



MOBILITY FINANCE

by ReNet.jp



MOBILITY FINANCE (CAMBODIA) PLC. ANNUAL REPORT

2019

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TAKESHI KURODA

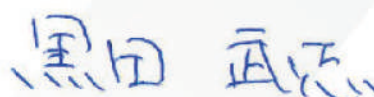
Chairman of the board

The Cambodian economy is one of the fastest-growing economies and grew by around 7% in 2019 with favourable business environments and investment opportunities in Cambodia. Financial sector continues to develop and significantly contributes to support this economic growth. About financial leasing sector established in financial sector, its scale and scope have continued expanding over more than 5 years which provides financial leases on movable assets such as motorbikes, cars, agricultural equipment, construction machinery, electronic appliances and so on. According to the National Bank of Cambodia, financial leases are distributed to key industries, such as households 28.5%, service 17.9%, transportation 14.2%, construction 6.9%, agriculture 9.3%, trade 6.1%, and others 17.1%.

For our company, 2019 was a remarkable year of change. "Elin Leasing Plc." was completely transformed to "Mobility Finance (Cambodia) Plc.", on 2nd August. We moved our head office from Sihanouk Ville to Phnom Penh, the capital of Cambodia, so that we can approach our customer base in the main city.

2019 has resulted in loss due to relocation and restructure. However, Mobility Finance creates value in medium to long term by executing sound strategies and making solid progress.

I would like to take this occasion to sincerely thanks to all shareholders and management team, who always keep standing front line and delivering the effort in every circumstance. As a consequence, we are confident about further customer satisfaction and growth of the company.



Takeshi Kuroda
Board Chairman



TAKESHI KURODA
Chairman of the board

Mr. Kuroda is the Chairman of the board of Mobility Finance (Cambodia) Plc, and the President and CEO of Renet Japan Group. In 1989, he joined Toyota Motor Corporation. In 1998, after leaving Toyota Motor Corporation, he established BOOKOFF WAVE Co., Ltd and became a President and CEO. In 2000, he established eBOOKOFF Co., Ltd (currently Renet Japan Group, Inc) as a President and CEO. In December 2016, Renet Japan Group, Inc was successfully listed on Tokyo Stock Exchange.



TARŌ UENO
Director

Mr. Ueno was appointed as the board of director of Mobility Finance (Cambodia) Plc in December 2019. Having joined SBI Holdings in 2019 as a manager, he plays an important role in oversea business administration and investment operation, including oversea investment portfolio, due diligence of investment deals and investment procedures for the company. He has sound knowledge of the banking industry, having spent over 13 years in Mizuho bank. During that period, he had spent a total of 8 years working in Singapore, Hong Kong and Vietnam, directing trade finance sales and managing local staff members as a department head.



TOSHIYA MATSUO
Director

Mr. Matsuo was appointed as the board of director of Mobility Finance (Cambodia) Plc in December 2019. He also serves as CEO at Mobility Finance (Cambodia) Plc, and CEO at Renet Japan (Cambodia) Co., Ltd. He has more than 25 years of experience in managing and conducting new business development as well as global business operation including PMI in ASEAN, Europe and USA. He held several senior management positions, including Executive Officer, President and CEO, Managing Director, in the several renowned companies. Over the years, he has been based in Thailand and Cambodia.



SHIZUKA AOKI
Director

Ms. Aoki was appointed as the board of director of Mobility Finance (Cambodia) Plc in December 2019. Her international working experience was started in 2016 in Thailand. In August 2018, she joined Renet Japan (Cambodia) Co., Ltd as General Manager. In September 2019, when ELIN Leasing Plc (currently Mobility Finance (Cambodia) Plc) started the business operation, she joined Mobility Finance (Cambodia) Plc as Chief Operation Officer (COO). She oversees budget and overall operations, including sales, marketing, credit evaluation, contracts, legal, finance, accounting, human resources and IT, both in strategic planning and execution.



Ravy KHEK
Independent Director

Mr. Khek was appointed as an Independent Director of ELIN Leasing Plc (currently, Mobility Finance (Cambodia) Plc) in August 2019. He is a Partner at DBLS Law and is an Independent Director on the board of SBI Ly Hour Bank Plc. He acts as a Managing Director for RGL Equity (Siem Reap) Co. Ltd., a property development company. He was formerly a Deputy Minister at the Ministry of Commerce, Royal Government of Cambodia. Between 1985 and 2019, He held important positions including the positions of Owner, Chairman, Director, and Non-Executive Director, at various companies in France and Cambodia.



YOSHITAKA TAKAHASHI
Independent Director

Mr. Takahashi was appointed as the Independent Director of Mobility Finance in May 2019. Since 2008, he has been the Independent Director of Renet Japan Group Inc, advising on business development. In 1990, he started his career at Andersen Consulting (currently Accenture Japan Ltd). After that, he joined Global Food Creators Co., Ltd where he direct IPO of that company. In 1999, he set up his own consulting business and worked for numerous companies to support business development.



KAZUNARI OGAWA
Director

Mr. Ogawa was appointed as the Director of Mobility Finance (Cambodia) Plc in May 2019. He is also the CEO and Authorized Director at SBI Thai Online Securities Co., Ltd, and the director at SBI Royal Securities Plc. After he worked for the securities company and the consulting company, he joined E-Trade Co., Ltd. (currently SBI Securities) in 2000, and directed system development such as trading platform. He was also a member of the start-up project of Sumishin SBI Net Bank, and since 2007, he was responsible for operation and management of the bank system as a head of the system administration department. Since 2015, he had been responsible for overseas business administration in SBI Holdings, Inc., being engaged in the development of financial service business in Southeast Asia.

MOBILITY FINANCE (CAMBODIA) PLC.
(Incorporated in Cambodia)

DIRECTORS' REPORT

The Directors hereby submit their report and the audited financial statements of Mobility Finance (Cambodia) Plc. ("the Company") for the financial year ended 31 December 2019.

Principal activities

The principal activity of the Company is financial leasing operation. There have been no significant changes in the nature of these activities during the financial year.

Change of name

On 2 August 2019, the Company changed its name from Elin Leasing Plc. to Mobility Finance (Cambodia) Plc..

Results of operations

	US\$	KHR'000
Loss for the financial year	235,513	959,715

Dividends

The Directors do not recommend the payment of any dividend for the current financial year.

Reserves and provisions

There were no material transfers to or from reserves or provisions during the current financial year.

Bad and doubtful debts

Before the statement of comprehensive income and statement of financial position of the Company were made out, the Directors took reasonable steps to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts.

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

Current assets

Before the statement of comprehensive income and statement of financial position were made out, the Directors took reasonable steps to ensure that for any current assets which were unlikely to be realised in the ordinary course of business, their values as shown in the accounting records of the Company have been written down to an amount expected if realised.

At the date of this report, the Directors are not aware of any circumstances which would render the values attributed to the current assets in the financial statements of the Company misleading.

MOBILITY FINANCE (CAMBODIA) PLC.
(Incorporated in Cambodia)

DIRECTORS' REPORT (continued)

Valuation methods

At the date of this report, the Directors are not aware of any circumstances, which have arisen and which may render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate.

Contingent and other liabilities

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

- (i) any charge on the assets of the Company which has arisen since the end of the financial year which secures the liabilities of any other person, or
- (ii) any contingent liability of the Company which has arisen since the end of the financial year.

No contingent or other liability has become enforceable, or is likely to become enforceable, within the period of 12 months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Company to meet its obligations when they fall due.

Change of circumstances

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

Items of an unusual nature

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

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

Share capital

The Company did not issue any shares during the current financial year.

No option to take up unissued shares in the Company was granted during the financial year and there were no shares under options at the end of the financial year in respect of shares in the Company.

MOBILITY FINANCE (CAMBODIA) PLC.
(Incorporated in Cambodia)

DIRECTORS' REPORT (continued)

Directors

The Directors who have held for office since the date of the last report are:

Takeshi Kuroda	(appointed on 29 May 2019)
Kazunari Ogawa	(appointed on 29 May 2019)
Yoshitaka Takahashi	(appointed on 29 May 2019)
Khek Ravy	(appointed on 2 August 2019)
Toshiya Matsuo	(appointed on 20 December 2019)
Shizuka Aoki	(appointed on 20 December 2019)
Taro Ueno	(appointed on 20 December 2019)
Ty Chandy	(resigned on 29 May 2019)
Leang Phuong Bunnarath	(resigned on 29 May 2019)
Dao Cambodochine	(resigned on 29 May 2019)

Directors' benefits

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

Since the end of the previous financial year, the Directors have not received or become entitled to receive any benefit by reason of a contract made by the Company or a related corporation with the Directors or with a firm of which the Directors is a member, or with a company in which the Directors has a substantial financial interest.

Directors' responsibility in respect of the financial statements

The Directors are responsible to ascertain that the financial statements give a true and fair view of the financial position of the Company as at 31 December 2019, and of its financial performance and cash flows for the financial year then ended. In preparing these financial statements, the Directors are required to:

- (a) adopt appropriate accounting policies which are supported by reasonable judgements and estimates and then apply them consistently;
- (b) comply with the disclosure requirements of the Cambodian International Financial Reporting Standards for Small and Medium-sized Entities ("CIFRSs for SMEs") and the guidelines issued by the National Bank of Cambodia relating to the preparation and presentation of financial statements or, if there have been any departures in the interest of true and fair presentation, ensure that these have been appropriately disclosed, explained and quantified in the financial statements;
- (c) maintain adequate accounting records and an effective system of internal controls;
- (d) prepare the financial statements on a going concern basis unless it is inappropriate to assume that the Company will continue its operations in the foreseeable future; and
- (e) control and direct effectively the Company in all material decisions affecting its operations and performance and ascertain that such decisions and/or instructions have been properly reflected in the financial statements.

MOBILITY FINANCE (CAMBODIA) PLC.
(Incorporated in Cambodia)

DIRECTORS' REPORT (continued)

Directors' responsibility in respect of the financial statements (continued)

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

Significant event during the financial year

The significant event during the financial year is disclosed in Note 26 to the financial statements.

Significant event subsequent to the end of the reporting period

The significant event subsequent to the end of the reporting period is disclosed in Note 27 to the financial statements.

Statement by the Directors

In the opinion of the Directors, the financial statements set out on pages 8 to 27 have been drawn up in accordance with Cambodian International Financial Reporting Standards for Small and Medium-sized Entities and the guidelines issued by the National Bank of Cambodia so as to give a true and fair view of the financial position of the Company as at 31 December 2019, and of its financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board,


Toshiya Matsuo
Director

Phnom Penh, Cambodia
Date: 30 April 2020

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
MOBILITY FINANCE (CAMBODIA) PLC.
(Incorporated in Cambodia)
(Registration No: Co. 3694 KH/2014)**

Report on the Audit of Financial Statements

Opinion

We have audited the financial statements of Mobility Finance (Cambodia) Plc. ("the Company"), which comprise statement of financial position as at 31 December 2019, and statement of comprehensive income, statement of changes in equity and statement of cash flows for the financial year then ended, and a summary of significant accounting policies, as set out on pages 8 to 27.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2019, and of its financial performance and cash flows for the financial year then ended in accordance with Cambodian International Financial Reporting Standards for Small and Medium-sized Entities and the guidelines issued by the National Bank of Cambodia.

Basis for Opinion

We conducted our audit in accordance with Cambodian International Standards on Auditing ("CISAs"). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Company in accordance with the *Code of Ethics for Professional Accountants and Auditors* of the Kampuchea Institute of Certified Public Accountants and Auditors ("Code of Ethics") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics and the IESBA Code.

Material Uncertainty Related to Going Concern

We draw attention to Note 4.1 in the financial statements, which indicates that the Company incurred a loss of US\$235,513 during the financial year ended 31 December 2019, and as of that date, its current liabilities exceeded its current assets by US\$303,102. As stated in Note 4.1, these events or conditions, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the Directors' Report but does not include the financial statements of the Company and our auditor's report thereon.

Our opinion on the financial statements of the Company does not cover the Directors' Report and we do not express any form of assurance conclusion thereon.

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
MOBILITY FINANCE (CAMBODIA) PLC.
(Incorporated in Cambodia)
(Registration No: Co. 3694 KH/2014)**

**Information Other than the Financial Statements and Auditors' Report Thereon
(continued)**

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

If, based on the work we have performed, we conclude that there is a material misstatement of the Directors' Report, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Cambodian International Financial Reporting Standards for Small and Medium-sized Entities and the guidelines issued by the National Bank of Cambodia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Company that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with CISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
MOBILITY FINANCE (CAMBODIA) PLC.
(Incorporated in Cambodia)
(Registration No: Co. 3694 KH/2014) (continued)**

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

As part of an audit in accordance with CSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also: (continued)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Company, including the disclosures, and whether the financial statements of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

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

Other Matters

This report is made solely to the shareholders of the Company, as a body. We do not assume responsibility to any other person for the content of this report.

BDO (Cambodia) Limited

Phnom Penh, Cambodia
Date: 30 April 2020

MOBILITY FINANCE (CAMBODIA) PLC.
(Incorporated in Cambodia)

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Note	2019 US\$	KHR'000	2018 US\$
ASSETS				
Non-current assets				
Property, plant and equipment	6	5,441	22,172	11,004
Intangible assets	7	8,433	34,364	4,686
Loans and receivables	8	505,129	2,058,401	49,833
		519,003	2,114,937	65,523
Current assets				
Inventories	9	6,615	26,956	-
Loans and receivables	8	81,758	333,164	-
Other receivables	10	10,203	41,577	8,324
Balances with National Bank of Cambodia	11	29,200	118,990	29,200
Balances with other banks	12	70,672	287,988	368,490
		198,448	808,675	406,014
TOTAL ASSETS		717,451	2,923,612	471,537
EQUITY AND LIABILITIES				
Equity				
Share capital	13	584,000	2,379,800	584,000
Regulatory reserve	14	5,338	21,752	-
Accumulated losses		(374,146)	(1,524,645)	(133,295)
TOTAL EQUITY		215,192	876,907	450,705
LIABILITIES				
Non-current liability				
Deferred tax liability		709	2,889	709
Current liabilities				
Other payables	15	101,344	412,977	20,096
Borrowing	16	400,000	1,630,000	-
Current tax liabilities		206	839	27
		501,550	2,043,816	20,123
TOTAL LIABILITIES		502,259	2,046,705	20,832
TOTAL LIABILITIES AND EQUITY		717,451	2,923,612	471,537

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

MOBILITY FINANCE (CAMBODIA) PLC.
(Incorporated in Cambodia)

STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	2019		2018
		US\$	KHR'000	US\$
Interest income	17	24,716	100,718	69,823
Interest expense	18	<u>(1,447)</u>	<u>(5,897)</u>	<u>-</u>
Net interest income		23,269	94,821	69,823
Other income	19	18,879	76,932	2,767
Administrative expenses	20	<u>(277,190)</u>	<u>(1,129,549)</u>	<u>(223,428)</u>
Loss before tax		(235,042)	(957,796)	(150,838)
Tax expense	21	<u>(471)</u>	<u>(1,919)</u>	<u>(726)</u>
Loss for the financial year		(235,513)	(959,715)	(151,564)
Other comprehensive income, net of tax		<u>-</u>	<u>-</u>	<u>-</u>
Total comprehensive loss for the financial year		<u>(235,513)</u>	<u>(959,715)</u>	<u>(151,564)</u>

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

MOBILITY FINANCE (CAMBODIA) PLC.
(Incorporated in Cambodia)

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Share capital US\$	Regulatory reserve US\$	Accumulated losses US\$	Total US\$
Balance as at 1 January 2018	584,000	-	18,269	602,269
Loss for the financial year, representing total comprehensive loss	-	-	(151,564)	(151,564)
Balance as at 31 December 2018	584,000	-	(133,295)	450,705
Loss for the financial year, representing total comprehensive loss	-	-	(235,513)	(235,513)
Transactions with owners				
Transfer to regulatory reserve, representing total transactions with owners	-	5,338	(5,338)	-
Balance as at 31 December 2019	584,000	5,338	(374,146)	215,192
<i>(KHR'000 equivalent)</i>	<i>2,379,800</i>	<i>21,752</i>	<i>(1,524,645)</i>	<i>876,907</i>

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

MOBILITY FINANCE (CAMBODIA) PLC.
(Incorporated in Cambodia)

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	2019 US\$	KHR'000	2018 US\$
Cash flows from operating activities				
Loss before tax		(235,042)	(957,796)	(150,838)
Adjustments for:				
Amortisation of intangible assets	7	3,753	15,293	3,537
Depreciation of property, plant and equipment	6	6,718	27,376	7,548
Impairment loss on loans and receivables		7,062	28,778	49,204
Interest expense	18	1,447	5,897	-
Property, plant and equipment written off		-	-	1,405
Operating loss before working capital changes		(216,062)	(880,452)	(89,144)
Changes in working capital				
Inventories		(6,615)	(26,956)	-
Loans and receivables		(544,116)	(2,217,273)	364,242
Other receivables		(1,879)	(7,657)	55,348
Other payables		79,801	325,189	469
Cash (used in)/generated from operations		(688,871)	(2,807,149)	330,915
Income tax paid		(292)	(1,190)	(6,232)
Net cash (used in)/from operating activities		(689,163)	(2,808,339)	324,683
Cash flows from investing activities				
Purchase of property, plant and equipment	6	(1,155)	(4,707)	(340)
Purchase of intangible assets	7	(7,500)	(30,563)	-
Net cash used in investing activities		(8,655)	(35,270)	(340)
Cash flows from financing activity				
Proceed from borrowing, representing net cash from financing activity		400,000	1,630,000	-
Net (decrease)/increase in cash and cash equivalents		(297,818)	(1,213,609)	324,343
Cash and cash equivalents at beginning of financial year		368,490	1,501,597	44,147
Cash and cash equivalents at end of financial year		70,672	287,988	368,490

MOBILITY FINANCE (CAMBODIA) PLC.
(Incorporated in Cambodia)

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

Cash and cash equivalents comprise the following:

	Note	2019		2018
		US\$	KHR'000	US\$
Balances with National Bank of Cambodia (excluding statutory deposit)		-	-	-
Balances with other banks	12	<u>70,672</u>	<u>287,988</u>	<u>368,490</u>
		<u>70,672</u>	<u>287,988</u>	<u>368,490</u>

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

MOBILITY FINANCE (CAMBODIA) PLC.
(Incorporated in Cambodia)

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019

1. CORPORATE INFORMATION

Mobility Finance (Cambodia) Plc. (“the Company”) is a public limited company incorporated in Cambodia under registration number Co. 3694 KH/2014 dated 8 December 2014, issued by the Ministry of Commerce.

The Company obtained its license from the National Bank of Cambodia (“NBC”) to operate as a financial leasing company on 17 February 2015.

The holding company is Renet Japan Group Inc., which is incorporated in Japan.

The registered office of the Company is located at 5th Floor, No. 425, St. 271, Sangkat Toul Tom Pong 2, Khan Chamkarmon, Phnom Penh, Cambodia, the Kingdom of Cambodia.

The financial statements are presented in United States Dollar (“US\$”), which is also the Company’s functional currency.

The financial statements were authorised for issue by the Board of the Directors on 30 April 2020.

2. PRINCIPAL ACTIVITY

The principal activity of the Company is financial leasing operation. There have been no significant changes in the nature of this activity during the financial year.

3. BASIS OF PREPARATION

The financial statements of the Company have been prepared in accordance with Cambodian International Financial Reporting Standards for Small and Medium-sized Entities (“CIFRSs for SMEs”) as issued by the National Accounting Council of the Ministry of Economy and Finance and the guidelines issued by the NBC relating to the preparation and presentation of financial statements.

In the previous financial year, the Company’s financial statements were prepared in accordance with Cambodian International Financial Reporting Standards (“CIFRSs”) and the effects of the adoption of CIFRS for SMEs did not have any material effect on the financial performance or position of the Company.

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Basis of accounting

The financial statements of the Company have been prepared under the historical cost convention except as otherwise stated in the financial statements and on a going concern basis.

During the financial year ended 31 December 2019, the Company incurred a loss of US\$235,513, and as of that date, its current liabilities exceeded its current assets by US\$303,102. These conditions indicate the existence of a material uncertainty, which may cast significant doubt about the Company’s ability to continue as a going concern. The ability of the Company to continue as a going concern in the foreseeable future is therefore dependent on its ability to receive continuous financial support from its holding company to sustain its operations and meet its obligations as and when they fall due.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.1 Basis of accounting (continued)

The holding company has agreed to continue to support the Company by providing adequate financial assistance to enable the Company to continue as a going concern for the foreseeable future. As such, the Directors consider that it is appropriate to prepare the financial statements of the Company on a going concern basis, and accordingly, the financial statements do not include any adjustments related to the recoverability and classification of recorded assets amount, or to amounts or classification of liabilities that may be necessary, if the going concern basis of preparing the financial statements of the Company is inappropriate.

The preparation of financial statements in conformity with CIFRSs for SMEs requires the Directors to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses and disclosure of contingent assets and contingent liabilities. In addition, the Directors are also required to exercise their judgement in the process of applying the accounting policies. The areas involving such judgements, estimates and assumptions are disclosed in Note 5 to the financial statements. Although these estimates and assumptions are based on the Directors' best knowledge of events and actions, actual results could differ from those estimates.

In compliance with the requirements of the NBC, all assets, liabilities, profit and loss items in foreign currencies at the end of the reporting year are converted into thousand Khmer Riel ("KHR'000") using the official exchange rate announced by the NBC at the end of the reporting year, US\$1 = KHR4,075 (2018: US\$1 = KHR4,018). Such conversions should not be construed as representations that the KHR amounts have been, could be, or could in the future be, converted into US\$ at this or any other rate of exchange.

4.2 Balances with National Bank of Cambodia

Balances with National Bank of Cambodia represent mandatory reserve deposits and cash maintained with the National Bank of Cambodia in compliance with the Law on Banking and Financial Institutions ("LBFI"). Statutory deposits are not available to finance the Company's day-to-day operations hence are not considered as part of cash and cash equivalents for the purpose of the statement of cash flows.

4.3 Property, plant and equipment

All items of property, plant and equipment are initially measured at cost. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the asset and which has different useful life, is depreciated separately.

After initial recognition, property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated to write off the cost of the assets to their residual values on a straight line basis over their estimated useful lives. The principal depreciation periods are as follows:

Leasehold improvement	5 years
Office furniture, fixture and equipment	2-4 years
Motor vehicles	4 years
Computer and IT equipment	2 years

At the end of each reporting period, the carrying amount of an item of property, plant and equipment is assessed for impairment when events or changes in circumstances indicate that its carrying amount may not be recoverable. A write down is made if the carrying amount exceeds the recoverable amount (see Note 4.5 to the financial statements on impairment of non-financial assets).

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.3 Property, plant and equipment (continued)

The carrying amount of an item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any, and the carrying amount is included in profit or loss.

4.4 Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any accumulated impairment losses.

4.5 Impairment of non-financial assets

The carrying amount of assets, except for financial assets, are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

Intangible assets that have an indefinite useful life are tested annually for impairment or more frequently if events or changes in circumstances indicate that the intangible asset might be impaired.

The recoverable amount of an asset is estimated for an individual asset. Where it is not possible to estimate the recoverable amount of the individual asset, the impairment test is carried out on the cash generating unit ("CGU") to which the asset belongs.

The recoverable amount of an asset or CGU is the higher of its fair value less cost to sell and its value in use.

In estimating the value in use, the estimated future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted. An impairment loss is recognised in profit or loss when the carrying amount of the asset or the CGU exceeds the recoverable amount of the asset or the CGU. The total impairment loss is allocated to reduce the carrying amount of the assets of the CGU on a pro-rata basis of the carrying amount of each asset in the CGU. The impairment loss is recognised in profit or loss immediately.

An impairment loss is reversed if, and only if, there has been a change in the estimates used to determine the assets' recoverable amount since the last impairment loss was recognised.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Such reversals are recognised as income immediately in profit or loss.

4.6 Operating leases

A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Lease payments under operating leases are recognised as an expense on a straight-line basis over the lease term.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.7 Financial instruments

An entity shall recognise a financial asset or a financial liability only when the entity becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is recognised initially at the transaction price (including transaction costs except in the initial measurement of financial assets and liabilities that are measured at fair value through profit or loss) unless the arrangement constitutes, in effect, a financing transaction.

Loans to customers and other receivables are recognised initially at the transaction price. Subsequently they are measured at amortised cost using the effective interest method, less any impairment. Loans to customers are made on normal credit terms and loan receivables bear interest. At the end of each reporting period, the carrying amounts of loans to customers and other receivables are reviewed to determine whether there is any objective evidence that the amounts are not recoverable. If so, an impairment loss is recognised immediately in profit or loss.

Other payables and borrowings are recognised initially at transaction price. After initial recognition they are measured at amortised cost using the effective interest method. Trade payables are on normal credit terms and do not bear interest.

4.8 Impairment of financial assets

All financial assets are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment.

The Company collectively considers factors such as the probability of bankruptcy or significant financial difficulties, and default or significant delay in payments to determine whether there is objective evidence that an impairment loss has occurred. Other factors may also be evidence of impairment, including the restructuring of a loan, disappearance of an active market for a security and adverse changes that have taken place in the economic environment.

If there is objective evidence that an impairment loss has been incurred for loans which are deemed to be individually significant, the amount of loss is measured as the difference between the carrying amount of loans and the present value of estimated future cash flows discounted at the original effective interest rate of the loans. The carrying amount of the loans is reduced through the use of an impairment allowance account and the amount of the impairment loss is recognised in the statement of comprehensive income.

Loans which are not individually significant and that have been individually assessed with no evidence of impairment loss are grouped together for collective impairment assessment. These loans are grouped within similar credit risk characteristics for collective assessment, whereby data from the loans, advances and financing portfolio (such as credit quality, levels of arrears, credit utilisation, loan to collateral ratios, etc.) and concentrations of risks (such as the performance of different individual groups) are taken into consideration.

If, in a subsequent period, the amount of the impairment loss decreases and it objectively relates to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of impairment reversed is recognised in the statement of comprehensive income.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.9 Regulatory reserve

Regulatory reserve is maintained in addition to the allowance for doubtful loans that has been assessed and recognised in accordance with CIFRS for SMEs and which has been transferred from the retained earnings, in accordance with NBC's Prakas No. B7-017-344 Pro Kor dated 1 December 2017 and Circular No. B7-018-001 dated 16 February 2018.

NBC guidelines require microfinance institutions to classify their loan portfolio into the following five classes and ensure that the minimum mandatory level of specific allowance is made:

Classification	Number of days past due	Allowance
Short-term loans (less than one year):		
General		
Normal	0 - 14 days	1%
Specific		
Special mention	15 - 30 days	3%
Sub-standard	31 - 60 days	20%
Doubtful	61 - 90 days	50%
Loss	91 days or more	100%
Long-term loans (more than one year):		
General		
Normal	0 - 29 days	1%
Specific		
Special mention	30 - 89 days	3%
Sub-standard	90 - 179 days	20%
Doubtful	180 - 359 days	50%
Loss	360 days or more	100%

In accordance with Article 73 of Prakas No. B7-017-344 Pro Kor, the Company shall compare the allowance calculated in accordance with above requirements and the Company's allowance recorded under CIFRS for SMEs:

- If the regulatory allowance is lower, the Company records the allowance calculated in accordance with CIFRS for SMEs; and
- If the regulatory allowance is higher, the Company records the allowance calculated in accordance with CIFRS for SMEs and transfer the difference from retained earnings to regulatory reserve in equity.

4.10 Income taxes

Income taxes include all taxes on taxable profit. Taxes in the statement of comprehensive income comprise current tax and deferred tax.

(a) Current tax

Current tax expenses are determined according to the tax laws and include all taxes based upon the taxable profits.

(b) Deferred tax

A deferred tax asset or liability is recognised for tax recoverable or payable in future periods as a result of past transactions or events. Deferred tax arises from differences (known as temporary differences) between the carrying amounts of assets and liabilities in the consolidated statement of financial position and their corresponding tax bases. The tax bases of assets are determined by the consequences of sale of the assets.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.10 Income taxes (continued)

(b) Deferred tax (continued)

Deferred tax liabilities are recognised for all temporary differences that are expected to increase taxable profit in the future, except those associated with goodwill. Deferred tax assets are recognised for all temporary differences that are expected to reduce taxable profit in the future and any unused tax losses.

Deferred tax assets are measured at the highest amount that is more likely than not to be recovered, based on current or estimated future taxable profit. The net carrying amount of deferred tax assets is reviewed at each reporting date and is adjusted to reflect the current assessment of future taxable profits. Any adjustments are recognised in profit or loss, unless attributable to an item in other comprehensive income.

Deferred tax is calculated at the tax rates that are expected to apply to the taxable profit (tax loss) of the periods in which management expects the deferred tax asset to be realised or the deferred tax liability to be settled, on the basis of tax rates that have been enacted or substantively enacted by the end of the reporting period.

4.11 Provisions

Provisions are recognised when there is a present obligation, legal or constructive, as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the effect of the time value of money is material, the amount of a provision will be discounted to its present value at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision will be reversed.

Provisions are not recognised for future operating losses. If the Company has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

4.12 Interest recognition

(a) Interest income

Interest income is recognised using the effective interest method.

Where an account is classified as non-performing, recognition of interest income is suspended until it is realised on a cash basis. Customers' loan accounts are classified as non-performing where repayments are in arrears for 31 days and more for short-term loans and 90 days or more for long-term loans.

(b) Fees and commission income

The Company earns fee and commission income mainly from early settlements of loans, penalties and loan monitoring. They are recognised in the statement of comprehensive income on an accrual basis.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.13 Employee benefits

(a) Short term employee benefits

Wages, salaries, social security contributions, paid annual leave, paid sick leave, bonuses and non-monetary benefits are measured on an undiscounted basis and are expensed when employees rendered their services to the Company.

Short term accumulating compensated absences such as paid annual leave are recognised as an expense when employees render services that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur and they lapse if the current period's entitlement is not used in full and do not entitle employees to a cash payment for unused entitlement on leaving the Company.

Bonuses are recognised as an expense when there is present, legal or constructive obligation to make such payments, as a result of past events and when a reliable estimate can be made of the amount of the obligation.

(b) Termination benefits

Termination benefits are payments due to employees as a result of the termination of employment before the normal retirement date or an employee's decision to accept voluntary redundancy in exchange for those benefits. They are recognised as a liability and an expense when the Company has a detailed formal plan for termination with no realistic possibility of withdrawal. In the case of voluntary redundancy, the benefits are accounted for based on the number of employees expected to accept the offer.

Where termination benefits fall due more than 12 months after the end of reporting period, they are discounted to present value based on market yields at the end of reporting period.

4.14 Foreign currencies

(a) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The national currency of Cambodia is Khmer Riel ("KHR"). However, as the Company transacts its business and maintains its accounting records primarily in United States Dollar ("US\$"), management have determined US\$ to be the Company's functional and presentation currency as it reflects the economic substance of the underlying events and circumstances of the Company.

(b) Foreign currency translations and balances

Transactions in foreign currencies are converted into functional currency at rates of exchange ruling at the transaction dates. Monetary assets and liabilities in foreign currencies at the end of the reporting period are translated into functional currency at rate of exchange ruling at that date. All exchange differences arising from the settlement of foreign currency transactions and from the translation of foreign currency monetary assets and liabilities are included in profit or loss in the period in which they arise. Non-monetary items initially denominated in foreign currencies, which are carried at historical cost are translated using the historical rate as of the date of acquisition, and non-monetary items which are carried at fair value are translated using the exchange rate that existed when the values were determined for presentation currency purposes.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.15 Borrowing costs

Borrowing costs are recognised in profit or loss in the period in which they are incurred.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

5.1 Changes in estimates

Estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Directors are of the opinion that there are no significant changes in estimates during the reporting period end and as at the end of the reporting period.

5.2 Critical judgements made in applying accounting policies

There are no critical judgements made by the management in the process of applying the Company's accounting policies that have the most significant effect on the amount recognised in these financial statements apart from those involving estimates, which are dealt with below.

5.3 Key sources of estimation uncertainty

The following are the key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(a) Depreciation of property, plant and equipment

The cost of property, plant and equipment is depreciated on a straight-line basis over the assets' useful lives. Management estimates the useful lives of these property, plant and equipment based on historical experience, the expected usage, wear and tear of the assets and technical obsolescence arising from changes in market demands or service output of the assets. Changes in these factors could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

(b) Impairment of receivables

The Company makes impairment of receivables based on an assessment of the recoverability of receivables. Impairment is applied to receivables where events or changes in circumstances indicate that the carrying amounts may not be recoverable. Management specifically analyses historical bad debt, customer concentration, customer creditworthiness, current economic trends and changes in customer payment terms when making a judgement to evaluate the adequacy of impairment of receivables. Where expectations differ from the original estimates, the differences would impact the carrying amount of receivables.

(c) Tax expense

Significant judgement is involved in determining the Company's provision for taxes. The Company will recognise liabilities for expected tax expenses based on an estimate of whether the taxes are due through management's interpretation of the various tax legislations. When the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the tax provision in the financial year in which such determination is made.

6. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvement US\$	Office furniture, fixture and equipment US\$	Motor vehicles US\$	Computer and IT equipment US\$	Total US\$
Cost					
Balance at 1.1.2018	4,618	5,430	10,250	19,188	39,486
Additions	-	-	-	340	340
Written-off	(1,820)	-	-	-	(1,820)
Balance at 31.12.2018	2,798	5,430	10,250	19,528	38,006
Additions	-	-	-	1,155	1,155
Balance at 31.12.2019	2,798	5,430	10,250	20,683	39,161
Accumulated depreciation					
Balance at 1.1.2018	1,879	2,454	4,728	10,808	19,869
Depreciation for the year	701	1,328	2,562	2,957	7,548
Written-off	(415)	-	-	-	(415)
Balance at 31.12.2018	2,165	3,782	7,290	13,765	27,002
Depreciation for the year	558	1,085	2,370	2,705	6,718
Balance at 31.12.2019	2,723	4,867	9,660	16,470	33,720
Carrying amounts					
Balance as at 31.12.2019	75	563	590	4,213	5,441
<i>(KHR'000 equivalent)</i>	<i>306</i>	<i>2,294</i>	<i>2,404</i>	<i>17,168</i>	<i>22,172</i>
Balance as at 31.12.2018	633	1,648	2,960	5,763	11,004

7. INTANGIBLE ASSETS

	Computer software US\$
Cost	
Balance at 1.1.2018	17,700
Additions	-
Balance at 31.12.2018	17,700
Additions	7,500
Balance at 31.12.2019	25,200
Accumulated amortisation	
Balance at 1.1.2018	9,477
Amortisation for the year	3,537
Balance at 31.12.2018	13,014
Amortisation for the year	3,753
Balance at 31.12.2019	16,767
Carrying amounts	
Balance as at 31.12.2019	8,433
<i>(KHR'000 equivalent)</i>	<i>34,364</i>
Balance as at 31.12.2018	4,686

8. LOANS AND RECEIVABLES

	2019		2018
	US\$	KHR'000	US\$
Hire purchase receivables - gross	929,749	3,788,727	126,775
Less: Unearned finance income	(333,155)	(1,357,607)	(19,357)
	596,594	2,431,120	107,418
Less: Impairment loss	(9,707)	(39,555)	(57,585)
Hire purchase receivables - net	586,887	2,391,565	49,833
Less: Current portion	(81,758)	(333,164)	-
Hire purchase receivables - long term portion	505,129	2,058,401	49,833

As at 31 December 2019, a reconciliation between minimum lease payments in the hire purchase contracts together with the present value of future minimum lease payments receivables are as follows:

	2019		2018	
	Minimum lease payments of hire purchase contract US\$	Present value of future minimum hire purchase contract US\$	Minimum lease payments of hire purchase contract US\$	Present value of future minimum hire purchase contract US\$
- not later than one year	190,067	91,465	-	-
- later than one year and not later than five years	739,682	505,129	126,775	107,418
	929,749	596,594	126,775	107,418
Less:				
Unearned finance income	(333,155)		(19,357)	
Total	596,594		107,418	

9. INVENTORIES

	2019		2018
	US\$	KHR'000	US\$
At cost			
Consumable inventories	6,615	26,956	-

10. OTHER RECEIVABLES

	2019		2018
	US\$	KHR'000	US\$
Related parties	3,600	14,670	-
Prepayments	895	3,647	1,647
Advances	900	3,668	3,100
Others	4,808	19,592	3,577
	10,203	41,577	8,324

11. BALANCES WITH NATIONAL BANK OF CAMBODIA

	2019		2018
	US\$	KHR'000	US\$
Statutory deposit	<u>29,200</u>	<u>118,990</u>	<u>29,200</u>

In compliance with Prakas B7-011-232 Pro Kor dated 27 December 2011 on the Licensing of Finance Lease Companies, the Company is required to maintain a statutory capital deposit with the NBC of 5% of registered capital. This deposit is refundable should the Company voluntarily liquidate.

12. BALANCES WITH OTHER BANKS

	2019		2018
	US\$	KHR'000	US\$
Aceda Bank Plc.	46,707	190,331	1,461
Cambodia Asia Bank Plc.	-	-	5,441
Cambodian Public Bank	930	3,790	2,038
Canadia Bank Plc.	5,519	22,490	440
CIMB Bank Plc.	5,055	20,599	3,466
Foreign Trade Bank of Cambodia	12,461	50,778	350,194
Phillip Bank Plc.	-	-	465
Union Commercial Bank Plc.	-	-	4,985
	<u>70,672</u>	<u>287,988</u>	<u>368,490</u>

13. SHARE CAPITAL

	2019			2018	
	Number	US\$	KHR'000	Number	US\$
Ordinary shares of US\$1 (2018: US\$1) each					
Registered	<u>584,000</u>	<u>584,000</u>	<u>2,379,800</u>	<u>584,000</u>	<u>584,000</u>
Registered and issued:					
At 1 January/31 December	<u>584,000</u>	<u>584,000</u>	<u>2,379,800</u>	<u>584,000</u>	<u>584,000</u>

The owners of the Company are entitled to receive dividends as and when declared by the Company and are entitled to one vote per ordinary share at meetings of the Company. All ordinary shares rank pari passu with regard to the Company's residual assets.

14. REGULATORY RESERVE

Regulatory reserve is maintained in addition to the allowance for doubtful loans that has been assessed and recognised in accordance with CIFRS for SMEs and which has been transferred from the retained earnings, in accordance with NBC's Prakas No. B7-017-344 Pro Kor dated 1 December 2017 and Circular No. B7-018-001 dated 16 February 2018.

15. OTHER PAYABLES

	2019		2018
	US\$	KHR'000	US\$
Holding company	1,244	5,069	-
Accrued expenses	29,497	120,200	7,717
Other taxes payable	15,639	63,729	3,630
Provident Fund	-	-	5,746
Others	54,964	223,979	3,003
	<u>101,344</u>	<u>412,977</u>	<u>20,096</u>

16. BORROWING

	2019		2018
	US\$	KHR'000	US\$
Term loan	<u>400,000</u>	<u>1,630,000</u>	<u>-</u>

The term loan represents loan from holding company. This term loan bears interest at a rate of 4.00% (2018: Nil) per annum and is repayable on 31 May 2020.

17. INTEREST INCOME

	2019		2018
	US\$	KHR'000	US\$
Hire purchase interest income	<u>24,716</u>	<u>100,718</u>	<u>69,823</u>

18. INTEREST EXPENSE

	2019		2018
	US\$	KHR'000	US\$
Term loan	<u>1,447</u>	<u>5,897</u>	<u>-</u>

19. OTHER OPERATING INCOME

	2019		2018
	US\$	KHR'000	US\$
Penalty income	-	-	30
Commission income	14,590	59,453	2,588
Rental income	3,600	14,670	-
Foreign exchange gain	32	131	149
Other income	657	2,678	-
	<u>18,879</u>	<u>76,932</u>	<u>2,767</u>

20. ADMINISTRATIVE EXPENSES

	2019		2018
	US\$	KHR'000	US\$
Amortisation of intangible assets	3,753	15,293	3,537
Depreciation of property, plant and equipment	6,718	27,376	7,548
Staff costs	158,285	645,011	83,360
Impairment loss on loans and receivables	7,062	28,778	49,204
Office rental	32,123	130,901	18,800
Dues and membership fees	5,500	22,413	5,767
Communication expenses	198	807	5,451
Professional fees	17,909	72,979	5,350
Utilities	1,084	4,417	5,010
Transportation expenses	5,769	23,509	3,099
Office supplies	596	2,429	762
Others	38,193	155,636	35,540
	<u>277,190</u>	<u>1,129,549</u>	<u>223,428</u>

21. TAX EXPENSE

	2019		2018
	US\$	KHR'000	US\$
Income tax expense:			
Current year	<u>471</u>	<u>1,919</u>	<u>726</u>

Under the Cambodian Law on Taxation, the Company has an obligation to pay tax on profit at 20% (2018: 20%) of the taxable profit or a minimum tax at 1% (2018: 1%) of total revenue, whichever is higher.

The numerical reconciliation between the tax expense and the product of accounting loss multiplied by the applicable tax rate of the Company is as follows:

	2019		2018
	US\$	KHR'000	US\$
Loss before tax	<u>(235,042)</u>	<u>(957,796)</u>	<u>(150,838)</u>
Tax at Cambodian statutory tax rate of 20% (2018: 20%)	(47,008)	(191,559)	(30,168)
Tax effects in respect of:			
Non-allowable expenses	3,530	14,389	2,370
Deferred tax asset not recognised during the year	45,303	184,607	29,296
Tax allowance	(1,825)	(7,437)	(1,498)
Statutory minimum tax	<u>471</u>	<u>1,919</u>	<u>726</u>
Total tax expense	<u>471</u>	<u>1,919</u>	<u>726</u>

21. TAX EXPENSE (continued)

The amount of temporary differences for which no deferred tax asset has been recognised in the statement of financial position is as follows:

	2019		2018
	US\$	KHR'000	US\$
Unused tax losses			
- Expire by 31 December 2023	146,479	596,902	146,479
- Expire by 31 December 2024	226,513	923,040	-
	<u>372,992</u>	<u>1,519,942</u>	<u>146,479</u>

Deferred tax asset has not been recognised in respect of this item as it is not probable that taxable profits of the Company would be available against which the deductible temporary differences could be utilised.

The unused tax losses are subject to review and agreement by the General Department of Taxation.

22. OPERATING LEASE COMMITMENTS

The Company as lessee

The Company had entered into non-cancellable lease agreements for office space, resulting in future rental commitments which can, subject to certain terms in the agreements, be revised annually based on prevailing market rates. At year-end, the Company has outstanding commitments under non-cancellable operating leases that fall due, as follows:

	2019		2018
	US\$	KHR'000	US\$
Not later than one year	32,123	130,903	20,000
Later than one year and not later than five years	90,570	369,073	40,000
	<u>122,693</u>	<u>499,976</u>	<u>60,000</u>

23. RELATED PARTY DISCLOSURES

The Company had the following transactions with related parties during the financial period.

	2019	2018
	US\$	US\$
<u>Holding company</u>		
Renet Japan Group Inc.		
Drawdown of borrowing	400,000	-
Interest expense	1,447	-
<u>Common control</u>		
Renet Japan (Cambodia) Ltd.		
Office rental	3,600	-
Metrey HR Co.,Ltd		
Office rental	8,000	-
Car inspection service	2,640	-

23. RELATED PARTY DISCLOSURES (continued)

Balances with related parties at the end of the reporting period are disclosed in Note 10, Note 15 and Note 16 to the financial statements.

The related party transactions described above were carried out on negotiated commercial terms.

24. 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 differing interpretations and the effects could be significant.

25. CHANGE OF NAME

On 2 August 2019, the Company changed its name from Elin Leasing Plc. to Mobility Finance (Cambodia) Plc..

26. SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

On 29 May 2019, the Company was acquired by Renet Japan Group Inc. and SBI Holdings Inc..

27. SIGNIFICANT EVENT SUBSEQUENT TO THE END OF THE REPORTING PERIOD

The World Health Organisation declared the 2019 Novel Coronavirus infection ('COVID-19') a pandemic on 11 March 2020. Since this development occurred subsequent to the end of the reporting period, the COVID-19 pandemic is treated as a non-adjusting event in accordance with Section 32 *Events after the end of the Reporting Period*. Consequently, the financial statements for the financial year ended 31 December 2019 do not reflect the effects arising from this non-adjusting event.

The Company is in the process of assessing the financial reporting impact of COVID-19 pandemic since ongoing developments remain uncertain and cannot be reasonably predicted as at the date of authorisation of the financial statements.

The Company anticipates that the potential financial reporting impact of COVID-19 would be recognised in the financial statements of the Company during the financial year ending 31 December 2020.