out on pages 8 to 37, prepared, in all material respects, in accordance with the accounting principles generally accepted in Cambodia for interim financial reporting, were approved by the Board of Directors.

On behalf of the Board of Directors



Mr. Sok Voeun

Chief Executive Officer

Phnom Penh, Kingdom of Cambodia

Date: 14 AUG 2019



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INDEPENDENT AUDITOR'S REPORT ON REVIEW INTERIM FINANCIAL INFORMATION

To the shareholders LOLC (Cambodia) Plc.

Introduction

We have reviewed the accompanying condensed interim financial statements of the LOLC (Cambodia) Plc. ("the Company"), which comprise the condensed interim balance sheet of the Company as at 30 June 2019, and the condensed interim income statement, the condensed interim statements of changes in equity and cash flows for the six-month period ended 30 June 2019, and other explanatory notes as set out on pages 8 to 37 (hereafter referred to as "the condensed interim financial statements").

Management is responsible for the preparation and presentation of these condensed interim financial statements in accordance with the accounting principles generally accepted in Cambodia for interim financial reporting. Our responsibility is to express a conclusion on these condensed interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with the Cambodian International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information 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 condensed interim financial statements as at and for the six-month period ended 30 June 2019, are not prepared, in all material respects, in accordance with the accounting principles generally accepted in Cambodia for the interim financial reporting.

Other Matter

We draw attention to the fact that we have not reviewed the condensed interim income statement and the statements of changes in equity and cash flows of the Company for the three-month period ended 30 June 2019 and 2018 and for the six-month period ended 30 June 2018, or any of the related notes and accordingly, we do not express conclusion and any form of assurance on them.

For KPMG Cambodia Ltd

Lim Chew Teng
Partner



Phnom Penh, Kingdom of Cambodia

14 August 2019

LOLC (Cambodia) Plc.

Condensed interim balance sheet as at 30 June 2019

	Note	As at 30 June 2019		As at 31 December 2018	
		KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
ASSETS					
Cash on hand		42,811,561	10,529,159	49,019,393	12,199,948
Balances with the National Bank of Cambodia		537,659,614	132,233,059	317,522,406	79,024,989
Balances with banks	6	116,863,113	28,741,542	108,150,865	26,916,591
Loans to customers – net	7	2,499,661,555	614,771,656	1,928,675,767	480,008,902
Other assets		47,457,423	11,671,772	44,105,879	10,977,073
Investment		60,990	15,000	60,270	15,000
Property and equipment	8	8,730,628	2,147,228	6,544,540	1,628,806
Intangible assets	9	4,572,008	1,124,449	4,505,809	1,121,406
Deferred tax assets – net	10	9,207,922	2,264,614	7,581,894	1,886,982
TOTAL ASSETS		3,267,024,814	803,498,479	2,466,166,823	613,779,697
LIABILITIES AND EQUITY					
Liabilities					
Deposits from banks and other financial institutions	11	99,322,554	24,427,583	76,466,224	19,030,917
Deposits from customers	12	1,312,873,692	322,890,726	858,618,040	213,692,892
Provision for employee benefits	13	2,657,036	653,477	4,323,740	1,076,093
Other liabilities		64,550,342	15,875,638	64,295,429	16,001,848
Borrowings	14	1,250,743,953	307,610,416	1,088,456,511	270,895,100
Bond payables	15	80,411,797	19,776,635	-	-
Current income tax liability	21(a)	15,279,489	3,757,867	20,523,933	5,107,997
Total liabilities		2,825,838,863	694,992,342	2,112,683,877	525,804,847
Equity					
Share capital	16	140,846,600	34,640,089	120,000,000	29,865,605
Reserves		110,415,116	27,155,710	110,415,116	27,480,118
Advance capital contribution	17	21,640,400	5,322,282	20,846,600	5,188,303
Retained earnings		168,283,835	41,388,056	102,221,230	25,440,824
Total equity		441,185,951	108,506,137	353,482,946	87,974,850
TOTAL LIABILITIES AND EQUITY		3,267,024,814	803,498,479	2,466,166,823	613,779,697

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

LOLC (Cambodia) Plc.

Condensed interim income statement for the six-month period ended 30 June 2019

	Note	For the three-month period ended				For the six-month period ended			
		30 June 2019 (Not reviewed)		30 June 2018 (Not reviewed)		30 June 2019		30 June 2018 (Not reviewed)	
		KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
Interest income	18	103,290,262	25,403,409	71,038,006	17,484,127	193,334,358	47,549,030	136,421,121	33,576,451
Interest expense	18	(49,020,900)	(12,056,296)	(29,408,511)	(7,238,127)	(90,013,967)	(22,138,211)	(54,604,311)	(13,439,407)
Net interest income	18	54,269,362	13,347,113	41,629,495	10,246,000	103,320,391	25,410,819	81,816,810	20,137,044
Other income	19	29,585,140	7,276,227	16,928,106	4,166,406	58,745,521	14,447,988	34,614,191	8,519,368
Commission expenses		(904,285)	(222,402)	(610,388)	(150,231)	(1,788,801)	(439,941)	(1,163,947)	(286,475)
Personnel expenses	20	(23,971,200)	(5,895,524)	(18,168,561)	(4,471,711)	(45,304,845)	(11,142,362)	(35,190,720)	(8,661,265)
Depreciation	8	(1,093,023)	(268,820)	(960,603)	(236,427)	(2,050,355)	(504,268)	(1,937,831)	(476,946)
Amortisation	9	(87,394)	(21,494)	(47,757)	(11,754)	(172,377)	(42,395)	(94,989)	(23,379)
General and administrative expenses		(11,393,277)	(2,802,084)	(9,025,123)	(2,221,295)	(21,175,587)	(5,207,966)	(17,194,986)	(4,232,090)
Gain/(loss) on foreign exchange		948,276	233,221	(214,012)	(52,673)	895,390	220,214	123,584	30,417
Operating profit		47,353,599	11,646,237	29,531,157	7,268,315	92,469,337	22,742,089	60,972,112	15,006,674
Allowance for bad and doubtful financial instruments	7(a)	(4,631,509)	(1,139,082)	(3,480,401)	(856,609)	(9,526,759)	(2,343,030)	(8,487,139)	(2,088,885)
Profit before income tax		42,722,090	10,507,155	26,050,756	6,411,706	82,942,578	20,399,059	52,484,973	12,917,789
Income tax expense	21(b)	(8,750,326)	(2,152,072)	(5,296,149)	(1,303,507)	(16,879,973)	(4,151,494)	(10,704,918)	(2,634,733)
Net profit for the period		33,971,764	8,355,083	20,754,607	5,108,199	66,062,605	16,247,565	41,780,055	10,283,056

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

LOLC (Cambodia) Plc.

Condensed interim statement of changes in equity for the six-month period ended 30 June 2019

	Share capital KHR'000	Reserves KHR'000	Advance capital contribution KHR'000	Retained earnings KHR'000	Total KHR'000
For the period six-month period ended 30 June 2018					
As at 1 January 2018	71,684,100	7,168,410	-	172,753,435	251,605,945
Transfer from retained earnings to share capital	48,315,900	-	-	(48,315,900)	-
Net profit for the period	-	-	-	41,780,055	41,780,055
	<u>120,000,000</u>	<u>7,168,410</u>	<u>-</u>	<u>166,217,590</u>	<u>293,386,000</u>
As at 30 June 2018 (Not reviewed)					
(US\$ equivalents – Note 4) (Not reviewed)	<u>29,534,826</u>	<u>1,764,315</u>	<u>-</u>	<u>40,910,064</u>	<u>72,209,205</u>
For the period six-month period ended 30 June 2019					
As at 1 January 2019	120,000,000	110,415,116	20,846,600	102,221,230	353,482,946
Transfer from advance capital contribution to share capital	20,846,600	-	(20,846,600)	-	-
Additional capital contribution	-	-	21,640,400	-	21,640,400
Net profit for the period	-	-	-	66,062,605	66,062,605
	<u>140,846,600</u>	<u>110,415,116</u>	<u>21,640,400</u>	<u>168,283,835</u>	<u>441,185,951</u>
As at 30 June 2019					
(US\$ equivalents – Note 4)	<u>34,640,089</u>	<u>27,155,710</u>	<u>5,322,282</u>	<u>41,388,056</u>	<u>108,506,137</u>

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

LOLC (Cambodia) Plc.

Condensed interim statement of cash flows for the six-month period ended 30 June 2019

	Note	For the six-month period ended			
		30 June 2019		30 June 2018 (Not reviewed)	
		KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
Cash flows from operating activities					
Profit before income tax		82,942,578	20,399,059	52,484,973	12,917,789
<i>Adjustments for:</i>					
Depreciation	8	2,050,355	504,268	1,937,831	476,946
Amortisation	9	172,377	42,395	94,989	23,379
Allowance for bad and doubtful loans	7	9,438,757	2,321,387	8,487,139	2,088,885
Allowance for deposit and placement with banks	7	88,002	21,643	-	-
Reversal of provision for employee benefits		(1,666,704)	(409,912)	-	-
Disposals and written off of property and equipment		(11,187)	(2,751)	(118,358)	(29,131)
Net interest income		(103,320,391)	(25,410,819)	(81,816,810)	(20,137,044)
		(10,306,213)	(2,534,730)	(18,930,236)	(4,659,176)
Changes in:					
Reserve requirements with the NBC		(37,663,429)	(9,263,017)	(19,224,265)	(4,731,544)
Balances with banks		-	-	(31,200)	(7,679)
Loans to customers		(580,423,685)	(142,750,537)	(337,510,695)	(83,069,332)
Other receivables		700,453	172,271	(4,695,057)	(1,155,564)
Deposits from banks and other financial institutions		22,856,330	5,621,331	14,022,042	3,451,155
Deposits from customers		454,255,652	111,720,524	167,176,464	41,146,065
Other liabilities		(10,389,922)	(2,555,318)	1,704,852	419,604
Cash used in operations		(160,970,814)	(39,589,476)	(197,488,095)	(48,606,471)
Interest received		189,281,641	46,552,297	130,554,012	32,132,417
Interest paid		(79,369,992)	(19,520,411)	(51,377,845)	(12,645,298)
Income tax paid		(23,750,445)	(5,841,231)	(15,249,240)	(3,753,197)
Net cash used in operating activities		(74,809,610)	(18,398,821)	(133,561,168)	(32,872,549)
Cash flows from investing activities					
Capital guaranteed deposit with the NBC		(2,084,660)	(512,705)	(4,831,590)	(1,189,168)
Acquisition of property and equipment		(4,237,975)	(1,042,296)	(957,248)	(235,601)
Acquisition of intangible assets		(238,576)	(58,676)	(210,052)	(51,699)
Proceeds from disposals of property and equipment		12,719	3,128	120,616	29,686
Net cash used in investing activities		(6,548,492)	(1,610,549)	(5,878,274)	(1,446,782)

LOLC (Cambodia) Plc.

Condensed interim statement of cash flows (continued) for the six-month period ended 30 June 2019

	Note	For the six-month period ended			
		30 June 2019		30 June 2018 (Not reviewed)	
		KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
Cash flows from financing activities					
Proceeds from borrowings		319,829,618	78,659,522	370,052,424	91,078,618
Repayments of borrowings		(157,542,176)	(38,746,231)	(167,672,645)	(41,268,187)
Proceeds from bond issuance		80,411,797	19,776,635	-	-
Additional share capital contribution		21,640,400	5,322,282	-	-
Net cash generated from financing activities		264,339,639	65,012,208	202,379,779	49,810,431
Net increase in cash and cash equivalents					
		182,981,537	45,002,838	62,940,337	15,491,100
Cash and cash equivalents at 1 January		369,537,050	91,970,395	126,552,514	31,348,158
Currency translation differences		-	(1,376,049)	-	(200,605)
Cash and cash equivalents end of the period	21	552,518,587	135,597,184	189,492,851	46,638,653

Significant non-cash transactions:

During the period, there were the following significant non-cash transactions:

	As at 30 June 2019		As at 31 December 2018	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
Transfer of the advance capital to share capital	20,846,600	5,127,054	-	-
Conversion of the retained earnings to the share capital	-	-	48,315,900	12,025,000
Transfer from retained earnings to reserve	-	-	103,246,706	25,696,000

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

LOLC (Cambodia) Plc.

Notes to the condensed interim financial statements for the six-month period ended 30 June 2019

1. Reporting entity

LOLC (Cambodia) Plc. (formerly known as Thaneakea Phum (Cambodia) Ltd.) (“the Company”), a licensed micro-finance institution, incorporated in the Kingdom of Cambodia and registered with the Ministry of Commerce as a public limited liability company under the registration number Co. 1413 E/2002 and changed to the registration number 00012829, dated 23 May 2002 and latest renewed on 28 September 2015. After a change in the shareholding structure in September 2014, the Company became a subsidiary of LOLC Micro Investments Ltd., a company incorporated in Sri Lanka. The ultimate parent is Lanka ORIX Leasing Company PLC, a company incorporated in Sri Lanka and listed on the Colombo Stock Exchange.

On 16 September 2017, LOLC Micro investments Ltd. and DWM Investment Asia Ltd, transferred/sold all their shareholding of 96.97% to LOLC Private Limited. This was subsequently approved by the NBC on 28 November 2017. In addition, the subject shares were approved for the change in ownership by the NBC on 14 March 2018 and endorsed by the MoC on 25 June 2018.

The principal activity of the Company is to provide micro-finance services (deposit-taking and lending) to the rural population, micro-enterprises and small and medium enterprises through its head office in Phnom Penh and its various branches in the Kingdom of Cambodia. Financial services are provided either through village banks made up of solidarity groups of two to seven members each as well as to individuals.

On 11 September 2015, the Company obtained a Micro-finance Deposit Taking Institution (“MDI”) license to conduct deposit taking business from the National Bank of Cambodia.

The Company has 79 office locations (78 branches and a head office in Phnom Penh). The Company’s registered office is at Building No. 666B, Street 271, Sangkat Boeung Tumpun 2, Khan Mean Chey, Phnom Penh, and Kingdom of Cambodia.

As at 30 June 2019, the Company had 2,327 employees (31 December 2018: 2,065 employees).

2. Basis of preparation

(a) Statement of compliance

These condensed interim financial statements have been prepared in accordance with the accounting principles generally accepted in Cambodia for interim financial reporting. Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Company’s financial position and performance since the last annual financial statements as at and for the year ended 31 December 2018.

The condensed interim financial statements were approved by the Board of Directors and authorised for issue on 14 August 2019.

LOLC (Cambodia) Plc.

Notes to the condensed interim financial statements (continued) for the six-month period ended 30 June 2019

2. Basis of preparation (continued)

(b) Basis of measurement

The condensed interim financial statements have been prepared on the historical cost basis.

(c) Functional and presentation currency

The Company transacts 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 KHR to be the Company's functional and presentation currency as it reflects the economic substance of the underlying events and circumstances of the Company.

Transactions in currencies other than KHR are translated into KHR at the exchange rate ruling at the dates of the transactions. Monetary assets and liabilities denominated in currencies other than KHR at the reporting date are translated into KHR at the rates of exchange ruling at that date. Exchange differences arising on translation are recognised in the condensed interim income statement.

(d) Use of estimates and judgements

The preparation of condensed interim financial statements requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of condensed interim financial statements, and the reported amounts of incomes and expenses during the reporting period. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. Although these estimates and judgements are based on the management's best knowledge of current event and actions, actual results ultimately may differ from those estimates.

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the condensed interim financial statements are disclosed below.

(i) *Impairment losses on loans to customers and balances with banks*

The Company follow the mandatory loan classification and provisioning as required by the National Bank of Cambodia's Prakas No. B7-017-344 dated 1 December 2017 and Circular No. B7-018-001 Sor Ror Chor Nor dated 16 February 2018 on credit risk classification and provision on impairment for banks and financial institutions. Loans and advances, other financial products and off-balance sheet financial commitments are classified into five classifications and the regulatory allowance is made depending on the classification concerned, regardless of the assets (except cash) pledged as collateral. The Directors believe that the loan aging (by past due days) as a basis to determine the loan classification is appropriate to determine the adequacy of its impairment losses on so as to follow this Prakas.

LOLC (Cambodia) Plc.

Notes to the condensed interim financial statements (continued) for the six-month period ended 30 June 2019

2. Basis of preparation (continued)

(d) Use of estimates and judgements (continued)

(i) *Impairment losses on loans to customers and balances with banks (continued)*

Provision for loans are presented as reduction from loans. The table below shows the classifications and regulatory provisioning requirements:

<u>Facility classification</u>	<u>Number of days past due</u>	<u>Allowance rate</u>
Short-term loans (less than or equal to one year)		
Normal	Less than 15 days	1%
Special mention	15 days – 30 days	3%
Substandard	31 days – 60 days	20%
Doubtful	61 days – 90 days	50%
Loss	91 days or more	100%
Long-term loans (more than one year)		
Normal	Less than 30 days	1%
Special mention	30 days – 89 days	3%
Substandard	90 days – 179 days	20%
Doubtful	180 days – 359 days	50%
Loss	360 days or more	100%

(ii) **Taxes**

Taxes are calculated on the basis of current interpretation of the tax regulations. However, these regulations are subject to periodic variation and the ultimate determination of tax expenses will be made following inspection by tax authorities.

Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will have an impact on the income tax and deferred tax provisions in the period in which such determination is made.

(iii) **Seniority indemnity**

The present value of back pay seniority indemnity obligation depends on a number of factors that are determined by management using a number of assumptions such as turnover rates. The assumptions used in determining the net cost for back pay seniority indemnity include discount rate. The management used the average fixed deposit interest rate from other banks and MFIs as a discount rate to determine the present value of the estimated future cash outflows expected to be required to settle the back pay seniority indemnity obligation.

LOLC (Cambodia) Plc.

Notes to the condensed interim financial statements (continued) for the six-month period ended 30 June 2019

3. Significant accounting policies

The accounting policies applied in these condensed interim financial statements are the same as those applied in Company's annual financial statements as at and for the year ended 31 December 2018.

4. Translation of Khmer Riels into United States Dollars

The condensed interim financial statements are stated in the Khmer Riel. The translations of the Khmer Riel amounts into the United States Dollars are included solely for presentation purposes and have been made using the prescribed official exchange rate of US\$1: KHR4,066 published by the NBC on 30 June 2019 (30 June 2018: US\$1 to KHR4,063 and 31 December 2018: US\$1 to KHR4,018).

These convenience translations should not be construed as representations that the Khmer Riel amounts have been, could have been, or could in the future be, converted into the United States Dollars at this or any other rate of exchange.

5. Seasonality

The principal activity of the Company is mainly to provide micro-finance services (deposit-taking and lending) to the rural population, micro-enterprises and small and medium enterprises through its head office in Phnom Penh and its various branches. There is no significant seasonality factor associated with these businesses.

6. Balances with banks

	As at 30 June 2019		As at 31 December 2018	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
Current accounts	55,285,888	13,597,120	41,057,816	10,218,471
Savings accounts	62,757,660	15,434,741	68,185,482	16,970,005
	118,043,548	29,031,861	109,243,298	27,188,476
Regulatory allowances	(1,180,435)	(290,319)	(1,092,433)	(271,885)
	116,863,113	28,741,542	108,150,865	26,916,591

LOLC (Cambodia) Plc.

Notes to the condensed interim financial statements (continued) for the six-month period ended 30 June 2019

6. Balances with banks (continued)

Balances with banks are analysed as follows:

	As at 30 June 2019		As at 31 December 2018	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
(a) By currency:				
Khmer Riel	34,573,630	8,503,106	16,067,558	3,998,894
US Dollars	83,469,918	20,528,755	87,431,482	21,759,951
Thai Baht	-	-	5,744,258	1,429,631
	<u>118,043,548</u>	<u>29,031,861</u>	<u>109,243,298</u>	<u>27,188,476</u>
(b) By maturity:				
Within 1 month	<u>118,043,548</u>	<u>29,031,861</u>	<u>109,243,298</u>	<u>27,188,476</u>
(c) By interest rate (per annum):				
Current accounts		0% – 1.75%		0% – 1.75%
Savings accounts		0.20% – 2.00%		0.20% – 2.00%

LOLC (Cambodia) Plc.

Notes to the condensed interim financial statements (continued) for the six-month period ended 30 June 2019

7. Loans to customers – net

	As at 30 June 2019		As at 31 December 2018	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
Group loans:				
Fixed term	25,155,305	6,186,745	36,427,565	9,066,094
End of cycle	231,551,011	56,948,109	151,811,520	37,782,857
Individual loans:				
Fixed term	2,017,346,208	496,150,076	1,540,976,788	383,518,364
End of cycle	245,755,031	60,441,473	211,849,035	52,724,996
Staff loans	19,926,938	4,900,870	17,691,324	4,403,018
	<u>2,539,734,493</u>	<u>624,627,273</u>	<u>1,958,756,232</u>	<u>487,495,329</u>
Allowance for bad and doubtful loans:				
Specific allowance	(14,909,781)	(3,666,941)	(10,681,315)	(2,658,366)
General allowance	(25,163,157)	(6,188,676)	(19,399,150)	(4,828,061)
	<u>(40,072,938)</u>	<u>(9,855,617)</u>	<u>(30,080,465)</u>	<u>(7,486,427)</u>
	<u>2,499,661,555</u>	<u>614,771,656</u>	<u>1,928,675,767</u>	<u>480,008,902</u>

LOLC (Cambodia) Plc.

Notes to the condensed interim financial statements (continued) for the six-month period ended 30 June 2019

7. Loans to customers – net (continued)

(a) Provision for bad and doubtful loans

(i) Provision for impairment losses recognised in condensed interim income statements:

	For the three-month period ended				For the six-month period ended			
	30 June 2019 (Not reviewed)		30 June 2018 (Not reviewed)		30 June 2019		30 June 2018 (Not reviewed)	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
Allowance for loan losses	4,562,876	1,122,202	3,480,401	856,609	9,438,757	2,321,387	8,487,139	2,088,885
Regulatory allowance for balances with banks	68,633	16,880	-	-	88,002	21,643	-	-
	<u>4,631,509</u>	<u>1,139,082</u>	<u>3,480,401</u>	<u>856,609</u>	<u>9,526,759</u>	<u>2,343,030</u>	<u>8,487,139</u>	<u>2,088,885</u>

LOLC (Cambodia) Plc.

Notes to the condensed interim financial statements (continued) for the six-month period ended 30 June 2019

7. Loans to customers – net (continued)

(a) Provision for bad and doubtful loans (continued)

(ii) Movements of provision for bad and doubtful loans are as follows:

	For the three-month period ended				For the six-month period ended			
	30 June 2019 (Not reviewed)		30 June 2018 (Not reviewed)		30 June 2019		30 June 2018 (Not reviewed)	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
At the beginning of the period	35,040,932	8,727,505	27,575,316	6,893,829	30,080,465	7,486,427	22,714,400	5,626,554
Allowance for the period	4,562,876	1,122,202	3,480,401	856,609	9,438,757	2,321,387	8,487,139	2,088,885
Written-off during the period	-	-	-	-	-	-	-	-
Loss/(gain) on foreign exchange	469,130	115,380	224,912	55,356	553,716	136,182	79,090	19,466
Currency translation differences	-	(109,470)	-	(106,895)	-	(88,379)	-	(36,006)
	<u>40,072,938</u>	<u>9,855,617</u>	<u>31,280,629</u>	<u>7,698,899</u>	<u>40,072,938</u>	<u>9,855,617</u>	<u>31,280,629</u>	<u>7,698,899</u>

LOLC (Cambodia) Plc.

Notes to the condensed interim financial statements (continued) for the six-month period ended 30 June 2019

7. Loans to customers – net (continued)

Loans to customers are analysed as follows:

	As at 30 June 2019		As at 31 December 2018	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
(b) By maturity:				
Within 1 month	73,915,732	18,178,980	65,531,462	16,309,473
2 to 3 months	149,067,533	36,661,961	145,341,115	36,172,502
4 - 12 months	724,659,573	178,224,194	546,109,615	135,915,783
Over 12 months	1,592,091,655	391,562,138	1,201,774,040	299,097,571
	<u>2,539,734,493</u>	<u>624,627,273</u>	<u>1,958,756,232</u>	<u>487,495,329</u>
(c) By currency:				
Khmer Riel	517,791,438	127,346,640	376,639,935	93,738,162
US Dollars	1,867,422,284	459,277,492	1,468,871,736	365,572,856
Thai Baht	154,520,771	38,003,141	113,244,561	28,184,311
	<u>2,539,734,493</u>	<u>624,627,273</u>	<u>1,958,756,232</u>	<u>487,495,329</u>
(d) By economic sector:				
Agriculture	823,890,764	202,629,307	710,998,374	176,953,304
Household/family	791,616,757	194,691,775	554,624,663	138,035,008
Trade and commerce	410,963,850	101,073,254	324,788,234	80,833,309
Services	390,281,841	95,986,680	278,768,720	69,379,970
Construction	84,450,611	20,769,949	60,072,943	14,950,956
Transportation	12,055,221	2,964,885	8,615,126	2,144,133
Other categories	26,475,449	6,511,423	20,888,172	5,198,649
	<u>2,539,734,493</u>	<u>624,627,273</u>	<u>1,958,756,232</u>	<u>487,495,329</u>

LOLC (Cambodia) Plc.

Notes to the condensed interim financial statements (continued) for the six-month period ended 30 June 2019

7. Loans to customers – net (continued)

Loans to customers are analysed as follows (continued):

	As at 30 June 2019		As at 31 December 2018	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
(e) By relationship:				
External customers	2,519,807,555	619,726,403	1,941,064,908	483,092,311
Staff loans	19,651,090	4,833,027	17,554,677	4,369,009
Related parties	275,848	67,843	136,647	34,009
	<u>2,539,734,493</u>	<u>624,627,273</u>	<u>1,958,756,232</u>	<u>487,495,329</u>

Secured loans are those loans guaranteed by land ownership either soft and hard title deed.

	As at 30 June 2019		As at 31 December 2018	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
(f) By performance:				
Standard loans:				
Secured	2,264,392,440	556,909,110	1,755,410,399	436,886,610
Unsecured	251,923,174	61,958,479	184,504,489	45,919,485
Special mentioned:				
Secured	2,687,369	660,937	2,228,930	554,736
Unsecured	490,999	120,757	434,819	108,218
Sub-standard loans:				
Secured	3,275,461	805,573	2,572,807	640,320
Unsecured	622,129	153,008	577,559	143,743
Doubtful loans:				
Secured	3,595,504	884,285	4,905,424	1,220,862
Unsecured	1,020,515	250,987	1,206,375	300,243
Loss loans:				
Secured	9,077,403	2,232,514	5,399,587	1,343,849
Unsecured	2,649,499	651,623	1,515,843	377,263
	<u>2,539,734,493</u>	<u>624,627,273</u>	<u>1,958,756,232</u>	<u>487,495,329</u>

LOLC (Cambodia) Plc.

Notes to the condensed interim financial statements (continued) for the six-month period ended 30 June 2019

7. Loans to customers – net (continued)

Loans to customers are analysed as follows (continued):

	As at 30 June 2019		As at 31 December 2018	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
(g) By locations:				
Head office	3,538,251	870,204	2,963,446	737,543
Branches	2,536,196,242	623,757,069	1,955,792,786	486,757,786
	<u>2,539,734,493</u>	<u>624,627,273</u>	<u>1,958,756,232</u>	<u>487,495,329</u>

	As at 30 June 2019		As at 31 December 2018	
	(h) By interest rate (per month):			
Khmer Riel		1.50%		1.50%
US Dollars		1.20% – 1.50%		1.20% – 1.50%
Thai Baht		<u>1.50%</u>		<u>1.50%</u>

8. Property and equipment

During the six-month period ended 30 June 2019, the Company acquired property and equipment amounting to KHR4,237,975 thousand and the depreciation expense amounting to KHR2,050,355 thousand was charged to the condensed interim income statement during the period.

9. Intangible assets

During the six-months period ended 30 June 2019, the Company acquired the intangible assets amounting to KHR238,576 thousand and the amortisation expense amounting to KHR172,377 thousand was charged to the condensed interim income statement during the period.

LOLC (Cambodia) Plc.

Notes to the condensed interim financial statements (continued) for the six-month period ended 30 June 2019

10. Deferred tax assets - net

	As at 30 June 2019		As at 31 December 2018	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
Deferred tax assets	9,208,884	2,264,851	7,584,435	1,887,607
Deferred tax liabilities	(962)	(237)	(2,541)	(625)
Net deferred tax assets	9,207,922	2,264,614	7,581,894	1,886,982

LOLC (Cambodia) Plc.

Notes to the condensed interim financial statements (continued) for the six-month period ended 30 June 2019

10. Deferred tax assets – net (continued)

The movements in net deferred tax assets during the period are as follows:

	For the three-month period ended				For the six-month period ended			
	30 June 2019 (Not reviewed)		30 June 2018 (Not reviewed)		30 June 2019		30 June 2018 (Not reviewed)	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
At the beginning of the period	8,018,317	1,997,091	4,988,150	1,247,039	7,581,894	1,886,982	4,404,379	1,091,003
Credited to condensed income statement	1,189,605	292,574	1,153,621	283,933	1,626,028	399,909	1,737,392	427,613
Currency translation differences	-	(25,051)	-	(19,337)	-	(22,277)	-	(6,981)
	<u>9,207,922</u>	<u>2,264,614</u>	<u>6,141,771</u>	<u>1,511,635</u>	<u>9,207,922</u>	<u>2,264,614</u>	<u>6,141,771</u>	<u>1,511,635</u>

LOLC (Cambodia) Plc.

Notes to the condensed interim financial statements (continued) for the six-month period ended 30 June 2019

11. Deposits from banks and other financial institutions

	As at 30 June 2019		As at 31 December 2018	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
Savings deposits	3,753,161	923,060	2,081,407	518,021
Term deposits	95,569,393	23,504,523	74,384,817	18,512,896
	<u>99,322,554</u>	<u>24,427,583</u>	<u>76,466,224</u>	<u>19,030,917</u>

Deposits from banks and other financial institutions are analysed as follows:

	As at 30 June 2019		As at 31 December 2018	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
By maturity:				
Within 1 month	15,544,561	3,823,060	18,102,622	4,505,381
2 to 3 months	21,753,100	5,350,000	17,438,120	4,340,000
4 - 12 months	43,312,370	10,652,329	38,925,482	9,687,776
Over 12 months	18,712,523	4,602,194	2,000,000	497,760
	<u>99,322,554</u>	<u>24,427,583</u>	<u>76,466,224</u>	<u>19,030,917</u>

12. Deposits from customers

	As at 30 June 2019		As at 31 December 2018	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
Savings deposits	170,889,689	42,028,945	97,800,373	24,340,561
Term deposits	1,141,984,003	280,861,781	760,817,667	189,352,331
	<u>1,312,873,692</u>	<u>322,890,726</u>	<u>858,618,040</u>	<u>213,692,892</u>

LOLC (Cambodia) Plc.

Notes to the condensed interim financial statements (continued) for the six-month period ended 30 June 2019

12. Deposits from customers (continued)

Deposits from customers are analysed as follows:

	As at 30 June 2019		As at 31 December 2018	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
(a) By maturity:				
Within 1 month	223,169,675	54,886,787	116,935,993	29,103,035
2 to 3 months	201,483,442	49,553,232	111,713,445	27,803,247
4 - 12 months	634,095,951	155,950,800	461,874,856	114,951,433
Over 12 months	254,124,624	62,499,907	168,093,746	41,835,177
	<u>1,312,873,692</u>	<u>322,890,726</u>	<u>858,618,040</u>	<u>213,692,892</u>
(b) By interest rate (per annum)				
Savings deposits	1% – 5.00%		5.00%	
Fixed deposit	<u>3.00% – 9.00%</u>		<u>3.25% – 12.00%</u>	

13. Provision for employee benefits

As at 30 June 2019, the Company has made provision for seniority indemnity obligation, in accordance with Prakas No. 443 issued by the Ministry of Labour and Vocational Training ("MoLVT") on 21 September 2018, and subsequently amended by the Instruction No. 042/19 dated 22 March 2019, amounting to KHR2,657,036 thousand. During the six-month period ended 30 June 2019, the Company reversed the provision for the seniority indemnity amounting to KHR1,666,706 thousand due to the changes in certain assumptions.

14. Borrowings

	As at 30 June 2019		As at 31 December 2018	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
Local banks	248,029,119	2,358,506	217,820,699	54,211,224
Borrowings from overseas (*)	1,002,714,834	305,251,910	870,635,812	216,683,876
	<u>1,250,743,953</u>	<u>307,610,416</u>	<u>1,088,456,511</u>	<u>270,895,100</u>

LOLC (Cambodia) Plc.

Notes to the condensed interim financial statements (continued) for the six-month period ended 30 June 2019

14. Borrowings (continued)

- (*) It included the subordinated debts of KHR78.06 billion (equivalent to US\$19.20 million) (31 December 2018: KHR83.57 billion, equivalent to US\$20.8 million) approved by the NBC.

The Company has entered into borrowing agreements with various lenders. The repayments of principal and interest are made either on a monthly, quarterly, semi-annual or annual basis based on the repayment schedule for each of the borrowing agreements.

Borrowings are analysed as follows:

	As at 30 June 2019		As at 31 December 2018	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
(a) By relationship:				
Third parties	1,250,743,953	307,610,416	1,088,456,511	270,895,100
	<hr/>		<hr/>	
	As at 30 June 2019		As at 31 December 2018	
(b) By interest rate (in currency and per annum):				
Khmer Riel	6.00% – 8.00%		6.00% – 11.00%	
US Dollars	2.55% – 10.50%		2.55% – 10.50%	
Thai Baht	6.85% – 9.50%		6.85% – 9.80%	
	<hr/>		<hr/>	

15. Bond payables

On 18 May 2018, the shareholders of the Company resolve to authorise the Company to issue corporate bond for additional source of fund to the existing local and international lenders. The request was approved by the NBC on 22 February 2019. The Company obtained approval on public bond issuance from the NBC and the Securities and Exchange Commission of Cambodia ("SECC") on 22 February 2019 and 22 April 2019, respectively. The Cambodia Securities Exchange ("CSX") approve for the corporate bond listing on 7 May 2019.

The Company issued bond payables on 26 April 2019 with value in amount of KHR80,000,000 thousands with maturity date for three-year period. These bonds are divided into two types, as plain bond and foreign exchange-indexed bond with coupon rate of 9% and 8% per annum, respectively.

LOLC (Cambodia) Plc.

Notes to the condensed interim financial statements (continued) for the six-month period ended 30 June 2019

16. Share capital

	As at 30 June 2019			As at 31 December 2018		
	% of shareholding	Number of shares	Amount KHR'000	% of shareholding	Number of shares	Amount KHR'000
LOLC Private Limited	96.97%	1,365,792	136,579,200	96.97%	1,163,642	116,364,200
TPC-ESOP Co., Ltd.	3.03%	42,674	4,267,400	3.03%	36,358	3,635,800
	<u>100.00%</u>	<u>1,408,466</u>	<u>140,846,600</u>	<u>100.00%</u>	<u>1,200,000</u>	<u>120,000,000</u>
US\$ equivalents – Note 4			<u>34,640,089</u>			<u>29,865,605</u>

17. Advance capital contribution

On 22 February 2019, the Company transferred the advance capital contribution amounting to KHR20,846,600 thousand to share capital.

On 3 June 2019, the Board of Directors approved to increase the registered capital to KHR182,612,000 thousand via cash capital injection from LOLC Private Limited and TPC-ESOP Co., Ltd., amounting to KHR40,500,000 thousand and KHR1,265,400 thousand, respectively.

During the period, the Company has received share subscription from LOLC Private Limited and TPC-ESOP Co., Ltd., amounting to KHR20,375,000 thousand and KHR1,265,400 thousand, respectively. Additionally, on 8 July 2019, the Company received the remaining cash capital injection from LOLC Private Limited amounting to KHR20,375,000 thousand. As of the date of these condensed interim financial statements, the Company is waiting for the approval from the NBC and the endorsement on the revised Memorandum and Articles of Association (“MoAA”) by the Ministry of the Commerce (“MoC”).

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Notes to the condensed interim financial statements (continued) for the six-month period ended 30 June 2019

18. Net Interest income

	For the three-month period ended				For the six-month period ended			
	30 June 2019 (Not reviewed)		30 June 2018 (Not reviewed)		30 June 2019 (Not reviewed)		30 June 2018 (Not reviewed)	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
Interest income								
Loans to customers	102,866,995	25,299,310	70,801,499	17,425,917	192,667,044	47,384,910	135,956,561	33,462,112
Placements with banks	423,267	104,099	236,507	58,210	667,314	164,120	464,560	114,339
	<u>103,290,262</u>	<u>25,403,409</u>	<u>71,038,006</u>	<u>17,484,127</u>	<u>193,334,358</u>	<u>47,549,030</u>	<u>136,421,121</u>	<u>33,576,451</u>
Interest expense								
Local borrowings	(4,466,775)	(1,098,567)	(3,637,660)	(895,314)	(8,581,528)	(2,110,558)	(5,982,784)	(1,472,504)
Overseas borrowings	(22,153,156)	(5,448,391)	(16,806,310)	(4,136,429)	(41,232,018)	(10,140,683)	(32,745,924)	(8,059,543)
Customers' deposits	(22,400,969)	(5,509,338)	(8,964,541)	(2,206,384)	(40,200,421)	(9,886,970)	(15,875,603)	(3,907,360)
	<u>(49,020,900)</u>	<u>(12,056,296)</u>	<u>(29,408,511)</u>	<u>(7,238,127)</u>	<u>(90,013,967)</u>	<u>(22,138,211)</u>	<u>(54,604,311)</u>	<u>(13,439,407)</u>
Net interest income	<u>54,269,362</u>	<u>13,347,113</u>	<u>41,629,495</u>	<u>10,246,000</u>	<u>103,320,391</u>	<u>25,410,819</u>	<u>81,816,810</u>	<u>20,137,044</u>

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Notes to the condensed interim financial statements (continued) for the six-month period ended 30 June 2019

19. Other income

	For the three-month period ended				For the six-month period ended			
	30 June 2019 (Not reviewed)		30 June 2018 (Not reviewed)		30 June 2019		30 June 2018 (Not reviewed)	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
Fees and commission	26,763,815	6,582,345	15,563,630	3,830,576	53,013,597	13,038,268	31,839,408	7,836,428
Penalty income	1,744,318	429,001	861,253	211,975	3,545,575	872,006	1,724,075	424,335
Recovery from loans written off	452,499	111,288	259,171	63,788	1,146,765	282,038	573,213	141,081
Gains on disposals of property and equipment	1,544	380	61,081	15,033	11,939	2,936	118,358	29,131
Others	622,964	153,213	182,971	45,034	1,027,645	252,740	359,137	88,393
	<u>29,585,140</u>	<u>7,276,227</u>	<u>16,928,106</u>	<u>4,166,406</u>	<u>58,745,521</u>	<u>14,447,988</u>	<u>34,614,191</u>	<u>8,519,368</u>

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Notes to the condensed interim financial statements (continued) for the six-month period ended 30 June 2019

20. Personnel expenses

	For the three-month period ended				For the six-month period ended			
	30 June 2019 (Not reviewed)		30 June 2018 (Not reviewed)		30 June 2019		30 June 2018 (Not reviewed)	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
Salaries and wages	21,901,457	5,386,487	16,285,823	4,008,325	41,100,264	10,108,279	31,251,370	7,691,698
Other short-term benefits	2,069,743	509,037	1,882,738	463,386	4,204,581	1,034,083	3,939,350	969,567
	<u>23,971,200</u>	<u>5,895,524</u>	<u>18,168,561</u>	<u>4,471,711</u>	<u>45,304,845</u>	<u>11,142,362</u>	<u>35,190,720</u>	<u>8,661,265</u>

21. Income tax expenses

(a) Current income tax liabilities

	For the three-month period ended				For the six-month period ended			
	30 June 2019 (Not reviewed)		30 June 2018 (Not reviewed)		30 June 2019		30 June 2018 (Not reviewed)	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
At beginning of the period	7,006,629	1,743,810	5,992,542	1,484,405	20,523,933	5,107,997	13,836,836	3,427,505
Current income tax expense	9,939,931	2,444,646	6,449,770	1,587,440	18,506,001	4,551,403	12,442,312	3,062,346
Income tax paid	(1,667,071)	(410,003)	(1,412,403)	(347,626)	(23,750,445)	(5,841,231)	(15,249,239)	(3,753,197)
Currency translation differences	-	(20,586)	-	(9,499)	-	(60,302)	-	(21,934)
	<u>15,279,489</u>	<u>3,757,867</u>	<u>11,029,909</u>	<u>2,714,720</u>	<u>15,279,489</u>	<u>3,757,867</u>	<u>11,029,909</u>	<u>2,714,720</u>

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Notes to the condensed interim financial statements (continued) for the six-month period ended 30 June 2019

21. Income tax expenses (continued)

(b) Income tax expenses

	For the three-month period ended				For the six-month period ended			
	30 June 2019 (Not reviewed)		30 June 2018 (Not reviewed)		30 June 2019		30 June 2018 (Not reviewed)	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
Current income tax	9,939,931	2,444,646	6,449,770	1,587,440	18,506,001	4,551,403	12,442,310	3,062,346
Deferred tax credit	<u>(1,189,605)</u>	<u>(292,574)</u>	<u>(1,153,621)</u>	<u>(283,933)</u>	<u>(1,626,028)</u>	<u>(399,909)</u>	<u>(1,737,392)</u>	<u>(427,613)</u>
	<u>8,750,326</u>	<u>2,152,072</u>	<u>5,296,149</u>	<u>1,303,507</u>	<u>16,879,973</u>	<u>4,151,494</u>	<u>10,704,918</u>	<u>2,634,733</u>

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Notes to the condensed interim financial statements (continued) for the six-month period ended 30 June 2019

22. Cash and cash equivalents

	As at 30 June 2019		As at 30 June 2018	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
Cash on hand	42,811,561	10,529,159	46,418,245	11,424,623
Balances with the National Bank of Cambodia	118,043,548	28,741,542	41,145,209	10,126,805
Balances with banks	6 391,663,478	96,326,483	101,929,397	25,087,225
Cash and cash equivalents	<u>552,518,587</u>	<u>135,597,184</u>	<u>189,492,851</u>	<u>46,638,653</u>

23. Commitments

The Company has non-cancellable operating lease commitments in respect of branch and office premises with third parties, as follows

	As at 30 June 2019		As at 31 December 2018	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
Within one year	5,752,567	1,414,798	5,905,773	1,469,829
2 to 5 years	12,774,883	3,141,880	14,586,239	3,630,224
Over five years	4,400,144	1,082,180	3,927,173	977,395
	<u>22,927,594</u>	<u>5,638,858</u>	<u>24,419,185</u>	<u>6,077,448</u>

24. Related party balances and transactions

(a) Board of Directors' fee

	For the six-month period ended			
	30 June 2019		30 June 2018 (Not reviewed)	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
Board fees	<u>339,243</u>	<u>83,434</u>	<u>239,600</u>	<u>58,971</u>

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Notes to the condensed interim financial statements (continued) for the six-month period ended 30 June 2019

24. Related party balances and transactions (continued)

(b) Key management personnel

	For the six-month period ended			
	30 June 2019		30 June 2018 (Not reviewed)	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
Salaries and short-term benefit expense	2,133,589	524,739	1,341,205	330,102

	As at 30 June 2019		As at 31 December 2018	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
Salaries and short-term benefit liabilities	2,068,634	508,764	444,313	110,581

(c) Loans to shareholders

	As at 30 June 2019		As at 31 December 2018	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
Loan outstanding	127,404	31,334	136,647	34,009
Accrued interest receivable	127	31	182	45
	127,531	31,365	136,829	34,054

(d) Interest income from shareholders

	For the six-month period ended			
	30 June 2019		30 June 2018 (Not reviewed)	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
Interest income	8,120	1,997	15,012	3,695

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Notes to the condensed interim financial statements (continued) for the six-month period ended 30 June 2019

24. Related party balances and transactions (continued)

(e) Deposits from related parties

	As at 30 June 2019		As at 31 December 2018	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
Shareholders:				
Deposit outstanding	228,443	56,184	294,793	73,368
Accrued interest payable	3,467	853	8,678	2,160
	<u>231,910</u>	<u>57,037</u>	<u>303,471</u>	<u>75,528</u>
Board of Directors:				
Deposit outstanding	551,012	135,517	589,058	146,605
Accrued interest payable	15,364	3,779	15,670	3,900
	<u>566,376</u>	<u>139,296</u>	<u>604,728</u>	<u>150,505</u>
Key management:				
Deposit outstanding	1,894,895	466,034	2,513,161	625,476
Accrued interest payable	7,729	1,901	29,448	7,329
	<u>1,902,624</u>	<u>467,935</u>	<u>2,542,609</u>	<u>632,805</u>

	For the six-month period ended 30 June 2019		For the six-month period ended 30 June 2018 (Not reviewed)	
	KHR'000	US\$ (Note 4)	KHR'000	US\$ (Note 4)
Interest expenses in respect of deposit from related parties:				
Shareholders	4,907	1,207	31,151	7,667
Board of Directors	15,895	3,909	69,190	17,029
Key management	43,117	10,604	159,420	39,237
	<u>63,919</u>	<u>15,720</u>	<u>259,761</u>	<u>63,933</u>

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Notes to the condensed interim financial statements (continued) for the six-month period ended 30 June 2019

25. Taxation contingencies

The taxation system in Cambodia is relatively new and is characterised by numerous taxes and frequently changing legislation, which is often unclear, contradictory, and subject to interpretation. Often, differing interpretations exist among numerous taxation authorities and jurisdictions. Taxes are subject to review and investigation by a number of authorities, who are enabled by law to impose severe fines, penalties and interest charges.

These facts may create tax risks in Cambodia substantially more significant than in other countries. Management believes that it has adequately provided for tax liabilities based on its interpretation of tax legislation. However, the relevant authorities may have different interpretations and the effects could be significant.